HKBN Ltd.
香港寬頻有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1310)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 29 FEBRUARY 2024

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

The board of directors (the "**Board**") of HKBN Ltd. (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 29 February 2024 ("**1H2024**"). These results were based on the unaudited consolidated interim financial statements for 1H2024, which were prepared in accordance with the Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

ANNOUNCEMENT HIGHLIGHT

- Revenue decreased year-on-year by 13% to $5,809 million, primarily attributed to weaker than expected performance in sales of handset and other products. Despite this, the Group's core business segment, including fixed telecommunications network services, technology solution and consultancy services, achieved a stable year-on-year growth of 1%.

- EBITDA decreased year-on-year by 4% to $1,151 million, mainly due to softer sales of handset and other products, though this was partially offset by reduced operating expenses from operational improvements.

- Profit for the six-month period decreased year-on-year by 93% to $2 million. Despite the decline, this represents a significant turnaround from an annual loss of $1,267 million in the previous fiscal year. In comparison, the adjusted annual loss for the previous year was $67 million after excluding the one-time impairment on goodwill. This positive shift is mainly attributable to the Group's continuous efforts to enhance its core business performance and operational efficiency.

- Adjusted free cash flow ("**AFF**") decreased year-on-year by 66% to $124 million. This was significantly influenced by the prevailing high interest rate environment, which led to a 51% increase in the net interest paid during the review period. In consideration of the Company's dividend policy and the projected future capital expenditure requirements to create long-term value for all shareholders, the Board has recommended the payment of an interim dividend of 15 cents per share (28 February 2023: 20 cents per share).

SHAREHOLDER LETTER

Dear Fellow Shareholders,

Building a Solid Foundation for Sustainable Growth

We are persevering and heading in the right direction to establish a solid foundation for continued growth of our Enterprise Solutions and Residential Solutions businesses.

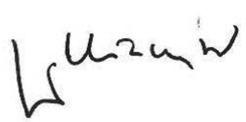
Enterprise Solutions: Capturing Growth Through ICT Transcendence
Our Enterprise Solutions business continued to transform into an ICT Powerhouse, as we achieved increased market penetration through the acquisition of new customers from the public sector, large enterprises, and through strengthening our position in the SME segment. Our genre-redefining solutions, such as IT·Simplified and AegisConnect, have gained significant traction among our enterprise customers. Tailored IT package solutions like OFFICE-IN-A-BOX and SHOP-IN-A-BOX were introduced to address sector-specific IT challenges. These developments highlight our strategic synergies in increasing enterprise wallet share through cross-selling fixed telecom network services and system integration solutions. We will continuously pursue premium ICT solutions to empower businesses to thrive.

Residential Solutions: Ongoing Infinite-play Strategy for ARPH Growth
As the premier broadband provider offering money-back guaranteed service, HKBN is committed to delivering a wide range of choices. Our Infinite-play strategy remains instrumental in driving sustainable growth of our average revenue per household (ARPH). As Hong Kong's only ecosystem to offer Netflix, Disney+, myTV SUPER, and iQIYI, we provide unparalleled entertainment options for consumers. With the addition of N mobile, our new travel and lifestyle mobile brand, complementing our existing MVNO mobile services — which is backed by China Mobile Hong Kong, SmarTone and 3HK — we now offer one of the market's most comprehensive selections of local and roaming options to cater to our enterprise and residential customers.

Leading the Evolution of Connectivity
Through a strategic alliance with Nokia, we are poised to change the industry by offering pre-sales of Hong Kong's first 25Gbps fibre network across the city^ to enterprise and residential customers. With this bold step, we anticipate steadily gaining market share and improving revenue from high-margin core services over the next 12-18 months, positioning us for solid growth in a key business area.

Looking ahead, our commitment to ICT transcendence remains rock-solid, and the effectiveness of our ongoing Infinite-play strategy is proven. We prioritise prudent resource management and allocation, enhancing operating expenses and capital expenditures to ensure maximum returns for growth.

Sincerely yours,



William Yeung
Co-Owner, Executive Vice-chairman & Group CEO

^ According to the market data disclosed by major telecommunication service providers in Hong Kong as at 26 April 2024, HKBN is the first telecommunication service provider to pre-sell 25G broadband service in Hong Kong.

KEY FINANCIAL AND OPERATIONAL SUMMARY

Table 1: Financial highlights

	For the six months ended 29 February 2024	28 February 2023	Change YoY
Key financials *($'000)*			
Revenue	**5,809,091**	6,707,216	-13%
– Enterprise Solutions	**2,310,418**	2,348,457	-2%
– Enterprise Solutions related products	**951,692**	1,039,731	-8%
– Residential Solutions	**1,181,509**	1,196,941	-1%
– Handset and other products	**1,365,472**	2,122,087	-36%
Profit for the period	**1,534**	23,238	-93%
Adjusted Net Profit [1,2]	**85,508**	102,208	-16%
EBITDA [1,3]	**1,151,172**	1,195,742	-4%
Adjusted Free Cash Flow [1,4]	**124,248**	367,648	-66%
Reconciliation of Adjusted Net Profit [1,2]			
Profit for the period	**1,534**	23,238	-93%
Amortisation of intangible assets	**185,771**	195,991	-5%
Deferred tax arising from amortisation of intangible assets	**(30,652)**	(32,100)	-5%
Deferred tax recognised on unused tax losses	**(71,145)**	(84,921)	-16%
Adjusted Net Profit	**85,508**	102,208	-16%
Reconciliation of EBITDA & Adjusted Free Cash Flow [1,3,4]			
Profit for the period	**1,534**	23,238	-93%
Amortisation of customer acquisition and retention costs	**135,127**	138,945	-3%
Amortisation of intangible assets	**185,771**	195,991	-5%
Depreciation	**423,891**	466,287	-9%
Finance costs	**400,712**	324,445	+24%
Income tax charge/(credit)	**6,254**	(12,196)	>100%
Interest income	**(5,832)**	(4,702)	+24%
Loss on disposal of subsidiary	**3,715**	–	100%
Share of loss of discontinued operation	**–**	63,734	-100%
EBITDA	**1,151,172**	1,195,742	-4%
Capital expenditure	**(204,240)**	(304,234)	-33%
Changes in working capital	**(16,929)**	159,811	->100%
Customer acquisition and retention costs	**(139,556)**	(120,573)	+16%
Income tax paid	**(212,551)**	(234,305)	-9%
Lease payment in relation to right-of-use assets	**(91,504)**	(88,654)	+3%
Net interest paid	**(362,144)**	(240,139)	+51%
Adjusted Free Cash Flow	**124,248**	367,648	-66%

KEY FINANCIAL AND OPERATIONAL SUMMARY (CONTINUED)

Table 2: Operational highlights

	For the six months ended			
	29 February 2024	31 August 2023	28 February 2023	**Change YoY**
Enterprise business				
Commercial building coverage	**8,120**	8,090	8,033	+1%
Subscriptions *('000)*				
– Broadband	**110**	117	119	-8%
– Voice	**373**	388	401	-7%
Enterprise customers [5] *('000)*	**97**	101	103	-6%
Residential business				
Residential homes passed *('000)*	**2,579**	2,560	2,543	+1%
Subscriptions *('000)*				
– Broadband	**903**	920	915	-1%
– Voice	**367**	386	411	-11%
Residential ARPU [6]	**$181**	$177	$179	+1%
Mobile business				
Subscriptions *('000)*	**234**	239	241	-3%
Residential customers *('000)*	**956**	972	980	-2%
Total full-time permanent Talents	**4,159**	4,428	4,834	-14%

Notes:

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

(2) Adjusted Net Profit means profit for the year plus amortisation of intangible assets (net of deferred tax credit and direct cost incurred in corresponding year) and deferred tax recognised on unused tax losses.

(3) EBITDA means profit for the year plus finance costs, income tax charge/(credit), depreciation, amortisation of intangible assets (net of direct cost incurred in corresponding period), amortisation of customer acquisition and retention costs, loss on disposal of subsidiary, share of loss of discontinued operation less interest income.

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

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

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

BUSINESS REVIEW

Despite robust demand for digital transformation, the slow economic recovery and escalating interest rates have challenged our customers' businesses operations and delayed project timelines over the past six months. Adding to these challenges is the broader trend of consumers postponing handset upgrades, significantly driving down industry-wide sales. As a result, the Group's overall revenue for 1H2024 dropped by 13% to $5,809 million. Nevertheless, we have capitalised on our robust telecommunications infrastructure and dedication to our strategic roadmap. This focus has yielded a steady year-on-year growth of 1% in our core business segments, including fixed telecommunications network services, technology solutions, and consultancy services.

Aligned with industry-wide headwinds, our Enterprise Solutions business reported a year-on-year revenue decline of 4% to $3,262 million. However, the business has continued to strengthen its core business performance and recorded a 3% increase in enterprise services revenue — excluding international telecommunications services — a testament to our system integration capabilities. We are managing a strong revenue backlog from contracts set to mature over the next 2 to 3 years, promising to offset the reduced backlog from previous financial years. We anticipate a full adjustment of our contract base within this timeframe to reflect these changes.

Benefited by customers' strong demand for cloud technology, our cloud services business has been a key growth driver to our enterprise revenue. Our deep industry expertise was clearly demonstrated with last year's successful launches of IT·Simplified and AegisConnect. Recently, we have added OFFICE-IN-A-BOX and SHOP-IN-A-BOX to our portfolio, providing bespoke IT package solutions that directly address industry-specific challenges.

Strategically, we have grown our market presence, expanded our client base in the public sector and large enterprises, and strengthened our foothold in the SME sector. We have made significant strides in the region by facilitating businesses from mainland China, especially from the Greater Bay Area, in their ventures into Hong Kong, and supporting both local and global companies as they establish themselves in mainland China. Revenue from mainland China and Macau remained stable.

Our Residential Solutions business demonstrated resilience with a slight revenue decline of 1% to $1,182 million. During 1H2024, we have strengthened partnerships to enhance our offerings. One of the key initiatives was our collaboration with TP-Link to launch the Priority Plus Home Wi-Fi Solution — the first of its kind in Asia to combine our 2000Mbps fibre broadband with the Aginet platform for real-time remote network management. Our efforts have boosted a substantial uptake of our high-speed fibre services, particularly the 2000Mbps package upgrade.

Our service revenue remained steady as we diligently pursued our Infinite-play strategy, diversifying our portfolio of value-added services to deepen customer engagement. This strategy has been particularly fruitful, significantly enhancing customer engagement with our entertainment ecosystem, which features heavyweights like Netflix, Disney+, myTV SUPER, and iQIYI. This, in turn, contributed to a notable rise in average revenue per user ("**ARPU**"), as residential ARPU increased by 1% to $181.

Moreover, with travel activity rebounding to pre-pandemic levels, our innovative Global SIM service sales have significantly increased, driven by a resurgence in consumers' data roaming needs.

Network costs and costs of sales decreased year-on-year by 18% to $3,772 million mainly due to the decrease in cost of inventories.

Other operating expenses decreased year-on-year by 7% to $1,628 million, which was mainly due to a decrease in streamlined costs of $56 million, a decrease in depreciation of $41 million, a decrease in amortisation of intangible assets and customer acquisition and retention costs of $14 million and others of $15 million but were partly offset by an increase in advertising and marketing expenses of $2 million and an increase in recognition of loss allowance on trade receivables and contract assets of $5 million.

Finance costs increased year-on-year by 24% to $401 million. This was mainly caused by an increase in interest and finance charges on bank loans of $98 million due to HIBOR increase and partly offset by an increase in fair value gain on interest-rate swap of $22 million.

Income tax increased year-on-year by 151% from a tax credit of $12 million to a tax charge of $6 million which was due to the decrease in recognition of deferred tax assets arising from unused tax losses of the Group's subsidiary.

As a result of the aforementioned factors, profit attributable to equity shareholders decreased year-on-year by 93% to $2 million.

EBITDA decreased year-on-year by 4% to $1,151 million, mainly due to softer sales of handset and other products, though this was partially offset by reduced operating expenses from operational improvements.

AFF decreased year-on-year by 66% to $124 million, mainly caused by a decrease in EBITDA of $45 million, an increase in net interest paid by $122 million, a decrease in working capital inflow of $177 million, an increase in customer acquisition and retention cost of $19 million and an increase in lease payment in relation to right-of-use assets of $3 million, and which were partly offset by a decrease in capital expenditure of $100 million and a decrease on income tax paid of $22 million.

OUTLOOK

As we look into the second half of the year, with interest rates forecasted to moderate, we are well positioned to forge ahead in our strategic roadmap. Our focus remains sharply on elevating operational efficiency and maintaining agility in our execution to enhance profitability. In parallel, we will explore refinancing opportunities to optimise our capital structure. These strategic moves are pivotal in maintaining our resilience and steadiness in the midst of economic uncertainties, thereby securing a path to a future filled with opportunities.

In a strategic move to strengthen our market position, we recently announced our collaboration with Nokia to pre-sell Hong Kong's first 25Gbps fibre network^. This development is set to upgrade our service propositions to both enterprise and residential customers, ensuring they benefit from one of the most advanced offerings in the market. Building on the solid groundwork laid in the first half of the year, we are steadfast in our commitment to deliver high-speed, reliable network services, and we will continue to leverage our technological expertise to empower our customers in the digital era.

LIQUIDITY AND CAPITAL RESOURCES

As at 29 February 2024, the Group had total cash and cash equivalents of $804 million (31 August 2023: $1,017 million) and gross debt of $11,461 million (31 August 2023: $11,589 million), which led to a net debt position of $10,657 million (31 August 2023: $10,572 million). Lease liabilities of $461 million (31 August 2023: $536 million) was included as debt as at 29 February 2024 in accordance with the term of the Group's various loan facilities. The Group's gearing ratio, which was expressed as a ratio of the gross debt over total equity, was 4.1x as at 29 February 2024 (31 August 2023: 3.8x).

The Group's net debt to EBITDA ratio as computed in accordance with the term of the Group's various loan facilities was approximately 5.3x as at 29 February 2024 (31 August 2023: 5.1x). The average finance cost calculated as the interest and coupon charges over the average borrowing balance was 6.5% (31 August 2023: 5.3%). The average weighted maturity of the Group's borrowings was 1.9 years as at 29 February 2024 (31 August 2023: 2.4 years).

Cash and cash equivalents consisted of cash at bank and in hand. There was no pledged bank deposit as at 29 February 2024 and 31 August 2023. As at 29 February 2024, the Group had an undrawn revolving credit facility of $1,328 million (31 August 2023: $1,763 million).

Under the liquidity and capital resources condition as at 29 February 2024, the Group can fund its capital expenditures and working capital requirements for the year with internal resources and the available banking facilities.

^ According to the market data disclosed by major telecommunication service providers in Hong Kong as at 26 April 2024, HKBN is the first telecommunication service provider to pre-sell 25G broadband service in Hong Kong.

HEDGING

The Group's policy is to partially hedge the interest rate risk arising from the variable interest rates of the debt instruments and facilities by entering into interest-rate swaps. The Group Chief Executive Officer and Chief Financial Officer are primarily responsible for overseeing the hedging activities. Under their guidance, the Group's finance team is responsible for planning, executing and monitoring the hedging activities.

The Group would not enter into hedging arrangements for speculative purposes. The Group entered into an interest-rate swap arrangement in the principal amount of $5,250 million with an international financial institution for a term of 2.5 years from 1 June 2023 to 24 November 2025. Benefiting from the hedging arrangement, the Group fixed the HIBOR interest rate exposure at 3.95% per annum.

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

CHARGE ON GROUP ASSETS

As at 29 February 2024, the Group pledged assets to secure the other borrowings of $33 million (31 August 2023: $49 million).

CONTINGENT LIABILITIES

As at 29 February 2024, the Group had total contingent liabilities of $282 million (31 August 2023: $267 million) in respect of bank guarantees provided to suppliers and customers and utility vendors in lieu of payment of utility deposits. The increase of $15 million was mainly due to an increase in performance guarantee issued to the Group's suppliers and customers.

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

EXCHANGE RATES

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group did not make any significant investments, acquisitions or disposals in relation to its subsidiaries and associated companies during the six months ended 29 February 2024.

TALENT REMUNERATION

As at 29 February 2024, the Group had 4,159 permanent full-time Talents (31 August 2023: 4,428 Talents). The Group provides remuneration package consisting of basic salary, bonus and other benefits. Bonus payments are discretionary and dependent on both the Group's and individual performances. The Group also provides comprehensive medical insurance coverage, competitive retirement benefits schemes, and Talent training programmes.

RESTRICTED SHARE UNIT SCHEMES

To attract, retain and motivate skilled and experienced Talents, the Company adopted four Co-Ownership plans since its listing, namely Co-Ownership Plan II, Co-Ownership Plan III (was terminated and replaced by Co-Ownership Plan III Plus), Co-Ownership Plan III Plus (naturally expired in October 2023) and Co-Ownership Plan IV (was amended and replaced by the amended and restated Co-Ownership Plan IV (the "**Amended and Restated Co-Ownership Plan IV**") on 11 May 2023).

As at 29 February 2024, Co-Ownership Plan II and the Amended and Restated Co-Ownership Plan IV were the existing restricted share unit schemes held by the Company (the "**Existing RSU Schemes**"). Details of the Existing RSU Schemes will be disclosed in the interim report of the Company for the six months ended 29 February 2024.

INTERIM DIVIDEND

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

Consistent with the Company's dividend policy stated above, the Board has resolved to declare an interim dividend of 15 cents (28 February 2023: 20 cents) per share for 1H2024 to the Shareholders whose names appear on the register of members of the Company on Monday, 27 May 2024. The interim dividend will be payable in cash on or around Wednesday, 5 June 2024.

Based on the terms and conditions of the vendor loan notes issued by the Company to TPG Wireman, L.P. and Twin Holding Ltd with a principal amount of $970,468,828 each (the "**Vendor Loan Notes**"), the holders of Vendor Loan Notes are entitled to receive a cash amount payable by the Company equal to $25,098,332 based on the 15 cents interim dividend per ordinary share declared by the Company for the six months ended on 29 February 2024, as if the holders of the Vendor Loan Notes are holders of 167,322,212 ordinary shares in the Company as of the record date for such interim dividend. Such cash amount will be paid by the Company to the holders of Vendor Loan Notes on or around Wednesday, 5 June 2024, being the date on which the interim dividend for the six months ended 29 February 2024 will be paid by the Company.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the proposed interim dividend, the register of members of the Company will be closed from Thursday, 23 May 2024 to Monday, 27 May 2024, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 22 May 2024.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during 1H2024.

REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee of the Company has reviewed with the management and the external auditor the unaudited interim results of the Group for 1H2024, the accounting principles and practices adopted by the Group, as well as discussion on auditing, internal control, risk management and financial reporting matters of the Group.

The unaudited interim financial report of the Group for 1H2024 has been reviewed by the Company's external auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA and reviewed by the Audit Committee of the Company.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the "Corporate Governance Code" contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during 1H2024.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by Directors. Having made specific enquiries with all Directors, they confirmed that they had complied with the Model Code during 1H2024.

SUBSEQUENT EVENT

No significant events occurred after the end of the reporting period.

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

This announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hkbnltd.net). The interim report of the Company for 1H2024 will be despatched to the Shareholders and made available on the same websites in due course.

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

Hong Kong, 26 April 2024

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

Executive Director
Mr. Chu Kwong YEUNG

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

Independent Non-executive Directors
Mr. Bradley Jay HORWITZ *(Chairman)*
Ms. Cordelia CHUNG
Ms. Kit Yi Kitty CHUNG
Ms. Ming Ming Anna CHEUNG

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

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 29 FEBRUARY 2024

		Six months ended	
		29 February 2024	28 February 2023
	Note	***$'000***	*$'000*
Revenue	*3*	**5,809,091**	6,707,216
Other net (loss)/income	*4(a)*	**(506)**	9,667
Network costs and costs of sales		**(3,772,148)**	(4,573,040)
Other operating expenses	*4(b)*	**(1,627,772)**	(1,746,248)
Finance costs	*4(d)*	**(400,712)**	(324,445)
Share of profits of associates		**–**	3,112
Share of losses of joint ventures		**(165)**	(65,220)
Profit before taxation	*4*	**7,788**	11,042
Income tax (charge)/credit	*5*	**(6,254)**	12,196
Profit for the period attributable to equity shareholders of the Company		**1,534**	23,238
Earnings per share			
Basic	*6*	**0.1 cents**	1.8 cents
Diluted	*6*	**0.1 cents**	1.6 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2024

	Six months ended	
	29 February	28 February
	2024	2023
	$'000	*$'000*
Profit for the period	**1,534**	23,238
Other comprehensive income for the period		
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	**4,739**	(1,537)
Share of other comprehensive income of associates	**106**	447
Other comprehensive income for the period	**4,845**	(1,090)
Total comprehensive income for the period attributable to equity shareholders of the Company	**6,379**	22,148

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 29 FEBRUARY 2024

	Note	At 29 February 2024 $'000	At 31 August 2023 $'000
Non-current assets			
Goodwill		**7,816,507**	7,816,507
Intangible assets		**2,568,989**	2,775,801
Property, plant and equipment		**3,268,233**	3,418,992
Right-of-use assets		**600,039**	689,568
Customer acquisition and retention costs		**468,962**	464,533
Interest in associates		**–**	4,332
Interest in joint ventures		**6,133**	6,284
Deferred tax assets		**105,928**	66,674
Other non-current assets		**73,099**	72,289
		14,907,890	15,314,980
Current assets			
Inventories		**123,864**	105,681
Trade receivables	7	**950,444**	909,394
Other receivables, deposits and prepayments		**430,714**	465,921
Contract assets		**272,942**	315,420
Amounts due from joint ventures		**155**	5,663
Tax recoverable		**16**	–
Financial assets at fair value through profit or loss		**12,774**	13,777
Cash and cash equivalents		**804,443**	1,016,769
		2,595,352	2,832,625
Current liabilities			
Trade payables	8	**971,816**	927,666
Other payables and accrued charges – current portion		**811,680**	869,699
Contract liabilities – current portion		**503,369**	573,977
Deposits received		**85,160**	83,277
Amounts due to an associate		**–**	4,332
Amounts due to joint ventures		**10,000**	10,000
Bank and other borrowings		**246,814**	284,861
Lease liabilities – current portion		**143,455**	150,910
Tax payable		**82,054**	193,843
Other current liabilities		**13,848**	13,575
		2,868,196	3,112,140
Net current liabilities		**(272,844)**	(279,515)
Total assets less current liabilities		**14,635,046**	15,035,465

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 29 FEBRUARY 2024

	At 29 February 2024	At 31 August 2023
	$'000	*$'000*
Non-current liabilities		
Other payables and accrued charges – long-term portion	**–**	18,000
Contract liabilities – long-term portion	**191,521**	160,162
Deferred tax liabilities	**629,422**	684,672
Lease liabilities – long-term portion	**317,908**	385,105
Provision for reinstatement costs	**54,054**	54,003
Bank and other borrowings	**10,676,892**	10,671,853
Other non-current liabilities	**3,572**	10,588
	11,873,369	11,984,383
NET ASSETS	**2,761,677**	3,051,082
CAPITAL AND RESERVES		
Share capital	**132**	132
Reserves	**2,761,545**	3,050,950
TOTAL EQUITY	**2,761,677**	3,051,082

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION:

1 BASIS OF PREPARATION

The unaudited consolidated interim financial information set out in this announcement does not constitute the Group's interim financial report for the six months ended 29 February 2024 but is extracted from that interim financial report which has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). It was authorised for issue on 26 April 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements of the Group for the year ended 31 August 2023, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 August 2023. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

Going concern assumption

As at 29 February 2024, the current liabilities of the Group exceeded their current assets by approximately $273 million. Included in the current liabilities were (i) current portion of contract liabilities of $503 million recognised under Hong Kong Financial Reporting Standard ("**HKFRS**") 15 which will be gradually reduced through performance obligations being satisfied over the contract terms and (ii) current portion of lease liabilities of $143 million recognised under HKFRS 16 relating to leases with 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, this unaudited condensed consolidated interim financial information has been prepared on a going concern basis.

2 CHANGES IN ACCOUNTING POLICIES

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

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

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 which are relevant to the Group's financial statements are discussed below:

Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities, but does not impact the overall deferred tax balances presented in the statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("**OECD**") (income tax arising from such tax laws is hereafter referred to as "Pillar Two income taxes"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to PillarTwo income taxes. The amendments are immediately effective upon issuance and require retrospective application.

3 REVENUE AND SEGMENT REPORTING

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

(a) Disaggregation of revenue

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

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

	Six months ended	
	29 February 2024	28 February 2023
	$'000	*$'000*
Disaggregated by major products or service lines:		
Fixed telecommunications network services	**2,296,180**	2,326,218
International telecommunications services	**427,437**	519,777
Other services	**179,252**	181,866
Fees from provision of telecommunications services	**2,902,869**	3,027,861
Product revenue	**2,317,164**	3,161,818
Technology solution and consultancy services	**589,058**	517,537
Revenue from contracts with customers within the scope of HKFRS 15	**5,809,091**	6,707,216

3 REVENUE AND SEGMENT REPORTING (Continued)

(a) Disaggregation of revenue (Continued)

	Six months ended	
	29 February 2024	28 February 2023
	$'000	*$'000*
Disaggregated by major categories:		
Residential Solutions revenue	**1,181,509**	1,196,941
Enterprise Solutions revenue	**2,310,418**	2,348,457
Enterprise Solutions related products revenue	**951,692**	1,039,731
Handset and other products revenue	**1,365,472**	2,122,087
	5,809,091	6,707,216

During the periods ended 29 February 2024 and 28 February 2023, 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 22.5% of the Group's total revenue for the six months ended 29 February 2024.

(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 purpose 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 and Macau.

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities

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

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

The performance measure used for reporting segment profit is earnings before finance costs, interest income, income tax, depreciation, amortisation of intangible assets (net of direct cost incurred) and amortisation of customer acquisition and retention costs.

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 the financial statements.

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

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

For the six months ended	Telecom and technology solutions (Hong Kong)		Telecom and technology solutions (non-Hong Kong)		Total	
	29 February 2024	28 February 2023	**29 February 2024**	28 February 2023	**29 February 2024**	28 February 2023
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Disaggregated by timing of revenue recognition						
Point in time	**1,870,080**	2,695,015	**447,084**	466,803	**2,317,164**	3,161,818
Over time	**3,397,811**	3,465,228	**94,116**	80,170	**3,491,927**	3,545,398
Revenue from external customers	**5,267,891**	6,160,243	**541,200**	546,973	**5,809,091**	6,707,216
Inter-segment revenue	**27,476**	28,291	**148,871**	154,524	**176,347**	182,815
Reportable segment revenue	**5,295,367**	6,188,534	**690,071**	701,497	**5,985,438**	6,890,031
Reportable segment profit	**1,118,208**	1,083,406	**29,249**	48,602	**1,147,457**	1,132,008

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

	Six months ended	
	29 February 2024	28 February 2023
	$'000	*$'000*
Reportable segment profit derived from Group's external customers	**1,147,457**	1,132,008
Finance costs	**(400,712)**	(324,445)
Interest income	**5,832**	4,702
Depreciation	**(423,891)**	(466,287)
Amortisation of intangible assets	**(185,771)**	(195,991)
Amortisation of customer acquisition and retention costs	**(135,127)**	(138,945)
Consolidated profit before taxation	**7,788**	11,042

4 PROFIT BEFORE TAXATION

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

	Six months ended 29 February 2024 $'000	Six months ended 28 February 2023 $'000
(a) Other net loss/(income)		
Interest income	**(5,832)**	(4,702)
Net foreign exchange loss	**4,269**	15
Loss on disposal of subsidiary	**3,715**	–
Other income	**(1,646)**	(4,980)
	506	(9,667)
(b) Other operating expenses		
Advertising and marketing expenses	**34,985**	32,864
Depreciation		
– Property, plant and equipment	**339,958**	368,175
– Right-of-use assets	**83,590**	96,729
Gain on disposal of property, plant and equipment, net	**(113)**	(472)
Gain on disposal of right-of-use assets, net	**–**	(53)
Recognition of loss allowance on trade receivables and contract assets	**41,830**	36,511
Talents costs *(note 4(c))*	**554,067**	609,817
Amortisation of intangible assets	**185,771**	195,991
Amortisation of customer acquisition and retention costs	**135,127**	138,945
Others	**252,557**	267,741
– Office rental and utilities	**29,806**	32,231
– Site expenses	**46,377**	40,932
– Bank handling charges	**18,945**	19,219
– Maintenance	**46,945**	61,845
– Subscription and license fees	**55,089**	56,679
– Legal and professional fees	**13,810**	12,687
– Printing, telecommunication and logistics expenses	**13,737**	20,973
– Others	**27,848**	23,175
	1,627,772	1,746,248

4 PROFIT BEFORE TAXATION (Continued)

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

(c) Talents costs

	Six months ended	
	29 February	28 February
	2024	2023
	$'000	*$'000*
Salaries, wages and other benefits	**652,849**	706,370
Contributions to defined contribution retirement plan	**51,821**	52,786
	704,670	759,156
Less: Talent costs capitalised as property, plant and equipment	**(23,951)**	(25,689)
Talent costs included in network costs and cost of sales	**(126,652)**	(123,650)
	554,067	609,817

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

(d) Finance costs

	Six months ended	
	29 February	28 February
	2024	2023
	$'000	*$'000*
Interest and finance charges on bank loans	**414,628**	316,342
Interest on other borrowings	**1,358**	2,467
Fair value gain on interest-rate swap	**(27,098)**	(5,461)
Interest on lease liabilities	**11,545**	10,639
Interest on other liabilities	**279**	458
	400,712	324,445

4 PROFIT BEFORE TAXATION (Continued)

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

(e) Other items

	Six months ended	
	29 February 2024	28 February 2023
	$'000	*$'000*
Amortisation of intangible assets	**206,811**	217,031
Depreciation		
– Property, plant and equipment	**339,958**	368,175
– Right-of-use assets	**83,933**	98,112
Rental charges on telecommunications facilities and computer equipment	**234,241**	227,670
Expenses relating to short-term leases and leases of low-value assets	**6,320**	6,975
Recognition of loss allowance on trade receivables and contract assets	**41,830**	36,511
Cost of inventories	**2,295,926**	3,004,833

5 INCOME TAX (CHARGE)/CREDIT

	Six months ended	
	29 February 2024	28 February 2023
	$'000	*$'000*
Current tax – Hong Kong Profits Tax	**(95,715)**	(93,800)
Current tax – Outside Hong Kong	**(5,029)**	(6,102)
Deferred tax	**94,490**	112,098
	(6,254)	12,196

The provision for Hong Kong Profits Tax is calculated at 16.5% for the six months ended 29 February 2024 (six months ended 28 February 2023: 16.5%) of the estimated assessable profits for the period, except for one subsidiary of the Group which is qualifying corporation under the two-tiered profit 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 2023.

Taxation for subsidiaries outside Hong Kong is similarly calculated using the annual effective rates of taxation that are expected to be applicable in the relevant countries.

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $1,534,000 (six months ended 28 February 2023: $23,238,000) and the weighted average number of ordinary shares in issue less shares held for the Co-Ownership Plan II, of 1,310,839,000 ordinary shares (six months ended 28 February 2023: 1,310,839,000 ordinary shares).

	Six months ended	
	29 February 2024	28 February 2023
	'000	*'000*
Issued ordinary shares at 1 September 2022/2023	**1,311,599**	1,311,599
Less: shares held for the Co-Ownership Plan II	**(5,667)**	(5,667)
Add: effect of the Co-Ownership Plan II RSUs vested	**4,907**	4,907
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	**1,310,839**	1,310,839

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $1,534,000 (six months ended 28 February 2023: profit of $23,238,000) 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:

	Six months ended	
	29 February 2024	28 February 2023
	'000	*'000*
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	**1,310,839**	1,310,839
Add: effect of the Vendor Loan Notes	**167,322**	167,322
Weighted average number of ordinary shares (diluted)	**1,478,161**	1,478,161

7 TRADE RECEIVABLES

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

	At 29 February 2024	At 31 August 2023
	$'000	*$'000*
Within 30 days	**472,497**	408,287
31 to 60 days	**197,546**	175,967
61 to 90 days	**101,229**	96,351
Over 90 days	**179,172**	228,789
	950,444	909,394

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

8 TRADE PAYABLES

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

	At 29 February 2024	At 31 August 2023
	$'000	*$'000*
Within 30 days	**427,721**	305,627
31 to 60 days	**197,720**	217,892
61 to 90 days	**103,615**	111,128
Over 90 days	**242,760**	293,019
	971,816	927,666

9 DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the interim period

	Six months ended	
	29 February 2024	28 February 2023
	$'000	*$'000*
Interim dividend declared after the interim period of 15 cents per ordinary share (six months ended 28 February 2023: 20 cents per ordinary share) *(Note)*	**196,740**	262,320

Note: The amount of 2024 proposed interim dividend is based on the 1,311,599,356 (2023: 1,311,599,356) ordinary shares in issue as at the date of this interim report.

The proposed interim dividend declared has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

	Six months ended	
	29 February 2024	28 February 2023
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of 20 cents per ordinary share (six months ended 28 February 2023: 20 cents per ordinary share)	**262,320**	262,320