香港寬頻

HONG KONG BROADBAND NETWORK

HKBN Ltd.

香港寬頻有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1310

EMERGING STRONGER & TRANSFORMED

Annual Report 2021

EMERGING STRONGER & TRANSFORMED

As the COVID-19 pandemic continues to affect us all, the many challenges it has brought remain one of the most transformational forces to shape and redefine the way societies and people live, work, learn and play – for years to come.

Long before COVID-19, rather than wait for change to happen, we at HKBN embraced it to advance our readiness for foreseeable and unforeseeable possibilities. And over the past several years, we completed key acquisitions, synergised businesses, expanded our capabilities' footprint, grew and developed our Talents, making all the right moves to transform HKBN into a stronger, more agile and purposeful business.

Today, these changes have accelerated our position to not only address, but guide our customers through the challenges, from balancing growth and progress with human safety, and work-from-anywhere resilience with security, to the ever-increasing need for digital transformation.

In the making of this annual report, every effort was taken to ensure that our Talents followed proper COVID-19 safety protocols. Computer post-processing was used to create images of people congregating as depicted on this annual report's cover and section dividers.

Contents

Unless otherwise stated, all monetary figures from this report is in Hong Kong dollars. This report is published in both English and Chinese. Where the English and the Chinese texts conflict, the English text shall prevail.

2021 at a Glance

Financial Performance

Revenue growth
21%

EBITDA growth
3%

Adjusted Free Cash Flow growth
2%

Enterprise Solutions revenue growth
5%

Suppliers

over 2,000
active suppliers

HKBN Talent CSI Fund launched two youth funding initiatives

Community

Talents

Over 5,200
Talents

Over 870
Co-Owners

Total training hours provided
89,541

Customers

34.1%
market share of residential broadband services as of 31 July 2021

Network covers
2.47 million homes

Network covers
over 7,500
commercial buildings and facilities

886,000
residential broadband subscriptions

37%
market share of business broadband services as of 31 July 2021

107,000
enterprise customers

Environment

3,800 tonnes
of CO2 emissions offset

7,125,851 kWh
electricity saved through our **Something From Nothing** project in Hong Kong

DRIVEN BY A PASSIONATE PURSUIT OF PURPOSEFUL PROFITS,

we strive to become Asia region's most preferred integrated telecom and technology solutions provider.

Since 1999, HKBN has transformed from a fledgling start-up into a leading telecom and technology solutions provider. Throughout this journey of incredible change, our goal has remained the same: improve and transform how customers live, learn, work and play via the best, most innovative and reliable services possible – delivered at highly competitive value. Whether it is connecting over one million households and over a hundred thousand businesses with a wide range of premier ICT solutions, or the efforts we undertake to empower self-sustenance for underprivileged communities, we greet each day as a chance to realise our Core Purpose: 'Make our Home a Better Place to Live'.

We believe the role of Purpose, when unleashed by more businesses, can have a transformative effect to make the world a better place. We actively encourage more people to realise a future where Purpose becomes the driving force of private enterprise. At every possible opportunity, we strive to inspire different stakeholders to join us in this purposeful profit evolution.

Given the context of our Core Purpose, 'Make our Home a Better Place to Live', we believe HKBN's business is better served when we are PURPOSE + PROFIT driven rather than PROFIT-only focused. By no coincidence, our Purpose functions as an integrated failsafe which guarantees that HKBN delivers the best of all possibilities for customers. Consequently, our offerings always maintain an exceptional level of desirability, driving better uptake and better profits overall.

MAKE OUR HOME A BETTER PLACE TO LIVE

One-stop Telecom and Technology Solutions Provider

HKBN is a fully integrated one-stop telecom and technology solutions business, with our operations spanning across five regions in Hong Kong, Macau, mainland China, Singapore and Malaysia. We boast some of the industry's best Talents working silo-free to augment our Group's strengths with a complete spectrum of technology expertise.

As the world changes, customers are no longer content with just connectivity. They want possibilities – and more of it. Thanks to our Talent force and expanding scope of services, HKBN is equipped to deliver far more. More innovation. More value. For enterprise customers, we're all set to change everything – empowering great new possibilities through cutting-edge technology, game-changing partnership models and our 'skin-in-the-game' Co-Ownership commitment – in a faster timeframe.

Our Co-Ownership Advantage

HKBN is the only telecom carrier in Hong Kong driven by Co-Owners who have a vested financial interest to grow our business, surpass the competition, and deliver greater shareholder returns.

Our leadership is powered by unique Co-Ownership Plans which allow all supervisory and management level Talents to voluntarily invest their own savings in the amount of between 2 and 24 months of salary into HKBN. Through this dual role as both investors and Talents, our Co-Owners are motivated by 'skin-in-the-game' to watch over all aspects of HKBN's performance and competitiveness with the Group's best interest always at heart. As at August 2021, HKBN had over 870 Co-Owners.

WHAT WE DO

HKBN transforms the way people and businesses connect and do more

As a leading provider of premier telecom and technology solutions, our work contributes indispensably to making the regions in which we operate modern, thriving interconnected societies. HKBN's comprehensive range of products, solutions and services ensures that customers can rely on us to stay connected and to do business better. In residential we have upgraded our offerings from legacy Quad-play to Infinite-play, whilst in enterprise we have upgraded from being a connectivity provider to a business transformation partner.

Infinite-play services for households:

- High Speed Fibre Broadband
- Managed Wi-Fi with Home Network Security and Parental Control
- Home Telephone
- Mobile Services
- Roaming Solutions
- Over-The-Top Entertainment & Music Streaming
- Household & Personal Cybersecurity
- Smart Home Living

Diverse telecom and technology solutions for enterprises:

- Connectivity
- Cloud and Data Centre
- Business Continuity Services
- System Integration
- Cybersecurity
- Voice, Collaboration and Mobile Services
- Managed Services
- Digital Solutions
- SME Solutions
- Stationery and Supplies

HKBN Recurring Billing Relationships

1 in 3

Hong Kong families

1 in 2

Hong Kong active companies

Shareholder Letter

Dear fellow HKBN shareholders,

Growth is the name of our game

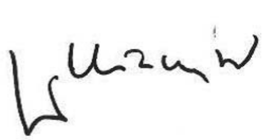
Throughout our 20-year journey of growth, HKBN has demonstrated we are a company that dares to set aspirational growth targets, and we have attained most of them. In our view, if we achieve all our aspirational targets, it means such targets were set too low, rather than us being perfect in our execution. In FY18, before the social incidents in Hong Kong and the global COVID-19 pandemic, we set our Co-Ownership III+ targets for FY19–21. Now as we report our FY21 results, we have missed these aspirational targets. As Co-Owners, we have real skin-in-the-game as we bought our shares from the open market prior to COVID-19 and would get bonus shares only if we achieve the stretched targets. While we did not attain the aspirational Co-Ownership III+ targets, stretching for them has pushed us to set a far stronger foundation for higher long-term value creation.

Our new Co-Ownership Plan IV, which was approved by shareholders in our EGM held on 15 October 2021, allows Co-Owners to top-up and roll over Co-Ownership III+ investments, with a 3-year FY22–24 cumulative target of AFF/Share $2.70 to $3.01, which compares with $0.765 achieved in FY21. To achieve this growth, we will need to grow beyond our matured telecom industry boundaries.

In our Residential Solutions business, we are the exclusive broadband carrier launch partner for Disney+ in Hong Kong. Disney+, having achieved 100 million subscribers faster than any other OTT platform in history, is a global phenomenon and is set to create waves in Hong Kong. Our move to deliver more extraordinary OTT choices, together with our ever-expanding Infinite-play offerings, will allow us to grow our residential business far beyond basic connectivity.

In our Enterprise Solutions business, whilst we are the largest alternative carrier – having merged HKBN, New World Telecom and WTT – we estimate our total telecom market share to be less than 20% in an industry with approximately 80% gross margins. Low market share base and high gross margin means that we can offer very generous growth-related commissions to drive market share gains, further aided through bundling with our system integration capabilities of JOS, which we acquired in FY20.

In getting through COVID-19 so far, we came together as a company. With so many opportunities, our embracements of change and being agile ensure that we will be emerging stronger and transformed for post COVID-19 growth.



William Yeung
Co-Owner and Executive Vice-chairman

NiQ Lai
Co-Owner and Group Chief Executive Officer

NiQ Lai
Co-Owner and
Group Chief Executive Officer

William Yeung
Co-Owner and
Executive Vice-chairman

Board of Directors and Senior Management

Chairman and Independent Non-executive Director

Mr. Bradley Jay HORWITZ, aged 66, is an Independent Non-executive Director, the chairman of the Board and the Nomination Committee, and a member of the Audit Committee of the Company. Mr. Horwitz has over 30 years of experience in the wireless and telecommunication industry. Mr. Horwitz is one of the Co-Founders of Trilogy International Partners, a company listed on the Toronto Stock Exchange, and currently serves as the Chief Executive Officer and a director of the company. Trilogy International Partners was established to acquire wireless international assets in Haiti and Bolivia and to develop additional international wireless assets, primarily in South America and the Caribbean. Prior to establishing Trilogy International Partners, Mr. Horwitz served as the President of Western Wireless International, having founded the company in 1995 while also serving as the Executive Vice President of Western Wireless Corporation. Previously, Mr. Horwitz was the founder and the Chief Operating Officer of SmarTone Mobile Communications Limited. Mr. Horwitz also worked in various management capacities for McCaw Cellular including serving as the Vice President of International Operations and the Director of Business Development. Mr. Horwitz presently serves as the Director of the Center for Global Development and the Mobile Giving Foundation. Mr. Horwitz graduated from San Diego State University, U.S. with a Bachelor of Science Degree in 1978.

Executive Directors

Mr. Chu Kwong YEUNG (also known as William YEUNG), aged 60, is the Executive Vice-chairman, an Executive Director, and a member of the Remuneration Committee of the Company. Mr. Yeung joined the Group in 2005 as the Chief Operating Officer and was appointed as the Chief Executive Officer in 2008 and the Executive Vice-chairman in 2018 to focus on engaging key strategic partners and exploring new business opportunities for the Group. Mr. Yeung has also been appointed as the advisor of Generation Asia I Acquisition Limited in 2021. Prior to joining the Group, Mr. Yeung was the Director of customers division at SmarTone Mobile Communications Limited. Mr. Yeung obtained a Bachelor of Arts Degree from Hong Kong Baptist University in December 1992 and obtained a Master of Business Administration Degree from the University of Strathclyde, U.K. in November 1995 and a Master of Science Degree in Electronic Commerce and Internet Computing from the University of Hong Kong in November 2001. In 2010, Mr. Yeung was recognised as Champion of Human Resources by The Hong Kong HRM Awards. Mr. Yeung is a proud Co-Owner of the Company.

Mr. Ni Quiaque LAI (also known as NiQ LAI), aged 51, is the Chief Executive Officer of the Group, and an Executive Director of the Company. Mr. Lai joined the Group in 2004 and has rich experience in the telecommunications, research and finance industries. Mr. Lai was appointed as the Chief Financial Officer in 2006, the Chief Talent & Financial Officer in 2016 and the Chief Operating Officer in 2017. Mr. Lai took the helm as the Chief Executive Officer in 2018, leading all HKBN Talents to deliver world class products and services to make our home a better place to live. He is currently a member of Advisory Board of Shyam Spectra Private Limited and the Director of Cambodian Children's Fund (Hong Kong) Limited. Mr. Lai holds an Executive Master of Business Administration Degree from Kellogg-HKUST, Hong Kong and a Bachelor of Commerce Degree from the University of Western Australia. Mr. Lai is a fellow member of Hong Kong Institute of Certified Public Accountants and CPA Australia. In 2009, he was recognised as Champion of Human Resources by The Hong Kong HRM Awards, and was selected by Global Telecoms Business in 2013 as one of the Top 50 CFOs in the industry to watch. In 2016, he was recognised as 1st for Best CFO by FinanceAsia Survey of Asia's Best Companies 2016 (Hong Kong). Mr. Lai is a proud Co-Owner of the Company.

Non-executive Directors

Ms. Suyi KIM, aged 48, was appointed as a Non-executive Director and a member of the Nomination Committee of the Company with effect from 15 July 2020. Ms. Kim is the Senior Managing Director & Head of Asia Pacific at CPP Investments based in Hong Kong. She joined CPP Investments in 2007 and has been responsible for overseeing CPP Investments' investment activities in Asia Pacific across all investment programs including public equity, private equity, real estate, infrastructure and credit and overseeing operations in the Hong Kong, Mumbai and Sydney offices since 2016. She is also a member of CPP Investments' Global Investment Committee, Strategy & Risk Committee and Management Committee. Ms. Kim holds a Master of Business Administration from Stanford University and a Bachelor of Arts in International Economics from Seoul National University. She is a Certified Public Accountant. In 2021, Ms. Kim resigned as the Director of Homeplus Co., Ltd, one of the largest multi-channel retailers in South Korea. She is currently on the Products Advisory Committee of the Securities & Futures Commission of Hong Kong and on the board of Junior Achievement in Korea.

Board of Directors and Senior Management

Mr. Teck Chien KONG, aged 46, was appointed as a Non-executive Director and a member of the Nomination Committee of the Company on 30 April 2019. Mr. Kong is a Partner at MBK Partners and is based in Hong Kong. With extensive investment experiences in both the telecommunication and media industries, he has led MBK Partners' investments in WTT Holding Corp, China Network Systems Co., Ltd. and Gala TV Corp.. Mr. Kong currently serves on the board of directors of, among others, Teamsport Topco Limited, Siyanli Co. Ltd., and Wendu Education & Technology Group Limited, and has experience serving on the board of directors of Apex International Corporation, Beijing Bowei Airport Support Limited, China Network Systems Co., Ltd., Gala TV Corp., GSE Investment Corporation, Luye Pharma Group Ltd and HKBN Enterprise Solutions HK Limited. Mr. Kong holds a Bachelor of Business Administration from the University of Michigan Business School, U.S., and has completed an executive management programme at Harvard Business School, U.S..

Mr. Zubin Jamshed IRANI, aged 49, was appointed as a Non-executive Director, a member of the Audit Committee and the Remuneration Committee of the Company on 30 April 2019. Mr. Irani is a Partner with TPG Capital and leads the Asia Operations Group. He brings over 20 years of experience in building strong teams, driving performance and managing change within businesses. At TPG Capital, Mr. Irani has worked in the consumer, healthcare, financial services, telecom and technology sectors. Mr. Irani holds a Master in Materials Science and Engineering from Massachusetts Institute of Technology, U.S. and a Bachelor of Technology in Materials Engineering from Indian Institute of Technology Kanpur, India.

Independent Non-executive Directors

Mr. Stanley CHOW, aged 57, was appointed as an Independent Non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company on 6 February 2015. Mr. Chow has over 21 years of experience as a corporate lawyer in Hong Kong and Canada, including over 18 years of experience in dealing with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during his time in private practice and as a senior manager in the Stock Exchange's Listing Division. Mr. Chow is currently a Non-executive Director of PuraPharm Corporation Limited (stock code: 1498), a company which is listed on the Main Board of the Stock Exchange. Mr. Chow was a member of The Law Society of Hong Kong's Company Law Committee from 2011 to 2018 and was admitted as a solicitor in Hong Kong in 1995 and in England and Wales in 1994. He was also admitted as a barrister and solicitor in British Columbia, Canada in 1994 and in Ontario, Canada in 1991. Mr. Chow holds a Juris Doctor with Honour Standing from the University of Toronto, Canada and a Bachelor of Commerce (Honours) from Queen's University, Canada.

Mr. Yee Kwan Quinn LAW, SBS, JP, aged 68, was appointed as an Independent Non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company on 6 February 2015. Mr. Law is currently an Independent Non-executive Director of Bank of Tianjin Co., Ltd. (stock code: 1578), ENN Energy Holdings Limited (stock code: 2688) and BOC Hong Kong (Holdings) Limited (stock code: 2388), all of which are listed on the Main Board of the Stock Exchange. Mr. Law also presently serves as an advisor of the Hong Kong Business Accountants Association, and he was previously the Director and the Vice President of such association. Mr. Law is an honorary fellow of the Hong Kong University of Science and Technology (HKUST) and has been a member of the Court of HKUST since 2018. Mr. Law has been appointed as one of HKUST's eight representatives serving on the Governing Board of HKUST(GZ) in 2020. Mr. Law ceased to be the Deputy Chairman of Professional Conduct Committee of the Hong Kong Institute of Certified Public Accountants in 2018. Mr. Law is a Fellow of the Hong Kong Institute of Certified Public Accountants and also a Fellow of the Association of Chartered Certified Accountants. Mr. Law was admitted as an Associate of the Institute of Chartered Secretaries and Administrators on 11 November 1980. In view of Mr. Law's experience in reviewing or analysing audited financial statements of private and public companies, the Directors believe that Mr. Law has the appropriate accounting or related financial management expertise for the purposes of Rule 3.10 of the Listing Rules.

Board of Directors and Senior Management

1. **Anthony FUNG**
   Co-Owner and Chief Financial Officer
2. **Elinor SHIU**
   Co-Owner and Chief Executive Officer – Residential Solutions
3. **NiQ LAI**
   Co-Owner and Group Chief Executive Officer
4. **Agnes TAN**
   Co-Owner and Chief Legal Officer

5. William YEUNG
Co-Owner and Executive Vice-chairman

6. Almira CHAN
Co-Owner and Chief Strategy Officer

7. Danny LI
Co-Owner and Chief Technology Officer

8. Sam TAN
Co-Owner and Chief Innovation Officer

Senior Management

Mr. William YEUNG, his biographical details are set out on page 8.

Mr. NiQ LAI, his biographical details are set out on page 9.

Ms. Agnes Kok Peng TAN (also known as Agnes TAN), aged 62, the Chief Legal Officer of the Group. Agnes joined the Group in 2019 through the integration of HKBN and WTT. In 1994, Agnes relocated from Australia to Hong Kong and began her telecommunications journey that covered all facets of legal, policy, regulatory and interconnection issues. Over the years, Agnes has actively engaged with the regulator and industry players for a pro-competition regulatory and interconnection regime.

Prior to the WTT Merger, Agnes was WTT's Vice President, Legal, Regulatory and Carrier Affairs. In her current capacity, Agnes brings extensive experience to advance the Group's interests in legal and regulatory areas. Before relocating to Hong Kong, Agnes worked in Australia specialising in technology licensing, intellectual property rights protection and their commercialisation.

Agnes holds a Bachelor of Commerce (Marketing) from the University of New South Wales and a Bachelor of Laws from the Australian National University. Agnes is Chairperson, Legal Committee, Hong Kong General Chamber of Commerce; and President, Regulatory Issues Group, Communications Association of Hong Kong. She is also a member of the Telecommunications Regulatory Affairs Advisory Committee, Office of the Communications Authority. Outside of work Agnes enjoys travelling and reading. Agnes is a proud Co-Owner of the Company.

Ms. Wing Yee CHAN (also known as Almira CHAN), aged 55, the Chief Strategy Officer of the Group. Almira jointed the Group in 2019 through the integration of HKBN and WTT. Almira's dream job was an accountant. After graduation, Almira joined PricewaterhouseCoopers, where she began her professional life as an accountant. Following this experience, she joined Atos Origin and Wharf T&T (later renamed WTT). In her 30-year journey from an Audit Assistant at PricewaterhouseCoopers to CFO at WTT, she has undertaken a wide range of responsibilities, including management of Accounting & Finance, Investor Relations and Building Access for network rollout. Whilst Almira's dreams have come true, she remains as motivated as ever to evolve beyond her comfort zone.

Following the integration of HKBN and WTT, she was appointed as Chief Strategy Officer in July 2019. In her current role, Almira leads the development and implementation of HKBN's overall corporate strategy including business development and joint ventures, mergers and acquisitions. She also looks after Enterprise Services operations in Hong Kong. With a wealth of financial management experience, coupled with a passion for the telecommunications technology industry, she is determined to help the company reach a new peak.

Almira holds an Honours Diploma in Accountancy from Lingnan College and is a qualified accountant and a member of the Association of Chartered Certified Accountants. She is also a member of the Hong Kong Institute of Certified Public Accountants. Almira is a proud Co-Owner of the Company.

Mr. Man Hong FUNG (also known as Anthony FUNG), aged 43, the Chief Financial Officer of the Group. Anthony joined HKBN in 2018. He is focused on promoting profitability and creating long-term value for the Group, and has been leading and overseeing the Group's financial management and reporting, investment and risk management strategies, as well as investor relations. Among his recent contributions, Anthony has been instrumental in several major projects for the Group, including WTT and JOS acquisitions and bond refinancing. Prior to joining HKBN, Anthony earned an extensive range of experiences in auditing and transaction advisory, including due diligence reviews for numerous MNCs and private equity firms for their investments in China, as well as managed finance functions and acquisition projects for various asset management firms. At a time when the Group is actively pursuing growth, Anthony will leverage his agile expertise and diverse knowledge to lead as CFO.

Anthony holds a Bachelor's Degree in Accounting and Finance from the University of Manchester in the UK, and a Master of Business Administration Degree from the University of Science and Technology of Hong Kong. He is also a member of the Hong Kong Institute of Certified Public Accountants and Chartered Financial Analyst. Anthony is a proud Co-Owner of the Company.

Mr. Yau Chung LI (also known as Danny LI), aged 51, the Chief Technology Officer of the Group. Danny joined HKBN in 2017 and was appointed as Chief Technology Officer in 2020. With over 26 years of experience in telecom infrastructure engineering and operations, as well as sales and marketing, Danny leads HKBN's network planning, development and implementation. His goal is to ensure that network strategy is future-proofed for the Group's growth strategy. Emphasising the criticality of solid information security strategy and policy, he has helped design HKBN's IT system and network infrastructure to encompass the latest proven security best practices. Executing a trademarked HKBN philosophy to put what we first learn internally as a proving ground to better serve customers, he helped turn our in-house Network Operations Centre (NOC) into a NOC-as-a-Service to serve Hong Kong's digital community and other enterprises.

Before joining HKBN, Danny spent 11 years with DMX Technologies, a regional system integration company of Japan's KDDI Group. As a pioneering professional, he has served to protect regional customers, including the 2008 Summer Olympic Games, from cyber attacks, and helped build Asia Pacific's first MPLS IP VPN.

Danny loves the game of golf for being a unique sport not purely about winning, but to excel oneself (an Infinite Game). Golfing gives him the chance to challenge and conquer different emerging situations and socialise along the way. He holds a Bachelor's Degree in Computer Engineering, and a Master's Degree in Electrical Engineering (majoring in Telecommunications) from the University of Alberta, Canada. Danny is a proud Co-Owner of HKBN.

Ms. Yung Yin SHIU (also known as Elinor SHIU), aged 50, the Chief Executive Officer – Residential Solutions of the Group. A home-grown Talent in every sense of the word, Elinor joined the Group in 1994 as a Marketing Trainee and was appointed as Chief Marketing Officer – Residential Solutions in March 2019 and became Chief Executive Officer – Residential Solutions in September 2020 to lead the strategic development and operations of HKBN's residential market business. Working her way up, she is one of the key individuals credited for growing HKBN from a start-up of less than 100 Talents to a powerhouse in the telecommunications industry today. In 2002, Elinor left the Group for a brief two-year intermission with HGC, where she focused on corporate marketing. She rejoined HKBN in 2004.

Throughout her years with HKBN, Elinor earned wide-ranging exposure across various business areas and functional teams. Her array of experiences extended from marketing for residential and corporate sectors, all the way to overall business management for HKBN's residential business. With her appointment as CEO – Residential Solutions, Elinor will relentlessly drive HKBN's growth as a showcase of best practices for the ICT industry.

Elinor holds an Executive Master of Business Administration Degree from The Chinese University of Hong Kong. As a seasoned hiker, heights are never a match for Elinor, whose determination to achieve drivers her to surmount any peak. Elinor is a proud Co-Owner of the Company.

Mr. Teow Boon TAN (also known as Sam TAN), aged 56, the Chief Innovation Officer of the Group. Sam joined the Group in 2020. As a consummate IT professional, Sam is passionate about using his expertise to improve in-house efficiencies, as well as helping customers reap the full benefits of automation and digitisation. He brings more than 30 years of experience in operations, administration, consulting and business management, involved in the field of information technology. In addition, Sam also served 5 years in Singapore's military.

Before joining HKBN, Sam was the APAC CIO for AECOM. Prior to that, Sam held various leadership roles in multinationals such as Liz Claiborne, UPS Supply Chain Solutions and Hewlett-Packard, where he served as Vice President of Asia MIS, Head of IT and Solution Director respectively. He also spent 14 years with FedEx, with the last 6 years as IT Director for Greater China and APAC IT Infrastructure, serving functions that included IT, Industrial Engineering, Operations and Customer Automation.

Sam holds a Master of Business Administration (Marketing) Degree from the University of Leicester, U.K. He also holds multiple certifications in both management and information technology disciplines. He looks at life as a complicated machine with countless moving parts. Solving this, through rational simplification to make everything he encounters better and more orderly, has become Sam's life-long passion – both professionally and personally. Sam is a Proud Co-Owner of HKBN.

Our Strategy

At HKBN, we believe all the Purpose in the world means nothing without action. There's a Japanese saying that roughly translates as: *Purpose without action is a dream. Action without Purpose is a nightmare.*

Whilst there are many companies and organisations that have an inspiring Purpose, far fewer have the culture, commitment and Talents to consistently make their Purpose sustainably felt. Mindful of this, we make huge efforts in ensuring that Purpose is not just a mission statement, but deeply embedded across our entire operation.

"PURPOSE AND ACTION ARE TRANSFORMATIVE"

Our ESG Commitment

In everything we do, and in every decision we take, "Make our Home a Better Place to Live" is omnipresent at all times. With this Core Purpose driving us, HKBN is built on making purposeful profits; we believe our business is best served by creating positive impact to our stakeholders.

Our Environment, Social and Governance ("ESG") policy is purposely aligned with our Group's overall corporate strategy. This approach ensures that in all aspects of our business, actions are rigorously executed with society, environment and corporate governance that aim to go beyond merely fulfilling legal and regulatory requirements. As such, ESG factors play a major role in shaping the underlying drivers which define our sustainable growth, serving to inform our strategies and to measure our performance in five key stakeholder areas.

They are:
- Innovation for Customers
- Total Rewards for Talents
- Responsible & Win-Win Supply Chain Partnerships
- Technology & Expertise for Community Betterment
- Strive for Environmental Excellence

By striving to address these prioritised goals, we can better improve HKBN's prospects for business, mitigate risks affecting the Group, as well as enhance our reputation. When these issues are addressed, overall performance will increase to deliver profits in a purposeful way.

About This Report

In preparing this report, we aim to provide a rigorous, fair and transparent account of our business, and have adhered to the reporting principles and provisions set forth by the "Environmental, Social and Governance Reporting Guide" (the "ESG Guide") in Appendix 27 of the Listing Rules and the ESG Guide's "comply or explain" provisions. As such, the performance information presented in this report is defined by the following:

Materiality

On a regular basis, we conduct materiality assessments and stakeholder questionnaires to identify material issues related to ESG and our business. These activities help ensure that our entire operation is always responsive in addressing issues related to sustainability and to enable us to achieve our Purpose.

Quantitative

To ensure that our performance data is transparent and comprehensive, we provide notes (where appropriate) about the standards and methodologies used to calculate data.

Balance

Presenting a full and fair picture is important to us. This report includes both the positive and negative sides (when applicable) of our performance.

Consistency

To enable a better assessment of our performance over time, we adhere to a consistent set of reporting standards and principles, and methodologies for calculating data.

Reporting Boundaries

After completing the integration of JOS in FY20, we've also included the HKBN JOS* operations data for reporting in FY21. Unless specifically stated otherwise, the scope of ESG reporting herein covers all aspects of HKBN Group operations in all regions. However, we have excluded business units that do not have a material impact on our Group-level performance and those business units in which our shareholding interest is less than 50%.

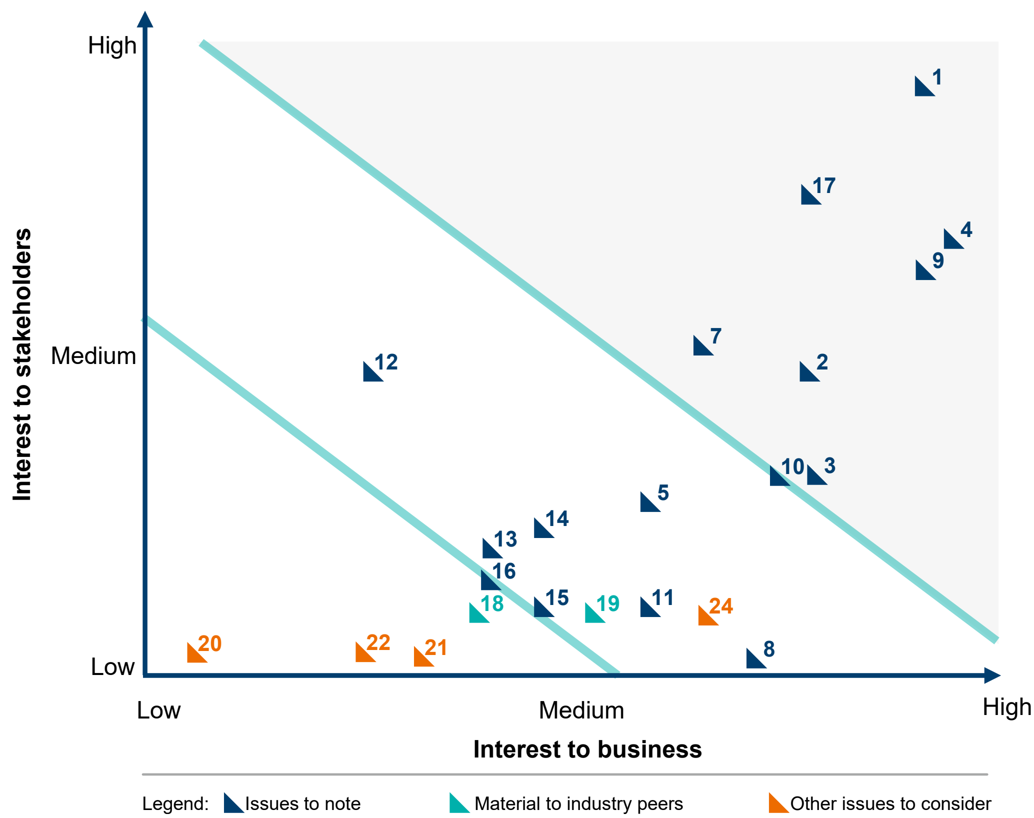
* HKBN JOS represents HKBN JOS Holdings (C.I.) Limited and its subsidiaries, Adura Hong Kong Limited and ADURA CYBER SECURITY SERVICES PTE. LTD..

Materiality Assessments

Materiality assessments serve as important guides in helping us formulate our ESG strategy. In August 2019, we appointed an independent consultant to conduct a comprehensive materiality assessment to better align our sustainability priorities with our Core Purpose to "Make our Home a Better Place to Live". Leveraging materiality expertise from the internationally recognised consultancy, Account Ability, our approach holistically considers sustainability topics covered in five core segments to define which issues are most relevant to us. They are: (1) direct short-term financial impacts; (2) policy-based performance; (3) business peer-based norms; (4) societal norms; (5) stakeholder behaviour and concerns. Topics were captured from these five segments through document reviews and stakeholder engagement (i.e. customers, suppliers, community, investors, industry experts, Board and Talents etc.) performed via interviews and online surveys.

Our ESG Materiality Matrix

From these exercises, we identified a number of material issues and formulated priorities important to our company:



Tier 1 – Top Priority	Tier 2 – Second Priority	Tier 3 – Low Priority
1. Offer the best customer value in terms of service reliability, coverage and affordability 2. Offer high value customer service and ensure customer satisfaction 3. Safeguard customer data privacy at all times 4. Promote innovation, and embed innovation in our services 7. Enable LIFE-work priority 9. Champion Co-Ownership 10. Promote Talent development 17. Efficient business and cultural integration with newly acquired and merged companies	5. Fair and transparent sales and marketing approach 8. Beyond compliance with the basic requirement of the law 11. Enable Talent feedback and ensure transparency 12. Effective communication with partners and ensure transparency on selection mechanism 13. Technology for Good 14. Encourage Talent volunteering 15. Carbon emissions reduction via energyconservation 16. Waste minimisation of general and e-waste 19. Anti-corruption policies and preventive measures 24. Fairly rewarded remuneration	18. Waste Minimisation (for products) 20. Cybersecurity solutions 21. Supplier sustainability 22. Responsible network management – Investment in infrastructure

Our Strategy

HKBN ESG FRAMEWORK

Pursue Purposeful Profits

With HKBN Co-Ownership, we drive disruptive innovation to harvest substantial and sustainable benefits for our stakeholders and for the communities in which we operate. Throughout this journey, we strive to work beyond mere compliance with laws and regulations.

Innovation for Customers

- Innovate for better and more accessible services
- Protect customer privacy at all times
- Ensure high value customer service and satisfaction
- Uphold fair and transparent marketing communications

Total Rewards for Talents

- HKBN Co-Ownership fosters interest alignment for sustainable business growth and service excellence
- Enable LIFE-work priority & life-long development
- Incentivise excellence via performance-based remuneration
- Foster open communication with Talents to help HKBN grow as a business

Responsible & Win-Win Supply Chain Partnership

- Procure responsibly and ethically
- Pursue long-term win-win partnerships with suppliers

Technology & Expertise for Community Betterment

- Utilise HKBN's expertise in technology & business to make a sustainable social impact
- Empower Talents to serve the local communities where we operate

Strive for Environmental Excellence

- Increase energy efficiency of overall operations
- Minimise overall waste impact

Go Beyond Compliance

- Implement rigorous and effective corporate governance policies to uphold integrity throughout our businesses
- Ensure suitable measures, monitoring systems and improvement mechanisms are in place

To drive our ESG performance to the next level, in FY21 we aimed to strengthen ESG alignment with business and enhance Talent communications and education, so as to deliver substantial and sustainable benefits for our stakeholders and for the communities in which we operate.

HKBN ESG Governance Structure & Management Approach

Our Board of Directors plays a primary role in evaluating and determining the Group's ESG material issues and related risks, formulating strategy and to also ensure that all key ESG priorities are embedded in our business strategy and operations. ESG risks are thoroughly reviewed and integrated into our company's risk register, with proper risk mitigation measures and planning implemented. As part of its responsibilities, the Board will, on a regular basis every year, review and monitor progress made on the Group's ESG priorities.

The Board directs/delegates on our Management Committee and ESG Taskforce (consisting of representatives from our Corporate Social Investment, Audit & Risk, Talent Excellence, and Corporate Communications departments) to lead and drive the Group's ESG development. Our Management Committee, supported by the ESG Taskforce, oversees the overall ESG strategies and policies, as well as reviews, endorses and reports to the Board on the ESG framework, standards, priorities and goals, and ensure our business units have factored in all crucial ESG issues in HKBN's daily operations.

Business Units	1	At the execution level, representatives from different business units drive and coordinate actions, as well as review progress made towards our ESG commitments.
ESG Taskforce	2	The ESG Taskforce functions to co-ordinate ESG planning and implementation throughout HKBN, including guiding and working with business units to deliver and monitor progress on our ESG goals and objectives. The Taskforce conducts periodic reviews with business units, reports on the performance to the MC and benchmarks the latest ESG trends that may impact HKBN's ESG strategy.
Management Committee	3	Our Management Committee, led by the Group CEO and comprising our c-suite executives, is responsible for formulating HKBN's ESG strategy. Together they oversee the development, execution and reporting of our ESG performance. The MC provides ESG updates to the Board of Directors on a regular basis.
Board of Directors	4	The Board of Directors oversee and are accountable for HKBN's ESG strategy, development and performance.

Our Strategy

Embedding ESG into our Business

Mirroring our deep commitment to generate Purpose, our ESG strategy is strongly integrated with HKBN's overall business. On an annual basis, the Board will review our ESG key areas of focus for the fiscal year. These focus areas serve to guide our Talents in their work to deliver value and benefits for our core ESG stakeholders with our business initiatives:

Stakeholders and Priorities	Key Focus for FY21
Innovation for Customers	1) Residential Solutions To enrich the value of our residential broadband and Infinite-play services by offering: ➢ HKBN Smart to bring affordable, hassle-free home automation to our customers through IoT appliances and devices via mobile App or voice commands. ➢ HKBN PROTECT to provide a full range of enterprise-grade cybersecurity protection for the whole family against online threats and personal data leaks. ➢ HKBN Mesh Wi-Fi for improved Wi-Fi connectivity speeds and stability, which is crucial for customers to work or study at home under the new normal. ➢ Network Connectivity Analyser to enable faster and easier network connectivity diagnosis with a single click, enhancing the network maintenance experience for customers. ➢ Proactive Alert to notify customers of network issues in a transparent and timely manner.
	2) Enterprise Solutions & HKBN JOS Group To further expand our digital transformation capabilities for enterprise customers by enriching our ICT solutions and offerings with new services & solutions: ➢ Infinite Wi-Fi to enable smart office capabilities with higher connectivity speeds and capacity for enhanced customer mobility and collaboration. ➢ One-stop FixIT service to offer enterprise-grade IT support on-demand to "SMEs" & "NGOs" via flexible and affordable pricing. ➢ IoT Sensors to help customers achieve safer and greener working environments with the bonus of long-term cost-savings. ➢ Managed Firewall Service to enable customers to work-from-anywhere with highly secure internal network connections. ➢ Affordable Cloud-based Applications to SMEs to easily transform and meet their business needs in the fast-changing digital era.
	3) HOME+ Expanding our disruptive legacy to deliver value for consumers, our shared economy e-commerce platform HOME+ continues to bring affordable e-shopping experiences.

Stakeholders and Priorities	Key Focus for FY21
Total Rewards for Talents	• Encourage our Talents to work stronger as one silo-less team via: ➢ Introducing Co-Ownership Plan IV to further leverage Talent skin-in-the-game interest alignment as a strategy to grow our business. ➢ Continue with our succession planning initiatives to foster leadership continuity and Talent development. ➢ Strengthen the alignment of Total Rewards across all regions (e.g. LIFE-work priority practices & Talent development opportunities).
Responsible & Win-Win Supply Chain Partnerships	• Enhance suppliers' ESG standards & strengthen our communication with suppliers via: ➢ Conducting questionnaires to assess supplier's ESG performance and identify gaps for improvement. ➢ Sharing of HKBN best practices (e.g. Talents, workplace safety & environmental policies) to boost suppliers' ESG performance. ➢ Introducing our e-sourcing platform to enhance the transparency of our tendering process.
Technology & Expertise for Community Betterment	• Driving digital inclusion and competency among Social Profit Organisations ("SPOs") and the needy through: ➢ Providing our FixIT & e-Security services at affordable prices to SPOs. ➢ Empowering social enterprises and SMEs via low cost of entry e-commerce opportunity with HOME+. ➢ Sharing our technology expertise to bridge the digital divide amongst society's underprivileged. ➢ Leverage our Talent CSI Fund to empower youth creativity.
Strive for Environmental Excellence	• Improving energy-efficient management via: ➢ Network consolidation by shutting down unnecessary equipment. ➢ Optimising our office energy footprint by deploying various smart devices and efficiency initiatives.
Go Beyond Compliance	• Improve the governance process and enhance all Talents' general awareness through: ➢ Improving the risk assessment process by adding KPIs and implementing GRC framework. ➢ Improving the protection of confidential data by regularly reviewing relevant internal workflow and policies. ➢ Enhancing risk and control awareness by implementing departmental control self assessment.

Enhancing Talent Engagement and Education

Talents play an important part in our operations, and so every decision they make is likely to have a considerable impact on our ESG performance. As such, to achieve greater synergy between our corporate strategy and ESG priorities, we provided a series of educational campaigns in FY21 to help our Talents better understand and address the needs of our stakeholders: the HKBN CORE 5 of Customers, Talents, Suppliers, Community and Environment.

The comic "Talent can speak up, transparency up!" gave our Talent insights to reinforce the importance transparency and two-way communication.

Management Communication on ESG Goals

At the outset of FY21, our senior management team made a proactive effort to encourage our Talents to further embed ESG priorities into their business strategy and operational processes. Management Committee Members shared their ESG goals, giving our Talents a clear picture on how they can correlate their own business planning with ESG priorities throughout the year.

ESG Education for Talents

We designed the "The HKBN CORE 5" cartoon characters to engage our Talents throughout the year across a variety of educational campaigns about our 5 core stakeholder groups.

Awards & Recognitions

Award and Certifications:	Presented by
Constituent Member of Hang Seng Corporate Sustainability Benchmark Index	Hang Seng Indexes Company Limited

Hang Seng Corporate Sustainability Index Series Member 2020-2021

Key Financial and Operational Summary

Table 1: Financial highlights

	For the year ended		
	31 August 2021	31 August 2020	**Change YoY**
Key financials ($'000)			
Revenue	**11,463,745**	9,452,957	+21%
– Enterprise Solutions	**4,965,553**	4,708,063	+5%
– Enterprise Solutions related product	**2,310,286**	1,806,409	+28%
– Residential Solutions	**2,465,294**	2,447,072	+1%
– Handset and other product	**1,722,612**	491,413	>100%
Profit for the year	**206,872**	96,611	>100%
Adjusted Net Profit[1,2]	**755,975**	600,190	+26%
EBITDA[1,3]	**2,568,507**	2,505,443	+3%
Service revenue	**7,430,847**	7,155,135	+4%
Service EBITDA[1,3]	**2,226,459**	2,191,763	+2%
Service EBITDA margin[1,4]	**30.0%**	30.6%	-0.6pp
Adjusted Free Cash Flow[1,5]	**1,131,543**	1,114,144	+2%
Reconciliation of Adjusted Net Profit[1,2]			
Profit for the year	**206,872**	96,611	>100%
Amortisation of intangible assets	**456,754**	609,895	-25%
Deferred tax arising from amortisation of intangible assets	**(73,683)**	(98,017)	-25%
Loss on extinguishment of senior notes	**145,463**	43,595	>100%
Originating fee for banking facilities expired	**20,569**	–	n/a
Deferred tax recognised on unused tax losses	**-**	(80,304)	-100%
Loss on derecognition of contingent consideration	**-**	14,624	-100%
Impairment loss on investment properties	**-**	7,217	-100%
Transaction costs in connection with business combination	**-**	6,569	-100%
Adjusted Net Profit	**755,975**	600,190	+26%

Key Financial and Operational Summary

	For the year ended		
	31 August 2021	31 August 2020	**Change YoY**
Reconciliation of EBITDA & Adjusted Free Cash Flow [1,3,5]			
Profit for the year	**206,872**	96,611	>100%
Finance costs	**481,029**	526,961	-9%
Interest income	**(2,200)**	(3,287)	-33%
Income tax expense/(credit)	**118,393**	(4,509)	>100%
Depreciation	**1,011,892**	974,267	+4%
Amortisation of intangible assets	**456,754**	609,895	-25%
Amortisation of customer acquisition and retention costs	**295,767**	291,719	+1%
Impairment loss on investment properties	**-**	7,217	-100%
Transaction costs in connection with business combination	**-**	6,569	-100%
EBITDA	**2,568,507**	2,505,443	+3%
Capital expenditure	**(589,621)**	(540,565)	+9%
Net interest paid	**(295,010)**	(429,651)	-31%
Other non-cash items	**(8,604)**	9,337	>100%
Income tax paid	**(230,154)**	(161,758)	+42%
Customer acquisition and retention costs	**(265,467)**	(288,838)	-8%
Premium paid on senior notes redemption	**(113,776)**	(31,457)	>100%
Lease payments in relation to right-of-use assets	**(273,996)**	(239,554)	+14%
Changes in working capital	**339,664**	291,187	+17%
Adjusted Free Cash Flow	**1,131,543**	1,114,144	+2%

Table 2: Operational highlights

	For the year ended		
	31 August 2021	31 August 2020	**Change YoY**
Enterprise business			
Commercial building coverage	**7,584**	7,374	+3%
Subscriptions ('000)			
– Broadband	**119**	117	+2%
– Voice	**423**	443	-5%
Market share [6]			
– Broadband	**37.0%**	36.6%	+0.4pp
– Voice	**25.0%**	25.3%	-0.3pp
Enterprise customers ('000)	**107**	105	+2%
Broadband churn rate [9]	**1.5%**	1.4%	+0.1pp
Enterprise ARPU [10]	**$3,036**	$2,948	+3%
Residential business			
Fixed telecommunications network services business			
Residential homes passed ('000)	**2,466**	2,415	+2%
Subscriptions ('000)			
– Broadband	**886**	886	+0%
– Voice	**474**	498	-5%
Market share [6]			
– Broadband	**34.1%**	35.0%	-0.9pp
– Voice	**22.2%**	22.4%	-0.2pp
Broadband churn rate [7]	**0.9%**	0.9%	+0pp
Residential ARPU [8] (Without TTT)	**$192**	$190	+1%
Residential ARPU [8] (With TTT)	**$190**	$187	+2%
Mobile business			
Subscriptions ('000)	**254**	275	-8%
Mobile ARPU	**$111**	$110	+1%
Residential customers ('000)	**997**	1,019	-2%
Total full-time permanent Talents	**5,218**	5,929	-12%

Notes:

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

(2) Adjusted Net Profit means profit for the period plus amortisation of intangible assets (net of deferred tax credit and direct cost incurred in corresponding period) and other non-recurring item. Other non-recurring item, in the period under review, include loss of extinguishment of senior notes and originating fee for banking facilities expired.

(3) EBITDA means profit for the period plus finance costs, income tax expense, depreciation, amortisation of intangible assets (net of direct cost incurred in corresponding period), amortisation of customer acquisition and retention costs and less interest income. Service EBITDA means EBITDA excluding gross profit on product revenue.

(4) Service EBITDA margin means service EBITDA divided by service revenue, which is excluding product revenue.

(5) Adjusted Free Cash Flow means EBITDA less capital expenditure, customer acquisition and retention costs, net interest paid, income tax paid, premium paid on senior notes redemption, lease payments in relation to right-of-use assets, changes in working capital and other non-cash items. Working capital includes other non-current assets, inventories, trade receivables, finance lease receivables, other receivables, deposits and prepayments, contract assets, amounts due from joint ventures, trade payables, contract liabilities and deposits received. Other non-cash items, in the period under review, include amortisation of obligations under granting of rights and Co-Ownership Plan II related non-cash items.

(6) Our market share in broadband or voice services in Hong Kong, for residential or enterprise business, is calculated by dividing the number of broadband or voice subscriptions we have at a given point in time by the total number of corresponding broadband or voice subscriptions recorded by the Office of the Communications Authority ("OFCA") at the same point in time. Based on the latest disclosure from OFCA for July 2021 and June 2021 market data for broadband services and voice services respectively.

(7) Calculated by dividing the sum of the monthly broadband churn rate for each month of the given financial period by the number of months in the financial period. Monthly broadband churn rate is calculated by the sum of the number of residential broadband subscription terminations in a month divided by the average number of residential broadband subscriptions during the respective month and multiplying the result by 100%.

(8) ARPU means average revenue per user per month. Calculated by dividing the revenue generated in the relevant period from services subscribed by residential broadband subscribers, which include broadband services and any bundled voice, IP-TV and/or other entertainment services (excluding revenue from IDD and mobile services), by the number of average residential broadband subscriptions and further dividing by the number of months in the relevant period. Average residential broadband subscriptions are calculated by dividing the sum of such subscriptions at the beginning of the period and the end of the period by two. Our use and computation of residential ARPU may differ from the industry definition of ARPU due to our tracking of revenue generated from all services subscribed by residential broadband subscribers. We believe this gives us a better tool for observing the performance of our business as we track our residential ARPU on a bundled rather than standalone basis. "TTT" represents the Group offered one-month service fee waiver to its customers for the purpose of relieving the household financial burden caused by COVID-19.

(9) Calculated by dividing the sum of the monthly broadband churn rate for each month of the given financial period by the number of months in the period. Monthly broadband churn rate is calculated by the sum of the number of enterprise broadband subscription terminations in a month divided by the average number of enterprise broadband subscriptions during the respective month and multiplying the result by 100%.

(10) ARPU means average revenue per user per month. Calculated by dividing the revenue generated in the relevant period from the enterprise telecom and technology solutions business (excluding revenue from IDD, Enterprise Solutions related product and mobile services) by the average number of enterprise customers and further dividing by the number of months in the relevant period. Average number of enterprise customers is the sum of: (i) number of enterprise telecom customers, as calculated by dividing the sum of enterprise telecom customers at the beginning of the period and the end of the period by two; and (ii) the number of enterprise technology solutions customers, which represents the number of unique customers with billing transactions on technology solutions related services during the financial period. This metric may be distorted by the impact of certain particularly large contracts we have with enterprise customers.

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

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

Business Review

Despite the prolonged COVID-19 pandemic, the Group delivered a solid set of operational and financial results for the year ended 31 August 2021. During the year, the Group has continued to evolve from a traditional telecom company into a leading information and communications technology (ICT) solutions provider. Our enterprise business showed improvements with higher market share and ARPU after a series of transformations. Meanwhile, our residential business remained solid as we relentlessly delivered quality services to our customers. As a result, the Group's revenue, EBITDA, and Adjusted Free Cash Flow ("AFF") increased year-on-year by 21%, 3% and 2% respectively to $11,464 million, $2,569 million and $1,132 million.

- Enterprise Solutions revenue increased by 5% year-on-year to $4,966 million after consolidating the full year operating results of HKBN JOS in the current year (FY20: eight and a half months). Despite slowing business activities due to the prolonged COVID-19 pandemic, our enterprise business still managed to achieve growth in customer numbers and ARPU, which was contributed by our efforts in integrating the telecom and technology solutions business in the enterprise segment. Total number of enterprise customers increased from 105,000 to 107,000, whilst our enterprise ARPU improved from $2,948 to $3,036.

  Enterprise Solutions related product revenue increased by 28% to $2,310 million, mainly contributed by the full year operating results of HKBN JOS in the current year (FY20: eight and a half months).

  The COVID-19 pandemic has posed significant challenges to businesses in Hong Kong, and this has increased the demand on running their companies remotely, securely, and efficiently at affordable costs. This materialised as an opportunity for innovative solutions such as FixIT, e-Security and business application services which aimed to serve the needs of our large enterprise customer base. We will strengthen the relationship with our customers and increase our market penetration in the upcoming economic rebound.

- Residential Solutions revenue increased by 1% year-on-year to $2,465 million as a result of our Infinite-play strategy (including the Over-The-Top partnership with Netflix, our smart home solutions and 5G mobile services) which improved our ARPU. Excluding the residual impact of the one-month service fee waiver we granted to customers in FY20 as COVID-19 relief, historical full base residential ARPU has increased by 1% year-on-year, from $190/month to $192/month, while our monthly churn rate remained low at 0.9%.

  The COVID-19 pandemic and intense competition in the residential broadband market has undoubtedly posed pressure on our business growth. Nevertheless, we will continue to extend our Infinite-Play price strategy to deliver unprecedented household savings and service convenience to disrupt the legacy broadband, fixed-voice, content and mobile standalone segments. In October 2021, we became the exclusive broadband service provider for Disney+ in Hong Kong, a game-changer that will improve our customers' stickiness and reward us with a higher ARPU and market share.

- Handset and other product revenue increased by 251% to $1,723 million, mainly represented by the sales of smartphone products with enhanced features.

Network costs and costs of sales increased by 41% year-on-year to $6,951 million due to consolidating full year operating results of HKBN JOS and organic business growth achieved during the year. Cost of inventories increased by 86% to $3,688 million mainly due to the full year operating results of HKBN JOS (FY20: eight and a half months) and increased sales of smartphone products. Network and other costs excluding the cost of inventories increased by 11% year-on-year from $2,943 million to $3,263 million was mainly caused by the full year service cost of HKBN JOS (FY20: eight and a half months).

Other operating expenses dropped by 6% year-on-year from $3,933 million to $3,698 million, which was the combined effects of a decrease in Talent costs by $84 million due to a lower average headcount and decrease in amortisation of intangible assets by $144 million.

Finance costs dropped by 9% year-on-year from $527 million to $481 million. It was mainly contributed by the decrease of senior notes interest of $200 million, partly offset by the increase in interest and finance charges on bank loans by $15 million, fair value loss on interest-rate swaps by $13 million and originating fee for bank facilities expired by $21 million and one-off loss on extinguishment of senior notes of $102 million, representing the impacts of the full redemption of the senior notes in November 2020 versus their natural expiry of November 2022.

Income tax changed from tax credit of $5 million to tax charge of $118 million mainly due to the initial recognition of deferred tax asset on unused tax loss of $80 million in FY20.

As the result of the aforementioned factors, profit attributable to equity shareholders increased by 113% to $207 million.

Adjusted Net Profit, which is excluding the impact of amortisation of intangible assets (net of deferred tax credit), and non-recurring items, increased by 26% year-on-year to $756 million. This was mainly contributed by the decrease in senior notes interest of $200 million, partly offset by an increase in share of losses of joint ventures during the year.

Service EBITDA, which excluded the gross profits on Enterprise Solutions related product and handset and other product, improved by 2% year-on-year from $2,192 million to $2,226 million. It was mainly contributed by a decrease in Talent costs of $84 million, partly offset by the decrease in service gross profits of $44 million. Service EBITDA margin slightly dropped by 0.6 percentage points from 30.6% to 30.0% due to increase in network costs.

EBITDA increased by 3% year-on-year from $2,505 million to $2,569 million, mainly contributed by lower operating expenses due to operational enhancement.

AFF rose by 2% year-on-year to $1,132 million mainly due to improving EBITDA, interest savings and better working capital management.

Outlook

As a leading ICT solutions provider with extensive customer reach, comprehensive suite of service offerings, strong business partnerships, and unique silo-less culture, we are confident that we will be riding the post COVID-19 rebound and deliver more value to our stakeholders.

Market competition continues to be intense for our existing business. We shall focus on harvesting our substantially invested network and our monthly billing relationships by upselling more services via collaborations with new partnerships through our well-established digital platforms. We will drive sustainable growth in revenue, EBITDA and AFF through the following initiatives:

- Continue to foster Co-Ownership culture to align risks and rewards of our Talents with our key stakeholders. In October 2021, we obtained shareholders' approval on the adoption of the Co-Ownership Plan IV, of which the purpose is to align the performance target of the Group with the incentives of our Talents so that the Group could be better positioned to seize opportunities and benefits in the post COVID-19 era;

- Continue to invest in a series of telecom and technology solutions and initiatives such as Barter & Bundle, Transformation as a Services (TaaS), digital platforms and e-commerce to further penetrate the enterprise and residential markets, in turn, sharing a larger wallet of spending;

- Transform our enterprise business from pure sales of products & services to relationship management, expand our market share in the enterprise segment by better understanding customer needs and providing best-fit solutions to them by leveraging HKBN's massive economy of scale;

- Expand our quad-play bundle plans to Infinite-play to drive ARPU and subscription growth and disrupt the legacy broadband, fixed-voice, multimedia content and mobile standalone services, improve customer stickiness by expanding our Residential ecosystem through different new disruptive services (e.g. new OTT services with Disney+, WiFi 6 Gateway and HOME+); and

- Further lower finance costs by managing the net leverage ratio to below 3.5x in the medium term to enjoy a better interest rate grid of existing bank facilities.

Liquidity and Capital Resources

As at 31 August 2021, the Group had total cash and cash equivalents of $1,527 million (31 August 2020: $676 million) and gross debt of $12,124 million (31 August 2020: $10,487 million, excluding lease liabilities of $680 million), which led to a net debt position of $10,597 million (31 August 2020: $9,811 million). Lease liabilities of $508 million was included as debt as at 31 August 2021 in accordance with the term of the Group's various loan facilities. The Group's gearing ratio, which was expressed as a ratio of the gross debt over total equity, was 2.2x as at 31 August 2021 (31 August 2020: 1.6x). The Group's net debt to EBITDA ratio as computed in accordance with the term of the Group's various loan facilities was approximately 4.6x as at 31 August 2021 (31 August 2020: 4.4x). The average finance cost calculated as the interest and coupon charges over the average borrowing balance was 2.6% (31 August 2020: 4.5%). The average weighted maturity of the Group's borrowings was 4.3 years as at 31 August 2021 (31 August 2020: 2.3 years).

Cash and cash equivalents consisted of cash at bank and in hand. There was no pledged bank deposit as at 31 August 2021 and 31 August 2020. As at 31 August 2021, the Group had an undrawn revolving credit facility of $1,464 million (31 August 2020: $1,840 million).

Under the liquidity and capital resources condition as of 31 August 2021, the Group could fund its capital expenditures and working capital requirements for the period with internal resources and the available banking facilities.

Hedging

The Group's policy is to partially hedge the currency and interest rate risk arising from non- Hong Kong dollar denominated assets/liabilities and the variable interest rates of the debt instruments and facilities by entering into currency forward and interest-rate swaps, respectively. The 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 a currency forward to buy USD at 7.778 in the principal amount of US$621 million with an international financial institution that matures on 30 November 2020. Benefiting from hedging arrangement, the Group substantially fixed the USD/HKD exchange until maturity of the instrument.

The Group also entered into an interest-rate swap arrangement in the principal amount of $3,900 million with an international financial institution for a term of 2.6 years from 30 October 2020 to 31 May 2023. Benefiting from the hedging arrangement, the Group fixed the HIBOR interest rate exposure at 0.399% per annum.

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

Charge on Group Assets

As at 31 August 2021, the Group pledged assets to secure the other borrowings of $38 million (31 August 2020: $20 million).

Contingent Liabilities

As at 31 August 2021, the Group had total contingent liabilities of $191 million (31 August 2020: $140 million) in respect of bank guarantees provided to suppliers and customers and utility vendors in lieu of payment of utility deposits. The increase of $51 million was mainly due to increase of performance guarantee issued to the Group's suppliers and customers.

Exchange Rates

All the Group's monetary assets and liabilities are primarily denominated in either Hong Kong dollars ("HKD") or United States dollars ("USD"). Given the exchange rate of 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 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 to address short-term imbalances.

Significant Investments, Acquisitions and Disposals

The Group did not make any significant investments, acquisitions or disposals in relation to its subsidiaries and associated companies for the year ended 31 August 2021.

Talent Remuneration

As at 31 August 2021, the Group had 5,218 permanent full-time Talents (31 August 2020: 5,929 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.

The Board is pleased to present their report and the audited consolidated financial statements for the year ended 31 August 2021.

Principal Activities

HKBN Ltd. (the "Company", together with its subsidiaries, the "Group") is an investment holding company. Headquartered in Hong Kong with operations spanning across Hong Kong, Macau, mainland China, Singapore and Malaysia, the Group is a leading integrated telecom and technology solutions provider. Operating through three core brands, Hong Kong Broadband Network, HKBN Enterprise Solutions and HKBN JOS, the Group offers a comprehensive range of solutions that include broadband, data connectivity, cloud and data centre, managed Wi-Fi, business continuity services, system integration, cybersecurity, mobile services, roaming solutions, digital solutions, voice and collaboration, stationery and supplies that are cumulative to our one-stop-shop offering of Transformation as a Service (TaaS) and OTT entertainment.

Business Review

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year, and the future developments of the Group's business, are set out in the chapters headed "Shareholder Letter" and "Management Discussion and Analysis" on pages 6 to 7 and pages 27 to 30 of this annual report respectively.

Analysis Using Financial Key Performance Indicators

Details of the financial key performance indicators can be found on pages 23 to 26 and pages 27 to 30 in the "Key Financial and Operational Summary" and "Management Discussion and Analysis" sections of this annual report respectively.

Principal Risks and Uncertainties

The Board is aware that the Group is exposed to a variety of risks, some are specific to the industry in which the Group operates while others are common risks that most businesses face. Procedures have been established by the Board to ensure significant risks that may adversely affect the Group's operation and performance are identified and corresponding measures are in place to mitigate those risks. For key risks related to the Group's businesses and to the industries in which the Group operates, please refer to the "Corporate Governance Report" section on pages 95 to 118 of this report. If any of these events occur, the Group's businesses, financial conditions, results of operations and/or prospects of the Group could be materially and adversely affected. These key risks are by no means exhaustive or comprehensive, and there may be other risks, in addition to those highlighted, which are not known by the Group or which may not appear significant now but could turn out to be so in the future.

Environmental Policies and Performance

As an environmentally responsible business, HKBN has a role to constantly explore policy which prioritises energy efficiency to reduce any negative impact on the environment. We have integrated environmental considerations into our business process, as well as minimised our generation of waste with a vision to "Make our Home a Better Place to Live".

Aiming to facilitate a greener and more sustainable future, HKBN has set up environment targets on electricity, carbon emission and waste to anchor our environment strategy for performance improvement while also to maintain the agility of business growth in FY21. Based on the environmental framework established, we have adopted various initiatives throughout the year to improve our energy efficiency, minimise our waste and promote environmental awareness.

To better adapt to climate change and mitigate our impacts on this global issue, we have identified various climate risk scenarios and established a climate strategy to manage related risks and ensure both HKBN's infrastructure and Talents will have the capability to cope with climate change.

More information about the Group's environmental performance is set out on pages 86 to 94 "Environment" of this annual report.

Relationships with Key Stakeholders

Talents

At HKBN, we believe our Talents are fundamental to our success. We treat our Talents with respect, offer exceptional flexibility and employment benefits, and provide them with copious opportunities to grow professionally. Under the COVID-19 pandemic, we offered our Talents much greater flexibility for work and personal life. We believe that Talents' health, safety and well-being come before work, and that happy Talents will be motivated to deliver outstanding results. This Talent-first approach to business drives our capabilities to innovate and stay competitive. In this light, we seek to not only comply with but exceed the legal requirement set by the Employment Ordinance and other laws and regulations related to employee welfare and working conditions, with a view to inspiring other companies to do likewise and make our home a better place to live.

Following the integration of JOS, with a more enlarged scale and extensive regional networks, we aim to achieve synergy and break the silos to integrate as one HKBN company. We have walked through a cultural integration journey to help ex-JOS Talents understand more about HKBN and embrace our unique culture. During the year, we also opened invitations to supervisory or above-level HKBN Talents to join our Co-Ownership Plans and Beyond-HK Talents to join our pain/GAIN scheme as our Co-Owners. Our skin-in-the-game Co-Ownership culture gives Talents a unique opportunity to prosper as Co-Owners of the company they serve.

To move towards greater silo-less unity, HKBN JOS (Hong Kong and Beyond-Hong Kong) have fully adopted the policies, grading, compensation and reward system of HKBN. Transparency on performance is key to ensure Talents understand the performance expectations as well as the fairness we champion in rewarding Talents.

As a Talent-obsessed company, we need a powerful HR system that engages our over 5,200 Talents efficiently. Our newly implemented Workday Human Capital Management system allows us to have more intelligent management of Talent capital, expertise and importantly, silo-less synergy between teams and regions.

Customers

Customer Service

With the pandemic changing our lives, broadband Internet has never been more critical for people, who are looking to work, learn, connect and entertain themselves from home. To enrich the **value of our Residential Solutions business**, we engaged our customers by offering:

- **HKBN Smart** to bring convenience and a hassle-free living environment to our customers through IoT appliances and devices with easy control via App or voice commands

- **HKBN PROTECT** to offer enterprise-grade Internet protection for the whole family against online threats and personal data leaks

- **Entertainment – Netflix, myTV Super, JOOX Music** to provide our customers with a wide selection of global entertainment content – unlimited movies, TV shows, anime, popular local entertainment channels and video-on-demand packs, ad-free access to 30 million world-side songs with Hi-Fi quality

- **5G Mobile Service** for our customers to enjoy unprecedented download speeds up to ten times faster than 4G service. With the latest mobile technology of ultra-low latency, high-speed mobile data, customers can now benefit from all the entertainment, quality of life, and business application possibilities

- **New WiFi 6 Gateway** delivers the latest wireless standard to offer dramatically faster wireless speeds and better connectivity for the latest smartphones and devices in our customer's households

- **HKBN Mesh Wi-Fi** for higher Wi-Fi connectivity speeds and stability which is crucial for customers to work or study at home under the new normal

Other than offering unprecedented value across our Residential Solutions business, we stayed on top of the latest customer service trends by developing self-service support functions in My HKBN App:

- **Network Connectivity Analyser** to enable a faster and easier network connectivity diagnosis by simply one click, enhancing the overall self-help network troubleshooting experience

- **Proactive Alert** for a transparent and clear communication to customers through timely alerts when network issues arise

Customers can also check mobile data usage, upgrade or renew services, refer a friend or pay their monthly bills by using the My HKBN App. Customers can solve their own problems, without having to interact with a sales or service agent.

Armed with complete and real-time customer information via our Customer Relationship Management ("CRM") system, customer requests are dealt promptly on first contact. Our Residential Service Hotline Service has been granted Service Quality Management Certificate ("HKQAA"). Additionally, we won 5 Corporate Gold Awards ("HKCCA") in 2018:

Our Residential Service Hotline (since 2016) and Live Chat Services (since 2020) have been granted Service Quality Management Certificate ("HKQAA"). Additionally, we won 4 Corporate Gold Awards ("HKCCA") in 2021:

Corporate Awards	Award
Mystery Caller Assessment Award – Residential Service Hotline (8 Consecutive Years)	Gold
Mystery Caller Assessment Award – Residential VIP Hotline (6 Consecutive Years)	Gold
Mystery Caller Assessment Award – Residential Online Customer Service (3 Consecutive Years)	Gold
Mystery Caller Assessment Award – Number Porting Hotline (3 Consecutive Years)	Gold

In addition, we received around 3,300 compliments, from letters, e-survey and email, praising the outstanding work of our customer service agents and service technicians. All these are a true acknowledgement of our professional services and commitment to customers.

While the continued pandemic has caused various setbacks to society and posed challenges to business, simultaneously, this has speeded up changes in the way businesses work worldwide, and prompted new opportunities as businesses embraced the culture and need to transform. During the year, business localisation, flexibility, mobilisation, adaptability have been key drivers for businesses transitioning from survival to growth.

As one of the major telecommunications and ICT solutions providers, HKBNES has never stopped supporting local business needs and sought to offer services that can take advantage of our massive scale to deliver affordable solutions for mass-market customers.

In FY21, we collaborated with various local and overseas partners with different one-stop solutions providing Cloud-based & IoT applications to help local businesses work smarter, and operate efficiently and more safely. These solutions include UV-C Air Purifiers solutions, cybersecurity & anti-ransomware assessment services in partnership with PwC, Smart Meeting Room services in partnership with The Desk, and Cloud back-up & disaster recovery solutions.

We strongly believe that as a trusted partner of local business, we must always stay ahead to help our customers adopt more simple and smarter solutions to address their daily business and operation needs. Recently, we launched SME solutions offering connectivity & voice calls, FixIT with flexible IT support services, cybersecurity, enterprise application, and OFFICE+, a one-stop office supply solution. These solutions can help business customers stay ahead to adapt in the new normal.

Meanwhile, in facing the dynamic market and fast changing customer needs, this year we plan to upgrade our after sales services platform and improve customer service processes by adopting a world-class CRM platform. With continuous improvement on services and comprehensive ICT portfolio, we are confident we can be better positioned to provide more innovative and compelling solution to help our business thrive.

Suppliers

HKBN is committed to conducting our procurement activities with suppliers to the highest standards of quality and integrity. Our procurement policy sets out a consistent approach with various rules and regulations that include conflict of interest, anti-bribery, anti-corruption and receiving business gifts which we require all Talents to comply with when participating in any sourcing activities. The utilisation of diverse suppliers is essential to drive our belief in "making our home a better place to live". HKBN is committed to providing opportunities for diversity and/or social enterprise suppliers in our sourcing activities, where possible.

With a strong foundation in our corporate core value, sustainable procurement has an important role to play in our company's corporate social responsibility strategy. We expect our suppliers to comply with our Supplier Code of Conduct or have their own business code of conduct that meet our requirement, and a similar approach is expected for their suppliers and subcontractors.

The Group has introduced criticality assessments and added in measurements and considerations on supplier sustainability concerning environment, labor, and health & safety in our supplier selection process. To enable business units to effectively manage suppliers and mitigate any potential supplier risks, business units are required to perform supplier performance assessments on a regular basis. The structured supplier management framework aims to monitor supplier performance, rectify and escalate any issues in a proactive manner.

Compliance with Applicable Laws and Regulations which have a Significant Impact on the Group

The Group and its activities are subject to various legal and regulatory requirements. They include Telecommunications Ordinance (Cap. 106), Trade Descriptions Ordinance (Cap. 362), Personal Data (Privacy) Ordinance (Cap. 486), Unsolicited Electronic Messages Ordinance (Cap. 593), Competition Ordinance (Cap. 619), Employment Ordinance (Cap. 57) and the Listing Rules. Through the implementation of internal controls and approval procedures, and appropriate in-house training provided to different units within the Group, the Company has complied in all material respects with relevant laws and regulations that have significant impact on the operations of the Group for the year ended 31 August 2021.

Personal Data Privacy Ordinance ("PDPO")

The Group's collection, retention, processing or use of personal data in its ordinary course of business must comply with relevant requirements of PDPO. In order to comply with PDPO, security measures were implemented, training sessions and meetings with relevant business and operation units were held, to ensure that the Group is securely equipped and compliant with the law.

Telecommunications Ordinance ("TO")

As licensees under the TO, the Group is required to operate in compliance with the TO and licence conditions including providing satisfactory level of service, ensure interconnection with other telecommunications networks and sharing of facilities owned by them. If licensees fail to comply with the TO or relevant licence conditions, fines may be imposed by the Communications Authority ("CA").

Trade Descriptions Ordinance ("TDO")

False trade descriptions of goods and services, misleading omissions, bait advertising, etc., are prohibited under the TDO. If any of the aforesaid offences are committed, it may result in criminal prosecution and fine and imprisonment may be imposed. To ensure compliance with the TDO, all sales and marketing materials are reviewed to ensure compliance and refresher training sessions are provided to sales and marketing units from time to time.

Competition Ordinance ("CO")

Under the CO, agreements or concerted practices between undertakings that have the object or effect of preventing, restricting or distorting competition in Hong Kong are prohibited. Likewise, an undertaking that has a substantial degree of market power is also prohibited from abusing its power through engaging in conduct that has the object or effect of preventing, restricting or distorting competition in Hong Kong. Failure to comply with these competition rules could result in the Competition Tribunal imposing a fine and disqualification of Directors. A compliance guideline manual was prepared for Talents involved with sales, marketing, business tenders, pricing, contracts and strategy formation.

Consolidated Financial Statements

The financial performance of the Group for the year ended 31 August 2021 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 126 to 221 of this annual report.

Recommended Dividend

The Directors recommended the payment of a final dividend of 37.5 cents per share for the year ended 31 August 2021 (31 August 2020: 38 cents per share) to the shareholders whose names appear on the register of members of the Company on Wednesday, 22 December 2021. Subject to the approval by the shareholders at the 2021 Annual General Meeting, the proposed final dividend is expected to be paid in cash on or around Thursday, 6 January 2022.

The dividend policy of the Company is to pay dividends in an amount of not less than 90% of the AFF with an intention to pay 100% of the Adjusted Free Cash Flow in respect of the relevant year/period, after adjusting for potential debt repayment, if required.

Based on the terms and conditions of the vendor loan notes issued by the Company to TPG Wireman, L.P. ("TPG Wireman") and Twin Holding Ltd ("Twin Holding") 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 $62,745,830 based on the 37.5 cents final dividend per ordinary share declared by the Company for the year ended 31 August 2021, as if the holders of the Vendor Loan Notes are holders of 167,322,212 ordinary shares in the Company as of the record date for such final dividend. Such cash amount will be paid by the Company to the holders of Vendor Loan Notes on or around Thursday, 6 January 2022, being the date on which the 2021 final dividend will be paid by the Company.

Subsidiaries, Joint Ventures and an Associate

Details of the principal subsidiaries, joint ventures and an associate of the Group as at 31 August 2021 are set out in notes 12 and 13 to the "Notes to the Financial Statements", respectively.

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 30 to the "Notes to the Financial Statements".

Financial Summary

A summary of the results and of the assets, equity and liabilities of the Group for the last five financial years is set out on pages 222 and 224 of this annual report.

Retirement Schemes

Details of the retirement schemes of the Group are set out in note 8 to the "Notes to the Financial Statements".

Bank and Other Borrowings

Particulars of bank and other borrowings of the Group as at 31 August 2021 are set out in note 20 to the "Notes to the Financial Statements".

Donations

During the year ended 31 August 2021, the Group did not make any charitable and other donations (31 August 2020: $25,000).

Distributable Reserves of the Company

As at 31 August 2021, the Company's reserves available for distribution to shareholders were $5,074,856,000 (31 August 2020: $5,205,772,000).

Directors and Directors' Service Contracts

The Directors of the Company during the year ended 31 August 2021 and up to the date of this report are:

	Name of Director
Chairman and Independent Non-executive Director	Mr. Bradley Jay HORWITZ
Executive Directors	Mr. Chu Kwong YEUNG Mr. Ni Quiaque LAI
Non-executive Directors	Ms. Suyi KIM Mr. Teck Chien KONG Mr. Zubin Jamshed IRANI
Independent Non-executive Directors	Mr. Stanley CHOW Mr. Yee Kwan Quinn LAW, SBS, JP

A full list of names of the Directors of the Group's subsidiaries can be found in the Company's website at www.hkbnltd.net under "Our Company/Corporate Governance".

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

In accordance with article 16.18 of the Articles, Mr. Teck Chien KONG and Mr. Zubin Jamshed IRANI, the Non-executive Directors of the Company, and Mr. Yee Kwan Quinn LAW, the Independent Non-executive Director of the Company, shall retire from office at the forthcoming annual general meeting and shall be eligible for re-election. All remaining Directors shall continue in office.

The Company has received, from each of the Independent Non-executive Directors, a confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non-executive Directors are independent.

No Directors proposed for re-election at the forthcoming annual general meeting have service contracts with the Company or any of its subsidiaries which are not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 August 2021.

Directors' and Chief Executives' Interests in Securities

As at 31 August 2021, the Directors and chief executives of the Company had the following interests and short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives), and debentures of the Company and its associated corporations (within the meaning of Part XV of the "Securities and Futures Ordinance" (the "SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) were required, pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein; or (c) were otherwise required to be notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 of the Listing Rules:

Long Position

Ordinary shares of HK$0.0001 each in the Company

Name of Director	Note	Number of shares held	Percentage of the issued share capital of the Company
Mr. Bradley Jay HORWITZ	(a)	1,000,000	0.08%
Mr. Chu Kwong YEUNG	(b)	26,234,429	2.00%
Mr. Ni Quiaque LAI	(c)	31,553,129	2.41%
Mr. Teck Chien KONG	(d)	228,627,451	17.43%
Mr. Stanley CHOW	(e)	234,500	0.02%

Notes:

(a) Mr. Bradley Jay HORWITZ held 1,000,000 ordinary shares in the Company.

(b) Mr. Chu Kwong YEUNG held 26,234,429 ordinary shares in the Company, in which 848,002 ordinary shares were held by the plan trustee under Co-Ownership Plan III Plus.

(c) Mr. Ni Quiaque LAI held 31,553,129 ordinary shares in the Company, in which 556,007 ordinary shares were held by the plan trustee under Co-Ownership Plan III Plus.

(d) Mr. Teck Chien KONG, through corporations directly and indirectly controlled by him, namely MBK Partners JC GP, Inc., MBK Partners JC GP, L.P., MBK Partners JC, L.P., Twin Holding Ltd and Twin Telecommunication Ltd held 228,627,451 ordinary shares in the Company, in which 83,661,106 ordinary shares were under convertible instruments, and was accordingly deemed to be interested in the shares held by the aforesaid companies.

(e) Mr. Stanley CHOW held 234,500 ordinary shares in the Company jointly with his spouse, Ms. Frances WOO.

Other than the interests disclosed above, none of the Directors nor the chief executives nor their associates had any interests or short positions in any shares, underlying shares (in respect of positions held pursuant to equity derivatives) or debentures of the Company or any of its associated corporations as at 31 August 2021.

Interests in Competing Business

During the year ended 31 August 2021, none of the Directors were considered to have an interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Restricted Share Unit Schemes

To attract, retain and motivate skilled and experienced Talents, the Company adopted four Co-Ownership plans, namely Co-Ownership Plan II, Co-Ownership Plan III (was terminated and replaced by Co-Ownership Plan III Plus)*, Co-Ownership Plan III Plus and Co-Ownership Plan IV on 21 February 2015, 27 December 2017, 4 September 2019 and 21 October 2021 respectively. Co-Ownership is a powerful expression of the commitment and belief our Talents have in the Group. Unlike the more traditional approach of giving stock options to a very limited group of senior executives, the Company's Co-Ownership plans are open to all supervisors and above level Talents, spanning the Group's operations across Hong Kong and China.

* *By reasons of (i) the occurrence of the acquisition of the entire issued share capital of WTT Holding Corp by Metropolitan Light Company Limited, a direct wholly-owned subsidiary of the Company, on 30 April 2019 (the "WTT Merger") and that the aspirational target of the adjusted available cash per share for distribution is different for the enlarged group after the WTT Merger and (ii) no grant of restricted share unit has been made under the plan since its adoption, on 21 June 2019, the Board resolved to terminate the Co-Ownership Plan III, and to adopt the Co-Ownership Plan III Plus as a replacement.*

Co-Ownership Plan II

Co-Ownership Plan II is a restricted share unit scheme, which was adopted by the Company on 21 February 2015. The plan has a matching ratio of 7:3 (i.e. 3 restricted share units ("RSUs") would be granted by the Company for every 7 purchased shares), and the vesting schedule would also be 25%-25%-50% upon each anniversary over 3 years after the date of grant. The maximum investment amount of each participant is limited to one year of the annual compensation package.

The total number of shares that may underlie the RSUs granted pursuant to the Co-Ownership Plan II shall be (i) 10% of the shares in issue on 12 March 2015 (the "Listing Date"), the date on which the Company was listed on the Stock Exchange; or (ii) 10% or less of the shares in issue as at the date following the date of approval of the renewed limit (as the case may be). The Co-Ownership Plan II shall be valid and effective for the period commencing on the Listing Date and expiring on the tenth anniversary thereof or such earlier date as it is terminated in accordance with the terms of the Co-Ownership Plan II, after which period no further RSUs shall be offered or granted.

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

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

Details of movements of the Co-Ownership Plan II during the year ended 31 August 2021 are as follows:

		Number of RSUs							
								To be vested on 30 January/26 February (As at 31 August 2021)	
Participants	Date of grant	Granted	As at 1 September 2020	Granted during the year	Forfeited during the year	Vested during the year	As at 31 August 2021	2021	2022
Other Participants	30 January 2019	329,330	200,378	-	46,880	56,488	97,010	-	97,010
Other Participants	26 February 2019	126,410	94,819	-	12,242	28,575	54,002	-	54,002
Total		**455,740**	**295,197**	**-**	**59,122**	**85,063**	**151,012**	**-**	**151,012**

Co-Ownership Plan III Plus

Co-Ownership Plan III Plus is a replacement of Co-Ownership Plan III, which was adopted by the Company on 4 September 2019.

Under the Co-Ownership Plan III Plus, the granting of the RSUs to the eligible participants depends on the level of the adjusted available cash per share for distribution achieved, on a cumulative basis, during the 2019, 2020 and 2021 financial years. The minimum level of the adjusted available cash per share for distribution required to be achieved by the Company before any RSU would be granted is an amount in excess of $2.53 on a cumulative basis over the 2019, 2020 and 2021 financial years of the Company. If the adjusted available cash per share for distribution, on a cumulative basis, over the 2019, 2020 and 2021 financial years of the Company reaches $3.03, RSUs would be granted to the grantees on the basis that the grantees would, subject to the satisfaction of the vesting conditions and on the vesting date, receive 1.33 award share for every purchased share. Details of the scheme are contained in the circular of the Company dated 29 July 2019.

Below table shows the share purchase movements under the Co-Ownership Plan III Plus for the year ended 31 August 2021:

Batch of purchase	Accumulated number of Shares purchased as at 1 September 2020	Number of Shares purchased during the year	Number of shares purchased to be forfeited during the year (i.e. purchased shares returned to Bad Leavers)	Number of shares under Co-Ownership Plan III Plus as at 31 August 2021	Approximate percentage of the issued share capital of the Company as at 31 August 2021	Approximate percentage of Shares purchased under the Scheme Mandate Limit utilised as at 31 August 2021
1st Batch Purchase (February 2020)						
Executive Directors of the Company:						
– Mr. Chu Kwong YEUNG	848,002	-	-	848,002	0.065%	2.155%
– Mr. Ni Quiaque LAI	556,007	-	-	556,007	0.042%	1.413%
Directors of the Company's subsidiaries	1,227,976	-	-	1,227,976	0.094%	3.121%
Other participants	17,710,829	-	2,611,323	15,099,506	1.151%	38.374%
2nd Batch Purchase (August 2020)						
Other participants	554,377	-	128,590	425,787	0.032%	1.082%
3rd Batch Purchase (February 2021)						
Other participants	-	122,092	-	122,092	0.009%	0.31%
Total	**20,897,191**	**122,092**	**2,739,913**	**18,279,370**	**1.393%**	**46.455%**

The cumulative adjusted available cash per share for distribution achieved by the Company was below the minimum level of $2.53 over the 2019, 2020 and 2021 financial years of the Company, therefore no RSUs were granted and accordingly, no new shares were allotted and issued. The Co-Ownership Plan III Plus will be naturally expired in October 2022.

Co-Ownership Plan IV

Co-Ownership Plan IV is similar to Co-Ownership Plan III Plus, which was adopted by the Company on 21 October 2021.

Under the Co-Ownership Plan IV, the granting of the RSUs to the eligible participants depends on the level of the adjusted available cash per share for distribution achieved, on a cumulative basis, during the 2022, 2023 and 2024 financial years. If the adjusted available cash per share for distribution, on a cumulative basis, over the 2022–2024 financial years reaches $3.01, the participants (including the Charitable Fund) would be granted with one RSU for every CO4 qualifying share of each participant, and each participant would, subject to the satisfaction of the vesting conditions and on the vesting date, receive one new award share for every RSU that he/she/it is granted. Details of the scheme are contained in the circular of the Company dated 21 September 2021.

There was no share purchase movement under Co-Ownership Plan IV for the year ended 31 August 2021 as the scheme was adopted after the 2021 financial year.

Arrangements to Purchase Shares or Debentures

Saved as disclosed in the "Restricted Share Unit Schemes" above, at no time during the year ended 31 August 2021 was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Interests of Substantial Shareholders

As at 31 August 2021, to the best knowledge of the Directors and chief executives of the Company, the following persons (other than any Directors or chief executives of the Company) were substantial shareholders, had notified the Company of their relevant interests in shares and underlying shares (in respect of positions held pursuant to equity derivatives) representing 5% or more of the issued share capital of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept under Section 336 of Part XV of the SFO:

Long Position

Ordinary shares of HK$0.0001 each in the Company

Name of shareholder	Note	Number of ordinary shares or underlying shares	Percentage of the issued voting shares of the Company
Canada Pension Plan Investment Board	(a)	182,405,000	13.91%
The Capital Group Companies, Inc.	(b)	97,671,140	7.45%
Mr. David BONDERMAN	(c)	228,627,451	17.43%
Mr. James George COULTER	(d)	228,627,451	17.43%
Mr. Michael ByungJu KIM	(e)	228,627,451	17.43%
Mr. Teck Chien KONG	(f)	228,627,451	17.43%

Notes:

(a) Canada Pension Plan Investment Board is the beneficial owner of 182,405,000 ordinary shares of the Company.

(b) The Capital Group Companies, Inc. through its subsidiaries, namely Capital Research and Management Company, Capital International Sarl, Capital International, Inc., Capital Group Private Client Services, Inc. and Capital Bank and Trust Company directly held 70,221,000 ordinary shares, 7,926,500 ordinary shares, 18,785,000 ordinary shares, 606,140 ordinary shares and 132,500 ordinary shares in the Company respectively, and was accordingly deemed to be interested in the respective shares held by the aforesaid companies.

(c) Mr. David BONDERMAN, through corporations directly and indirectly controlled by him, namely TPG Asia Advisors VI, Inc. and TPG Wireman, L.P., held 228,627,451 ordinary shares in the Company, in which 83,661,106 ordinary shares were under convertible instruments, and was accordingly deemed to be interested in the shares held by the aforesaid companies.

(d) Mr. James George COULTER, through corporations directly and indirectly controlled by him, namely TPG Asia Advisors VI, Inc. and TPG Wireman, L.P., held 228,627,451 ordinary shares in the Company, in which 83,661,106 ordinary shares were under convertible instruments, and was accordingly deemed to be interested in the shares held by the aforesaid companies.

(e) Mr. Michael ByungJu KIM, through corporations directly and indirectly controlled by him, namely MBK GP III, Inc., MBK Partners GP III, L.P., MBK Partners Fund III, L.P., MBK Partners JC, L.P., Twin Holding Ltd and Twin Telecommunication Ltd held 228,627,451 ordinary shares in the Company, in which 83,661,106 ordinary shares were under convertible instruments, and was accordingly deemed to be interested in the shares held by the aforesaid companies.

(f) Mr. Teck Chien KONG, through corporations directly and indirectly controlled by him, namely MBK Partners JC GP, Inc., MBK Partners JC GP, L.P., MBK Partners JC, L.P., Twin Holding Ltd and Twin Telecommunication Ltd held 228,627,451 ordinary shares of the Company, in which 83,661,106 ordinary shares are under convertible instruments, and is accordingly deemed to be interested in the shares held by the aforesaid companies.

Other than the interests disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares (in respect of positions held pursuant to equity derivatives) of the Company as at 31 August 2021.

Related Party Transactions

Certain related party transactions as disclosed in note 36 to the "Notes to the Financial Statements" for the year ended 31 August 2021 did not constitute connected transaction or continuing connected transaction as defined under Chapter 14A of the Listing Rules.

Connected Transactions and Directors' Interests in Contracts

During the year ended 31 August 2021, the Company did not undertake any connected transaction (as defined under Chapter 14A of the Listing Rules). No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 August 2021.

Major Customers and Suppliers

For the year ended 31 August 2021, the aggregate amount of revenue attributable to the Group's five largest customers were approximately 6.1% of the Group's total revenue and the revenue attributable to the Group's largest customer were approximately 1.7% of the Group's total revenue.

For the year ended 31 August 2021, the aggregate amount of purchases and costs incurred attributable to the Group's five largest suppliers were approximately 33.7% of the Group's total purchases and costs incurred, and purchases and costs incurred from the largest supplier accounted for approximately 22.6% of the total purchases and costs incurred.

At no time during the year, did a Director, an associate of a Director or a shareholder of the Company, which to the knowledge of the Directors owns more than 5% of the Company's issued share capital, have an interest in the share capital of any of the five largest customers or suppliers of the Group.

Update on Directors' Information under Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors of the Company since the publication of the Company's 2021 interim report are set out below:

Mr. Chu Kwong YEUNG, the Executive Director of the Company, resigned as the chairman of the Nomination Committee of the Company with effect from 28 October 2021.

Mr. Bradley Jay HORWITZ, the Independent Non-executive Director of the Company, has been appointed as the chairman of the Nomination Committee of the Company with effect from 28 October 2021.

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 Company's listed securities for the year ended 31 August 2021.

Directors' Emoluments and Five Highest Paid Individuals

The emoluments of the Directors of the Company are recommended by the Remuneration Committee of the Company and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics. Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended 31 August 2021 are set out in notes 5 and 6 to the "Notes to the Financial Statements", respectively.

Pre-emptive Right

There are no provisions for pre-emptive rights under the Articles, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" section on pages 95 to 118 of this annual report.

Sufficiency of Public Float

On the basis of information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 August 2021 and up to the date of this annual report.

Indemnity of Directors

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors of the Company is currently in force and was in force throughout the year ended 31 August 2021.

Subsequent Event

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

Professional Tax Advice Recommended

If the shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

Auditors

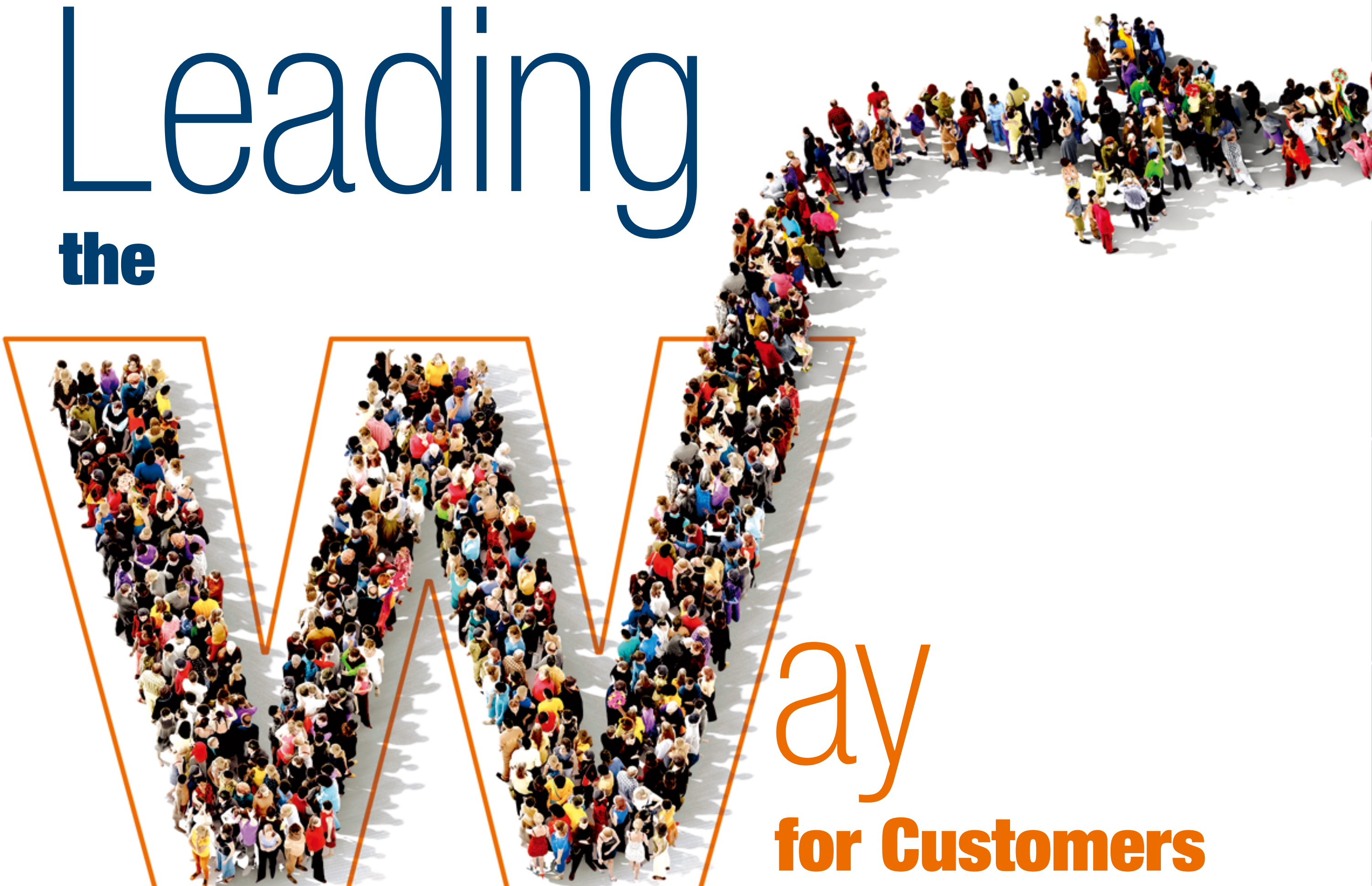
The financial statements have been audited by KPMG who shall retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

The Company did not change its auditors since the Listing Date.

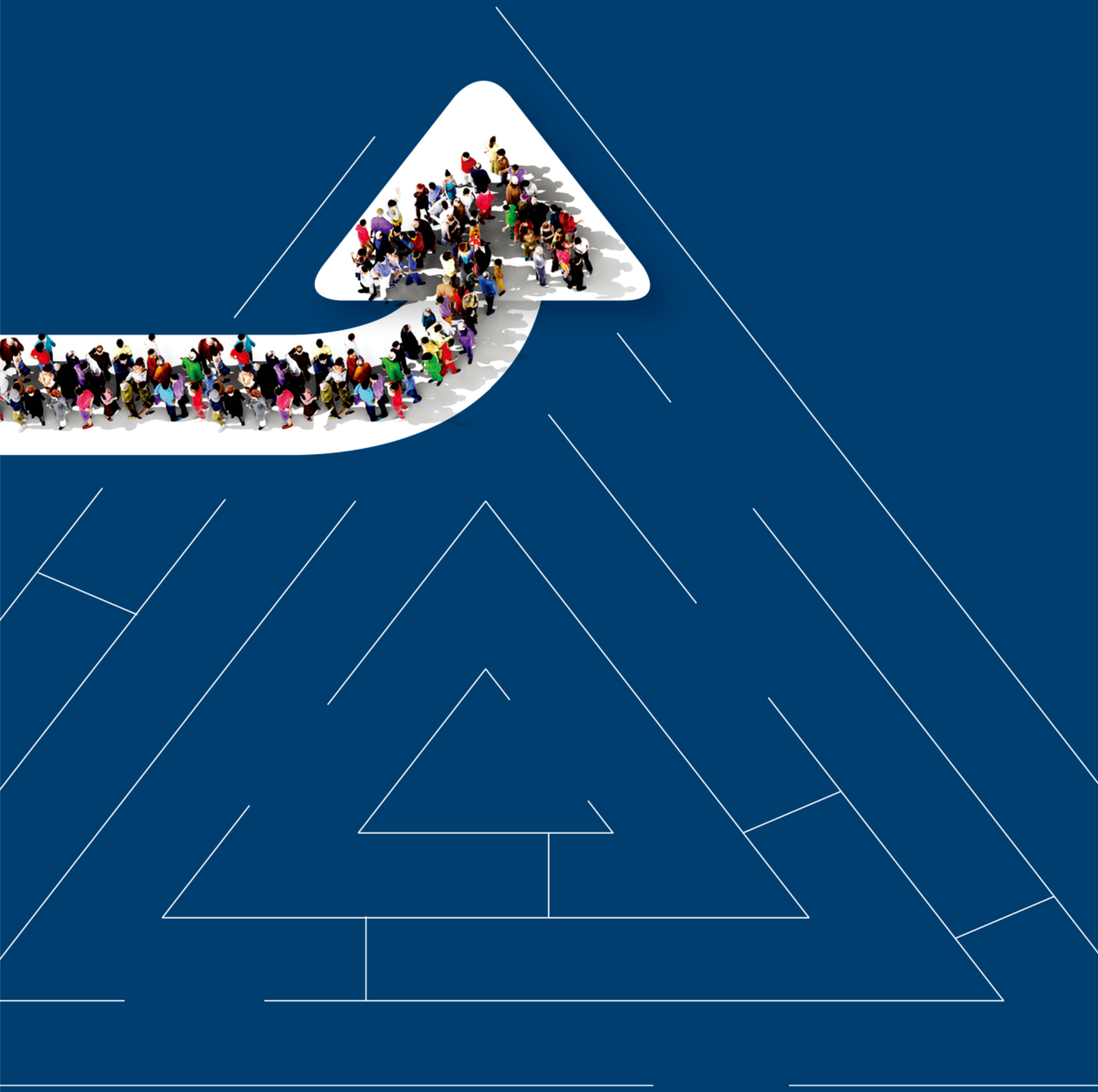
On behalf of the Board

Mr. Chu Kwong YEUNG
Executive Director
Hong Kong, 28 October 2021

Leading the Way for Customers



By leveraging our expertise, technology capabilities and digital transformation experience, we're guiding customers to greater possibilities and opportunities.



Customers

As the world changes and evolves faster than ever, we're forging ahead with leading expertise to transform how people, companies and technology connect to improve lives, experiences and the way we do business.

From connectivity, cybersecurity, digital solutions to IT infrastructure and services, our one-stop telecom technology and system integration capabilities put us in the strongest position to help business customers evolve and become operationally agile. In short, we are not here to merely sell services to our customers, rather we are here to help them run their business better.

In the residential market, through our e-commerce platform, HOME+, together with opportunities built from our strategic focus on partnerships, we continued to transform from quad-play per household to Infinite-play per person, a shift that can potentially triple our reach from one million households to three million people.

Innovation for Customers

As a leading telecom and technology solutions provider, we know our ability to innovate ensures that our business can attract more new customers who can rely on us for best-in-class products and services. As such, we put extra effort in mobilising our Talents to focus on innovation and the latest technologies to deliver greater value for customers.

The following are some of our innovative solutions and services introduced during FY21:

5G

With the power of 5G, customers – in both the residential and enterprise market – can now benefit from all the entertainment, quality of life, and business application possibilities unlocked by ultra-low latency, high-speed mobile data. In partnership with 3 Hong Kong, our 5G plans further strengthen our mobile portfolio, and enable our customers to enjoy unprecedented download speeds up to ten times faster than 4G service, at highly competitive prices.

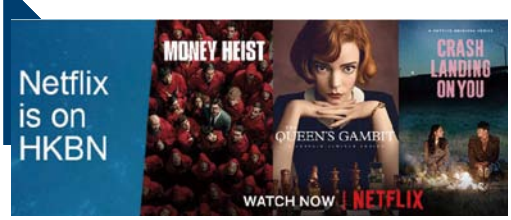
HOME+

Built on a partnership model of resource sharing, our e-shopping platform HOME+ gives merchants the chance to sell their products easier, cheaper and with enhanced reach – all to the benefit of Hong Kong consumers. Since inception in November 2020, HOME+ has expanded rapidly and now features over 15,000 products and services, covering a diverse range of wholesome foods, appliances, health supplements, personal care products and much more, from around 700 quality merchants/brands. In addition, HOME+ also introduced same-day 100-minute fast delivery, as well as provide consumers with more options for social impact shopping.

H+
HOME+

Netflix

In June 2021, we partnered with Netflix to launch our HKBN x Netflix bundle plans. This OTT bundle provides our Residential customers with additional value and choice as they enjoy high speed fibre access to an unbeatable platform of global entertainment content.



With Netflix as our premium OTT partner, we've enriched our entertainment options with more global content for residential customers in Hong Kong.

In June, we became Hong Kong's very first company to earn Cisco's Application Centric Infrastructure (ACI) Black Belt Stage 3 certification.

Blending next-gen performance, all-in-one functionality and great designs, WiFi 6 Gateway is a must-have upgrade for every home.

HKBN WiFi 6 Gateway

Leveraging the latest in wireless technology standards, WiFi 6 Gateway delivers dramatically faster and better connectivity throughout the household. As the latest version of our all-in-one Home Gateway, WiFi 6 Gateway features eye-catching Disney and Pixar designs, supports mesh networking and enterprise-grade network security and parental controls powered by Trend Micro.

e-Security

To help SMEs reduce their e-Security expenditures without compromising protection, our partnership with PwC, the world's leading cybersecurity solutions provider, provides a complete range of security services. For full description, please refer to page 53 of this report.

Ransomware Protection for SMEs

As companies scramble to take their operations online in the new normal, they also risk exposing critical data and infrastructure to cyberattacks. Understanding the importance of early detection, we teamed up with PwC Hong Kong to launch an internationally recognised, enterprise-grade Anti-Ransomware Assessment service. For an affordable fee, SMEs can enjoy state-of-the-art information security assessment in as fast as 24 hours, and get a comprehensive report detailing their network health status, vulnerabilities and recommended rectifications.

Remote HR Solutions for SMEs

In January 2021, we teamed up with Achiever to introduce a remote-enabled human resources ("HR") management system for SMEs. Achiever's HR Management Solution empowers SMEs to seamlessly migrate their HR process to the cloud.

As part of our ongoing commitment to deliver more choice and value, in October 2021 we became the exclusive broadband service provider for the Disney+ streaming platform in Hong Kong. Starting 16 November our customers can enjoy this world class entertainment service standalone or bundled with our broadband or mobile services.

HKBN PROTECT

With virtually everything we do now being done online – from working, learning to shopping and even banking – e-Security and personal privacy is more critical than ever. Jointly created by HKBN and global-leading network security experts F-Secure and Trend Micro, HKBN PROTECT provides multifaceted cybersecurity, ranging from protection against cyberthreats and identity leaks to the privacy of encrypted VPN, to give our residential customers enterprise-grade security for the whole family, at home and on-the-go.

UV-C Air Disinfection Devices

Understanding the special challenges that have emerged from COVID-19 and the government's latest requirements for ventilation or air disinfection in catering premises, we teamed up with Signify (formerly Philips Lighting) and AURABEAT to help businesses, particularly restaurants and food services providers, intelligently disinfect airflow at their premises with UV-C technology.

HKBN Smart Living Ecosystem

As consumers embrace the convenience of smart home living, our HKBN Smart breaks new ground by making it extremely simple and easy for anyone to setup and manage different IoT smart devices – via our HKBN Smart app. Eschewing the prerequisite for expensive home upgrades or the need to replace existing appliances, HKBN Smart delivers home automation in an affordable way.

During FY21, we continued to enhance our smart home ecosystem through compelling new partnerships with leading brands like Philips Hue, MOMAX, Disney and others. These opportunities have further expanded the scope of our smart home ecosystem with products that range from home lighting, robot vacuums, appliances and smart curtains to security systems.

Beyond-HK Innovation

By breaking down existing silos, our teams in Macau, mainland China, Singapore, and Malaysia are unleashing their collective tech prowess to help customers overcome a wider range of challenges and requirements, from COVID-imposed restrictions and information security to the future of retailing. The following are some examples of how our innovations are converging into all-new opportunities:

Edwin Zhuang, Co-Owner and Senior Manager – Solution, HKBN JOS China (left) shared how Robotic Process Automation (RPA) could help enterprises accelerate digital transformation in a seminar held in Shanghai.

Through HKBN Smart App, our residential customers have the power to turn on and turn off a house full of devices – even across different brands.

All-new Network Operation Centre (NOC)

Understanding just how critical network and communications infrastructure can be for today's businesses, we built a regional NOC in Malaysia to provide customers with the technical support they need. Through the benefit of 24/7 dedicated service and support, our NOC delivers hardware, systems and network monitoring, remote fault rectification and more to minimise potential operational downtime — and save customers the costly expense of hiring their own experts in-house.

Backup & Data Recovery as a Service

To address growing customer demand for data resilience, our team in Singapore custom-developed a remote backup and data recovery platform. Key advantages of this service include:

- Provides backup of critical data as an insurance mechanism against cyber-threats, particularly ransomware attacks
- Provides a second backup copy of data, in case any on-premise data is destroyed in the unlikely event of a disaster
- Provides an affordable way to stay resilient, in the event of a disaster, and enable employees to work from anywhere
- Service can also function as a sandbox environment for customers to perform new app/integration tests

New Opportunities in Mainland China

As the mainland Chinese market continues its momentum of rapid growth, enterprise demand for new and more efficient technology solutions is strong. To harness the opportunities, during the reporting period, we focused on the following new initiatives:

- We built a dedicated business development team focused on helping customers develop robotic process automation (RPA) to enhance operational efficiency
- We built partnerships with major security providers to offer total e-Security solutions for our enterprise customers
- We teamed up with Microsoft China to maximise our cloud service and migration capabilities

Robots as a Service

In the post-pandemic new normal, we have developed numerous technology solutions to help businesses and institutions serve the needs of their clients. Through our Macau team, we introduced Robots as a Service, offering automated robot technology for a wide range of use case applications that include mobile sterilisation specialists in hospitals, navigation assistants in busy shopping malls and public spaces, as well as temperature check inspectors for businesses.

Multiplying Growth with Infinite-play

Back in 2016, HKBN sent disruptive waves in Hong Kong's telecom market by offering a Quad-play of fibre broadband, home telephone, mobile services and OTT. For the first time ever, residential customers could enjoy the benefits of multiple telecom and entertainment services on a single integrated monthly bill – and clearly see the value for money provided by HKBN.

Five years on, as our Residential business continues to maintain a recurring billing relationship with over 1 million customers, or 1-in-3 households in Hong Kong, we evolved our Quad-play strategy into Infinite-play. To deepen engagement with customers – and by taking advantage of our extensive business partnerships – our Infinite-play strategy offers a broader (and growing) array of services and solutions whose appeal target more than just households, but every member within a household.

Over
1,000,000
residential customers

Through Infinite-play, we're aiming for:

- **Expanded customer base** – With roughly 2.8 persons in the average Hong Kong household*, we can potentially triple our reach from 1 million households to 3 million personal customers
- **More on a single integrated bill** – From cybersecurity to smart fitness and comprehensive home protection, members in a household can purchase our services standalone or on a choose-their-own bundle plan with our broadband, home telephone, mobile and OTT services, easily managed under one integrated monthly bill
- **Win-win-win partnership synergies** – Our massive customer base enables us to negotiate better deals, and deliver higher value products and services sourced from Enterprise customers (via Barter & Bundle arrangements) and merchants, who in turn profit from the expanded reach and exposure to our Residential customer base
- **One-stop value and simplicity** – Instead of paying a premium for services separately, customers benefit from the phenomenal savings and simplicity of consolidating their services under one HKBN bill

"By leveraging strategic partnerships and the strength of our massive customer base, we're multiplying choice that goes beyond telecommunication for our customers and their family members – to provide a near-infinite possibility of desired products and services at much greater value for money. And with how rapidly consumption habits are evolving in this post-pandemic era, our dynamic strategy ensures that we're creating more engaged and loyal customers over time. It's a true win-win-win, as we offer great value and convenience for our customers, enhanced ARPU and revenue for HKBN, and expanded customer reach for our partners."

Elinor Shiu,
Co-Owner & CEO – Residential Solutions

Multiplying Reach with My HKBN App

My HKBN App, our all-in-one account management mobile app, has traditionally served as a key upsell and cross-sell channel to engage existing residential customers with our Infinite-play offerings. In June 2021, we opened up My HKBN App to non-HKBN customers (i.e. all Hongkongers) enticing consumers on a massive scale with free trials and discounts of HKBN services, as well as shopping rewards to build engagement from our merchant partners.

* Source: The Census and Statistics Department, average domestic household size in 2020. https://www.censtatd.gov.hk/en/web_table.html?id=5

Our "INFINITE-PLAY" Offerings

Smarter Lifestyles

HKBN Smart

Our HKBN Smart makes it extremely simple and easy for consumers to set up and manage different IoT smart devices from different brands – via our HKBN Smart app. Eschewing the prerequisite for expensive home upgrades or the need to replace existing appliances, HKBN Smart delivers home automation in an affordable way for mass market appeal.

KARA Smart Fitness Mirror

Offered in partnership with digital health and fitness company OliveX, the KARA Smart Fitness Mirror is an interactive AI-powered fitness device that provides workout classes tailored to each user's comfort level, covering everything from cardio to Pilates.

Greater Peace of Mind

AXA Home Insurance

Teaming up with AXA, we created Hong Kong's first comprehensive home protection solution combo. Our high-value bundle includes home insurance coverage with fibre broadband, powerful network security and a smart home starter kit.

HKBN PROTECT

Jointly created by HKBN and global-leading network security experts F-Secure and Trend Micro, HKBN PROTECT provides multifaceted cybersecurity from antivirus software and VPN to personal data leak detection, providing individual users and families enterprise-grade security both at home and on-the-go services.

Global Entertainment and Content

Netflix and Disney+

Bringing quality, value, and global entertainment choice, we enriched our OTT offerings with Netflix and Disney+, the world's leading entertainment streaming services, available as a standalone add-on or bundled with our services.

JOOX Music

With JOOX, music lovers can stream or download tens of millions of local and international songs, albums, radio, videos and curated playlists in lossless audiophile quality on their favourite devices. Subscribers can also enjoy live broadcasts from top artists or sing like a star with built-in karaoke.

Opportunities Beyond Subscriptions

The power behind our massive customer base means we can capture opportunities beyond bundled subscription services. To give our household reach of three million potential customers more reasons to spend and save with HKBN, we've continued to diversify our business into e-commerce, selling a vast selection of lifestyle, electronics, food and household items via our main website and our e-shopping platform, HOME+.

Leveraging partnership synergies and in-house digital expertise, our e-shopping platform HOME+ serves customers' daily life needs.

Empowering SME Success

Running or starting a business has always been tough. So as the world entered a paradigm shift spurred by the COVID-19 pandemic, operating a business became even more difficult. Suddenly, companies everywhere needed to figure out how to stay up and running – remotely, securely, and efficiently. In short, the future of business is increasingly being defined by employees working and collaborating from anywhere, and digital technologies that enable organisations to automate or streamline their operations, as well as connect with customers more effectively.

"Amid an accelerated landscape of change and challenges, we are helping countless corporates transform and build new possibilities," says **Mikron Ng, Co-Owner and Chief Commercial Officer – Business Market & China Business, Enterprise Solutions**. "Larger organisations have both the resolve and the advantage of financial capital to invest in technologies that ensure they remain competitive long-term, but small and medium enterprises (SMEs) face even bigger challenges in terms of cost efficiency, transformation and profitability."

The challenges and the opportunities

SMEs constitute the vast majority of businesses in the regions we operate (e.g. over 90% of all businesses in Hong Kong are SMEs), and they often lack the resources typically needed to digitally transform, rebound from crisis, and smoothly restructure for the future.

Take, for instance, human resources management (HRM). As many HRM systems are developed with larger organisations in mind, they offer a complex set of features and functionality, albeit with a high price tag both upfront and ongoing. But to most smaller scale businesses, these systems are just unfeasible – many simply opt for Excel to process tasks like staff payroll, travel expenses, leave benefits, and so on.

A drawback from such a compromise is that businesses risk miscalculating their expenses or not having the proper mechanism to stay in sync with changing labour policy requirements.

"Rather than ask SMEs to pay for solutions via traditional pricing models (and commit heavy investments), we've done something unprecedented: we leveraged HKBN's massive economy of scale to deliver essential solutions for running and enhancing their operations, in a disruptively affordable way. By addressing SME needs, we've inclusively made it easier for a huge portion of the enterprise market to move from survival-mode to success," says Mikron.

How we're helping SMEs run their business better

Business connectivity

The connectivity services we offer continue to be an indispensable part of businesses and their ability to compete. From our ultra-reliable tri-carrier powered (three extensive fibre networks in one) business broadband and voice services to our diverse suite of best-in-class and dedicated data services, our solutions give SMEs great support and flexibility for bandwidth, performance, value and reliability.

Mobile services

We provide a full range of mobile services and mobile devices to help keep businesses and their people connected, and spur exciting new commercial possibilities for growth.

FixIT

Not all businesses can afford their own in-house team of IT specialists. Recognising this, our pioneering FixIT service helps customers with their IT problems – ranging from software, hardware and Wi-Fi network to data centre, end-point security and even inventory support. Putting one of the region's largest team of Microsoft-certified and internationally accredited experts to work, FixIT comes in two flexible and predictable pricing options: FixIT Token, offering on-demand IT support through pre-paid tokens; and FixIT Care, a subscription-based service that features regular monthly on-site check-ups.

To learn how we provide enterprise-grade ICT support to SMEs at an affordable cost, scan the QR code below.

Business applications

As companies transition to accelerated adoption of digital solutions and remote modes of working, the value of cloud-based business applications in various areas like HR and accounting becomes vital. Long considered economically impractical for smaller-sized companies, these digital applications not only ensure operational continuity anytime, anywhere, but they can be indispensable for simplifying and even automating processes for improved efficiency and productivity. With our strategy of subscription-based pricing, we changed the game to help SMEs digitally transform their capabilities, at a fraction of legacy costs.

e-Security

With businesses growing more digitally connected every day, managing e-Security and the risk of cyberthreats becomes ever more critical. While companies of all sizes are being targeted, SMEs are especially vulnerable due to a relative lack of IT and e-Security resources. To help SMEs enhance their security posture, our partnership with PwC provides a complete range of security services that include vulnerability assessment, 24x7 Security Operations Centre (SOC) threat monitoring, 24x7 remediation management, next-gen Managed Detection and Response (MDR) services, and more. Through scale, SMEs can affordably enjoy these services on a monthly subscription at a fraction of legacy costs.

Danny Li (pictured left), our Co-Owner & Chief Technology Officer and Terry Fa (right), our Co-Owner & Director – e-Security, are leading our focus to empower SMEs with affordable cybersecurity solutions.

Service Reliability

Network reliability is a crucial attribute that helps to reinforce customer trust in our services. Standard procedures and escalation guidelines are in place to ensure rigorous monitoring of network performance across different service platforms.

Network Performance*

To ensure that our fibre network service is outstanding and reliable, our Network Operation Centre ("NOC") works around-the-clock to monitor and oversee our performance. As at the end of August 2021, availability of our core network for Residential Solutions ("RS") customers was at 100%; availability of our access network was at 99.9945%. As at the end of August 2021, availability of our core network for Enterprise Solutions ("ES") customers was at 100%; availability of our access network was at 99.9996%.

On the rare occasion when unforeseen network outages occur, customers expect a quick resumption of service. As at the end of August 2021, 94% of our residential customers' services can be restored within six hours and 85% can be restored within four hours, slightly lower than our FY21 target of 95% and on par with our target of 85%. For Enterprise Solutions customers as at the end of August 2021, the average restoration time was 152 minutes.

Core network availability for residential customers at

100%

Core network availability for enterprise customers at

99.9996%

Expanded Network Coverage

To increase the availability of our services to more households and companies, we continued to expand our fibre network coverage. In FY21, our fibre coverage was extended to 50,598 additional homes, around 12,103 of which were in rural areas, including villages not previously served by high-speed fibre broadband service. Likewise, 218 commercial buildings were added to the coverage of our fibre network. As at the end of FY21, our fibre network reached over 2.466 million homes and over 7,500 commercial buildings and facilities in Hong Kong.

Network Improvements & Upgrades

As our fibre network remains a vital aspect of HKBN's business, we invest considerable effort and resources to maintain network reliability as well as future-proof its capabilities. During FY21, the following measures were undertaken:

- Focused on providing state-of-the-art fibre service to support MNO's 5G base station demands
- To prevent service interruptions before they happen, we completed proactive maintenance of network cabling at 273 buildings
- Implemented a Robotic Process Automation ("RPA") solution to improve the operational efficiency of our network monitoring efforts
- In January 2021, we launched a broadband connectivity analyser feature allowing GPON customers to easily troubleshoot problems and get remedial advice via our My HKBN App or our automated interactive hotline

Our technical teams ensure that our network and services are in tip-top condition.

* Excludes interruptions caused by circumstances beyond HKBN's control such as civil disobedience, explosion, fire, typhoon, flood, government action, labour disputes, trade disputes or actions of third parties.

Service Affordability

True to our Purpose, we believe broader accessibility to world-class ICT solutions are essential in a strong, prosperous society. For that reason, we continue to set the price ceiling for our 100Mbps residential fibre broadband service at 1% of Hong Kong's median household income.

As a company committed to bringing customers the best value for their money, we constantly track, analyse and benchmark market trends. But rather than follow legacy market practices, our disruptive DNA has led us to tailor services for the benefit of consumers. Working closely with business partners ensures we can provide exceptional price-value to customers.

As a socially engaged company, we fully support the contributions made by NGOs, SPOs and others. To do our part, we offer these groups special pricing for our solutions and expertise.

Customer Privacy

Our customers trust us with their personal data, and we uphold data privacy protection as our top priority. We have a stringent privacy policy governing how we collect, use and manage customer information. As a rule, we do not store full credit card numbers; only 10 digits (out of the full 16 digits) for credit card numbers belonging to our customers are stored and we practice 'tokenisation' to limit the exchange of sensitive data when processing credit card payments. Furthermore, each customer's Hong Kong Identity Card ("HKID") number is only partially visible via our front-line system.

In addition, all new joiners who will perform customer facing functions are required to undergo data privacy training, as well as attend our workshop focused on personal data and direct marketing. Our Internal Audit and Risk Department also commissions certified professionals to conduct periodic reviews of our security systems. Customers can pose their enquiries or complaints about data privacy via telephone hotline, email, fax or letter. We target to investigate and respond to enquiries within seven days.

In FY21, we further strengthened our information security capabilities via the following:

- Our Information Security team conducted a total of 8 impromptu phishing assessments
- A total of 25 cybersecurity reminders were sent to all Talents covering topics like password complexity best practices, social media security awareness, workplace security, WFH tips on data protection, and more

25 cybersecurity tips sent to all Talents

During the reporting period, there was no substantiated legal case relating to customer privacy.

Improving Customer Experiences and Satisfaction

Customers can easily reach us to obtain information or service assistance via a multitude of online and offline channels. Upon activating their subscribed service, customers can use My HKBN App or our website to conveniently check information such as service contract terms and obligations, pricing, our latest offers, plan terms and conditions, and much more.

Residential Solutions Customer Service*

Through our customer service hotline, online platform, email and other channels like social media, customers can get help quickly and easily. In terms of FY21 performance, our enquiry hotline answered 82.3% of calls within 30 seconds during normal operating hours (9am to 11pm), exceeding our target of 80%*. Our online chat customer service answered 94% of enquiries within 30 seconds during normal operating hours (9am to 11pm), beating our target of 80%*.

For emails, our target is to respond to 97%* of customer enquiries within a 4-hour window during normal operating hours (9am to 9pm). In FY21, we met our goals with a 97% performance.

As part of our commitment to enhance customer experiences, in November 2021 we began using Chatbots to handle general enquiries. Through using Chatbot technology, on average we now handle 50% more cases via chat, with around 70% carried out directly by Chatbot. During the reporting period, our online Chatbot accuracy rate was at 88.8%.

For enquiries relating to technical support, installation and maintenance issues, we have an 80% target* to complete a diagnosis within two days. In FY21, we fell below this with an 73% performance.

Enterprise Solutions Customer Service*

94% **of enquiries to online chat customer service answered within 30 seconds**

To better address the needs of our Enterprise Solutions customers, we offer various channels and convenient options where information and assistance can be easily accessed. These include dedicated account managers & account servicing relationship executives, our customer service hotline and various other online platforms.

In terms of FY21 performance, we achieved a combined average answer rate of 86%, slightly below our target of 90%*, for our customer service hotline, online platforms, emails and other channels.

Gauging Customer Feedback

Listening to customers helps us understand what they desire. The following highlights the many ways we gather practical feedback for improvement:

- Use our multitude of digital online and offline channels to collect and understand customer behaviour
- Use surveys to regularly measure and monitor customer satisfaction
- On a regular basis, we conduct reviews of our brand in areas like brand awareness, advertising awareness, purchase consideration, corporate reputation and more

* Excludes interruptions caused by circumstances beyond HKBN's control such as civil disobedience, explosion, fire, typhoon, flood, government action, labour disputes, trade disputes or actions of third parties.

- Service satisfaction surveys are conducted regularly to monitor customer feedback on a range of experiences for our mobile services, fixed broadband services, customer service, on-site technical services and more

- To better understand how new customers view our broadband services, we conducted satisfaction surveys and collected feedback for future enhancement. In FY21, our broadband survey scored 4.7 out of 6

- After each service installation or maintenance order has been completed, we ask customers to provide their feedback. Between September 2020 and June 2021, the average score received was 5.8 out of 6

- As at end of August 2021, the satisfaction score recorded by our customer service enquiry hotline was 6.6 out of 7 (between September 2020 and April 2021) and 5.8 out of 6 (between May 2021 and August 2021), exceeding our respective targets of 6.3 out of 7 and 5.4 out of 6. While satisfaction of our live chat enquiry service was 6.1 out of 7 (between September 2020 and April 2021) and 5.1 out of 6 (between May 2021 and August 2021), lower than our respective targets of 6.3 out of 7 and 5.4 out of 6. For survey scores of 2 and under, follow-up is automatically taken in order to rectify or improve the experience

- Enterprise Solutions customers are regularly invited to participate in our e-surveys and comprehensive telephone surveys

- In FY21, 1,499 Enterprise Solutions customers provided feedback on HKBNES' products and services. The average score achieved was 7.41 out of 10 for "subscribed products & services" (down from 7.68 in FY20) and 7.81 out of 10 for "overall performance of products and services" (unchanged from our score in FY20)

Customer Complaints & Compliments

A complaint management system is in place to ensure that our residential customer service can address customer inquiries, deliver a consistent level of support and manage complaints in a timely manner. A dedicated "Resolution Service" team conducts investigation into complaint cases with the relevant parties and provides a response to each complainant based on the target response timeline. Cases would be settled and closed when resolved with customer satisfaction after follow-up actions are taken. Details of communication and follow-up actions with the complainant are recorded in the system. A monitoring procedure is in place to ensure that unsettled complaint cases are reviewed daily. During FY21, our Residential Solutions business received a total of 2,216 products and service related complaints from customers.

With a target to resolve customer complaints within 6 working days, as at the end of August 2021, 100% of Residential Solutions related complaints received got initial resolution within the target response timeline, exceeding our target of 90%*; whilst 84.7% of complaints received were settled and fully closed within 6 working days, below our target of 85%*.

We take great pride in giving our customers the best assistance possible. From time to time, customers share their appreciation of our attentive service through complimentary feedback sent by e-mail or even via handwritten letters. As at the end of August 2021, we received 3,920 individual complimentary notes.

3,920
individual complimentary notes received

* Excludes interruptions caused by circumstances beyond HKBN's control such as civil disobedience, explosion, fire, typhoon, flood, government action, labour disputes, trade disputes or actions of third parties.

For Enterprise Solutions related complaints, a dedicated Customer Care & Fulfilment ("CCF") team handles cases by performing investigations to identify root causes and subsequently provide resolutions. The CCF team will also work with relevant teams to pinpoint areas for improvement and fault prevention. Complaint case information will then be distributed to the relevant department heads as means to review and remedy problem areas. During FY21, we received a total of 1,364 products and service related complaints from customers (1,344 made to Enterprise Solutions, and 20 made to HKBN JOS across our Beyond Hong Kong regions).

In terms of customer service performance, our target is to settle complaints by proposing a resolution within five business days, and fully resolve the complaint issue within one calendar month. As at the end of August 2021, 91% of Enterprise Solutions related complaints got initial resolution within the target response time*.

* Excludes complaints relating to circumstances beyond HKBN's control such as civil disobedience, explosion, fire, typhoon, flood, government action, labour disputes, trade disputes or actions of third parties.

Fair and Transparent Approach to Marketing

Standard policies and procedures are in place to ensure that all our marketing materials are compliant with the relevant laws and regulations including the Trade Descriptions Ordinance. Before any marketing material is made available to customers, they must first be properly vetted and approved by our legal and/or senior management teams.

During the reporting period, there was no substantiated case of non-compliance against relevant advertising regulations.

To further enhance customer access and understanding of our pricing, charges and more, continuous improvements are undertaken.

Selling Responsibly

At HKBN, we put heavy emphasis on training and service quality for all Talents involved with the sale of our products, services and solutions.

Our sales-related Talents are required to undergo comprehensive training covering product/service knowledge, sales techniques, company policies and ethics. Crucially, Talents must pass an assessment before being permitted to interact with our customers.

For existing sales Talents, on-the-job training and refresher trainings are regularly mandated to ensure they are always adequately prepared. To ensure that accurate information is relayed to customers, our telesales Talents operate with the support of pre-approved scripts, detailed procedural guidelines and supervision from team leaders as well as our Quality Management team.

Between September 2020 and August 2021, we provided 15,047 hours of product, sales & marketing, and quality improvement training exercises for our new and existing Residential Solutions Talents.

Likewise, between September 2020 and August 2021, we provided more than 25,000 hours of product, service, workflow and pandemic safety training for our Enterprise Solutions Talents.

15,047 hours of product and quality improvement training provided to Residential Solutions Talents

Customer Health & Product Safety

HKBN is committed to providing products and services which comply with the legal and regulatory requirements for consumer safety. Early involvement with our suppliers throughout the product design stage helps ensure our requirements for quality, compliance with safety regulations and standards, as well as sustainability metrics, are met.

For the safety of both our Talents and our customers, we provide strict guidelines and protocols to ensure that Talents follow proper COVID-safety measures whenever they engage in face-to-face contact with customers.

During the reporting period, no substantiated non-compliance court cases or product recalls relating to product health and safety occurred.

Awards & Recognitions

Awards & Certifications	Conferred by
Check Point Software Technologies Ltd Top Performing Business Partner – New Customer Acquisition 2021	Check Point
Cisco Awards 2021 • Partner of the Year – Fast Growing • Managed Services Partner of the Year (GC) • Innovation Solution Partner of the Year (HK)	Cisco
East Week Hong Kong Service Awards 2021 – Internet Services	East Week
Fortinet Award 2020 • Mega Project • Star Performer Award – Retails • Star Performer Award – Presales – Security – Driven Networking	Fortinet
HKSTP Innovation Movers – Business Transformers	HKSTP
Huawei – The Excellent Partner 2020	Huawei
Jabra Awards 2020 • Hong Kong Top Sales Performance • Hong Kong Top 5 Revenue Generator – IT Partner	Jabra
Sophos – Partner of the Year Greater China, 2021	Sophos
53rd Distinguished Salesperson Award	Hong Kong Management Association

Agile for Every Opportunity

1. **Brandon Tang**
   Co-Owner and Senior Manager – Digital
2. **Annie Leung**
   Co-Owner and Manager – Talent Excellence
3. **Sokee So**
   Co-Owner and Assistant Manager – Consulting, HKBN JOS
4. **Kailey Ng**
   Digital Commerce Executive
5. **Terry Fa**
   Co-Owner and Director – e-Security
6. **Beatrice Kwok**
   Co-Owner and Manager – Product and Partnership Management, Enterprise Solutions

When winds change, only those who come prepared can sail faster through challenge. Across HKBN, our Talents are not waiting for change to happen — we're embracing it to shape a better future.

Talents

Talents have always been our greatest source of strength.

Empowering Change-ready Talents

Faced with COVID-19's prolonged impact, and a rapidly changing digital technology environment, we continued to empower our Talents to evolve and become agile: to work smarter, more silo-lessly, tackle problems using design thinking, and stay resilient with the skills, expertise and tools to emerge stronger for the post-pandemic rebound.

So, as our Talents focus on driving key transformations for our customers – from the incredible possibilities of digital transformation to the latest in cybersecurity – we remain obsessed about providing our Talent-force with everything they need to thrive.

Total Rewards

Whilst financial remuneration is important, HKBN Talents benefit from a broad range of inducements that are unique to our company. A career at HKBN entails Total Rewards for Talents that aren't strictly monetary in nature. Our Talents know that by embracing our Core Purpose to "Make our Home a Better Place to Live", we're striving to create positive impacts for the societies in which we operate. We also uphold Talents as priority number one – substantiated by how we treat our Talents with respect, offer exceptional flexibility and employment benefits, and provide them with copious opportunities to develop professionally. By championing objectivity in our pay structure, Talents understand all contributions they make will be fairly rewarded. In an analogous way, our Co-Ownership culture gives Talents a one-of-a-kind opportunity to prosper as part owners of the company they serve.

All combined, these compelling elements ensure that HKBN Talents come to work thoroughly engaged with a sense of purpose, pride and passion to perform. This holistic Total Rewards dynamic is fundamental to our unique strategy of attracting, cultivating, incentivising and retaining the best Talents for success.

Pay for Performance

We assess Talent performance based on a combination of self-assessment, supervisory evaluation, review meetings and company-wide performance calibration at the department or division level. The rated results serve as a reference and criterion from which annual salary reviews, discretionary bonus allocations and promotion nominations are based upon.

By using a pay-for-performance approach, our Talents are objectively assessed and rewarded based on two main factors: WHAT has been achieved (KPIs) and HOW it was achieved (Core Value or Leadership Attributes). "Core Value" and "Leadership Attributes" define the expected knowledge, skills and behaviours which serve to catalyse outstanding performance, and are used as the benchmarks to measure how each Talent has effectively performed in his/her position.

As always, we reward high performers with better year-end bonuses, salary increments and potential job promotion opportunities. At the same time, annual salary increments and/or bonus will NOT be given to the 5% of our bottommost performers, while a lower-than-average salary increment and bonus will be granted to those rated as under-performers. To effectively maintain excellence, we invite our bottommost 5% to undergo a Performance Improvement Plan which can range up to six months in length. When no performance improvement is exhibited, Talents are then asked to leave the company. At HKBN, we function like an elite sports team rather than a family, and as such, we only offer conditional love based on performance.

As a responsible and equal opportunities employer, we are committed to treating our Talents fairly and operate with zero tolerance for discrimination or prejudice against gender, race, ethnicity, religion, marital status, sexual orientation, and so on. Likewise, forced labour of any kind is strictly prohibited. In line with the child and forced labour laws and regulations that are in place across the jurisdictions we operate in, the employment of children aged 13 and under is strictly forbidden. For the protection of individuals aged between 13 and 18, we will only employ young Talents whilst in strict compliance with the labour regulations governing child and youth employment. Throughout FY21, there have been no case of non-compliance.

Total workforce based on gender:

Male	Female
3,414	1,804

Total workforce based on employment type:

Full Time	Part Time	Contract
5,218	50	202

Total workforce based on age group*:

30 or Below	31-50	51 or Above
1,094	3,575	549

Total workforce based on geographical region*:

Hong Kong	Macau	Mainland China	Singapore	Malaysia
3,070	41	1,835	142	130

Employee turnover rate by age group*:

30 or Below	31-50	51 or Above
56%	27%	19%

Employee turnover rate by gender:

Male	Female
33.55%	29.16%

Employee turnover rate by geographical region*:

Hong Kong	Macau	Mainland China	Singapore#	Malaysia
27.37%	9.76%	37.52%	69.89%	22.55%

* Calculated based on full-time Talents only.

\# Due to an organisational restructuring.

HKBN Co-Ownership

Co-Ownership is our key Legal Unfair Competitive Advantage ("LUCA") which defines HKBN's unique strengths. Unlike the more traditional approach of giving stock options to a very limited group of senior executives, our Co-Ownership is open to all supervisor-and-above level Talents, spanning operations across Hong Kong, Macau, mainland China, Singapore and Malaysia, approximately 1/4 of our Group.

To participate, Talents can choose to invest their personal savings in the amount of between 2 and 24 months of salary to acquire HKBN shares at full market price. The shares are then matched with free shares at a certain ratio vested after three years, only if key company performance targets are met. Alternatively, Talents from our Beyond-HK business (Macau, mainland China, Singapore and Malaysia) can also become Co-Owners by investing between 2 and 24 months of salary via our pain/GAIN scheme. After a specified period, and only when the predetermined common KPIs are met, Talents will be rewarded for their investments. Fall short, and all investments will go to a charity of their choice.

Beyond-HK pain/GAIN Co-Ownership

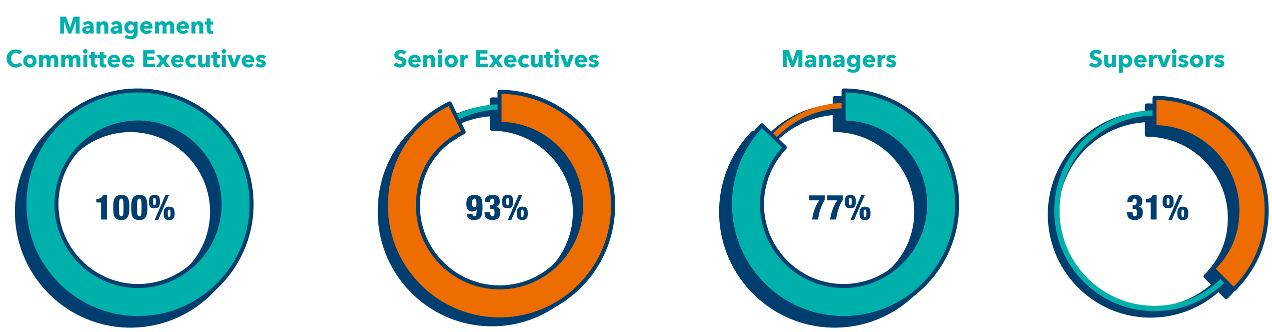
Shortly after acquiring JOS, we challenged our "Beyond-HK" management team (as part of integrating Macau, mainland China, Singapore and Malaysia) to drastically improve their AFF contribution to our Group. In March and June 2020, through our Beyond-HK pain/GAIN Co-Ownership programme, 73 supervisor-and-above level Talents from Macau, mainland China, Singapore and Malaysia invested between 2 and 24 months of salary upfront. Meet the cumulative AFF target by August 2021, and our Co-Owners will GAIN a multiple of their investment. We intentionally set one common cumulative AFF goal, rather than separate regional targets, to ensure outstanding silo-less performance from Talents across the four different regions. For details of the now completed pain/GAIN programme, please refer to pages 66-67 of this report.

As at the end of this financial year, in total, we now have 874 Co-Owners from our CO1, CO2, CO3+ and Beyond-HK pain/GAIN plans, representing a powerful commitment from our supervisory-and-above-level Talents to drive our success.

874
Co-Owners

In August 2021, we proposed the adoption of our Co-Ownership Plan IV ("CO4") with a proposed term of approximately 4 years, including 3 financial years FY22–FY24 plus 1 year of vesting of the restricted share unit ("RSU").

Co-Ownership Participation Rate*



* As at the end of FY21

Embracing Post-COVID Change

Under the post-pandemic new normal, many challenges have emerged. Whilst some may view such trials with trepidation – dreading the uncertainty of change – we at HKBN, instead, see this as a mindset issue. True to our culture and DNA, we embrace change as a way to evolve and transform how we do things – turning challenge into opportunity.

Throughout COVID-19, with restrictions limiting our face-to-face meetings, we could not hold townhall meetings for all Talents like we did every six months pre-COVID. Neither could we hold our monthly management meetings where supervisory-and-above-level Talents met face to face for business updates. Embracing such changes, we turned our monthly management meetings into virtual ones, which give us greater flexibility to engage far more Talents in different geographical regions, and with deeper leadership strategy sharing that go beyond operational updates. Similarly, we replaced our once-a-month Management Committee meeting and dinner with virtual weekly updates. These virtual meet-ups provide our leadership team with a closer look at what our different business units are doing, on a week by week basis.

Rather than fear the inevitable change, we embraced it to create better Talents and a better company.

COVID-19 Response

In light of the COVID-19 threat, we continued to exercise vigilance by encouraging office and back-end support Talents in Hong Kong (including HKBN, HKBN Enterprise Solutions and HKBN JOS operations) to flexibly work from home ("WFH"). As this measure continues to be implemented, we've also prioritised the safety of all front-line and core operational Talents with the supply of protective necessities like face masks and hand sanitisers. In addition, split-office arrangements were rolled out to mitigate the risk of cross-infection.

For our Talents in Macau, mainland China, Singapore and Malaysia, similar flexible WFH and split office measures continued to be fluidly exercised as the situation across these regions evolved. As a precaution, Talents at risk of contracting COVID-19 are required to undergo self-quarantine at home for 14 days, with full pay leave compensation provided. For the safety of our Talents, we also implemented the following:

- Health-related advice and guidelines for in-office and outdoor work
- Workplace environments are regularly disinfected, cleaned and applied with antiviral coating by professional service providers
- Initiated different channels for Talents to take the COVID-19 test, including government channels, private laboratories, and self-test kits
- Quarantine Leave provided to frontline Talents affected by mandatory quarantine, with full pay of their wage compensated to mitigate possible income loss

Beyond HK pain/GAIN Co-Ownership

The Opportunity

HKBN is a dynamic and fast paced business. While we are always transforming to meet changing customer and technology demands, our focus on a strong organisational culture never wavers. As one of the more unique aspects of this, skin in the game Co-Ownership became instrumental in accelerating the integration of JOS, and motivating our regional Talents – for the first time – to shift from multiple siloed teams in different countries/regions into one silo-less Beyond Hong Kong ("BHK") team better positioned to outperform.

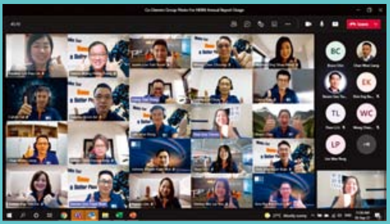
When HKBN acquired JOS in December 2019, we inherited, apart from HKBN JOS Hong Kong, a collection of siloed operations in Macau, mainland China, Singapore and Malaysia. For reference, these regional operations generated about $1.56 billion in total annual revenue. However, in the three years prior to our acquisition, the combined regions made close to zero profits.

In January 2020, we held our first pan regional HKBN management experiential workshop at INSEAD, Singapore. Despite this being the primary opportunity for many of us to meet face-to-face (the subsequent COVID-19 restrictions have since halted cross-regional travel), our integration continued onwards with interactions adapted to virtual settings.

Silo-less pain/GAIN alignment

Moving ahead, our priority was to align our Talents and transform from sub-scale siloed local operations into a regional silo-less HKBN powerhouse. And to help fast track our alignment objectives, we initiated our largest ever pain/GAIN Co-Ownership scheme. Like previous Co-Ownership plans, we invited supervisors and above level Talents from BHK to invest between two and 24 months of their salary as a "skin in the game" commitment to grow our BHK adjusted free cashflow (AFF) over a 20-month period to a minimum of $62.4 million by 31 August 2021. Overachieve this shared common target and participants will gain a financial reward for their contributions.

In total, 73 Talents from Macau, mainland China, Singapore and Malaysia enrolled in the scheme for a 44% take up rate (and nearly 100% at the senior management level).



Our pain/GAIN Co-Ownership participants (pictured above) from Macau, mainland China, Singapore and Malaysia are fully aligned to grow our BHK business.

Living under the HKBN bridge

" The strategy of having our skin in the game is like getting builders to live underneath the bridge while it is being constructed. Pain/GAIN ensures that our Talents are strategically incentivised with the entrepreneurial passion to lead and excel; when we don't own something, we are far less motivated to care for its success. As a business enabler, pain/GAIN Co-Ownership provides our regional customers with the confidence of knowing that our teams are completely aligned towards their long-term success. "

Almira Chan
Co-Owner and Chief Strategy Officer
Head of Beyond Hong Kong of HKBN JOS

Core areas pain/GAIN enabled us to overachieve:

Saying "no" to low-margin box-moving business

When we first acquired the BHK operations, the business was largely unprofitable (low EBITDA). The company was merely pursuing business for the sake of revenue, not for true value creation. Upon completion of our JOS acquisition, our priorities shifted on removing any obstacles to change and to discontinue low-margin box moving and leasing business, with an aim to reshape our business towards high-margin solutions and services.

Think big, go big

Legacy siloed thinking has long prevented JOS from achieving its full potential. As an example, feeling timid about its scale, JOS Beijing left many worthwhile opportunities under-realised. Counter to this, in early 2021 HKBN JOS China entered into an agreement with one of the world's largest social media Groups to deploy extra-low voltage ("ELV") systems at their datacentres across mainland China.

After completing our pain/GAIN scheme in 31 August 2021, our BHK business outperformed our base target by over 300%.

After overachieving our minimum AFF target, our BHK pain/GAIN Co-Owners were happily presented with cheques. Upon receiving their money, some Co-Owners donated part of their earnings to charity.

" I believed in the HKBN vision, and I believed in HKBN's purposeful approach to achieving that vision. To me, if we aim for excellence, success will automatically follow, and I saw this spirit in the team. I saw resilience and I saw a desire to achieve. Most importantly, I saw better leadership and direction. "

Lubna Manasawala
Co-Owner and Regional Legal Counsel, HKBN JOS

" To me, pain/GAIN is about alignment of interest. Whenever we meet with customers, they ask about Co-Ownership. We proudly explain skin in the game. If we over-achieved threshold, Company shares its profits with us Co-Owners. Within China and even across regions, silos gradually removed, mindsets changed and aligned. 70+ Co-owners becomes 70+ Change-Champions. "

Gao Zhan
Co-Owner and Senior Sales Manager – North China, HKBN JOS

" pain/GAIN changed a lot of our Talents' mindset; they began to think as entrepreneurs rather than typical employees of a company. Despite the huge impact of COVID-19, our Co-Owners pressed on with their passion and commitment, influencing our entire team to believe that what we aimed for can be achieved. "

Steven Soo
Co-Owner and Managing Director of Malaysia, HKBN JOS

" Skin in the game has made our Talents think and act differently to achieve the goal. I encouraged my team to join as I believed the idea of Co-Ownership profit sharing is great. It turned out this plan was beyond great in delivering results for the company and our participants. "

Patrick Ng
Co-Owner & Head of Macau, HKBN JOS

LIFE-work Priority

Mindful that Talents play a decisive role in our overall success, we strive to ensure they can work and enjoy happy, fulfilled lives. While many companies are still grappling with work-life balance, we uphold LIFE-work priority. As a principle, we maintain that personal wellbeing and family should always come first – when Talents can spend quality time with friends and family, we believe they arrive at work more motivated to perform.

4+1 Hybrid Work Mode

Adapting to a changing workplace under COVID-19, we've empowered our Talents to choose when, where, and how they work. Since March 2021, we pilot-tested a new hybrid mode, giving our Talents the flexibility to work from home ("WFH") at least one day per week when possible.

And as COVID-19 infection numbers in Hong Kong stabilised, in August 2021 we encouraged a "4+1 Hybrid Work Mode" where Talents can work 4 days in the office and 1 day WFH, or wherever they work best, balancing the benefits of a team collaboration with individual flexibility.

To help Talents transition to our Hybrid Work model, we provided the following:

- Instructions and guidelines on effective information security procedures for WFH and working remotely
- Comprehensive hardware, software and backend support for seamless connection to the company's internal systems
- Workshops on effective communication via video conferencing
- A dedicated Live Corner was set up in our Hong Kong office to handle Talent demand for live streaming and virtual meetings

"Hybrid mode is perfect. As I am a working mom, a hybrid work mode offers me better LIFE-work integration and allows me to flexibly balance my work around my family commitments."

Winnie Hung, Co-Owner and Manager – Marketing

Adoption Leave

Adoptive parents often must travel a long road to accommodate a new family member, but they're often not compensated when taking leave as most companies only provide statutory maternity and paternity leaves for natural parents. In October 2020, we introduced a pioneering 14-day "Adoption Leave" to our progressive list of family-first benefits, ensuring that our Talents arrive at work fully motivated to help us stay competitive and deliver on our Core Purpose.

Talent Wellness

To encourage our Talents to live healthier, active and more rewarding lives, we've continued organising an expansive range of wellness activities, events and talks – many virtually due to social distancing needs. From workshops aimed at enhancing our Talents' financial/investment knowledge, sports challenges that build character, to virtual parties fostering team spirit, our focus has been in four core areas: physical health, mental health, financial health and social health. The following are some of the events we organised throughout FY21:

Mental Wellness

Understanding how Talents may be stressed as the circumstances surrounding COVID-19 continue to be challenging, we took a proactive approach to boost our Talents' mental health with initiatives that included:

- "Work Heart, Play Heart", a two-prong initiative that holistically promoted mental health across all levels by empowering leaders with knowledge to care for their team, as well as a range of activities and tools to help all Talents better manage anxiety and unhappiness

- POWER+, a free counselling service to help Talents tackle stress, relationships at work, and personal development

Our Guangzhou Talents enjoyed a boost of joy and Vitamin C at Play Heart: Fruit Day

Our Guangzhou teams challenged themselves and fostered unity via different outdoor activities at S³•360 2020 HKBN Sport Day.

Physical Wellness

Talents who are physically fit are more likely to perform better at work. To encourage our Talents to stay active, we initiated the following activities in FY21:

- S³•360 2020 HKBN Sport Day, our annual event held in Guangzhou to help local Talents step beyond their comfort zones through various team challenges

- Edvance Cup, a soccer tournament in which our HKBN team showcased their superiority against other local telecom & technology operators and brought home the championship

Our HKBN soccer team celebrate their incredible championship win in the Edvance Cup.

Social Wellness

To boost the bond between our Talents and offer much-needed social interaction during COVID-19, we organised the following social wellness initiatives in FY21:

- Friendful & Thankful Summer, held in July & August 2021, encouraged Talents to show their appreciation and acknowledgement for their fellow colleagues and teammates

Talents celebrated our annual 1310 Global HKBN day by donning HKBN socks, and christened new offices in Hong Kong and Guangzhou with housewarming parties.

Even across different departments, our Talents gave each other well-deserved appreciation in a show of team camaraderie.

- Smiley Family, via a series of activities ranging from knowledge workshops to fun challenges, helped Talents enhance parent-child communication and bonding

- Onederful HKBN – Vappy Party 2020, our first virtual end-of-year party was joined by our Talents online, where we handed out hundreds of lucky draw prizes and recognised 292 Talents for their many years of service

Financial Wellness

To help Talents better manage their wealth and that of their families, we organised a series of virtual sessions on financial savviness:

- Financial Castle Series Workshop, a series of workshops aimed at sharing the common fallacies associated with financial planning

- Money Management Toolkit, a number of talks aimed at helping our Talents better manage their financial challenges

Talent Development

Investing in life-long development remains a crucial example of how we're Talent-obsessed. Our commitment is to ensure that Talents enjoy all the development opportunities and tools to stay ahead of the game in an ever-evolving business, technology and digital environment.

As we continued to adapt our learning and development initiatives to virtual settings, we're also actively engaging external parties and industry leaders in new ways to "crowd-share" our collective knowledge – both for the professional enrichment of our Talents and external stakeholders.

In FY21, the total number of training hours we provided was 89,541, which equates to 17.1 hours per Talent per year.

Amid life in the new normal, our Talents continued to develop their knowledge and skillsets.

Empowering our Talents to evolve, we tailored a series of ITransformer workshops to help IT Talents adopt a more customer-centric mindset.

Leadership & Skills-related Training:

23,005 hours

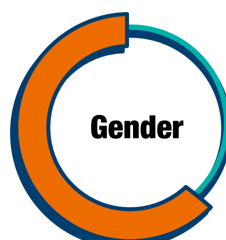
Operations-related Training:

52,221 hours

Compliance-related Training:

14,315 hours

Breakdown of FY21 training provided based on:



Female
38% 18.9 hours per Talent

Male
62% 16.3 hours per Talent

Managerial-or-above-level Talents
8%

Supervisory-level Talents
14%

All other Talents
78%

Talents

HKBN Inspires

Recognising that sharing is one of the best ways to learn, in November 2020 we launched HKBN Inspires, a "crowd share" learning platform that offers Talents a curated programme of learning events, ranging from webinars by industry leaders to new perspectives on the latest topics and trends. Selected events have also been open to friends, partners and stakeholders, as a strategy to widen our engagement through the power of ideas.

In March 2021, the programme was further enriched with HKBN Inspires: Elevate Leadership Series, which saw the inclusion of our previous monthly management meetings as an open-to-all webcast enhanced with strategic inspiration through a wider range of topics covered, and collaboration with external guests from insurance to academia.

During FY21, 101 learning sessions were shared via the HKBN Inspires platform.

Elite 101 & Leader 101

To help supervisory-level Talents master their skills as team leaders, in June 2021 a mandatory webinar series Elite 101 and Leader 101 was launched for all newly promoted or new-joined team leader Talents. Topics like coaching & feedback skills, empowerment & delegation, time management, communication, handling crucial conversation and leading change were covered. In total, 21 total hours of learning was delivered for 104 participants.

Summer Innovator Programme 2021

Over the years, our Summer Innovator programme has been adventurously designed to offer students far more than just typical office-based experiences. Our Summer Innovators are immersed in a wide range of real-world challenges, leadership opportunities and transformative exposures. Enjoying a phenomenal reputation, this year's Summer Innovator programme attracted over 2,000 applicants for nine slots.

Mirroring our Core Purpose, the 2021 programme also focused on Purpose to transform our Summer Innovators into confident change leaders over an 8-week period. And to generate Purpose far beyond HKBN, this year we organised "Chart the Course with HKBN", bringing together our Summer Innovators with young Talents from CLP, DBS and Mother's Choice. In total, 30 young participants cross-collaborated to soak up purposeful insights, and pitched a number of their own youth empowerment initiatives to leaders from HKBN, the HKMA Human Capital Management Society, and Bowtie Life Insurance.

At our HKBN Inspires highlight event, we opened the learning experience to both internal and external young Talents to foster ideas exchange.

Our 2021 Summer Innovators were hand-picked from over 2,000 local and international university applicants.

As part of their Purposeful journey, our Summer Innovators created lasting social impact by working with change leaders like local NGO Mother's Choice.

Our Summer Innovators learned the ins and outs of HKBN culture in a game of culture hunt.

With travel largely limited, our virtual WisCafé sessions continued to offer valuable learning opportunities and exchange for all our Talents.

WisCafé

To meet the learning and development needs of our expanded operations in Hong Kong, Macau,mainland China, Singapore and Malaysia, we continued to hold events under our digital platform WisCafé, bringing our knowledge, inspiration, best practices and experiences together via one easy to access resource. During FY21, 11 WisCafé sessions were offered to a total of 714 participants, covering topics such as machine learning, digital transformation and public speaking.

Development for Beyond-HK Talents

Delivering on our commitment to foster company-wide learning, this year we continued to provide a stream of learning programmes to our Beyond-HK teams. The following are some of the initiatives we undertook in FY21:

- Communication and presentation workshops tailored to help Talents in our Zhuhai office engage stakeholders more effectively
- A series of face-to-face classes to equip 220 customer-facing Talents in our Guangzhou office with the skills to respond to challenging on-the-fly scenarios
- Cloud Skills challenges and courses to promote upskilling for technical Talents in our Malaysia office
- A series of workshops on risk and security, including on risk management & assessment, safe work procedure, SGSecure awareness, Windows Security & Security Policy, and lockdown procedures for Talents in our Singapore office

From customer service workshops to technology-specific English language tutorials, our Guangzhou Talents have access to a diverse range of knowledge and skill development opportunities.

HKBN Vision Alignment

Throughout FY21, we continued to organise a variety of vision-aligning activities for our Beyond-HK teams. Together, these events serve to unify our culture, emphasising silo-less teamwork across our operations:

- A series of seminars on sharing the reasons and goals behind our Core Purpose and company culture
- A culture workshop from our Zhuhai office in mainland China, attended virtually by HKBN JOS Talents
- Ask Me Anything (AMA) Sessions with Jeff Lee, Managing Director of HKBN JOS Singapore to promote our silo-less "talk flat" culture
- Meet & greet with Steven Soo, Co-Owner and Managing Director of HKBN JOS Malaysia, to help Talents gain clarity on strategic developments and also share their own work-related challenges
- No Mute with CEO, a series of candid talk sessions wherein over 260 supervisory-and-above-level Talents shared their ambitions of change for our Enterprise Solutions business

Talent Health & Safety

Success of our business hinges greatly on how our Talents can work in a healthy and safe environment. To achieve this, we maintain policies and guidelines for occupational health and safety that are reviewed regularly and tested across a diverse variety of conditions. In general, our aim is to establish a vigilant view over safety and continuously strive to enhance equipment and software when needed.

At all times, we committed the appropriate resources to implementing and upholding these standards, and worked diligently to comply with all health and safety regulations in jurisdictions where we operate as follows:

- Hong Kong: Occupational Safety and Health Regulation, Cap 509A of the laws of Hong Kong, Occupational Safety and Health (Display Screen Equipment) Regulation, Cap 509B of the laws of Hong Kong and Construction Sites (Safety) Regulation, Cap 59I of the laws of Hong Kong
- Beyond Hong Kong: Comply with local regulations related to safety issues

Safety as a Priority

Since 2017, we've established an in-house Safety Committee in Hong Kong consisting of Talents from several technical and Talent engagement departments. Its purpose is to formulate our Occupational Safety & Health Management Strategy and identify any systemic factors that may contribute to Talent injuries. Through regular review meetings, we define the monitoring and review mechanisms from which our safety performance is reported internally, and make recommendations to improve safety performance from which our health and safety objectives can be met. To ensure Talents can work in a healthy and safe environment, we appointed a certified safety consultant to manage our occupational health and safety via exercises such as:

- Safety advisory service
- Workplace safety inspections carried out at our office, warehouses, canteens and shops
- Risk assessment and surprise inspections performed at network installation sites
- In-house safety training provided for our frontline and back-end Talents

Our Talents in Malaysia engaged in a candid chat with Steven Soo, Co-Owner and Managing Director of HKBN JOS Malaysia (centre), for vision and culture alignment.

Safety Training for Talents

This year, we provided Talents, new joiners and sub-contractors in Hong Kong and mainland China with over 10 sessions and 2,041 hours of health and safety-related training, most of which were conducted virtually. Meanwhile, we started offering Basic Safety Training as a yearly refresher course for our frontline technical teams (which we also provide to new joiners) to keep them up-to-date with the latest know-how and requirements. Also, new for FY21 is the provision of annual training for Talents on using Automated External Defibrillation (AEDs) as a life-saving skillset.

Additionally, the following safety-related training were provided:

Our Guangzhou Talents received basic safety training which includes emergency first-aid treatment for minor injuries.

For enhanced workplace safety, our Talents learned how to use Automated External Defibrillators (AED), an essential life-saving device.

- Occupational Safety and Health Management Plan annual briefing
- Regular fire contingency training
- Dog safety training
- Working at Height
- Manual Handling Training
- Basic Safety Training

Workplace Safety Performance

This year, our performance in health and safety is encapsulated as follows:

Hong Kong & Beyond Hong Kong

	FY21
Number of fatalities:	Nil
Injury rate*:	0.55
Lost Day**:	87.15

* Injury rate calculation: total number of work injury (29) x total working hours for 100 full-time Talents (200,000)/total working hours for all Talents (10,481,198)

** Lost day rate calculation: total number of lost days (4,289) x total working hours for 100 full-time Talents (200,000)/total working hours for all Talents (10,481,198)

COVID-specific Measures

To safeguard Talent health and safety during COVID-19, we launched a HKBN COVID-19 Playbook as an evolving guideline containing the latest policies, precautionary measures, and contingencies, based on what we have learnt over time.

Meanwhile, we continued to implement the following COVID-specific measures in the office and for our frontline Talents:

- Personal Protective Equipment (PPE) for Talents as needed
- COVID-19 self-test kits provided based on operational requirements
- Split team arrangements for core working teams in our offices
- Our Hong Kong office has been issued the Hygiene Measure for CoV-Prevention Certificate by Hong Kong Quality Assurance Agency (HKQAA), with 11 Talents qualified as Health Ambassadors by the agency
- Routine UV-C disinfection in office premises
- Tips and guidelines on mask usage, the use of multipurpose rooms, and more
- Flexible work arrangements for Talents who feel discomfort after taking the COVID-19 vaccine
- Free fast pass COVID-19 vaccination for our Malaysia Talents on a voluntary basis

The Power of

Whenever we do business with partners and suppliers, our focus is on creating long-term co-growth opportunities together. The aim is to deliver greater value for our customer reach of 1-in-3 residential households and 1-in-2 active companies in Hong Kong — for win-win-win.


Win
Win

Suppliers

Our business is stronger because we maintain honest and fair relationships with partners and suppliers.

Rather than profit off one another, we're working to prosper together.

Above all, the primary objective of our sourcing activities is to ensure continuity of our product and service supply, which we accomplish by maintaining strong and effective relationships between our business units, partners and suppliers in a fair, open, transparent, and mutually beneficial manner.

The continual effects of this global pandemic further underlined how important building stronger communication, integrity and trust with partners and suppliers – elements that have long been core to our procurement enhancement efforts – can better serve our business. As a sign of agile adaptability, despite COVID-19 reducing face-to-face meetings, our communications with suppliers was unaffected as virtual meetings provided us with even greater flexibility to interact.

Win-win-win partnerships

Rather crucially, we embrace innovative ideas whenever they can best serve the interest of our company and those of our suppliers. In a process introduced long before COVID-19 that favours flexibility, we've been working with different business partners not to only seek better prices, but rather better deals based on mutual strategic needs.

Since March 2020, responding to the changing economic landscape, we recognised the pertinence of our flexibility and promoted a 'Barter & Bundle' scheme to embrace win-win-win opportunities on a massive scale – inviting enterprises from different industries to exchange their products or services (which can then be repurposed as offerings for our residential customers and items sold on our Home+ e-shopping platform) as part of their payments for our range of ICT solutions. This accommodating approach enables enterprises to save on expenditures, whilst we attract more new business customers with greater deal-making flexibility.

Enhancing Supplier Management

As part of the Supplier Management Assessment, we measure our supplier performance against pre-concurred Service Level Agreements (SLA), and pay special attention to the areas that are critical to our stakeholders and business units.

Since January 2020, we've leveraged e-sourcing tools to promote operational transparency and efficiency of our sourcing process. All mandatory documents are now captured and stored in one single online portal. As a result, suppliers may read, acknowledge, sign, and submit documentation via the portal to access the e-sourcing tools before the designated end time. This real-time information flow helps to improve efficiency for all parties.

Supplier Performance Assessment

Our supplier management framework introduced in 2015 provides us with a systematic and consistent approach to review, track and improve – ensuring supplier performance are on track and that risks are mitigated in a proactive manner. For a robust assessment of supplier performance, we've incorporated criteria to determine supplier criticality on a project by project basis. Key factors considered include assessments made on impacts to customers, operations, legal and regulatory, sustainability, security and reputation. When it comes to supplier evaluation, we also include a minimum

90%

of suppliers endorsed and acknowledged our Supplier Code of Conduct

We teamed up with AXA to launch Hong Kong's first-ever fibre broadband service combo of home insurance, network security and a smart home kit.

10% weighting on sustainability. The ratio of sustainability measurement is expected to scale up depending on risk as weighted in our criticality assessment.

In December 2020, we developed a new e-tool for assessing supply chain risk. With this enhancement, our business units can much more effectively evaluate the criticality of a given project.

In January 2021, we also revamped our supplier questionnaire to help detect risks earlier, particularly for ESG-related areas. In addition, we enhanced supplier segmentation to achieve a more holistic view of vendor performance and better understand how their offerings are impacting our customers. Suppliers are expected to answer our questionnaire during the supplier onboarding process, as well as in our yearly annual performance reviews. The questions we ask include: whether they have allocated dedicated resources towards sustainability development, have an ESG strategy and targets with environmental policies, or maintain policies to ensure compliance with laws relating to staff employment, occupational health and safety, and anti-corruption. This will help us identify supply chain partners who are most prone to environmental and social issue risks.

Supplier Code of Conduct

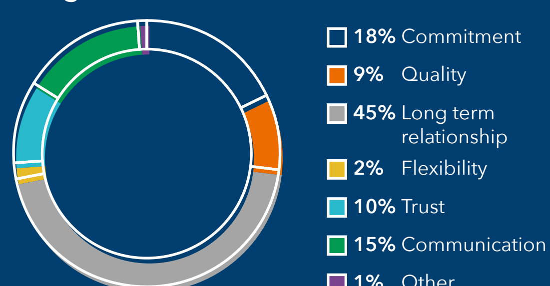
A Supplier Code of Conduct ("SCoC") concerning corporate governance, environmental protection, health and safety standards, and fair labour conditions has been in place since 2018. To ensure that suppliers understand our SCoC, we require that each supplier endorse our SCoC during the supplier onboarding process. 90% of our suppliers have either accepted our SCoC or have their own SCoC which also espouses a similar approach of expectation for their respective suppliers, partners and subcontractors.

Supplier Satisfaction Survey

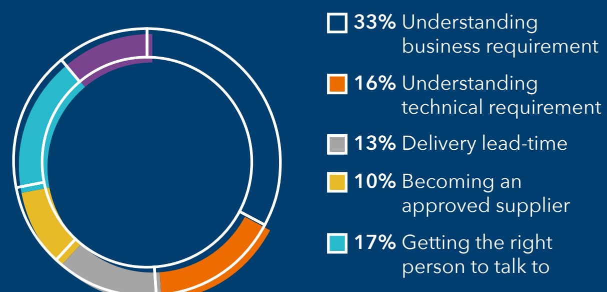
Currently, the Group maintains active business relationships with over 2,000 suppliers while 93% of our suppliers are sourced locally in Hong Kong and mainland China (number includes HKBN JOS operations). Supplier performance will be evaluated at least once a year depending on the criticality rating. For projects that are rated as "high risk", more frequent reviews will be conducted along with a request for the supplier to provide a business continuity plan.

In May 2021, we invited suppliers to participate in our supplier satisfaction survey. 45% of suppliers who responded said they valued a long-term relationship with us, while 10% considered their trust in HKBN as a critical factor when deciding to partner up to deliver products and services to our customers. Through this detailed survey, which now includes questions relating to supplier's experience when working with HKBN as compared with our competitors, we've gained better insights into the array of challenges faced by our suppliers and will use the results to improve how we engage and collaborate in the future.

What suppliers value most when doing business with us



Top Challenges



Sustainable Procurement

Over the past several years, we have integrated sustainable procurement practices into our supply chain activities. Examples include the requirement for environmental, health and safety provisions in our supplier contracts and purchase orders. Similarly, we have added sustainability measurements as a part of our sourcing assessment process.

For the purpose of supplier diversity, HKBN endeavours to provide sourcing opportunities, when possible, to a broader range of businesses like social enterprise suppliers. Through such practices, we can create a positive impact across environment, social, ethical and economic areas.

Turning **Purpose** into **Action**

Stephen Wong
Co-Owner and Assistant Manager –
Field Engineering, Enterprise Solutions

Digital Inclusion

Bonnie Chan
Co-Owner and Associate Director – Corporate Social Investment and Talent Experience

Purpose without action is meaningless. At HKBN, our Talents and our social investment initiatives are empowering people and communities, and bridging the digital divide for everyone's shared future.

In everything we do, and in every decision we take, "Make our Home a Better Place to Live" is present at all times.

As a leading telecom and technology solutions provider driven by Purpose, we believe the future is for everyone. Our goal is to create a better digital future – by making technology more accessible and digitally inclusive to improve communities, education and the workplace.

Referencing international digital inclusion benchmarks, we strive to achieve three key priorities: improving people's technological skills (Skills), enhancing access to digital technologies (Access), and cultivating a safer use of technology for marginalised groups and social profit organisations (Use).

SKILLS ACCESS USE

On the way towards a better future for all, we promote digital inclusion via two main aspects:

(1) Creating Shared Value ("CSV") initiatives that benefit both our business and our communities.

(2) Volunteering and Community initiatives that address the community's most pressing connectivity and technology needs.

Apart from promoting digital inclusion, we also seek to address other societal needs by leveraging our corporate resources and Talent expertise for sustainable betterment.

Digital Inclusion

Education Centre Smart Office Transformation SKILLS ACCESS

To help under-resourced Aierbei Early Education Centre (Times Rose Garden) become more digitally intelligent, our IT Talents in mainland China are developing a facial recognition access system, and instructing teachers on how to use and maintain the system. Once completed, monthly attendance reports will be generated automatically, greatly reducing the burden and resources on tasks like recording student attendance. Next year, our Talents will also conduct intelligent programming courses to pass on vital tech knowledge to young students.

Information Security Talk for Seniors USE

Relatively speaking, seniors are typically less knowledgeable about safety and security online. This makes them vulnerable to cyber fraud and more likely targets for scammers. To foster a safer use of technology amongst seniors, our Talent volunteers in Hong Kong partnered with the Jade Club to conduct an Information Security talk. As seniors joined the Q&A online game, they learnt safety when using Wi-Fi connections and how to recognise online scams, empowering them to stay protected in the cyber world.

Our Talent volunteers co-hosted a live Information Security talk with JTV, an online video programme run by social enterprise, the Jade Club.

Smart Phones for People in Need ACCESS

As technology continues to advance, seniors and underprivileged families are at risk of being left behind. Smart phones serve an important role in providing access to information and keeping us connected with others. Mindful that seniors and underprivileged families are not able to afford these digital devices, we donated 467 smart phones to four non-profit organisation partners this year to support each beneficiary's digital needs for work, for school and for daily use.

Creating Shared Value (CSV)

WE+@HOME+ ACCESS

Our e-commerce platform HOME+ enables merchants of all sizes, including social enterprises and NGOs, to sell their products online without slotting fees or annual fees – doing business with fewer overhead costs.

Adding greater social impact, we partnered with Social Venture Hong Kong (SVHK) to launch the WE+ marketplace as a featured element of HOME+. WE+ greatly lowers the barriers for small businesses and Social Profit Organisations ("SPOs"), offering free marketing support to generate revenue for their social goals. Through social-impact purchasing, the WE+ marketplace gives customers a chance to shop and be change-makers, simultaneously benefiting small and social enterprise merchants, the communities they benefit, and our HOME+ business. To date, 16 SPOs have joined WE+, specialising in local products, experiential activities, sustainable commodities and goods that give back to the community.

Digital Transformation of Social Profit Organisations ACCESS USE

With the pandemic changing the way we work and do business, some companies, especially SPOs, risk falling behind. Due to their lack of IT knowledge and resources, we're helping to move SPOs forward – by providing an extensive range of IT solutions at affordable prices. As part of this support, our Enterprise Solutions team in Hong Kong provides free consultations to analyse pain points and make appropriate IT recommendations. To date, a wide range of IT services have been deployed, like offering our FixIT service, providing cybersecurity solutions to mitigate digital risks, and tailoring CRM systems and infrastructure.

574

families benefitted in HOME+ Charity Goody Bag Programme

Addressing Other Societal Needs

HOME+ Charity Goody Bag Programme

To make use of the HOME+ platform and its home delivery service for good, in January 2021 we launched a Charity Goody Bag Programme with Kerry Logistics and St. James' Settlement People's Food Bank. For every Goody Bag (packed full of quality food products like frozen meats and staple items) sold, a matching bag is donated to the elderly and underprivileged families. Better yet, customers can also opt to donate their own purchased Goody Bag for an even bigger social impact. In FY21, the charity programme benefitted 574 families in need.

As queuing at food banks was discouraged during COVID-19, we arranged door-to-door delivery of our Charity Goody Bag.

Community

Our Talents in HKBN JOS Malaysia donated wheelchairs to a local COVID-19 vaccination centre.

Wheelchair Donations during COVID-19

Lending a hand of support, our HKBN JOS team in Malaysia donated 10 wheelchairs to Klinik Uzma, which was appointed by the local government to administer COVID-19 vaccinations for the community. Via our donated wheelchairs, senior citizens and the physically disabled were able to get through the vaccination process with greater ease of mobility.

Home Visits to the Elderly

As social distancing took effect, many seniors suffered from the prolonged loneliness and isolation of staying at home. In partnership with The New Charis Mission, our Talent volunteers in Singapore paid visits to the elderly living at estates on Chai Chee Road and Ang Mo Kio. During these visits, our volunteers provided much needed care checking on their mental and physical health, and offered support like performing small repairs and household maintenance.

Herbarium Flower Workshop for Persons with Disabilities

In June 2021, nine Talent Volunteers and five individuals with Down Syndrome from Fuhong Society of Macau participated in a workshop to make herbarium flowers, a process of drying and mounting flower specimens on paper. Through this workshop, our Talents showed their love, patience and care for persons with special needs.

Our Talent volunteers in Macau gave those with special needs a chance to showcase their creativity.

Talent Volunteerism

At every opportunity, our Talents are encouraged to generate purposeful good by participating in volunteering activities. However, due to the pandemic, we acted responsibly by reducing the number of initiatives to safeguard both our volunteers and community beneficiaries. During FY21, 68 Talents from Hong Kong, Macau, Guangzhou and Singapore volunteered a total of 462.25 hours to serve our local communities.

HKBN Talent CSI Fund

First established in 2015 by a group of HKBN Co-Owners, the HKBN Talent CSI Fund ("Fund") is an independently operated charity that aims to support youth related social investment projects through innovative and outside-the-box ideas. To date, the Fund and its projects have touched the lives of more than 8,000 beneficiaries. In February, our HKBN Co-Owners donated 4 million HKBN shares to further seed the Fund. This commitment endowed the Fund with perpetual capital (via twice-a-year share dividends) to fuel its purposeful initiatives into the future.

In June 2021, as part of our commitment to empower youth creativity, the Fund launched two game-changing social funding initiatives to help youths upgrade their skillsets, resilience and technological capabilities:

462 hours serving our community

4,000,000 HKBN shares donated to HKBN Talent CSI Fund to fuel purposeful initiatives

- "404 Not F_und?", prioritising creativity and personal growth, this initiative gives youths aged 16 to 29 everything they need (networking, experience and capital support) to turn the most outlandish ideas into reality. A grant of up to $100,000 will be provided for each selected project, regardless of their success or failure.
- "Zero to Hero Fund", this two-year sponsorship initiative provides SPOs with up to $2 million to fund various innovative and scalable projects aimed at reskilling and upskilling the capabilities of youths.

Standing out for the way it goes beyond just providing financial support, this breakthrough social funding model also provides beneficiaries with access to the resources, expertise and strengths of HKBN Group and our broad network of partners. The first results of this combined effort of HKBN Group and the Fund will be reported in the next financial year.

Awards & Recognitions

Awards and Certifications	Conferred by
15 Years Plus Caring Company	The Hong Kong Council of Social Service
Social Enterprise Supporter Plus Award 2020	Tithe Ethical Consumption Movement

Smarter, Greener, Better

Minimising impacts, maximising efficiencies. For the good of our planet, HKBN is pursuing smarter and more responsible ways to improve eco-performance across our entire operation.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CY

Environment

HKBN is taking bold action to build a better world. Towards a greener future, we are doing much more to integrate environmentally responsible best practices across our entire business.

To further the fight against climate change, our mission is to foster eco-friendly best practices among our Talents, customers, business partners and the community.

Environment Framework

The Environmental Framework was established to more closely align our company's ESG vision with a robust environmental strategy. Through previously conducted materiality assessments, we identified the priorities, and established the principles of Reduce Carbon Emissions, Increase Resource Efficiency and Promote Environmental Awareness as core strategies to create positive impacts in three focus areas of Energy, Waste and Green Living.

During FY21, we extended our environmental data collection to comprise performance from Hong Kong and our operations in Macau, mainland China, Singapore and Malaysia. The performance data provided herein has undergone pre-assurance validation by our Internal Audit and Risk team.

HKBN VISION	**HKBN commits to achieving Environmental Excellence throughout our business cycle to combat climate change and promote environmentally responsible best practices to our Talents, customers, business partners and the community at large.**		
PRIORITY	**Goal Setting & Monitoring**	**Operation**	**Stakeholder Engagement**
PRINCIPLES	**Reduce Carbon Emissions**	**Increase Resource Efficiency**	**Promote Environmental Awareness**
COMMITMENT	**Energy** Innovation, Rational, Smart	**Waste** Reduce, Recycle, Reuse	**Green Living** Eco-friendly, Veggie, Bring your own

Environmental Priority

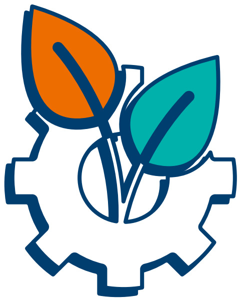
HKBN has engaged internal and external teams to conduct studies on resource management performance. This ensures that evidence-based reduction targets on energy consumption/carbon emissions and waste disposal can be set. This is also a key step of our decarbonisation initiatives, which will serve to echo the Hong Kong SAR 2050 decarbonisation action plan and the China 2060 decarbonisation initiatives. After identifying the reduction targets, HKBN has now proceeded to assess the feasibility of potential efficiency enhancement projects.

Greener Operations

By embedding decarbonisation and eco-responsibility as part of our everyday operations, we have an opportunity to make a huge difference for the environment. After receiving our materiality assessment, sustainability leaders from our respective teams are responsible for examining the current performance of HKBN's portfolio, providing quantifications on energy usage, waste disposal (recycling) and more, and make any necessary adjustments to improve overall performance.

Environmental Commitments

HKBN is committed to leveraging smart technology to continuously reduce our carbon emissions and improve our operational efficiency



HKBN embraces the Reduce-Recycle-Reuse principle of waste management and is committed to minimise our operational waste

HKBN is committed to lowering climate change risks and increasing our resilience through applicable technologies and innovations

HKBN is committed to promoting green living and better usage of resources amongst our Talents

Environmental Target Setting

In our dual pursuit of operational and environmental excellence, our team continues to explore opportunities to improve our environmental performance, actively identifying and implementing projects that can help reduce our energy consumption footprint and waste production. HKBN has set S.M.A.R.T. targets to anchor our strategy for performance improvement, while maintaining agility for business growth. These include FY25 targets against FY20 baseline:

Category	FY20 (Baseline Year)	FY25 Target
Electricity usage	104,934,247 kWh	Reduce 8% electricity usage
CO_2 emission	54,151.88 tonnes CO_2e	Reduce 40% CO_2e
Waste diversion rate	40% Waste diversion	Increase diversion rate to 55%

Energy Efficiency

Something from Nothing
Since 2016, we have partnered with a consultant to transform our energy efficiency through a ground-breaking collaboration project which required no capital investment from HKBN, despite numerous energy efficiency upgrades implemented at our offices, warehouses and data centres. Investments for all incurred retrofitting has been fully funded by our consultant, who shares a fraction of our energy cost savings as compensation.

As at the end of FY21, the accumulated energy saved over the past five years totalled 7,125,851 kWh in electricity, equivalent to about $2.5 million and 3,800 tonnes respectively saved in utility costs and CO_2 emissions.

Smart Lighting – EnTrak
Under our hybrid office + WFH arrangements, on average fewer Talents come to our offices. To intelligently adapt to this change, we upgraded our office IoT lighting system in FY21 to provide desk hoteling at one of our office floors in Hong Kong. Through this system, Talents can use our smart lighting mobile app and select the specific lighting zone they require – saving energy where it isn't needed.

7,125,851 kWh

electricity saved via Something from Nothing project in Hong Kong over previous five years

3,800 tonnes

of CO2 emissions offset

Over

$2.5 million

net savings in electric utility costs

Switching Off Idle Network Equipment
Since 2016, we have been consolidating our network facilities throughout Hong Kong. In the past year, we switched off around 600 units of idle equipment in our switch rooms, garnering annual energy savings of 936,000 kWh. During the reporting period, we shut down 210 additional idle equipment units at our former WTT switch rooms and telephone system, for a forecasted 403,000 kWh in annual energy savings. And as we transition to next-gen VoIP and data services in 2022, we'll be switching off an additional 7,000 units of idle equipment, including traditional time-division multiplexing (TDM) machines over a 5-year period, for a forecasted 16,000,000 kWh in total energy savings.

Energy Savings via Building Management System (BMS)

To optimise the energy efficiency of the air-conditioning system at our Kwai Chung data centre, in FY21 we implemented a building management system (BMS) smarter monitoring and more efficient control of the chiller plant airflow. This BMS solution will provide an estimated 140,000 kWh of annual energy savings.

Energy-Efficient Thin Client Computers

To save both desk space and reduce energy consumption, since FY19 we've gradually replaced computer hardware with thin client-based computers. This year, we changed a total of 933 desktop computers to thin clients, resulting in a 90% reduction of computer-related energy footprint at our Guangzhou offices.

Waste Reduction

Donating Routers to the Community

In July 2021, we dismantled 1,000 routers from a completed Wi-Fi service contract for a quarantine centre in Fo Tan, Hong Kong. Rather than writing these items off as electronic waste, we disinfected the routers and donated them to Caritas Computer Workshop for reuse.

Donating Obsolete Office Equipment

Starting this year, we began a new initiative to donate obsolete notebook computers to NGOs and social enterprise partners on a regular basis. For FY21, we donated notebook computers to the youths of Evangel Children's Home.

Saying No to Business Gifts

To minimise the potential waste generated by festive gift giving, we maintain a policy to decline business gifts (such as seasonal hampers) from our business partners in every region we operate. Instead, we encourage friends and partners to reallocate their festive gift budgets toward charity. In the rare case that a gift does comes our way, we'll donate it to charity.

Exchange4Green

To give preloved personal items a second life, we set up Exchange4Green collection points at HKBN Offices across Hong Kong and mainland China, giving Talents an easy channel to donate old items. At the end of each month, all collected items are given to local charities.

Greener Habits

By "saying no to plastic and disposable cutlery", our Talents are encouraged to use washable cutlery, cups, and so on. In addition, we minimise food packaging or do the necessary recycling as much as we can. To this end, during the reporting period we initiated the following:

Made up of layers of paper, plastic and aluminium, milk cartons require additional care for recycling.

- Every year, we consume hundreds of cartons of milk at our offices. And due to the aluminium content used in the packaging, each carton takes nearly five years to fully decompose. As a start, our team processed (cut-wash-dry) 450 expended cartons and sent them to Mil Mill, a pulp mill and education centre for further processing.

Environment

Waste Lead Acid Batteries

Since 2019, we've been working with the Hong Kong Battery Recycling Centre ("HKBR") to safely and responsibly recycle waste lead acid batteries ("WLAB") . In FY21, we recycled 71,540 kg of WLAB.

71,540kg
of WLAB recycled

Key environmental data

	Unit	FY19	FY20	FY21
The types of emissions and respective emissions data				
Sulfur oxides (SOx)[1]	kg		640.39	**1,176.27**
Nitrogen oxides (NOx)[1]	kg		181.67	**551.39**
Particulate matter (PM)[1]	kg		16.60	**46.16**
Greenhouse gas emissions				
Scope 1 emission[2]	tCO_2e	166.48	235.16	**214.12**
Scope 2 emission[3]	tCO_2e	27,490.06	53,887.72	**39,713.91**
Scope 3 emission[4]	tCO_2e	199.78	29.01	**50.72**
Total Greenhouse gas emissions[5]	tCO_2e	27,856.30	54,151.88	**39,978.75**
Greenhouse gas emissions intensity[12]	tCO_2e/Revenue ($ million)	6.33	7.82	**3.49**
Direct energy consumption[6]	kWh	605,949.00	821,545.26	**787,249.24**
Direct energy intensity[12]	kWh/Revenue ($ million)	118.63	118.62	**68.67**
Indirect energy consumption[7]	kWh	53,337,342.00	104,934,247.13	**103,662,519.42**
Indirect energy intensity[12]	kWh/Revenue ($ million)	10,441.92	15,150.77	**9,042.44**
Water consumption[8]	m^3	2,401.00	1,606.00	**3,149.13**
Water intensity[12]	m^3/Revenue ($ million)	0.47	0.23	**0.27**
Waste				
Hazardous waste generated[9]	tonnes	105.04	56.81	**71.72**
Hazardous waste intensity[12]	tonnes/Revenue ($ million)	0.02	0.01	**0.01**
Non-hazardous waste generated[10]	tonnes	103.31	220.85	**254.41**
Non-hazardous waste intensity[12]	tonnes/Revenue ($ million)	0.02	0.03	**0.02**
Waste diverted[11]	tonnes	62.31	88.73	**119.37**

Key: m^3: Cubic metres
CO_2e: Carbon dioxide equivalent
kWh: kilowatt hour

Remarks:

1 The emission factors are based on the Hong Kong Environmental Protection Department's ("EPD") EMFAC-HK Vehicle Emission Calculation and the United States Environmental Protection Agency's Vehicle Emission Modelling Software – MOBILE6.1

2 Scope 1 emissions are direct 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 IPCC Fourth Assessment Report: Climate Change, ASHRAE Standard and EPD – Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong 2008 Edition

3 Scope 2 emissions are indirect GHG emission resulting from the generation of electricity purchases by HKBN.
4 Scope 3 emissions included indirect GHG emissions from sources not owned or directly controlled by HKBN but related to our activities such as office paper usage and oversea transportation. The emission factors are based on Seattle Climate Partnership; Emissions from manufacturing, EPA Life Cycle Study Exhibit 202 and International Civil Aviation Organization (ICAO) Carbon Emissions methodology and WSD Annual Report 2015/2016.
5 Carbon emissions generated from the operation owned and controlled in Hong Kong and Guangzhou operations including offices, shops, data centres, hub sites and switch rooms.
6 Vehicle, generator and mobile generator fuel consumption are included in the direct energy consumption.
7 Electricity purchases are included in the indirect energy consumption.
8 Water consumption included water used in offices, data centres and Yuen Long retail shop. Since there is no water supply in hub sites and switch rooms, this aspect is not included.
9 Hazardous waste generated is included uninterruptible power system and lighting tube only.
10 Non-hazardous waste included construction waste and general waste in offices, retail shops and data centres.
11 Waste diverted included paper, plastic, metal, wooden, e-waste, food waste and glass. Overall waste diversion rate in FY21 is 47%.
12 The revenue as at 31 August 2019, 31 August 2020 and 31 August 2021 was $4,400m, $6,866m and $11,464m.

Promoting Green Awareness

"Each Grain is Hard" in Guangzhou

In March 2021, we joined hands with Guangzhou Green-Point Public Welfare and Environmental Protection Association to build greater eco-awareness amongst our Talents. In total, 33 Talents and their children went on a rural adventure exploring the countryside and discovering the wonders of agriculture – by lending some hands to local farmers. Through this experience, our Talents and their families got a deeper appreciation for the hard work and value of food.

"No pain, no gain. Through this activity, we experienced first-hand the hard work that goes into farming. Now I appreciate even more what farmers and others do to contribute to society."

Yellow Kwok, Senior Customer Service Executive

Experiencing farming first-hand gave our Guangzhou Talents a renewed appreciation for the value of food.

After pledging no to eco-unfriendly single-use plastic containers, our Singapore Talents proudly show off their own reusable cups, mugs and thermoses.

Greener Eating

As part of our desire to foster healthier and more eco-friendly eating habits, in FY21 we partnered with Green Common to provide plant-based products including oat milk coffee, plant-based lunch boxes and snacks at our offices, as well as to organise a number of virtual cooking classes. And to help minimise disposal of single-use plastic cups, our Singapore Talents also began to "Bring Your Own Cup" (BYOC) as a group effort.

Education for External Stakeholders

Our journey to a greener world requires more than just us. Mindful of this, we continue to focus on spreading the message, sharing best practices and inspiring more companies and organisations to do their part for our planet.

The following are some of the external engagement efforts we undertook in FY21:

- To help SMEs in Singapore responsibly tackle e-waste generated from accelerated digitalisation, our HKBN JOS Talents shared their knowledge (via media articles) for safer, cost effective and sustainable disposal
- In Hong Kong, we also shared our best environmental practices and initiatives through seminars organised by NGOs such as WWF, as well as the business community

In FY21, there was no substantiated case of non-compliance with environmental laws or regulations relating to emissions across the regions we operate. In terms of waste management, we have complied with Waste Disposal (Chemical Waste) (General) Regulation (Cap. 354C of the Laws of Hong Kong) and the Hazardous Chemicals Control Ordinance (Cap. 595 of the Laws of Hong Kong).

Awards

Award	Conferred by
Sustainability Business Award 2020	World Green Organisation

The Directors are pleased to present this "Corporate Governance Report" for the year ended 31 August 2021.

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 and Corporate Governance Report" (the "CG Code") contained in Appendix 14 to the Listing Rules on the Stock Exchange throughout the year ended 31 August 2021 except for the following deviation:

Code Provision A.5.1 of the CG Code provides that the Nomination Committee should be chaired by the chairman of the Board or an Independent Non-executive Director and comprises a majority of Independent Non-executive Directors. However, the Nomination Committee of the Company is chaired by Mr. Chu Kwong YEUNG, an Executive Director of the Company. By considering that each Independent Non-executive Director of the Company has been appointed as the chairman of the Board, Audit Committee and Remuneration Committee respectively, the Board appointed Mr. Yeung as the chairman of the Nomination Committee to make sure that each Director, especially the Independent Non-executive Directors could dedicate sufficient time to perform their respective role. Since Mr. Yeung is involved in the day-to-day management of the Company and can provide valuable insight on the suitability of a proposed Director, the Board considers that he is capable of assuming the responsibility of the chairman of the Nomination Committee by leading the process of identifying suitable candidates and making recommendations to the Board.

In respect of the composition, although the Nomination Committee does not comprise a majority of Independent Non-executive Directors of the Company (i.e. the composition of Nomination Committee for the year ended 31 August 2021 was three Independent Non-executive Directors, two Non-executive Directors and one Executive Director), it would not materially and negatively affect the role of the Nomination Committee, which is to make recommendations to the Board impartially, rather than itself having the power to make decisions or take actions regarding nomination and/or removal of the Directors of the Company. Furthermore, the two Non-executive Directors and one Executive Director who sit on the Nomination Committee are valuable because of their different industry perspective, hence they could give valuable comments on and make good selections on nominations for the Board or senior management of the Company.

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 adopted by the Board on 6 February 2015 and updated on 28 May 2019:

- developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- 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.

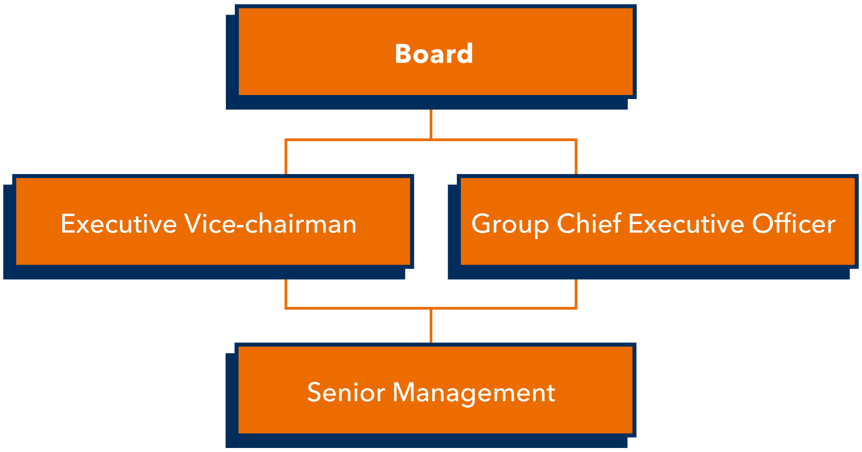
Board of Directors

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.

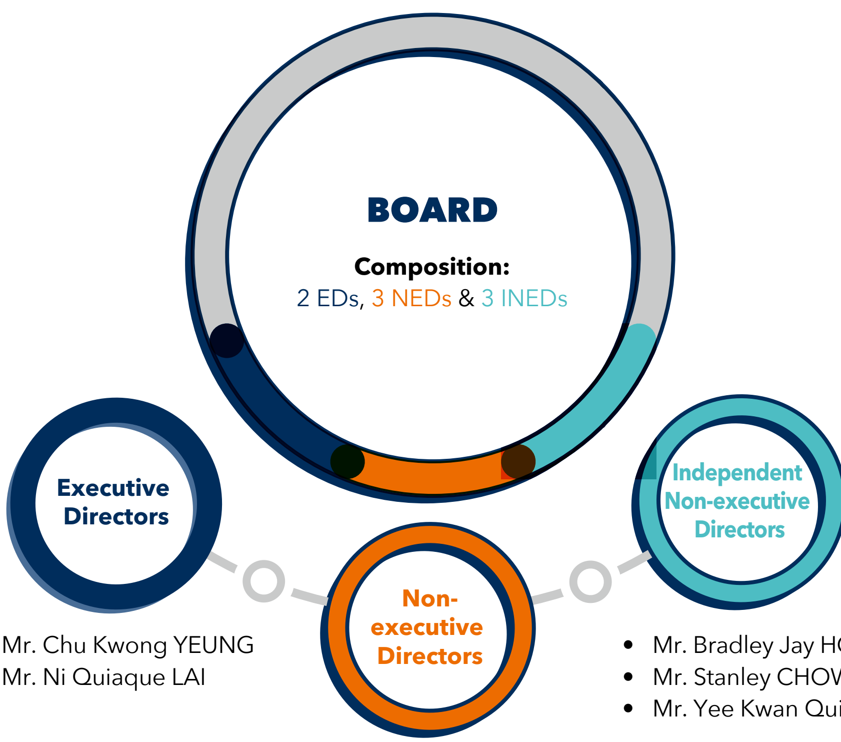
Board meetings are held at least four times per year. Matters which are immaterial and may not cause potential conflicts of interest will be dealt with by way of written resolutions. The Company Secretary prepares minutes which are recorded in sufficient detail of matters considered by the Board and the decisions reached, with the final version open for inspection at any reasonable notice by any Director. The chairman of the Board 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

During the year ended 31 August 2021, the Board comprises eight Directors, including two Executive Directors, three Non-executive Directors and three Independent Non-executive Directors. The Directors' biographical details are set out in the "Board of Directors and Senior Management" chapter on pages 8 to 11. 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:

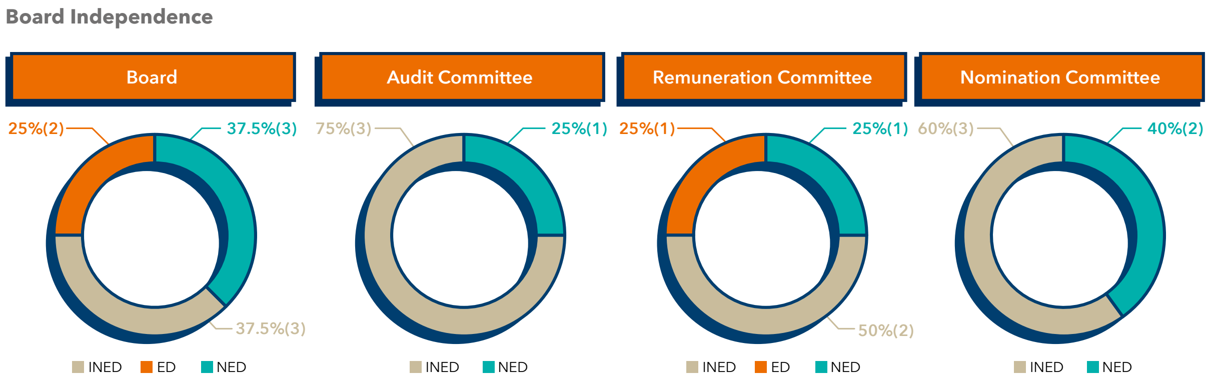
- Ms. Suyi KIM
- Mr. Teck Chien KONG
- Mr. Zubin Jamshed IRANI

Independent Non-executive Directors:

- Mr. Bradley Jay HORWITZ (Chairman)
- 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, Remuneration Committee and Nomination Committee were each chaired by an Independent Non-Executive Director as at the date of this report.



During the year ended 31 August 2021, 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 appointed Independent Non-executive Directors representing at least one-third of the Board.

In addition, the Company has received from each of the Independent Non-executive Directors a confirmation of their independence for the year ended 31 August 2021 pursuant to Rule 3.13 of the Listing Rules, and considered all of them to be independent.

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** 7 Directors
- **Female** 1 Director

Designation

- **Executive Directors** 2 Directors
- **Non-executive Directors** 3 Directors
- **Independent Non-executive Directors** 3 Directors

Nationality

- **American** 1 Director
- **Australian** 1 Director
- **British** 1 Director
- **Canadian** 1 Director
- **Chinese** 1 Director
- **Indian** 1 Director
- **Korean** 1 Director
- **Malaysian** 1 Director

Age Group

- **41-50** 3 Directors
- **51-60** 3 Directors
- **61-70** 2 Directors

Educational Background

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

Business Experience

- **Telecommunications** 4 Directors
- **Banking** 1 Director
- **Accounting & Finance** 4 Directors
- **Legal** 1 Director

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.

During the year ended 31 August 2021, the Nomination Committee and the Board considered that the composition of the Board was balanced and diversified.

The 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 in a general meeting. Any Director who is appointed by the Board to fill a casual vacancy on the Board shall retire at the first general meeting after appointment. Any Director who is appointed as an addition to their number shall hold office only until the next following annual general meeting of the Company.

Currently, all Directors are subject to retirement by rotation at least every three years and re-election in accordance with the provisions 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 policy sets out the criteria, procedures and process to be adopted when considering candidates to be appointed or re-appointed as Directors. The main provisions of the policy are 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 set out above.

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. As at 31 August 2021, the roles of the chairman and chief executive (i.e. Executive Vice-chairman and the Group Chief Executive Officer) are served by Mr. Bradley Jay HORWITZ, Mr. Chu Kwong YEUNG and Mr. Ni Quiaque LAI respectively.

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

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

(b) recommending policies, business plans and strategic directions for the 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 Board meetings, committee meetings and general meetings during the year ended 31 August 2021 is set out in the following table:

	Board Meeting	Independent Board Committee Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
	Number of Meetings Attended/Held [1]					
Chairman and Independent Non-executive Director						
Mr. Bradley Jay HORWITZ	5/5	1/1	3/3	N/A	1/1	0/1
Executive Directors						
Mr. Chu Kwong YEUNG	5/5	N/A	3/3[2]	2/2	1/1	0/1
Mr. Ni Quiaque LAI	5/5	N/A	3/3[2]	2/2[2]	N/A	1/1
Non-executive Directors						
Ms. Suyi KIM	5/5	N/A	N/A	N/A	1/1	0/1
Mr. Teck Chien KONG	5/5	N/A	N/A	N/A	1/1	0/1
Mr. Zubin Jamshed IRANI	5/5	N/A	3/3	2/2	N/A	0/1
Independent Non-executive Directors						
Mr. Stanley CHOW	5/5	1/1	3/3	2/2	1/1	1/1
Mr. Yee Kwan Quinn LAW	5/5	1/1	3/3	2/2	1/1	1/1

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 all Directors.

(2) By invitation.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by Directors of the Company. Having made specific enquiries with all Directors, they confirmed that they have complied with the required standard as set out in the Model Code for the year ended 31 August 2021.

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 2021, no claim was made against the Directors.

Induction and Continuous Professional Development

According to the Code Provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. As such, briefing materials are provided to each newly appointed Director (if any) to ensure that the Director is familiar with the role of the Board, the legal and other duties and responsibilities necessitated as Director as well as the business and corporate governance practices of the Company.

All Directors have provided a record of training they received during the year ended 31 August 2021 to the Company, including:

(a) attending training from the Company's external legal adviser about the legislative or/and regulatory updates on various applicable laws and regulations, as well as topics pertinent to the business of the Company;

(b) receiving from the Company Secretary regular updates on the Group's business affairs, and providing 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.

The chart below summarises the participation of Directors in training and continuous professional development for the year ended 31 August 2021.

Name	Attending trainings/ briefings/ seminars/ conferences	Reviewing legislative or regulator updates	Reading materials relevant to the Company or its business/ attending corporate events
Mr. Chu Kwong YEUNG	✓	✓	✓
Mr. Ni Quiaque LAI	✓	✓	✓
Ms. Suyi KIM	✓	✓	✓
Mr. Teck Chien KONG	✓	✓	✓
Mr. Zubin Jamshed IRANI	✓	✓	✓
Mr. Bradley Jay HORWITZ	✓	✓	✓
Mr. Stanley CHOW	✓	✓	✓
Mr. Yee Kwan Quinn LAW	✓	✓	✓

Time Commitment of Directors

The Directors, Non-executive Directors in particular, 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

Directors have confirmed that they have given sufficient time and attention to the affairs of the Company for the year ended 31 August 2021.

Other offices and commitments

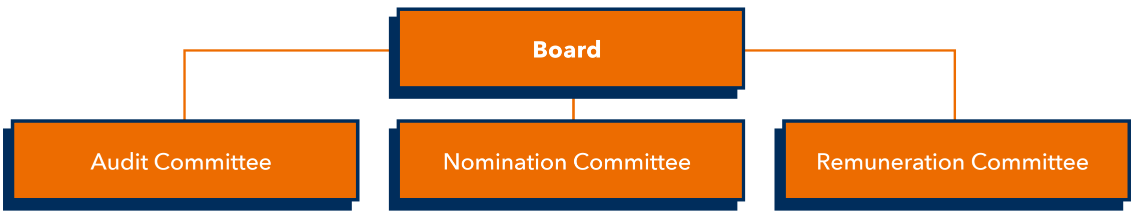
Directors disclose to the Company annually the number, identity and nature of offices held in Hong Kong or overseas listed public companies and organisations and other significant commitments.

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 committees, as well as the Directors have adequately and effectively performed their roles and fulfilled their responsibilities; have devoted sufficient time commitment to the Company's affairs; and to recommend areas for improvement. The evaluation process has confirmed that the Board and 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 2021 were satisfactory.

Board Committees

The Board has established three Board committees, namely the Remuneration Committee, the Nomination Committee and the Audit 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 Company's website and the website of the Stock Exchange.



As at the date of this report, the compositions of the three Board committees of the Company are as follows:

Audit Committee	Nomination Committee	Remuneration 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)*
Members Mr. Zubin Jamshed IRANI *(Non-executive Director)* Mr. Bradley Jay HORWITZ *(Independent Non-executive Director)* Mr. Stanley CHOW *(Independent Non-executive Director)*	**Members** Ms. Suyi KIM *(Non-executive Director)* Mr. Teck Chien KONG *(Non-executive Director)* Mr. Stanley CHOW *(Independent Non-executive Director)* Mr. Yee Kwan Quinn LAW *(Independent Non-executive Director)*	**Members** Mr. Chu Kwong YEUNG *(Executive Director)* Mr. Zubin Jamshed IRANI *(Non-executive Director)* Mr. Yee Kwan Quinn LAW *(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 Directors.

During the year ended 31 August 2021, the Audit Committee held 3 meetings with the following summary of work performed:

- reviewed the audited consolidated financial statements, the annual report and the annual results announcement for the year ended 31 August 2020 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 2020 Annual General Meeting;
- reviewed the internal audit work plan, the risk management and internal control systems of the Group for the year ended 31 August 2020;
- reviewed the interim report and the interim results announcement for the six months ended 28 February 2021 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 services.

The audited consolidated financial statements for the year ended 31 August 2021 have been reviewed by the Audit Committee.

Nomination Committee

The Board has a Nomination Committee with written terms of reference in compliance with the CG Code throughout the year ended 31 August 2021, except for the deviation of the Code Provision A.5.1 of the CG Code (please refer to the section under "Corporate Governance Code" on page 95 for details).

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 2021, the Nomination Committee held 1 meeting with the following summary of work performed:

- assessed the independence of Independent Non-executive Directors;
- considered the re-election of the retiring Directors at the forthcoming annual general meeting of the Company; and
- reviewed the composition of the Board, the Nomination Policy and 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 Director and Independent Non-executive Directors and the Company's Co-Ownership Plans, 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 2021, the Remuneration Committee held 2 meetings with the following summary of work performed:

- 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; and
- reviewed and proposed the Co-Ownership Plan IV of the Company and made recommendations for the Board's approval.

Pursuant to the Code Provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 August 2021 is set out in note 6 to the "Notes to the Financial Statements".

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 2021.

Auditor

Company continues to engage KPMG as the external auditor for the year ended 31 August 2021. KPMG has confirmed its independence to the Company, 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 2021 are set out on pages 123 to 125 of this report.

Auditor's Remuneration

During the year ended 31 August 2021, the remuneration paid or payable to the Company's external auditor, KPMG, is set out as follows:

	$'000
Audit services	8,350
Other services (Note)	4,564
	9,128

Note: Other service fee includes the review of the Group's interim financial report amounting to $750,000, tax advisory service amounting to $640,000 and other professional services amounting to $3,174,000.

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 over 870 Co-Owners (about 1 in every 6 Talents), 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 negates 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 are in place as a baseline to empower our decision making.

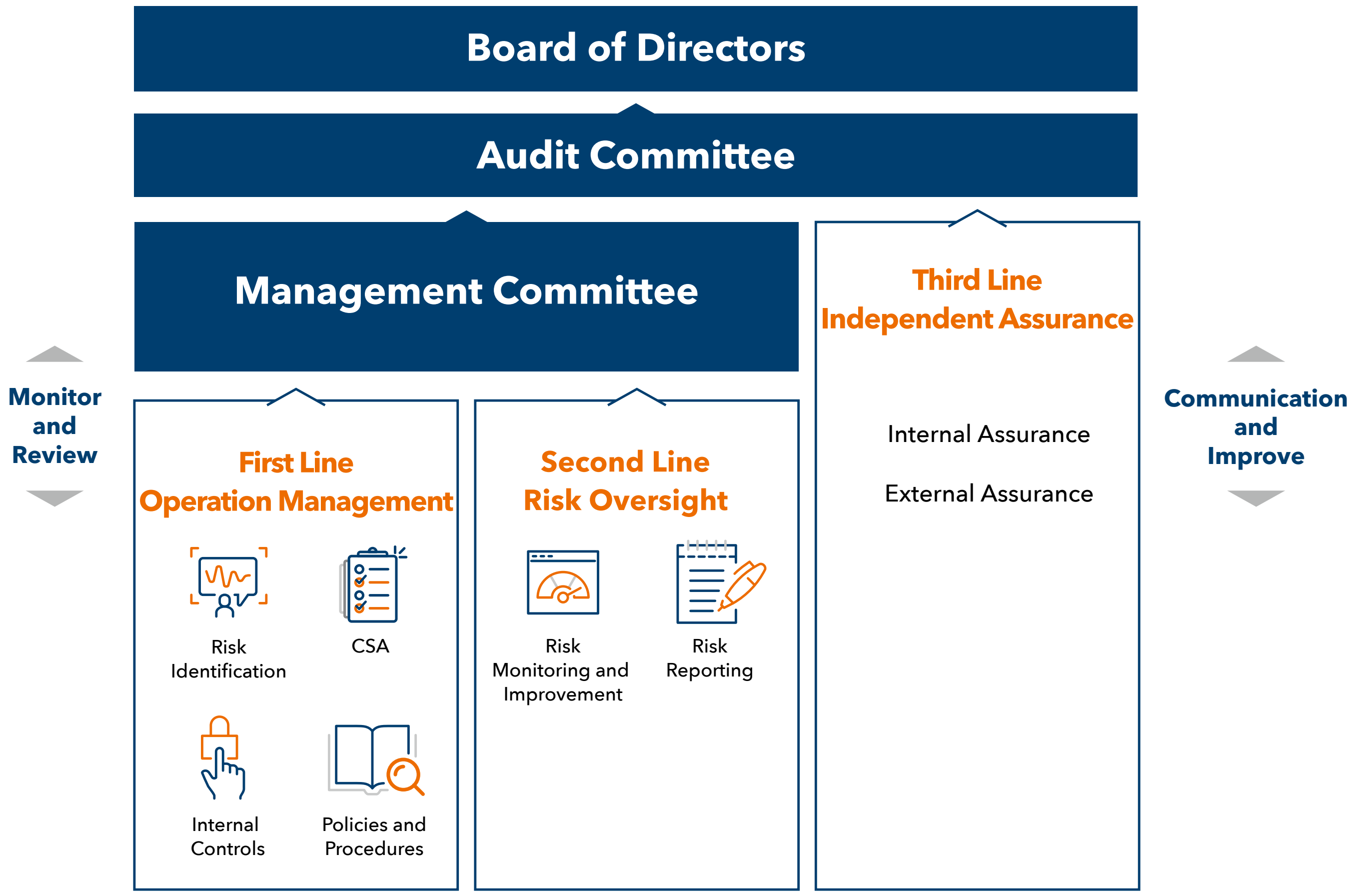
Trustworthy

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.

The Three-Line of Defence and 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 judgement.



FIRST LINE OF DEFENCE – RISK MANAGEMENT

Company policies are set out and leaders from different departments are responsible to identify What Could Go Wrong ("WCGW") and perform risk assessment, risk ranking, establishing and implementing mitigating actions and reporting to the Internal Risk Management Team (the "IRM") on a yearly basis through the Departmental Risk Register.

Internal Control

The Group adopted an integrated framework of internal controls consistent 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.

The Company is aware of its obligations under the SFO and the Listing Rules. The Group has in place an Inside Information Policy setting out controls with regard to the handling and disclosure of such inside information. The policy has been revised and updated to provide more examples and illustrations to facilitate understanding and compliance.

Company Policies

All Talents are required to comply with multiple company policies which are consistent with our core values.

Company Policy and Business Conduct

Regulates the behaviour of our Talents which permeate the Group's integrity and ethical values as fundamental principles

Speak up Policy

Facilitate Talents and other stakeholders to report concerns to us about suspected unethical behaviour or malpractice in confidence and without fear of reprisal, victimisation, subsequent discrimination, disadvantage or dismissal

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

Outline 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

During FY21, in person and online training sessions/materials were provided to the Board and 3,971 Talents in Hong Kong, Macau, mainland China, Singapore and Malaysia. The topics of the anti-bribery and anti-corruption training include location and country specific prevention of bribery ordinance, conflict of interest and company policies including Anti-Bribery, Anti-Corruption and Conflict of Interest Policy and No Business Gift Policy.

During FY21, 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 so 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 our Company's authorised programs on our systems or platforms and there should not be any unauthorised copying or distribution of materials. We will shortly be introducing an Intellectual Property Rights Policy. This new 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.

Data Privacy

Personal Data Protection Policy is established by our Company 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 on data privacy within our Company. We also perform annual assessments and revisions in order to stay effective and relevant.

Cybersecurity

To deal with the ongoing threat of cyberattacks, we adopted a proactive approach via an active threat monitoring service to identify phishing websites and fake HKBN brands/websites across the Internet. In addition, we enlisted a cloud-based cyber range service to provide training on simulated cybersecurity scenarios for our different departments. During the year, we performed 8 impromptu phishing tests to strengthen our Talent's information security vigilance. Altogether, these measures helped reinforce our cybersecurity to the point where our Talent's phishing failure rates have dramatically fallen ten-fold over the past two years.

Risk Register and Control Self-Assessment

Business units are at the forefront of our risk management. When there is change in the operation, leaders from different departments are responsible to identify business and operation risk and perform risk assessment, risk ranking, establishing and implementing mitigating actions and reporting to the IRM on a yearly basis through the Departmental Risk Register. Together by processing the "control self-assessment" ("CSA"), allows each operation to evaluate the effectiveness of control related to identified risk. While ESG is incorporated in our daily business, ESG related risks are also incorporated in the Departmental Risk Register.

SECOND LINE OF DEFENCE — RISK OVERSIGHT

The 2nd line of defence is overseen by the IRM 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. The IRM ensures appropriate actions are taken on risks affecting the Group's business, operations and ESG related issues. The IRM meets once a year and from time to time when needed to review risks affecting the Group's operation. 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

Internal Audit

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 a particular business or functional areas, including fraud or corruption, and conducts 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 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. 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.

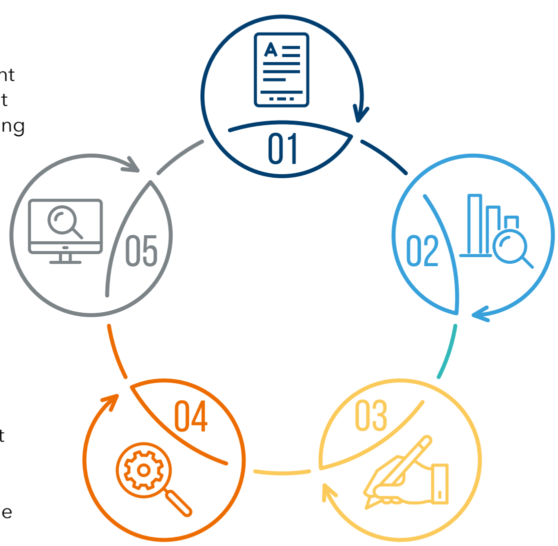
External Assurance and Consultation

External auditor and consultants further supplement the third line of defence by providing independent assessment on the Group's processes.

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.

Risk Context Establishment
Set criteria against risks will be assessed based on our Group's objectives



Risk Identification
Being part of our strategic planning process and day-today management of the business, internal and external events that may affect the achievement of our Group's objectives are identified

Risk Evaluation
Identify the cause and source of the risks, and rank the potential impact on business and likelihood of a risk occurring both quantitatively and qualitatively

Risk Treatment (Mitigation and Action)
Treatment is identified and determined as to whether or not it reduces the residual risk to an acceptable level, if not, further treatments are considered until the residual risks are reduced to an acceptable level

Risk Monitoring and Reporting
Once an appropriate risk treatment has been determined, department heads and the IRM perform ongoing and periodic monitoring of the risks and ensure that appropriate responses, controls and preventive actions are in place

PRINCIPAL RISKS

The Group faces several risks and uncertainties which, if not properly managed, could create an adverse exposure for the Group. Through the effectiveness of risk management, risks are managed with appropriate mitigation measures in place to minimise the exposure. The Group has identified the following principal risks:

Potential risks	Potential impacts	Mitigating actions
Market Risk		
The Group operates in markets which may be subject to pricing and other competitive pressures	Failure to respond to pricing and competitive pressures could result in losing customers and affect the Group's profitability	• Proactively monitor market conditions • Conduct responsive project management to allow flexible allocation of resources for strategy changes • Closely monitor price levels and act accordingly
Financial (Interest Rate Risk)		
A significant amount of indebtedness and the majority of our indebtedness bear floating interest rates determined by reference to HIBOR, which is subject to market movements and may increase in the future	Any significant increase in interest rates could increase our finance costs and adversely affect our profitability	• Continue to monitor interest rate trend and market condition diligently and device hedging strategy accordingly • Utilise interest rate swaps to hedge against our interest rate risks as appropriate
Operation		
The continuity of our services is highly dependent on the proper functioning of our network and infrastructure as well as proper handling of customer data	Any damage to or failure in our network or such infrastructure could adversely affect our business Leakage of customer data could adversely affect the Group's reputation, operations and financial performance	• The Group has implemented a multi-vendor approach • Continuously monitor of network status • Provide network/IT security awareness training for all Talents • Continuously review and update our customer data collection and retention policy
People		
The Group's success is dependent upon continued service from Talents employed by our Group	The loss of key personnel, or the inability to find additional qualified personnel, could materially and adversely affect the Group's prospects and results of operations	• The Group has a succession planning strategy in place for key management positions

Potential risks	Potential impacts	Mitigating actions
Technology		
The telecommunications industry is characterised by rapidly changing technology and industry standards, evolving customer demands and services with increasingly short life cycles	If we cannot implement new technology expediently and offer new services demanded by our customers in a timely manner and at competitive prices, our business, financial conditions, operations and prospects could be adversely affected	• Explore and roll out emerging network technologies as we see fit • New service is provided to customers by partnering with industry leaders
Legal & Regulatory		
The Group operates in markets and industries which require compliance with legal and regulatory requirements	Failure to comply with applicable legal and regulatory requirements may adversely affect the Group's reputation, operations and financial performance	• ARD will conduct compliance review on business activities and new initiatives where appropriate • Legal and Regulatory Department (LRD) 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

CLIMATE RISKS

The Climate Risk Management Committee ("CRM") and risk management

Climate change poses a substantial threat to businesses and communities at the local, regional, and global levels. The ever-escalating climate risks have required that our business continues to adapt with better systematic risk management and accelerate decarbonisation. To better address climate risk, we setup a special Climate Risk Management Team ("CRM") (led by our Co-owner & Associate Director – Corporate Social Investment and Talent Experience, and comprises members from Talent Engagement – Environment and Network Operations) to ensure that business risks related to climate change are actively mitigated. The CRM team reports directly to the Management Committee.

By using the group risk management approach as stated in the prior section, the CRM Team meets annually to (1) identify and assess climate risks, both current and future; (2) explore sound measures to be implemented across our different business units; (3) review the current mitigation actions and improvement needed to better mitigate identified risk; (4) review the implementation progress; and (5) report the progress to the Management Committee and make necessary recommendations to the Board of Directors.

Approach and Assessment Result

In additions to the risk identified by the different business units through the Departmental Risk Register, the CRM Team will conduct research and assessments regularly, and has been able to identify a number of climate risk scenarios that are most relevant to our business and categorised them into Physical and Transition risks, with a focus group formed to perform broader studies around the two areas.

Physical risk is related to risks affecting building resilience, mission critical equipment and system. We regularly conduct assessments of our operations and undertake performance reviews on mission critical system and equipment. Based on the overall performance of the facilities in HKBN's portfolio, the Team will identify mitigation measures as (1) routine or condition-based maintenance, (2) upgrade/replacement of equipment or (3) operation procedure (particularly related to climate change related disasters, e.g. intense typhoons), in order to efficiently deal with emergency situations.

Transition Risk arise because of transitioning to an economy that is reliant on fossil fuels to a low-carbon economy. We worked closely with external consultants to implement low carbon technologies and solutions that can help enhance our performance and safeguard our building assets. For more details about our existing carbon, energy and other environmental initiatives, please refer to "Environment" section from pages 86 to 94 of this report.

Major Climate Risks

Risks Identified	Implications to HKBN	Adaption/Mitigation plans
Physical Risks		
Rising Mean Temperature	1. Increased risk of equipment outage 2. Harm and stress on our labor force, especially for Talents who work outdoors	• Increase the protection and tolerance of network equipment against higher temperatures • Continue to evaluate working guidelines in hot weather conditions
Intense Rains	1. Office premise is inaccessible 2. Damage to building infrastructure	• Implemented emergency reporting mechanism for flooding • Continue to monitor the building infrastructure and prevent water leakage
Rising Sea Levels	1. Flooding and storm surges may lead to shut down of computer systems and server 2. Talent may get injured due to electric shock	• Ensure data centres are located away from the coastal sea areas and equipped with raised floor and alarm systems • Deploy disaster recovery plan if necessary
Intense Typhoons	Severe damage to our network and permanent loss of property value	• Implement preventative measures and rectification for network equipment • Deploy disaster recovery plan if necessary
Transition Risks		
Costs of Transition to Lower Emissions Technology	Increased capital investment and transition costs for technology implementation	• Install energy-efficient equipment through Energy Performance Contracting to reduce carbon emissions without CAPEX costs

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 2021, 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. In determining the dividend pay-out, a number of factors will be considered including return to shareholders, cash needed for the Group's business operations, expansion and inventory, capital expenditure requirements and funding for other business opportunities, as well as a healthy financial buffer for unforeseen market circumstances.

The dividend policy of the Company is to pay dividends in an amount of not less than 90% of the AFF with an intention to pay 100% of the AFF in respect of the relevant year/period, after adjusting for potential debt repayment, if required.

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.

Shareholders' Rights

The general meetings of the Company provide a communication channel between the shareholders and the Board. An annual general meeting of the Company is held each year at a location as may be determined by the Board. Each general meeting, other than an annual general meeting, is called an extraordinary general meeting. The Board may whenever it deems fit convene extraordinary general meetings. 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 specifying the objects of the meeting 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 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 the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board 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.

Procedures for Sending Enquiries to the Board

The enquiries must be in writing with the detailed contact information of the requisitionists and deposited with the Board or the Company Secretary 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 Companies Law of the Cayman Islands 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 117 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

The constitutional documents of the Company were adopted by special resolution passed on 21 February 2015 and effective on the Listing Date. During the year ended 31 August 2021, certain amendments to the Articles have been made to allow the Company to hold general meetings as hybrid meetings where shareholders may participate by means of electronic facilities in addition to physical attendance. The amendments also explicitly set out other related powers of the Board and the chairman of the general meeting, including making arrangements for attendance at the meetings as well as ensuring the security and orderly conduct of the meetings. Other minor amendments to the Articles have been made to some housekeeping changes. These amendments were duly passed by the Shareholders at the annual general meeting of the Company held on 14 December 2020 and the amended version of the Articles has been adopted since then.

Save as disclosed above, there was no other change made to the Articles during the year ended 31 August 2021.

KPMG

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 126 to 221, which comprise the consolidated statement of financial position as at 31 August 2021, 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 2021 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
The carrying values of the Group's goodwill, intangible assets, PP&E and right-of-use assets as at 31 August 2021, which amounted to HK$9,017 million, HK$3,606 million, HK$3,901 million and HK$681 million, respectively, were mainly contained in two cash-generating units ("CGUs"). 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. 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$6,162 million, which accounted for 54% of the total revenue for the year ended 31 August 2021. 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

28 October 2021

Consolidated Income Statement

For the year ended 31 August 2021 (Expressed in Hong Kong dollars)

	Note	2021 $'000	2020 $'000
Revenue	2	**11,463,745**	9,452,957
Other net income	3(a)	**23,251**	25,812
Network costs and costs of sales		**(6,950,885)**	(4,926,272)
Other operating expenses	3(b)	**(3,698,309)**	(3,933,192)
Finance costs	3(d)	**(481,029)**	(526,961)
Share of losses of joint ventures	13(b)	**(31,508)**	(242)
Profit before taxation	3	**325,265**	92,102
Income tax (expense)/credit	4	**(118,393)**	4,509
Profit for the year		**206,872**	96,611
Attributable to:			
Equity shareholders of the Company		**206,872**	97,174
Non-controlling interests		**-**	(563)
Profit for the year		**206,872**	96,611
Earnings per share	7		
Basic		**15.8 cents**	7.4 cents
Diluted		**14.0 cents**	6.6 cents

The notes on pages 132 to 221 form part of these financial statements. Details of dividend payable to equity shareholders of the Company attributable to the profit for the year are set out in note 30(b).

Consolidated Statement of Comprehensive Income

For the year ended 31 August 2021 (Expressed in Hong Kong dollars)

	2021 $'000	2020 $'000
Profit for the year	**206,872**	96,611
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	**8,869**	8,360
Exchange loss on translating foreign operations transferred to consolidated income statement upon disposal	**-**	875
Other comprehensive income for the year	**8,869**	9,235
Total comprehensive income for the year	**215,741**	105,846
Attributable to:		
Equity shareholders of the Company	**215,741**	106,409
Non-controlling interests	**-**	(563)
Total comprehensive income for the year	**215,741**	105,846

The notes on pages 132 to 221 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 August 2021 (Expressed in Hong Kong dollars)

	Note	2021 $'000	2020 $'000
Non-current assets			
Goodwill	9	**9,016,507**	9,016,507
Intangible assets	10	**3,606,163**	4,200,644
Property, plant and equipment	11	**3,901,090**	4,112,260
Investment properties	11	**198,828**	206,800
Right-of-use assets	11(c)	**681,349**	886,709
Customer acquisition and retention costs	15	**564,849**	595,149
Interest in an associate	13	**4,816**	4,438
Interests in joint ventures	13	**17,879**	9,387
Deferred tax assets	27	**68,913**	91,258
Finance lease receivables		**-**	6,534
Other non-current assets	14	**91,958**	81,012
		18,152,352	19,210,698
Current assets			
Inventories	15	**110,615**	154,641
Trade receivables	17(a)	**1,073,306**	1,356,935
Other receivables, deposits and prepayments	17(a)	**353,015**	359,458
Finance lease receivables		**-**	1,253
Contract assets	16(a)	**211,945**	303,839
Amounts due from joint ventures	23	**45,500**	19,600
Tax recoverable	26	**192**	717
Financial assets at fair value through profit or loss	17(b)	**-**	40,517
Cash and cash equivalents	18	**1,421,124**	676,457
Assets classified as held for sale	29	**400,384**	-
		3,616,081	2,913,417

Consolidated Statement of Financial Position

At 31 August 2021 (Expressed in Hong Kong dollars)

	Note	2021 $'000	2020 $'000
Current liabilities			
Trade payables	19	**935,864**	830,805
Other payables and accrued charges – current portion	19	**1,018,271**	1,240,907
Contract liabilities – current portion	16(b)	**632,492**	706,827
Deposits received		**90,475**	76,049
Obligations under granting of rights – current portion	28	**6,771**	9,024
Amount due to an associate	23	**4,816**	4,438
Amounts due to joint ventures	23	**10,750**	10,750
Bank and other borrowings	20	**481,283**	1,310,667
Lease liabilities – current portion	21	**166,649**	234,258
Tax payable	26	**189,496**	199,521
Other current liabilities	24	**12,863**	8,704
Liabilities classified as held of sale	29	**314,514**	–
		3,864,244	4,631,950
Net current liabilities		**(248,163)**	(1,718,533)
Total assets less current liabilities		**17,904,189**	17,492,165
Non-current liabilities			
Other payables and accrued charges – long-term portion	19	**30,397**	87,677
Contract liabilities – long-term portion	16(b)	**194,818**	219,939
Obligations under granting of rights – long-term portion	28	**-**	6,771
Deferred tax liabilities	27	**904,848**	1,033,447
Lease liabilities – long-term portion	21	**305,129**	445,804
Provision for reinstatement costs		**62,442**	67,320
Bank and other borrowings	20	**10,831,416**	5,018,368
Senior notes	22	**-**	4,101,847
Other non-current liabilities	24	**37,376**	50,493
		12,366,426	11,031,666
NET ASSETS		**5,537,763**	6,460,499
CAPITAL AND RESERVES			
Share capital	30(c)	**132**	132
Reserves		**5,537,631**	6,460,367
TOTAL EQUITY		**5,537,763**	6,460,499

Approved and authorised for issue by the board of directors on 28 October 2021.

Chu Kwong YEUNG) Directors

Ni Quiaque LAI)

The notes on pages 132 to 221 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 August 2021 (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	Non-controlling interests $'000	Total equity $'000
Balance at 1 September 2019		132	3,792,430	2,349,204	38,912	596,420	674,927	(15,003)	7,437,022	-	7,437,022
Changes in equity for the year ended 31 August 2020:											
Profit for the year		-	-	-	-	-	97,174	-	97,174	(563)	96,611
Other comprehensive income		-	-	-	-	-	-	9,235	9,235	-	9,235
Total comprehensive income		-	-	-	-	-	97,174	9,235	106,409	(563)	105,846
Dividend approved in respect of the previous year	30(b)(ii)	-	(472,176)	-	-	-	-	-	(472,176)	-	(472,176)
Dividend declared to equity shareholders of the Company in respect of the current year	30(b)(i)	-	(485,292)	-	-	-	-	-	(485,292)	-	(485,292)
Distribution to holders of Vendor Loan Notes		-	(122,145)	-	-	-	-	-	(122,145)	-	(122,145)
Equity-settled share-based transactions	25(a)	-	-	-	1,453	-	-	-	1,453	-	1,453
Acquisition of subsidiaries	32(a)	-	-	-	-	-	-	-	-	(1,684)	(1,684)
Acquisition of non-controlling interests without change in control	32(c)	-	-	-	-	-	(4,772)	-	(4,772)	2,247	(2,525)
Balance at 31 August 2020		132	2,712,817	2,349,204	40,365	596,420	767,329	(5,768)	6,460,499	-	6,460,499
Balance at 1 September 2020		**132**	**2,712,817**	**2,349,204**	**40,365**	**596,420**	**767,329**	**(5,768)**	**6,460,499**	**-**	**6,460,499**
Changes in equity for the year ended 31 August 2021:											
Profit for the year		**-**	**-**	**-**	**-**	**-**	**206,872**	**-**	**206,872**	**-**	**206,872**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**8,869**	**8,869**	**-**	**8,869**
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**206,872**	**8,869**	**215,741**	**-**	**215,741**
Dividend approved in respect of the previous year	30(b)(ii)	**-**	**(498,408)**	**-**	**-**	**-**	**-**	**-**	**(498,408)**	**-**	**(498,408)**
Dividend declared to equity shareholders of the Company in respect of the current year	30(b)(i)	**-**	**(511,524)**	**-**	**-**	**-**	**-**	**-**	**(511,524)**	**-**	**(511,524)**
Distribution to holders of Vendor Loan Notes		**-**	**(128,838)**	**-**	**-**	**-**	**-**	**-**	**(128,838)**	**-**	**(128,838)**
Equity-settled share-based transactions	25(a)	**-**	**-**	**-**	**293**	**-**	**-**	**-**	**293**	**-**	**293**
Balance at 31 August 2021		**132**	**1,574,047**	**2,349,204**	**40,658**	**596,420**	**974,201**	**3,101**	**5,537,763**	**-**	**5,537,763**

The notes on pages 132 to 221 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 August 2021 (Expressed in Hong Kong dollars)

	Note	2021 $'000	2020 $'000
Operating activities			
Cash generated from operations	18(b)	**2,584,440**	2,341,123
Tax paid:			
– Hong Kong Profits Tax paid		**(217,543)**	(154,932)
– Tax paid outside Hong Kong		**(14,153)**	(8,186)
– Tax refunded outside Hong Kong		**1,542**	1,360
Net cash generated from operating activities		**2,354,286**	2,179,365
Investing activities			
Payment for the purchase of property, plant and equipment		**(572,352)**	(539,451)
Payment for the purchase of intangible assets		**-**	(1,968)
Proceeds from sale of property, plant and equipment		**4,485**	2,682
Payment for investment in other financial assets		**-**	(40,331)
Proceeds from sale of other financial assets	33(e)	**40,517**	–
Payment for acquisition of subsidiaries	32(a)	**-**	(323,067)
Increase in amount due from a joint venture		**-**	(3,125)
Shareholder loan to a joint venture		**(20,000)**	–
Payment for investment in a joint venture		**(40,000)**	(250)
Interest received	3(a)	**2,200**	3,287
Proceeds from disposal of subsidiaries	32(b)	**750**	1,000
Net cash used in investing activities		**(584,400)**	(901,223)
Financing activities			
Capital element of lease rentals paid	18(c)	**(250,224)**	(211,091)
Interest element of lease rentals paid	18(c)	**(23,772)**	(28,463)
Proceeds from bank loans and other borrowings	18(c)	**12,798,650**	1,686,486
Repayment of bank loans	18(c)	**(7,726,507)**	(102,098)
Repayment of other borrowings	18(c)	**(6,813)**	(1,114)
Repayment of other liabilities	18(c)	**(10,456)**	–
Payment for redemption of senior notes	18(c)	**(4,251,074)**	(1,096,708)
Interest paid on bank and other borrowings, senior notes and interest-rate swap	18(c)	**(297,210)**	(431,519)
Transaction costs paid for bank loans	18(c)	**(5,243)**	(1,419)
Cash payment for currency forward contract	18(c)	**(17,008)**	–
Dividend paid to the equity shareholders of the Company		**(1,009,932)**	(957,468)
Dividend paid to the holders of Vendor Loan Notes		**(128,838)**	(122,145)
Net cash used in financing activities		**(928,427)**	(1,265,539)
Net increase in cash and cash equivalents		**841,459**	12,603
Cash and cash equivalents at the beginning of the year	18(a)	**676,457**	662,816
Effect of foreign exchange rate changes		**8,745**	1,038
Cash and cash equivalents at the end of the year	18(a)	**1,526,661**	676,457

The notes on pages 132 to 221 form part of these financial statements.

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2021 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in joint ventures and an associate.

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));

– share-based payments (see note 1(s)); and

– non-current assets and disposal groups held for sale (see note 1(z)).

Going concern assumption

As at 31 August 2021, the current liabilities of the Group exceeded their current assets by approximately $248 million. Included in the current liabilities were (i) current portion of contract liabilities of $632 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 $167 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.

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 38.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Change in accounting policies

The Group has applied the amendment to HKFRS 16, *COVID-19-Related Rent Concessions* issued by the HKICPA to these financial statements for the current accounting period. Other than the amendment to HKFRS 16, the Group has not applied any new standard or amendment that is not yet effective for the current accounting period.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 September 2020.

(d) Subsidiaries

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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries (continued)

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 (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).

(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.

(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

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment (continued)

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.

(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.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leased assets (continued)

(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)(iv).

(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.

(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.

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)

Measurement of ECLs (continued)

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.

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.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ii) Credit losses from financial guarantees issued (continued)

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.

(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; 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).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

– *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).

– *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.

(Expressed in Hong Kong dollars unless otherwise indicated)

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).

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Talent benefits (continued)

(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).

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Income tax (continued)

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.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Revenue and other income (continued)

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.

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).

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Revenue and other income (continued)

(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.

(vi) 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.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) 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.

(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.

(ab) 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.

(ac) 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:

	2021 $'000	2020 $'000
Disaggregated by major products or service lines:		
Fixed telecommunications network services	**4,647,113**	4,686,640
International telecommunications services	**1,123,966**	1,058,131
Other services	**390,819**	501,885
Fees from provision of telecommunications services	**6,161,898**	6,246,656
Product revenue	**4,032,898**	2,297,822
Technology solution and consultancy services	**1,215,245**	848,164
Revenue from contracts with customers within the scope of HKFRS 15	**11,410,041**	9,392,642
Rental income from leasing business	**53,704**	60,315
	11,463,745	9,452,957
Disaggregated by major categories:		
Residential Solutions revenue	**2,465,294**	2,447,072
Enterprise Solutions revenue	**4,965,553**	4,708,063
Enterprise Solutions related product revenue	**2,310,286**	1,806,409
Handset and other product revenue	**1,722,612**	491,413
	11,463,745	9,452,957

The Group's customer base is diversified and no individual customer with whom transactions have exceeded 10% of the Group's revenue.

During the years ended 31 August 2021 and 2020, product revenue is recognised at a point-in-time and revenue from the provision of telecommunications services is substantially recognised over time.

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is $4,350,030,000 (2020: $4,286,347,000). 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 18 years (2020: 1 to 16 years).

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts for products or services such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for products or services that had an original expected duration of one year or less.

(b) Segment reporting

The Group's most senior executive management reviews the Group's internal reporting for the purposes of assessing the performance and allocates the resources of the Group by geographical location. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, the Group has presented the following two reportable segments following the acquisition of Jardine OneSolution Holdings (C.I.) Limited, Adura Hong Kong Limited and ADURA CYBER SECURITY SERVICES PTE. LTD. on 13 December 2019. No operating segments have been aggregated to form the following reportable segments.

(i) Telecom and technology solutions (Hong Kong)

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

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

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

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 reporting segment profit is "EBITDA" i.e. "earnings before finance costs, interest income, income tax, depreciation, amortisation of intangible assets (net of direct cost incurred), impairment loss on investment properties, amortisation of customer acquisition and retention costs and transaction costs in connection with business combination".

In addition to receiving segment information concerning EBITDA, management is provided with segment information concerning inter segment sales, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation, capital expenditures and income tax.

Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Segment assets and liabilities of the Group are not reported to the Group's chief operating decision makers regularly. As a result, reportable assets and liabilities have not been presented in these financial statements.

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 2021 and 2020 is set out below.

	Telecom and technology solutions (Hong Kong)		Telecom and technology solutions (non-Hong Kong)		Total	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000	**2021 $'000**	2020 $'000
Disaggregated by timing of revenue recognition						
Point in time	**2,985,304**	1,605,130	**1,047,594**	692,692	**4,032,898**	2,297,822
Over time	**6,943,842**	6,793,278	**487,005**	361,857	**7,430,847**	7,155,135
Revenue from external customers	**9,929,146**	8,398,408	**1,534,599**	1,054,549	**11,463,745**	9,452,957
Inter-segment revenue	**20,979**	10,961	**355,391**	320,273	**376,370**	331,234
Reportable segment revenue	**9,950,125**	8,409,369	**1,889,990**	1,374,822	**11,840,115**	9,784,191
Reportable segment profit (EBITDA)	**2,372,049**	2,367,134	**196,458**	138,309	**2,568,507**	2,505,443
Interest income	**565**	1,384	**1,635**	1,903	**2,200**	3,287
Finance costs	**473,084**	518,826	**7,945**	8,135	**481,029**	526,961
Depreciation and amortisation during the year	**1,772,580**	1,902,016	**91,610**	80,460	**1,864,190**	1,982,476
Impairment loss on investment properties	**-**	7,217	**-**	-	**-**	7,217
Capital expenditure incurred during the year	**536,087**	711,688	**11,373**	17,649	**547,460**	729,337
Income taxes (credit)/expense	**101,931**	(11,606)	**16,462**	7,097	**118,393**	(4,509)

2 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

	2021 $'000	2020 $'000
Reportable segment profit derived from Group's external customers	**2,568,507**	2,505,443
Finance costs	**(481,029)**	(526,961)
Interest income	**2,200**	3,287
Depreciation	**(1,011,892)**	(974,267)
Amortisation of intangible assets	**(456,754)**	(609,895)
Amortisation of customer acquisition and retention costs	**(295,767)**	(291,719)
Impairment loss on investment properties	**-**	(7,217)
Transaction costs in connection with business combination	**-**	(6,569)
Consolidated profit before taxation	**325,265**	92,102

(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 investment properties, property, plant and equipment, right-of-use assets, intangible assets, goodwill, customer acquisition and retention costs, contract assets, interests in joint ventures and an associate, finance lease receivables 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 an associate.

	Revenues from external customers		Specified non-current assets	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Hong Kong (place of domicile)	**9,929,146**	8,398,408	**17,995,081**	18,940,799
Mainland China	**635,630**	403,652	**87,139**	91,819
Singapore	**332,476**	293,122	**-**	77,563
Other territories	**566,493**	357,775	**1,219**	9,259
	1,534,599	1,054,549	**88,358**	178,641
	11,463,745	9,452,957	**18,083,439**	19,119,440

(Expressed in Hong Kong dollars unless otherwise indicated)

3 PROFIT BEFORE TAXATION

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

	2021 $'000	2020 $'000
(a) Other net income		
Interest income	**(2,200)**	(3,287)
Net foreign exchange loss/(gain)	**15,669**	(30,246)
Amortisation of obligations under granting of rights (note 28)	**(9,024)**	(9,024)
Change in fair value of contingent consideration (note 33(e))	**-**	1,355
Fair value loss on currency forward	**309**	16,699
Discounts on early settlement to suppliers	**(188)**	(411)
Impairment loss on investment properties (note 11)	**-**	7,217
Fair value gain on financial assets (note 33(e))	**-**	(186)
Loss on derecognition of contingent consideration	**-**	14,624
Other income	**(27,817)**	(22,553)
	(23,251)	(25,812)
(b) Other operating expenses		
Advertising and marketing expenses	**369,792**	397,121
Depreciation		
– Property, plant and equipment	**752,019**	728,424
– Investment properties	**7,972**	8,024
– Right-of-use assets	**201,701**	186,513
Loss on disposal of property, plant and equipment, net	**827**	4,889
Gain on disposal of right-of-use assets, net	**(167)**	(6,086)
Recognition of loss allowance on trade receivables and contract assets (note 33(a))	**79,002**	80,292
Talent costs (note 3(c))	**984,184**	1,068,374
Amortisation of intangible assets	**456,754**	601,236
Amortisation of customer acquisition and retention costs (note 15(b))	**295,767**	291,719
Transaction costs in connection with business combination	**-**	6,569
Loss on disposal of subsidiaries (note 32(b))	**-**	1,301
Others	**550,458**	564,816
– Office rental and utilities	**79,371**	84,131
– Site expenses	**89,891**	86,184
– Bank handling charges	**42,015**	40,105
– Maintenance	**124,086**	137,023
– Subscription and license fees	**80,877**	82,328
– Legal and professional fees	**29,982**	33,131
– Printing, telecommunication and logistics expenses	**46,815**	44,495
– Others	**57,421**	57,419
	3,698,309	3,933,192

3 PROFIT BEFORE TAXATION (continued)

	2021 $'000	2020 $'000
(c) Talent costs		
Salaries, wages and other benefits	**1,685,362**	1,729,313
Contributions to defined contribution retirement plan	**123,039**	117,788
Equity-settled share-based payment expenses (note 25(a)(A))	**293**	1,453
Cash-settled share-based payment expenses (note 25(a)(B))	**127**	929
	1,808,821	1,849,483
Less: Talent costs capitalised as property, plant and equipment	**(56,158)**	(59,821)
Talent costs included in advertising and marketing expenses and amortisation of customer acquisition and retention costs	**(403,420)**	(421,127)
	1,349,243	1,368,535
Talent costs included in other operating expenses	**984,184**	1,068,374
Talent costs included in network costs and costs of sales	**365,059**	300,161
	1,349,243	1,368,535

In 2021, the Group successfully applied for talent-related funding support from the Hong Kong SAR Government, the Macau SAR Government and all regions/countries where the Group operates ("the Funds") of $104,356,000 (2020: $105,429,000), of which $85,237,000 (2020: $92,931,000) was passed on to the Talents. The Funds is to for providing time-limited financial support to employers to retain their employees with the operating pressure caused by the novel coronavirus epidemic.

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

3 PROFIT BEFORE TAXATION (continued)

	2021 $'000	2020 $'000
(d) Finance costs		
Interest and finance charges on bank loans	**210,908**	196,394
Interest on other borrowings	**536**	112
Interest and finance charges on senior notes	**56,640**	256,280
Interest on interest-rate swaps, net	**8,313**	1,336
Interest on lease liabilities	**23,772**	28,463
Interest on other liabilities	**1,498**	845
Loss on extinguishment of senior notes (note 22)	**145,463**	43,595
Originating fee for banking facilities expired	**20,569**	–
Fair value loss/(gain) on interest-rate swaps	**13,330**	(64)
	481,029	526,961
(e) Other items		
Amortisation of intangible assets (note 10)	**556,531**	716,490
Depreciation		
– Property, plant and equipment (note 11(a))	**752,019**	728,424
– Investment properties (note 11(a))	**7,972**	8,024
– Right-of-use assets (note 11(c))	**251,901**	237,819
Rental charges		
– Telecommunications facilities and computer equipment	**474,372**	443,069
Lease expenses relating to short-term leases, in respect of:		
– Land and buildings	**15,877**	18,454
Auditor's remuneration		
– Audit services	**8,350**	10,810
– Review services	**750**	945
– Tax services	**640**	671
– Other services	**3,174**	10,606
Recognition of loss allowance on trade receivables and contract assets	**79,002**	80,292
Research and development costs	**37,459**	31,835
Rental receivable from investment properties less direct outgoings $820,000 (2020: $820,000)	**(5,067)**	(4,835)
Cost of inventories (note 15)	**3,687,950**	1,982,902
Write down of inventories (note 15)	**2,900**	1,240

\# Network costs and costs of sales includes $365,059,000, $50,200,000 and $99,777,000 for the year ended 31 August 2021 (2020: $300,161,000, $51,306,000 and $115,254,000), 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:

	2021 $'000	2020 $'000
Current tax – Hong Kong Profits Tax		
Provision for the year	207,759	179,317
(Over)/under-provision in respect of prior years	(813)	15,320
Current tax – Outside Hong Kong		
Provision for the year	13,421	8,588
Over-provision in respect of prior years	(662)	(2,339)
Deferred tax		
Origination and reversal of temporary differences (note 27)	(101,312)	(205,395)
Tax expense/(credit)	118,393	(4,509)

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 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 2020.

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

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

	2021 $'000	2020 $'000
Profit before taxation	325,265	92,102
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	59,186	16,282
Tax effect of non-deductible expenses	79,004	85,588
Tax effect of non-taxable income	(18,838)	(18,587)
Utilisation of tax loss/other deferred tax assets previously not recognised	(2,518)	(23,779)
Tax effect of unused tax losses not recognised	3,596	2,036
Recognition of previously unrecognised tax losses	-	(80,304)
(Over)/under-provision in respect of prior years	(1,475)	12,981
Others	(562)	1,274
Actual tax expense/(credit)	118,393	(4,509)

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:

	2021						
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments (note (i)) $'000	Total $'000
Executive directors							
Mr. Chu Kwong YEUNG	-	10,407	888	1,040	12,335	-	12,335
Mr. Ni Quiaque LAI	-	6,926	600	692	8,218	-	8,218
Non-executive directors							
Ms. Suyi KIM	-	-	-	-	-	-	-
Mr. Zubin Jamshed IRANI	-	-	-	-	-	-	-
Mr. Teck Chien KONG	-	-	-	-	-	-	-
Independent non-executive directors							
Mr. Bradley Jay HORWITZ	628	-	-	-	628	-	628
Mr. Stanley CHOW	628	-	-	-	628	-	628
Mr. Yee Kwan Quinn LAW	628	-	-	-	628	-	628
	1,884	17,333	1,488	1,732	22,437	-	22,437

	2020						
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments (note (i)) $'000	Total $'000
Executive directors							
Mr. Chu Kwong YEUNG	–	10,154	871	1,027	12,052	–	12,052
Mr. Ni Quiaque LAI	–	6,780	589	683	8,052	–	8,052
Non-executive directors							
Ms. Deborah Keiko ORIDA (resigned on 15 July 2020)	–	–	–	–	–	–	–
Ms. Suyi KIM (appointed on 15 July 2020)	–	–	–	–	–	–	–
Mr. Zubin Jamshed IRANI	–	–	–	–	–	–	–
Mr. Teck Chien KONG	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Bradley Jay HORWITZ	628	–	–	–	628	–	628
Mr. Stanley CHOW	628	–	–	–	628	–	628
Mr. Yee Kwan Quinn LAW	628	–	–	–	628	–	628
	1,884	16,934	1,460	1,710	21,988	–	21,988

5 DIRECTORS' EMOLUMENTS (continued)

Notes:

(i) These represent the estimated value of RSUs granted to the directors under the Company's Co-Ownership Plan II ("the Plan II"). The value of these RSUs is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(s)(iv). The details of these benefits in kind, including the principal terms and number of RSUs granted, are disclosed in note 25.

During the year ended 31 August 2021, 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 (2020: Nil). There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 August 2021 (2020: Nil).

6 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2020: two) are directors whose emoluments are disclosed in note 5. The aggregate of the emoluments in respect of the other three (2020: three) individuals are as follows:

	2021 $'000	2020 $'000
Salaries and other emoluments	**10,452**	10,693
Discretionary bonuses	**1,031**	1,258
Share-based payments	**-**	21
Retirement scheme contributions	**1,037**	914
	12,520	12,886

The emoluments of the three (2020: three) individuals with the highest emoluments are within the following bands:

	2021 Number of individuals	2020 Number of individuals
$3,000,001 – $3,500,000	**1**	–
$3,500,001 – $4,000,000	**1**	1
$4,000,001 – $4,500,000	**-**	1
$4,500,001 – $5,000,000	**-**	–
$5,000,001 – $5,500,000	**-**	1
$5,500,001 – $6,500,000	**1**	–
$6,500,001 – $7,500,000	**-**	–
	3	3

7 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 $206,872,000 (2020: $97,174,000) and the weighted average number of ordinary shares in issue calculated as follows:

	2021 **'000**	2020 '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	**4,770**	4,611
Weighted average number of ordinary shares in issue during the year	**1,310,703**	1,310,544

(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 $206,872,000 (2020: $97,174,000) 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:

	2021 **'000**	2020 '000
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	**1,310,703**	1,310,544
Add: effect of the Co-Ownership Plan II	**34**	270
Add: effect of the Vendor Loan Notes	**167,322**	167,322
Weighted average number of ordinary shares (diluted)	**1,478,059**	1,478,136

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 $245,000 (2020: $467,000) were used to reduce the current year's level of contributions and $Nil was available at 31 August 2021 (2020: $Nil) to reduce future year's contributions.

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 2020, 31 August 2020, 1 September 2021 and 31 August 2021	9,016,507
Accumulated impairment losses:	
At 1 September 2020, 31 August 2020, 1 September 2021 and 31 August 2021	–
Carrying amount:	
At 31 August 2021	9,016,507
At 31 August 2020	9,016,507

(Expressed in Hong Kong dollars unless otherwise indicated)

9 GOODWILL (continued)

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:

	2021	2020
	$'000	$'000
Telecom and technology solutions (Hong Kong)		
– fixed telecommunications network service	**8,933,317**	8,933,317
– technology related services	**83,190**	83,190
	9,016,507	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 four to five years, 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 reduce the recoverable amount below carrying amount.

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

	2021	2020
Telecom and technology solutions (Hong Kong)		
– fixed telecommunications network service		
Revenue growth rate	**3%**	4%
Long-term growth rate	**2%**	2%
Pre-tax discount rate	**11%**	12%

	2021	2020
Telecom and technology solutions (Hong Kong)		
– technology related services		
Revenue growth rate	**3%**	3%
Long-term growth rate	**1%**	1%
Pre-tax discount rate	**14%**	14%

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 2019	2,886,029	164,000	9,296	1,229	486,543	1,461,205	48,819	7,721	12,228	106,041	213,977	-	399,778	5,796,866
Additions	-	-	-	-	-	-	-	-	-	-	-	1,968	78,000	79,968
Exchange difference	-	-	-	-	-	-	-	-	-	-	-	(29)	-	(29)
Acquisition of subsidiaries (note 32(a))	-	-	-	-	36,180	-	-	-	-	134,352	-	28,034	-	198,566
At 31 August 2020	2,886,029	164,000	9,296	1,229	522,723	1,461,205	48,819	7,721	12,228	240,393	213,977	29,973	477,778	6,075,371
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange difference	-	-	-	-	-	-	-	-	-	-	-	37	-	37
Disposals	-	-	-	-	-	-	-	-	-	-	-	(56)	-	(56)
Transferred to disposal group classified as held for sale (note 29)	-	-	-	-	(9,407)	-	-	-	-	(34,932)	-	(2,009)	-	(46,348)
At 31 August 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
Accumulated amortisation:														
At 1 September 2019	604,288	84,926	3,440	424	9,254	226,936	7,049	2,573	1,185	6,018	46,771	-	165,359	1,158,223
Charge for the year	181,786	11,714	516	176	31,482	192,145	7,522	386	1,112	26,842	140,313	7,242	115,254	716,490
Exchange difference	-	-	-	-	-	-	-	-	-	-	-	14	-	14
At 31 August 2020	786,074	96,640	3,956	600	40,736	419,081	14,571	2,959	2,297	32,860	187,084	7,256	280,613	1,874,727
At 1 September 2020	786,074	96,640	3,956	600	40,736	419,081	14,571	2,959	2,297	32,860	187,084	7,256	280,613	1,874,727
Charge for the year	181,786	11,714	516	176	32,932	158,220	6,123	386	1,112	26,636	26,893	10,260	99,777	556,531
Written back on disposals	-	-	-	-	-	-	-	-	-	-	-	(52)	-	(52)
Exchange difference	-	-	-	-	-	-	-	-	-	-	-	18	-	18
Transferred to disposal group classified as held for sale (note 29)	-	-	-	-	(2,311)	-	-	-	-	(5,460)	-	(612)	-	(8,383)
At 31 August 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
Net book value:														
At 31 August 2021	1,918,169	55,646	4,824	453	441,959	883,904	28,125	4,376	8,819	151,425	-	11,075	97,388	3,606,163
At 31 August 2020	2,099,955	67,360	5,340	629	481,987	1,042,124	34,248	4,762	9,931	207,533	26,893	22,717	197,165	4,200,644

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 AND INVESTMENT PROPERTIES

(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 2019	52,449	111,195	87,119	7,306	6,416,094	4,663	6,678,826	229,371	6,908,197
Exchange adjustments	-	-	390	83	436	-	909	-	909
Acquisition of subsidiaries (note 32(a))	-	-	18,011	2,734	24,318	384	45,447	-	45,447
Additions	-	-	16,324	3,507	709,196	310	729,337	-	729,337
Disposals	-	-	(8,965)	(1,160)	(14,091)	(723)	(24,939)	-	(24,939)
Disposal of subsidiaries (note 32(b))	-	-	(22)	(8)	(1,112)	-	(1,142)	-	(1,142)
At 31 August 2020	52,449	111,195	112,857	12,462	7,134,841	4,634	7,428,438	229,371	7,657,809
At 1 September 2020	52,449	111,195	112,857	12,462	7,134,841	4,634	7,428,438	229,371	7,657,809
Exchange adjustments	-	-	1,406	352	2,855	9	4,622	-	4,622
Additions	-	-	3,297	2,592	540,309	1,262	547,460	-	547,460
Disposals	-	-	(460)	(1,626)	(40,843)	-	(42,929)	-	(42,929)
Transferred to disposal group classified as held for sale (note 29)	-	-	(6,158)	(788)	(6,510)	(247)	(13,703)	-	(13,703)
At 31 August 2021	52,449	111,195	110,942	12,992	7,630,652	5,658	7,923,888	229,371	8,153,259
Accumulated depreciation:									
At 1 September 2019	46,411	4,175	32,770	4,038	2,512,679	2,111	2,602,184	7,330	2,609,514
Exchange adjustments	-	-	379	26	174	-	579	-	579
Charge for the year	286	4,023	24,714	2,391	695,845	1,165	728,424	8,024	736,448
Written back on disposals	-	-	(3,511)	(398)	(10,054)	(723)	(14,686)	-	(14,686)
Impairment losses	-	-	-	-	-	-	-	7,217	7,217
Disposal of subsidiaries (note 32(b))	-	-	(19)	(4)	(300)	-	(323)	-	(323)
At 31 August 2020	46,697	8,198	54,333	6,053	3,198,344	2,553	3,316,178	22,571	3,338,749
At 1 September 2020	46,697	8,198	54,333	6,053	3,198,344	2,553	3,316,178	22,571	3,338,749
Exchange adjustments	-	-	794	161	1,626	2	2,583	-	2,583
Charge for the year	286	4,009	17,443	2,954	726,270	1,057	752,019	7,972	759,991
Written back on disposals	-	-	(420)	(1,567)	(38,478)	-	(40,465)	-	(40,465)
Transferred to disposal group classified as held for sale (note 29)	-	-	(3,369)	(556)	(3,448)	(144)	(7,517)	-	(7,517)
At 31 August 2021	46,983	12,207	68,781	7,045	3,884,314	3,468	4,022,798	30,543	4,053,341
Net book value:									
At 31 August 2021	5,466	98,988	42,161	5,947	3,746,338	2,190	3,901,090	198,828	4,099,918
At 31 August 2020	5,752	102,997	58,524	6,409	3,936,497	2,081	4,112,260	206,800	4,319,060

At 31 August 2021 and 2020, the Group has certain agreements with third parties (the "Contract Parties") in which the Group would provide its network capacity to the Contract Parties in certain period, and in exchange, the Contract Parties would provide the Group the right to use the network capacity of the Contract Parties in the same period. The directors of the Group consider that since the arrangements involve exchange of a similar nature and value, the exchange is not recognised as a transaction which generates revenue, and accordingly, the network capacity of the Contract Parties under the agreements have not been recognised as an asset and no revenue or deferred revenue have been recognised in the financial statements of the Group.

(Expressed in Hong Kong dollars unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (continued)

(b) Fair value measurement of investment properties

The fair value of investment properties at 31 August 2021 is $231,600,000 (2020:$ 206,800,000) which is estimated at their open market value by reference to recent market transactions in comparable properties (2020: the same basis of valuation adopted). The valuation was carried out by an independent firm of surveyors Asset Appraisal Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience the location and category of the properties being valued.

Fair value hierarchy

The following table presents the fair value of the Group's investment property 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 value 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 value 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 value measured using significant unobservable inputs

		Fair value measurements categorised into		
	Fair value	**Level 1**	**Level 2**	**Level 3**
	$	**$**	**$**	**$**
Recurring fair value measurements				
Investment properties				
– 31 August 2021	231,600,000	–	231,600,000	–
– 31 August 2020	206,800,000	–	206,800,000	–

During the year ended 31 August 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period date in which they occur.

The fair value of investment properties is determined by using direct comparison approach with reference to the market price of comparable properties and adjusted for building quality and timing of the reference transaction. The significant unobservable input in the fair value measurement is the property-specific adjusting rate of 9.67% (2020: 4.38%). The fair value measurement is positively correlated to the property-specific adjusting rate.

(Expressed in Hong Kong dollars unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (continued)

(c) 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	**2021** **$'000**	2020 $'000
Interests in leasehold land held for own use, carried at depreciated cost, with remaining lease term of:	(i)		
– 10 years or less		**3,939**	4,171
– between 10 and 50 years		**232,730**	241,367
– 50 years or more		**6,095**	6,279
		242,764	251,817
Other properties leased for own used, carried at depreciated cost	(ii)	**345,795**	451,048
Telecommunication facilities and computer equipment	(iii)	**92,790**	183,844
		681,349	886,709

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

	2021 **$'000**	2020 $'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Interests in leasehold land held for own use	**9,055**	9,583
Other properties leased for own used	**169,272**	166,114
Telecommunication facilities and computer equipment	**73,574**	62,122
	251,901	237,189

During the year, additions to right-of-use assets were $76,234,000 (2020: $335,290,000). 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 AND INVESTMENT PROPERTIES (continued)

(c) 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 (2020: 2 to 10 years).

The Group has a 3 year extension option exercisable to renew the lease of one warehouse and Group assessed not reasonably certain to exercise the extension option, the future lease payment during the extension period are not included in the measurement of lease liabilities. The potential exposure to the future lease payment is summarised below:

	2021 Lease liabilities recognised (discounted) $'000	**2021 Potential future lease payments under extension option not included in lease liabilities (undiscounted) $'000**	2020 Lease liabilities recognised (discounted) $'000	2020 Potential future lease payments under extension option not included in lease liabilities (undiscounted) $'000
Warehouse – Hong Kong	**3,599**	**18,247**	8,243	18,247

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 year ended 31 August 2021.

(iii) Telecommunications facilities and computer equipment

The Company leases telecommunications facilities and computer equipment under leases expiring from 2 to 9 years (2020: 2 to 9 years). None of the leases includes variable lease payments.

(d) Investment properties

The Group leases out investment properties under operating leases. The leases typically run for an initial period of two years, with an option to renew the lease after that date at which time all terms are renegotiated.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2021 $'000	2020 $'000
Within 1 year	**4,176**	5,803
After 1 year but within 2 years	**-**	2,439
	4,176	8,242

(Expressed in Hong Kong dollars unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (continued)

(e) 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)(x)).

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
ADURA CYBER SECURITY SERVICES PTE. LTD.+	Singapore	SG$1	100	Provision of IT and security related services in Singapore
Adura Hong Kong Limited	Hong Kong	1 share	100	Provision of IT and security related services in Hong Kong
Col (Shanghai) Ltd.*	PRC#	US$700,000	100	Provision of data processing/data centre services in the PRC
COL LIMITED	Hong Kong	40,000 shares	100	Provision of data processing services in Hong Kong
CONCORD IDEAS LTD.	BVI	US$10	100	Investment holding in Hong Kong
COSMO TRUE LIMITED	BVI	US$1	100	Property investment in Hong Kong
Crown Master Enterprises Limited	Hong Kong	1 share	100	Property holding 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

(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 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
HKBN Enterprise Solutions eBusiness Limited	Hong Kong	1 share	100	Provision of telecommunication services in Hong Kong
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 International Limited	BVI	US$1	100	License holding in Taiwan
HKBN JOS (China) Limited	Hong Kong	100,000 shares	100	Investment holding in Hong Kong
HKBN JOS (Macau) Limited	Macau	MOP$25,000	100	Enterprise systems in Macau
HKBN JOS (MALAYSIA) SDN. BHD.	Malaysia	MYR$7,500,000	100	Enterprise systems technical services in Malaysia
HKBN JOS (Shanghai) Company Limited*	PRC#	$30,000,000	100	Technical services and product sales in the PRC
HKBN JOS (SINGAPORE) PTE. LTD.	Singapore	SG$10,450,000	100	Enterprise systems technical services in Singapore
HKBN JOS (Zhuhai) Company Limited*	PRC#	$2,500,000	100	Technical services and product sales in the PRC

(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 JOS Applications (HK) Limited	Hong Kong	2 shares	100	Enterprise systems development in Hong Kong
HKBN JOS Holdings (C.I.) Limited	Cayman Islands	US$1,411.90	100	Investment holding in Hong Kong
HKBN JOS Limited	Hong Kong	33,000,000 shares	100	Enterprise systems technical services and distribution & logistics services in Hong Kong
HKBN JOS Synergy (HK) Limited	Hong Kong	4 shares	100	Consulting and outsourcing services in Hong Kong
Hong Kong Broadband Network Limited ("HKBN")	Hong Kong	383,049 shares	100	Provision of internet, telecommunications and security devices installation services in Hong Kong
Jiuxin (Guangzhou) Electron Technology Service Limited Company*	PRC#	$1,300,000	100	Provision of telecommunication services in the PRC
JOS APPLICATIONS (S) PTE. LTD.	Singapore	Ordinary shares: SG$200 Preference shares: SG$750,000	100	Software and programming activities in Singapore
JOS Applications Holding Limited	BVI	US$10,000	100	Investment holding in Hong Kong
JOS Asia Limited	Hong Kong	1 share	100	Business referrals and consultancy services in Hong Kong
JOSD PTE. LTD+	Singapore	SG$500,000	100	Wholesale of computer software (except games and cybersecurity software)
Metropolitan Light (HK) Company Limited	Hong Kong	400,000 shares	100	Investment holding in the PRC
Metropolitan Light Company Limited (" MLCL")	Cayman Islands	US$1,000	100	Investment holding in Hong Kong
Mirapoint Asia Limited	Hong Kong	1 share	100	Sales and marketing of mirapoint, and email related products 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
NEW FORCE CUSTOMER SERVICES LIMITED	Hong Kong	2 shares	100	Investment holding in Hong Kong
NEW IMPACT CUSTOMER SERVICES LIMITED	Hong Kong	2 shares	100	Investment holding in the PRC
ONE.TEL LIMITED	Hong Kong	10,000 shares	100	Provision of telecommunication services in Hong Kong
ONETEL.NET LIMITED	Hong Kong	1,000 shares	100	Provision of telecommunication services in Hong Kong
PIHK Network Limited	Hong Kong	42,829,601 shares	100	Provision of telecommunication services in Hong Kong
SKY LEADER LIMITED	Hong Kong	2 shares	100	Provision of telecommunication services in Hong Kong
Super Advance Technology Limited	BVI	US$1	100	Investment holding in Hong Kong
UTMOST POWER LIMITED	Hong Kong	1 share	100	Property holding in Hong Kong
Y5Zone Limited	Hong Kong	2 shares	100	Provision of Wi-Fi consultancy and connectivity services in Hong Kong

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

+ Under the striking-off process.

Wholly owned foreign enterprise registered under the PRC law.

13 INTEREST IN JOINT VENTURES AND AN ASSOCIATE

(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 IT services in Hong Kong
HomePlus (Hong Kong) Limited ("HomePlus")	Limited liability company	Hong Kong	500,000 shares	40	Provision of retail and telecommunication services in Hong Kong
HomePlus Holding Limited ("HomePlus Holding")	Limited liability company	Hong Kong	100,000,000 shares	40	E-commerce, retail and investment in Hong Kong
Nova FinTech Limited ("Nova")+	Limited liability company	Hong Kong	160,000 shares	37.5	Provision of financial technology services in Hong Kong

BROADBANDgo,TGgo, HomePlus, HomePlus Holding and Nova 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.

+ Under the striking-off process

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

	2021 $'000	2020 $'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**17,879**	9,387
Aggregate amounts of the Group's share of those joint ventures'		
– Loss and other comprehensive income for the year	**(31,508)**	(242)
– Total comprehensive income	**(31,508)**	(242)

(Expressed in Hong Kong dollars unless otherwise indicated)

13 INTEREST IN JOINT VENTURES AND AN ASSOCIATE (continued)

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

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: 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

Guangdong Broadband Network Limited was set up on 25 August 2020 and its management accounts were not available as of the date of this report.

* 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.

(d) Aggregate information of the associate:

	2021 $'000	2020 $'000
Aggregate carrying amount of individually immaterial associate in the consolidated financial statements	**4,816**	4,438
Aggregate amounts of the Group's share of those associate		
– Loss for the year	**-**	–
– Other comprehensive income	**378**	–
– Total comprehensive income	**378**	–

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.

	2021 $'000	2020 $'000
Prepayments	**64,797**	59,587
Deposits	**27,161**	21,425
	91,958	81,012

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.

	2021 $'000	2020 $'000
Finished goods	**103,410**	135,555
Spare parts for services	**6,373**	19,081
Work in progress	**832**	5
	110,615	154,641

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2021 $'000	2020 $'000
Carrying amount of inventories sold	**3,687,950**	1,982,902
Write down of inventories	**2,900**	1,240
	3,690,850	1,984,142

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 2019	838,823
Additions	288,838
At 1 September 2020	1,127,661
Additions	265,467
At 31 August 2021	1,393,128
Accumulated amortisation:	
At 1 September 2019	240,793
Charge for the year	291,719
At 1 September 2020	532,512
Charge for the year	295,767
At 31 August 2021	828,279
Carrying amount:	
At 31 August 2021	564,849
At 31 August 2020	595,149

Customer acquisition and retention costs capitalised as at 31 August 2021 and 2020 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

	2021 **$'000**	2020 $'000
Arising from international telecommunications services	**47,699**	58,385
Arising from product revenue bundled with telecommunication services	**110,560**	165,469
Arising from system integration services contracts with conditional payment terms	**53,686**	79,985
	211,945	303,839
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade receivables, other receivables, deposits and prepayments"	**1,073,306**	1,356,935

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

	2021 $'000	2020 $'000
Indefeasible right of use ("IRU") arrangement		
– Billing in advance of performance	**179,313**	83,869
Telecom and technology solutions services		
– Billing in advance of performance	**647,997**	842,897
	827,310	926,766
Represented by:		
– Non-current portion	**194,818**	219,939
– Current portion	**632,492**	706,827
	827,310	926,766

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 2020	926,766
Transferred to disposal group classified as held for sale (note 29)	(25,048)
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	(4,392,618)
Decrease in contract liabilities as a result of billings in advance of IRU arrangements	7,157
Increase in contract liabilities as a result of billings in advance of the provision of telecom and technology solutions services	4,309,466
Exchange difference	1,587
Balance at 31 August 2021	827,310

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 $194,818,000 (2020: $219,939,000).

17 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Trade receivables, other receivables, deposits and prepayments

	2021 $'000	2020 $'000
Trade debtors, net of loss allowances	**1,073,306**	1,356,935
Other receivables, deposits and prepayments	**353,015**	359,458
	1,426,321	1,716,393

The amount of the Group's other receivables, deposits and prepayments expected to be recovered or recognised as expense after more than one year is $35,037,000 (2020: $35,279,000). All of the remaining other receivables, deposits and prepayments are expected to be recovered or recognised as expense within one year.

Factoring arrangement

As at 31 August 2021, the Group entered into trade receivables factoring arrangement. As at 31 August 2020, the Group had not entered into any trade receivables factoring arrangement.

Trade receivables with both original carrying value and the carrying amount of approximately $23,817,000 had been assigned to banks. Since the Group has retained substantial risks and rewards relating to the trade receivables including default risks, the trade receivables continued to be recognised in the consolidated financial statements even though the trade receivables have been legally assigned to banks. Interest is charged at 1-month HIBOR plus 1% per annum secured by the trade receivables until the relevant trade receivables were fully settled.

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:

	2021 $'000	2020 $'000
Within 30 days	**391,683**	369,211
31 to 60 days	**211,658**	360,870
61 to 90 days	**114,712**	197,973
Over 90 days	**355,253**	428,881
	1,073,306	1,356,935

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 33(a).

17 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(b) Financial assets at fair value through profit or loss

The balance of $40,517,000 at 31 August 2020 represents wealth management products issued by certain reputable banks in the PRC with no fixed interest rate. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The wealth management products were sold during the year ended 31 August 2021. There were no wealth management products held by the Group as at 31 August 2021.

18 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2021	2020
	$'000	$'000
Cash at bank and in hand in the consolidated statement of financial position	**1,421,124**	676,457
Cash at bank and in hand included in assets of disposal group classified as held for sale (note 29)	**105,537**	–
Cash and cash equivalents in the consolidated cash flow statement	**1,526,661**	676,457

18 CASH AND CASH EQUIVALENTS (continued)

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	**2021 $'000**	2020 $'000
Profit before taxation		**325,265**	92,102
Adjustments for:			
Amortisation of intangible assets	10	**556,531**	716,490
Depreciation	3(e)	**1,011,892**	974,267
Amortisation of obligations under granting of rights	3(a)	**(9,024)**	(9,024)
Amortisation of customer acquisition and retention costs	3(b)	**295,767**	291,719
Interest income	3(a)	**(2,200)**	(3,287)
Finance costs	3(d)	**481,029**	526,961
Loss on disposal of property, plant and equipment, net	3(b)	**827**	4,889
Gain on disposal of right-of-use assets, net	3(b)	**(167)**	(6,086)
Change in fair value of contingent consideration	3(a)	**-**	1,355
Loss on contingent consideration cancellation	3(a)	**-**	14,624
Foreign exchange loss/(gain)		**15,003**	(26,328)
Share of losses of joint ventures	13(b)	**31,508**	242
Equity-settled share-based payment expenses	3(c)	**293**	1,453
Write down of inventories	3(e)	**2,900**	1,240
Loss on disposal of subsidiaries	3(b)	**-**	1,301
Fair value loss on currency forward	3(a)	**309**	16,699
Impairment loss on investment properties	3(a)	**-**	7,217
Fair value gain on financial assets	3(a)	**-**	(186)
Changes in working capital:			
Increase in other non-current assets		**(6,615)**	(33,688)
Decrease/(increase) in inventories		**7,168**	(649)
Decrease/(increase) in trade receivables		**176,664**	(50,994)
(Increase)/decrease in other receivables, deposits and prepayments		**(19,353)**	22,252
Decrease/(increase) in finance lease receivables		**3,387**	(5,191)
Increase in customer acquisition and retention costs		**(265,467)**	(288,838)
Decrease/(increase) in contract assets		**56,465**	(7,225)
Increase in amounts due from joint ventures		**(5,899)**	(1,332)
Increase in trade payables		**187,829**	142,284
Decrease in other payables and accrued charges		**(199,690)**	(266,874)
Increase in deposits received		**14,426**	3,606
(Decrease)/increase in contract liabilities		**(74,408)**	222,124
Cash generated from operations		**2,584,440**	2,341,123

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/ currency forward (included in other receivables or other payables) (Notes 17 and 19) $'000	Bank and other borrowings (Note 20) $'000	Other non-current and current liabilities (Note 24) $'000	Senior notes (Note 22) $'000	Accrued borrowing costs (*) $'000	Lease liabilities (Note 21) $'000	Prepaid borrowing cost (**) $'000	Total $'000
At 1 September 2019	64	4,454,253	–	5,169,137	81,226	392,765	(1,119)	10,096,326
Changes from financing cash flows:								
Proceeds from bank and other borrowings, net of transaction costs	–	1,686,886	–	–	–	–	(400)	1,686,486
Repayment of bank loans	–	(102,098)	–	–	–	–	–	(102,098)
Payment for redemption of senior notes	–	–	–	(1,096,708)	–	–	–	(1,096,708)
Repayment of other borrowings	–	(1,114)	–	–	–	–	–	(1,114)
Capital element of lease rentals paid	–	–	–	–	–	(211,091)	–	(211,091)
Interest element of lease rentals paid	–	–	–	–	–	(28,463)	–	(28,463)
Transaction costs for bank loans paid	–	(1,419)	–	–	–	–	–	(1,419)
Interest paid	(1,336)	(112)	–	–	(430,071)	–	–	(431,519)
Total changes from financing cash flows	(1,336)	1,582,143	–	(1,096,708)	(430,071)	(239,554)	(400)	(185,926)
Changes in fair value	16,635	–	–	–	–	–	–	16,635
Exchange adjustments	–	(3,449)	–	(29,442)	–	249	–	(32,642)
Other changes:								
Increase in lease liabilities from entering into new leases during the period	–	–	–	–	–	261,027	–	261,027
Increase in other borrowings (note 18(d)(i))	–	21,021	–	–	–	–	–	21,021
Increase in other non-current and current liabilities (note 18(d)(i))	–	–	58,352	–	–	–	–	58,352
Interest and finance charges	1,336	7,603	845	15,265	429,283	28,463	635	483,430
Loss on extinguishment of senior notes	–	–	–	43,595	–	–	–	43,595
Acquisition of subsidiaries (note 32)	–	267,464	–	–	–	237,112	–	504,576
Total other charges	1,336	296,088	59,197	58,860	429,283	526,602	635	1,372,001
At 31 August 2020	16,699	6,329,035	59,197	4,101,847	80,438	680,062	(884)	11,266,394

18 CASH AND CASH EQUIVALENTS (continued)

(c) Reconciliation of liabilities arising from financing activities: (continued)

	Interest-rate swap/ currency forward (included in other receivables or other payables) (Notes 17 and 19) $'000	Bank and other borrowings (Note 20) $'000	Other non-current and current liabilities (Note 24) $'000	Senior notes (Note 22) $'000	Accrued borrowing costs [*] $'000	Lease liabilities (Note 21) $'000	Prepaid borrowing cost [**] $'000	Total $'000
At 1 September 2020	16,699	6,329,035	59,197	4,101,847	80,438	680,062	(884)	11,266,394
Changes from financing cash flows:								
Proceeds from bank and other borrowings, net of transaction costs	-	12,798,650	-	-	-	-	-	12,798,650
Repayment of bank loans	-	(7,726,507)	-	-	-	-	-	(7,726,507)
Payment for redemption of senior notes	-	-	-	(4,251,074)	-	-	-	(4,251,074)
Repayment of other borrowings	-	(6,813)	-	-	-	-	-	(6,813)
Repayment of other liabilities	-	-	(10,456)	-	-	-	-	(10,456)
Capital element of lease rentals paid	-	-	-	-	-	(250,224)	-	(250,224)
Interest element of lease rentals paid	-	-	-	-	-	(23,772)	-	(23,772)
Transaction costs for bank loans paid	-	(5,243)	-	-	-	-	-	(5,243)
Cash payment for currency forward contract	(17,008)	-	-	-	-	-	-	(17,008)
Interest paid	(8,313)	(536)	-	-	(288,361)	-	-	(297,210)
Total changes from financing cash flows	(25,321)	5,059,551	(10,456)	(4,251,074)	(288,361)	(273,996)	-	210,343
Changes in fair value	13,639	-	-	-	-	-	-	13,639
Exchange adjustments	-	6,444	-	-	-	3,124	-	9,568
Other changes:								
Increase in lease liabilities from entering into new leases during the period	-	-	-	-	-	75,211	-	75,211
Decrease in lease liabilities from lease modification during the period	-	-	-	-	-	6,044	-	6,044
Decrease in lease liabilities from lease disposal during the period	-	-	-	-	-	(5,746)	-	(5,746)
Increase in other borrowings (note 18(d)(i))	-	1,266	-	-	-	-	-	1,266
Interest and finance charges	8,313	44,313	1,498	3,764	239,692	23,772	884	322,236
Loss on extinguishment of senior notes	-	-	-	145,463	-	-	-	145,463
Total other charges	8,313	45,579	1,498	149,227	239,692	99,281	884	544,474
At 31 August 2021	13,330	11,440,609	50,239	-	31,769	508,471	-	12,044,418

18 CASH AND CASH EQUIVALENTS (continued)

(c) Reconciliation of liabilities arising from financing activities: (continued)

(*) Accrued borrowing costs are included in "Other payables and accrued charges – current portion" in the consolidated statement of financial position.

(**) Prepaid borrowing costs are included in "Other non-current assets " and "Other receivables, deposits and prepayments" in the consolidated statement of financial position.

(d) Material non-cash transactions:

(i) During the year ended 31 August 2021, additions to certain property, plant and equipment of the Group financed by other borrowings and other liabilities were $Nil (2020: $21,021,000 and $58,352,000 respectively).

(ii) The initial capital investment in an associate of $4,438,000 has not been paid as at 31 August 2020 and 2021.

(e) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2021 $'000	2020 $'000
Within operating cash flows	**15,877**	18,454
Within financing cash flows	**273,996**	239,554
	289,873	258,008

These amounts relate to the following:

	2021 $'000	2020 $'000
Lease rentals paid	**289,873**	258,008

19 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

	2021 $'000	2020 $'000
Trade payables	**935,864**	830,805
Other payables and accrued charges		
– Current portion	**1,018,271**	1,240,907
– Long-term portion	**30,397**	87,677
	1,984,532	2,159,389

All trade payables, other payables and accrued charges are expected to be settled within one year, except other payables and accrued charges of $30,397,000 (2020: $87,677,000) are expected to be settled after more than one year and are classified as non-current liabilities.

The amount of the interest-rate swaps included in other payables and accrued charges is $13,330,000 (2020: $16,699,000 of currency forward included in other payables and accrued charges).

19 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES (continued)

In 2015, the Group entered into an interest-rate swap ("the 2015 interest-rate swap") with an notional amount of $2,635,000,000 and with a maturity date on 23 August 2018, to hedge the floating interest rate arisen from the bank borrowings (see note 20).

In 2017, the Group entered into a new interest-rate swap ("the 2017 interest-rate swap"), to hedge the floating interest rate after the maturity of the current interest-rate swap. The 2017 interest-rate swap has a notional amount of $2,635,000,000 and with a maturity date on 29 May 2020.

In 2021, the Group entered into a new 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.

Under these arrangements, the Group pays a fixed rate interest on the notional amount on a quarterly basis , net of a floating rate interest at 3-month Hong Kong Inter-bank Offered Rate ("HIBOR") in the corresponding period.

In 2020, the Group entered into a currency forward to hedge the floating exchange rate. The currency forward has a notional amount of US$620,740,000 with a maturity date on 30 November 2020 and settlement date on 2 December 2020.

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

	2021 **$'000**	2020 $'000
Within 30 days	**388,941**	310,318
31 to 60 days	**111,618**	139,566
61 to 90 days	**132,769**	137,134
Over 90 days	**302,536**	243,787
	935,864	830,805

20 BANK AND OTHER BORROWINGS

(a) The analysis of the carrying amount of bank and other borrowings is as follows:

	2021 $'000	2020 $'000
Bank borrowings		
– secured	**23,817**	–
– unsecured	**11,274,522**	6,306,342
Other borrowings		
– secured	**14,360**	19,907
– unsecured	**-**	2,786
	11,312,699	6,329,035
Amounts due within one year included in current liabilities	**(481,283)**	(1,310,667)
	10,831,416	5,018,368

(b) As at 31 August 2021, the bank and other borrowings were repayable as follows:

	2021 $'000	2020 $'000
Bank borrowings (secured)		
Within 1 year on demand	**23,817**	–
Bank borrowings (unsecured)		
Within 1 year on demand	**450,001**	1,303,853
After 1 year but within 2 years	**-**	541,730
After 2 years but within 5 years	**10,824,521**	4,460,759
	11,274,522	6,306,342
Other borrowings (secured)		
Within 1 year on demand	**7,465**	6,814
After 1 year but within 2 years	**6,895**	7,043
After 2 years but within 5 years	**-**	6,050
	14,360	19,907
Other borrowings (unsecured)		
After 1 year but within 2 years	**-**	1,305
After 2 years but within 5 years	**-**	1,481
	-	2,786
Amounts due within one year included in current liabilities	**(481,283)**	(1,310,667)
	10,831,416	5,018,368

(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.

20 BANK AND OTHER BORROWINGS (continued)

(b) As at 31 August 2021, the bank and other borrowings were repayable as follows: (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.

(iii) On 14 November 2019, HKBN entered into revolving credit facilities agreement of $500,000,000 in aggregate with a bank in Hong Kong and drew down the revolving credit facilities of $300,000,000 at HIBOR plus a margin of 1.25% per annum payable monthly. The facility was unsecured and covered by a guarantee arrangement issued by the Company. The loan was not repaid as of the date of this report.

(iv) On 25 September 2019, the Group entered into revolving credit facilities agreement of $420,000,000 in aggregate from a bank in Hong Kong and drew down the revolving credit facilities of $150,000,000 at HIBOR plus a margin of 1.15% per annum payable monthly. The facility was unsecured and covered by a guarantee arrangement issued by the Company. The loan was repaid on 30 September 2021.

(v) The secured bank borrowings were related to the trade receivables factoring arrangement as disclosed in note 17.

(vi) On 21 November 2016, the Group entered into term and revolving credit facilities agreement of $4,100,000,000 in aggregate with various international banks and drawn down a bank loan with a principal amount of $3,900,000,000 at Hong Kong Interbank Offered Rate ("HIBOR") plus a margin of 1.70% per annum payable quarterly. The loan was unsecured and covered by a cross guarantee arrangement issued by the MLCL, HKBNGL, HKBN, HKBNESDL, HKBNESCC, HKBNESHKL and COL Limited, and repayable in full upon maturity on 25 May 2023. The loan was fully repaid on 9 April 2021.

(vii) On 10 October 2018, HKBN entered into a facility agreement with a local bank in Hong Kong for a five-year term loan of $580,000,000 at HIBOR plus a margin of 1.70% per annum. The facility was fully utilised on 11 October 2018. The loan was unsecured and covered by a cross guarantee arrangement issued by the Company, MLCL, HKBNGL and HKBN, and repayable in full upon maturity on 10 October 2023. The loan was fully repaid on 9 April 2021.

(viii) On 21 December 2019, HKBN entered into a facility agreement with a local bank in Hong Kong for a two-year term loan of United States Dollar ("USD") 70,000,000 at LIBOR plus a margin of 1.20% per annum. The facility was fully utilised on 16 January 2020. The loan was unsecured and covered by a cross guarantee arrangement issued by the Company, MLCL and HKBNGL, and repayable in full upon maturity on 21 December 2021. The loan was fully repaid on 9 April 2021.

(Expressed in Hong Kong dollars unless otherwise indicated)

20 BANK AND OTHER BORROWINGS (continued)

(b) As at 31 August 2021, the bank and other borrowings were repayable as follows: (continued)

(ix) On 10 February 2020, HKBN entered into a facility agreement with a Japan based bank for an 18 months interest bearing term loan of $540,000,000 at a fixed interest of 2.90% per annum. The facility was fully utilised on 25 February 2020. The loan was unsecured and covered by a cross guarantee arrangement issued by the Company, MLCL and HKBNGL, and repayable in full upon maturity on 11 August 2021. The loan was fully repaid on 9 April 2021.

The bank loans 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.

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 2021 is 2.02% per annum (2020: 2.70%).

(x) 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 2021, the aggregate book value of the assets was $17,349,000 (2020: $20,320,000) and the balance of other borrowings amounting to $7,465,000 (2020: $6,814,000) was recorded as a current liability and $6,894,000 (2020: $13,093,000) 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 3.36% (2020: 3.36%).

21 LEASE LIABILITIES

As at 31 August 2021, the lease liabilities were repayable as follows:

	At 31 August 2021		At 31 August 2020	
	Present value of the minimum lease payments $'000	Total minimum lease payments $'000	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within 1 year	166,649	184,163	234,258	256,626
After 1 year but within 2 years	100,454	110,545	164,200	179,620
After 2 years but within 5 years	133,180	152,386	173,415	198,807
After 5 years	71,495	74,662	108,189	115,741
	305,129	337,593	445,804	494,168
	471,778	521,756	680,062	750,794
Less: total future interest expenses		(49,978)		(70,732)
Present value of lease liabilities		471,778		680,062

22 SENIOR NOTES

On 21 November 2017, WTT Investment Ltd (the "Predecessor Issuer") issued senior notes with a nominal value of US$670,000,000 (equivalent to $5,232,091,000) that will mature on 21 November 2022. The notes were denominated and settled in USD, and bore coupon at 5.5% per annum payable semi-annually on 21 May and 21 November in each year commencing on 21 May 2018. The senior notes were recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, the senior notes were stated at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in profit or loss over the period of the senior notes, together with any interest and fees payable, using the effective interest method.

On 28 May 2019, MLCL assumed the obligations of the Predecessor Issuer.

The senior notes are guaranteed by the Group's subsidiaries.

During the year ended 31 August 2021, the Group repurchased all the remaining portion of the senior notes with aggregate principal value of US$533,845,000 (equivalent to $4,137,299,000) (year ended 31 August 2020: repurchased a portion of the senior notes with aggregate principal value of US$136,155,000 (equivalent to $1,065,281,000)) in the open market. The total consideration paid was approximately US$548,526,000 (equivalent to $4,251,074,000) (year ended 31 August 2020: US$140,171,000 (equivalent to $1,096,708,000)). The loss on extinguishment of the senior notes, which included the write-off of unamortised senior notes originating fee and redemption cost, was US$18,769,000 (equivalent to $145,463,000) (year ended 31 August 2020: US$5,571,000 (equivalent to $43,595,000)) recorded within the finance costs in the consolidated income statement (note 3(d)) for the year ended 31 August 2021.

At 31 August 2020, the remaining principal amount of the senior notes in issue after the repurchase was US$533,845,000 (equivalent to $4,137,299,000) and the amortised cost of the senior notes was US$529,271,000 (equivalent to $4,101,847,000).

The effective interest rate of the senior notes for the year ended 31 August 2020 was 5.9% per annum.

23 AMOUNTS DUE FROM/(TO) JOINT VENTURES AND AN ASSOCIATE

The amounts due from/(to) joint ventures and an associate are unsecured, interest free and recoverable/(repayable) on demand.

24 OTHER NON-CURRENT AND CURRENT LIABILITIES

During the year ended 31 August 2021 and 2020, 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.

25 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 $293,000 (2020: $1,453,000) were recognised as Talent costs in the consolidated income statement (see note 3(c)) for the year ended 31 August 2021 and the remaining expenses related to the RSUs are to be recognised in the years ending 31 August 2022 based on the respective vesting periods.

25 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 (v) 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.

25 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	
	2021	2020
	'000	'000
Outstanding at the beginning of the year	**224**	517
Vested during the year	**(64)**	(274)
Forfeited during the year	**(50)**	(19)
Outstanding at the end of the year	**110**	224

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.

25 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 2021 to be $9.38 (2020: $10.30).

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 $127,000 (2020: $929,000) were recognised as Talent costs in the consolidated income statement (see note 3(c)) for the year ended 31 August 2021 and the remaining expenses related to the RSUs are to be recognised in the years ending 31 August 2022 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 II 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 2021, 122,092 (2020: 20,897,191) shares were 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 (2020: 6 December 2019 or 18 December 2019), depending on the dates when the talents were invited to participate the Plan III Plus. The directors estimated the weighted average fair value of each RSU at the service periods commencing date to be $9.04.

26 CURRENT TAXATION IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Current taxation in the consolidated statement of financial position represents:

	2021 $'000	2020 $'000
Provision for Hong Kong Profits Tax for the year	207,759	179,317
Balance of Profits Tax provision relating to prior years	(22,877)	16,162
	184,882	195,479
Provision for tax outside Hong Kong	4,422	3,325
	189,304	198,804

Tax (payable)/recoverable in the consolidated statement of financial position represents:

	2021 $'000	2020 $'000
Tax recoverable	192	717
Tax payable	(189,496)	(199,521)
	(189,304)	(198,804)

27 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 2019	(360,158)	(726,697)	4,095	(61,486)	12,635	-	171	(1,131,440)
Acquisition of subsidiaries (note 32)	(8,997)	(28,214)	-	-	-	20,289	1,123	(15,799)
Credited/(charged) to profit or loss	(4,117)	98,017	(1,489)	37,656	(10,148)	84,442	1,034	205,395
Exchange difference	(3)	-	-	-	-	(148)	(194)	(345)
At 31 August 2020 and 1 September 2020	(373,275)	(656,894)	2,606	(23,830)	2,487	104,583	2,134	(942,189)
Transferred to disposal group classified as held for sale (note 29)	239	6,034	-	-	(329)	-	(1,103)	4,841
Credited/(charged) to profit or loss	41,747	73,683	(1,489)	10,697	20,862	(44,724)	536	101,312
Exchange difference	4	-	-	-	78	55	(36)	101
At 31 August 2021	(331,285)	(577,177)	1,117	(13,133)	23,098	59,914	1,531	(835,935)

27 DEFERRED TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(a) Deferred tax liabilities and assets recognised: (continued)

(i) Reconciliation to the consolidated statement of financial position

	2021 **$'000**	2020 $'000
Net deferred tax asset recognised in the consolidated statement of financial position	**68,913**	91,258
Net deferred tax liability recognised in the consolidated statement of financial position	**(904,848)**	(1,033,447)
	(835,935)	(942,189)

(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 $2,127,567,000 (2020: $2,124,142,000) 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 2021, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to RMB153,598,000 (equivalent to $184,932,000) (2020: RMB139,298,000 (equivalent to $157,253,000)). 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.

28 OBLIGATIONS UNDER GRANTING OF RIGHTS

	2021 **$'000**	2020 $'000
At the beginning of the year	**15,795**	24,819
Amortisation for the year (note 3(a))	**(9,024)**	(9,024)
At the end of the year	**6,771**	15,795
Less: Current portion	**(6,771)**	(9,024)
Non-current portion	**-**	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.

(Expressed in Hong Kong dollars unless otherwise indicated)

29 ASSETS AND LIABILITIES HELD FOR SALE

On 28 July 2021, the directors approved a plan ("the Plan") to sell part of its technology solutions operations outside Hong Kong ("the Disposal Group"). Management assessed that the criteria for the classification of the Disposal Group held for sale were fulfilled based on the facts and circumstances specific to the Plan. Accordingly, the assets and liabilities associated with the Disposal Group have been classified as held for sale on that date.

The assets and liabilities associated with the disposal group classified as held for sale as at 31 August 2021 are as follows:

	Note	2021 $'000
Intangible assets	10	37,965
Property, plant and equipment	11	6,186
Right-of-use assets		35,088
Contract assets		35,429
Deferred tax assets	27	1,193
Other assets		1,697
Finance lease receivables		4,400
Inventories		35,619
Trade receivables		113,103
Other receivables, deposits and prepayments		24,167
Cash and cash equivalents	18	105,537
Assets classified as held for sale		**400,384**
Trade payables		99,631
Other payables and accrued charges		17,754
Contract liabilities	16(b)	25,048
Bank and other borrowings		127,910
Deferred tax liabilities	27	6,034
Lease liabilities		36,693
Tax payable		102
Provision for reinstatement costs		1,342
Liabilities classified as held for sale		**314,514**

30 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 2019		132	3,792,430	2,349,204	38,912	1,541,745	7,722,423
Changes in equity for the year ended 31 August 2020:							
Profit and total comprehensive income for the year		-	-	-	-	951,210	951,210
Dividend approved to equity shareholders of the Company in respect of the previous year	30(b)(ii)	-	(472,176)	-	-	-	(472,176)
Dividend declared to equity shareholders of the Company in respect of the current year	30(b)(i)	-	(485,292)	-	-	-	(485,292)
Distribution to holders of Vendor Loan Notes		-	(122,145)	-	-	-	(122,145)
Equity-settled share-based transactions	25(a)(I)	-	-	-	1,453	-	1,453
Balance at 31 August 2020 and 1 September 2020		132	2,712,817	2,349,204	40,365	2,492,955	7,595,473
Changes in equity for the year ended 31 August 2021:							
Profit and total comprehensive income for the year		-	-	-	-	1,007,854	1,007,854
Dividend approved to equity shareholders of the Company in respect of the previous year	30(b)(ii)	-	(498,408)	-	-	-	(498,408)
Dividend declared to equity shareholders of the Company in respect of the current year	30(b)(i)	-	(511,524)	-	-	-	(511,524)
Distribution to holders of Vendor Loan Notes		-	(128,838)	-	-	-	(128,838)
Equity-settled share-based transactions	25(a)(I)	-	-	-	293	-	293
Balance at 31 August 2021		132	1,574,047	2,349,204	40,658	3,500,809	7,464,850

(Expressed in Hong Kong dollars unless otherwise indicated)

30 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

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

	2021 $'000	2020 $'000
Interim dividend declared and paid of 39 cents per ordinary share (2020: 37 cents per ordinary share)	**511,524**	485,292
Final dividend proposed after the end of the reporting period of 37.5 cents per ordinary share (2020: 38 cents per ordinary share)	**491,850**	498,408
	1,003,374	983,700

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

	2021 $'000	2020 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 38 cents per ordinary share (2020: 36 cents per ordinary share)	**498,408**	472,176

(c) Share capital

	No. of shares	$'000
Authorised:		
At 1 September 2019, 31 August 2020, 1 September 2020 and 31 August 2021	3,800,000,000	380
Ordinary shares, issued and fully paid:		
At 31 August 2020 and 1 September 2020	1,311,599,000	132
At 31 August 2021	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.

30 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.

30 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 2021 and 2020 was as follows:

	Note	**2021 $'000**	2020 $'000
Bank borrowings (principal amount)	20	**11,473,817**	6,327,321
Other borrowings	20	**14,360**	22,693
Senior notes (principal amount)	22	**-**	4,137,299
Lease liabilities	21	**471,778**	680,062
Gross debt		**11,959,955**	11,167,375
Total equity		**5,537,763**	6,460,499
Gearing ratio		**216%**	173%

Neither the Company nor any of its subsidiaries were subject to externally imposed capital requirements during the years presented.

31 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 (see note 32(b)). 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.

32 BUSINESS COMBINATION, DISPOSAL OF SUBSIDIARIES AND ACQUISITION OF NON-CONTROLLING INTERESTS WITHOUT CHANGE IN CONTROL

(a) Business combination during the year ended 31 August 2020

Pursuant to the share purchase agreement dated 23 August 2019, HKBNGL acquired 100% equity interests in Jardine OneSolution Holdings (C.I.) Limited, Adura Hong Kong Limited and ADURA CYBER SECURITY SERVICES PTE. LTD., a company incorporated in the Cayman Islands, Hong Kong and Singapore respectively (together referred as "HKBN JOS") from JTH (BVI) Limited (the "JOS Acquisition"). The consideration of the JOS Acquisition was settled by cash of US$50,000,000 (equivalent to $391,500,000).

HKBN JOS is principally engaged in IT-related businesses including provision of IT system integration, IT solutions and IT consultancy services with a focus on the enterprise segment. The JOS Acquisition was completed on 13 December 2019.

The goodwill reflects synergies expected from leveraging the Group's existing enterprise customer base, talents and culture to improve overall profitability by enhancing its service offering, reducing overlapping costs and delivering greater value to customers. None of the goodwill is expected to be deductible for tax purposes.

The JOS Acquisition had the following effect on the Group's assets and liabilities on 13 December 2019, the completion date of the JOS Acquisition:

	$'000
Intangible assets (note 10)	198,566
Property, plant and equipment (note 11)	45,447
Right-of-use assets	199,704
Deferred tax assets (note 27)	13,313
Inventories	125,993
Contract assets	50,157
Trade receivables	750,265
Other receivables, deposits and prepayments	150,191
Finance lease receivables	2,596
Tax recoverable	717
Cash and cash equivalents	68,433
Trade payables	(322,508)
Other payables and accrued charges	(268,483)
Provision for other liabilities and charges	(14,899)
Contingent consideration (note 33)	(4,372)
Contract liabilities (note 16)	(297,189)
Bank borrowings	(267,464)
Tax payables	(2,615)
Lease liabilities	(237,112)
Deferred tax liabilities (note 27)	(29,112)
Fair value of net assets acquired	161,628
Non-controlling interests	1,684
	163,312
Goodwill (note 9)	228,188
Total consideration	391,500
Cash consideration paid	391,500
Cash and cash equivalents acquired	(68,433)
Net cash outflow in respect of the JOS Acquisition during the year ended 31 August 2020	323,067

32 BUSINESS COMBINATION, DISPOSAL OF SUBSIDIARIES AND ACQUISITION OF NON-CONTROLLING INTERESTS WITHOUT CHANGE IN CONTROL (continued)

(a) Business combination during the year ended 31 August 2020 (continued)

Acquisition-related costs

Acquisition-related costs of approximately $Nil and $6,569,000 were included in other operating expenses in the consolidated income statement for the year ended 31 August 2021 and 2020.

Revenue and profit contribution

The revenue and profit after taxation of $2,527,341,000 and $37,680,000 respectively included in the consolidated income statement were contributed by HKBN JOS from the date of the JOS Acquisition to 31 August 2020.

No separate sets of financial information for HKBN JOS were prepared for the period from 1 September 2019 to the date of the JOS Acquisition. As a result, it is impracticable for the Group to disclose the amounts of revenue and profit or loss after taxation of HKBN JOS as if the acquisition date for the business combination that occurred during the period had been as of 1 September 2019.

(b) Disposal of WTT Outsourcing Services Limited and its subsidiaries (together the "WTTO Group") during the year ended 31 August 2020

In December 2019, the Group entered into a sale and purchase agreement ("SPA") pursuant to which the Group has agreed to sell the entire issued share capital of WTT Outsourcing Services Limited, an indirect wholly owned subsidiary of the Company, with a consideration of $2,500,000 to an independent third party. The transaction was completed in January 2020, the consideration of $750,000 (2020: $1,000,000) was settled during the current year and the remaining balance will be settled on or before 31 December 2021 in accordance with the SPA.

Details of net assets disposed of and the gain on disposal of interests in the WTTO Group at the date of disposal were as follows:

	$'000
Cash consideration	2,500
Less: Carrying amount of net assets disposed of	(2,926)
Exchange loss on translating foreign operations transferred to consolidated income statement upon disposal	(875)
Loss on disposal recognised in the consolidated income statement	(1,301)

The assets and liabilities of the WTTO Group at the date of disposal were as follows:

	$'000
Property, plant and equipment (note 11)	819
Trade receivables	1,616
Other receivables, deposits and prepayments	749
Other payables and accrued charges	(258)
Net assets disposed of	2,926

32 BUSINESS COMBINATION, DISPOSAL OF SUBSIDIARIES AND ACQUISITION OF NON-CONTROLLING INTERESTS WITHOUT CHANGE IN CONTROL (continued)

(c) Acquisition of non-controlling interests without change in control during the year ended 31 August 2020

On 23 July 2020, the Group acquired the remaining 25% of the issued shares of JOS APPLICATIONS (S) PTE. LTD. held by the non-controlling interests at a consideration of $2,525,000 by the way of waiving the receivables due from MUU Consulting Pte Ltd. Immediately prior to the purchase, the carrying amount of the 25% non-controlling interests in JOS APPLICATIONS (S) PTE. LTD. was in a deficit of $2,247,000. The Group recognised the same amount in non-controlling interests and a decrease in retained profits of $4,772,000.

	$'000
Carrying amount of non-controlling interests acquired	(2,247)
Consideration paid to non-controlling interests	(2,525)
Decrease in retained profits	(4,772)

33 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 35, 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 35.

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.

33 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 2021:

	2021		
	Expected loss rate %	**Gross carrying amount $'000**	**Loss allowance $'000**
Current (not past due)	**1.8%**	**677,562**	**11,871**
Less than 30 days past due	**4.2%**	**203,873**	**8,454**
31 to 60 days past due	**7.2%**	**141,107**	**10,094**
Over 60 days past due	**28.2%**	**408,469**	**115,341**
		1,431,011	**145,760**

	2020		
	Expected loss rate %	Gross carrying amount $'000	Loss allowance $'000
Current (not past due)	1.6	719,377	11,555
Less than 30 days past due	3.1	339,871	10,686
31 to 60 days past due	5.3	190,794	10,022
Over 60 days past due	18.4	542,770	99,775
		1,792,812	132,038

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.

33 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:

	2021 $'000	2020 $'000
Balance at the beginning of the year	132,038	88,643
Through acquisition of subsidiaries	-	17,004
Amounts written off during the year	(60,796)	(53,901)
Impairment losses recognised during the year (note 3(b))	79,002	80,292
Transferred to disposal group classified as held for sale	(4,484)	–
Balance at the end of the year	145,760	132,038

(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.

	2021					
	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	935,864	-	-	-	935,864	935,864
Contract liabilities	632,492	194,818	-	-	827,310	827,310
Other payables and accrued charges	1,018,271	30,397	-	-	1,048,668	1,048,668
Deposits received	90,475	-	-	-	90,475	90,475
Amount due to an associate	4,816	-	-	-	4,816	4,816
Amounts due to joint ventures	10,750	-	-	-	10,750	10,750
Bank and other borrowings	665,068	190,680	11,436,796	-	12,292,544	11,312,699
Lease liabilities	184,163	110,545	152,386	74,662	521,756	471,778
Other liabilities	14,042	14,042	24,650	-	52,734	50,239
	3,555,941	540,482	11,613,832	74,662	15,784,917	14,752,599

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

	2020					
	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	830,805	-	-	-	830,805	830,805
Contract liabilities	706,827	219,939	-	-	926,766	926,766
Other payables and accrued charges	1,240,907	87,677	-	-	1,328,584	1,328,584
Deposits received	76,049	-	-	-	76,049	76,049
Amount due to an associate	4,438	-	-	-	4,438	4,438
Amounts due to joint ventures	10,750	-	-	-	10,750	10,750
Bank and other borrowings	1,441,870	661,008	4,570,889	-	6,673,767	6,329,035
Lease liabilities	256,626	179,620	198,807	115,741	750,794	680,062
Other liabilities	10,457	14,043	38,692	-	63,192	59,197
Senior notes	227,551	227,551	4,188,003	-	4,643,105	4,101,847
	4,806,280	1,389,838	8,996,391	115,741	15,308,250	14,347,533

(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 2021, the Group had interest-rate swaps with a notional contract amount of $3,900,000,000 (2020: $ Nil) which were not designated as cash flow hedging instrument. The net fair value of swaps entered into by the Group at 31 August 2021 was $13,330,000 (2020: Liability of $Nil). The amount is recognised as derivative financial instrument and included in other payables and accrued charges (see note 19).

33 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.

	2021 $'000	2020 $'000
Fixed rate instruments		
Lease liabilities	**471,778**	680,062
Senior notes	**-**	4,101,847
Bank borrowings	**-**	539,137
Other borrowings	**14,359**	22,693
Other financial liabilities	**50,239**	59,197
	536,376	5,402,936
Variable rate instruments		
Bank borrowings	**11,298,340**	5,767,205
Derivative financial instrument – interest-rate swap	**13,330**	–
	11,311,670	5,767,205
Total borrowings	**11,848,046**	11,170,141
Fixed rate borrowings as a percentage of total borrowings	**5%**	48%

(iii) Sensitivity analysis

At 31 August 2021, it is estimated that a general increase/decrease of 50 basis points (2020: 50 basis points) in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately $56,558,000 (2020: $28,836,000). 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.

33 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.

	2021		2020	
	USD $'000	**RMB $'000**	USD $'000	RMB $'000
Cash and cash equivalents	**353,622**	**579**	95,037	1,225
Trade receivables	**151,691**	**193**	124,179	425
Other receivables, deposit and prepayment	**-**	**3,624**	–	2,589
Trade payables	**(147,863)**	**(371)**	(133,455)	(613)
Other payables and accrued charges	**(49,311)**	**(7,297)**	(25,703)	(10,230)
Bank and other borrowings	**-**	**-**	(542,500)	–
Senior notes	**-**	**-**	(4,137,299)	–
Net exposure arising from recognised assets and liabilities	**308,139**	**(3,272)**	(4,619,741)	(6,604)

33 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.

	2021			2020		
	Increase/ (decrease) in foreign exchange rates	**Impact on profit 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%**	**(264)**	**(264)**	10%	(531)	(531)
	(10)%	**264**	**264**	(10)%	531	531

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' 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 2020.

33 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 2021 $'000	**Fair value measurements as at 31 August 2021 categorised into Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instrument:				
Interest rate-swaps	**13,330**	**-**	**13,330**	**-**

	Fair value at 31 August 2020 $'000	Fair value measurements as at 31 August 2020 categorised into Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instrument:				
Currency forward	16,699	–	16,699	–
Financial assets at fair value through profit or loss	40,517	–	–	40,517

During the year ended 31 August 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (year ended 31 August 2020: $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.

33 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.

Information about Level 3 fair value measurement

The fair value of the financial assets at fair value through profit or loss is determined using discounted cash flow analysis based on the return rates of the wealth management products developed by the issuing banks.

The fair value of the contingent consideration relating to the acquisition of I Consulting Group Limited and its subsidiaries completed in 30 May 2018 are determined considering the expected payment, discounted to present value using a risk-adjusted discount rate of 5% in 2019.

The movement during the year in the balance of Level 3 fair value measurement is as follows:

	2021	2020
	$'000	$'000
Contingent consideration		
At the beginning of the year	**-**	29,649
Acquisition of subsidiaries (note 32)	**-**	4,372
Settlement of contingent consideration for the year	**-**	–
Change in fair value during the year (note 3(a))	**-**	1,355
Derecognition of contingent consideration during the year	**-**	(35,376)
At the end of the year	**-**	–

	2021	2020
	$'000	$'000
Financial assets at fair value through profit or loss		
At the beginning of the year	**40,517**	–
Additions	**-**	40,331
Disposals	**(40,517)**	–
Change in fair value during the year (note 3(a))	**-**	186
At the end of the year	**-**	40,517

(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 2021 and 2020.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(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.

	2021		
	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	**1,650,100**	**(576,794)**	**1,073,306**
Trade payables	**(1,512,658)**	**576,794**	**(935,864)**

	2020		
	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	1,710,100	(353,165)	1,356,935
Trade payables	(1,183,970)	353,165	(830,805)

34 COMMITMENTS

(a) Capital commitments

At 31 August 2021, the Group had the following capital commitments:

	2021 $'000	2020 $'000
Contracted but not provided for		
– Purchase of property, plant and equipment	**165,086**	252,050
– Investment in an associate	**-**	4,438
	165,086	256,488

In addition, the Group was committed at 31 August 2021 to enter into a lease of 5 years that is not yet commenced, the lease payments under which amounted to $440,000 per annum. At 31 August 2021, no such commitments were entered into.

34 COMMITMENTS (continued)

(b) Commitment under operating leases

At 31 August 2021, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2021 $'000	2020 $'000
Leases in respect of telecommunications facilities which are receivable:		
Within 1 year	**109,290**	99,781
After 1 year but within 5 years	**180,165**	188,293
After 5 years	**53,712**	40,498
	343,167	328,572

	2021 $'000	2020 $'000
Leases in respect of equipment:		
Within 1 year	**14,253**	9,161
After 1 year but within 5 years	**7,534**	20,605
	21,787	29,766

35 CONTINGENT LIABILITIES

	2021 $'000	2020 $'000
Bank guarantee in lieu of payment of utility deposits	**3,622**	6,200
Bank guarantee in lieu of performance guarantees	**187,543**	133,928
	191,165	140,128

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 2021, 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 (2020: $Nil).

(Expressed in Hong Kong dollars unless otherwise indicated)

36 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:

	2021 $'000	2020 $'000
Short-term employee benefits	46,558	34,219
Post-employment benefits	3,835	2,945
Equity compensation benefits	-	126
	50,393	37,290

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

37 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2021 $'000	2020 $'000
Non-current assets			
Investments in subsidiaries		**1,165,058**	1,164,931
		1,165,058	1,164,931
Current assets			
Other receivables, deposits and prepayments		**586**	629
Amounts due from subsidiaries		**6,664,995**	6,664,702
Cash and cash equivalents		**3,791**	3,374
		6,669,372	6,668,705
Current liabilities			
Other payables and accrued charges		**5,104**	4,647
Amounts due to subsidiaries		**364,476**	233,516
		369,580	238,163
Net current assets		**6,299,792**	6,430,542
NET ASSETS		**7,464,850**	7,595,473
CAPITAL AND RESERVES	30(a)		
Share capital		**132**	132
Reserves		**7,464,718**	7,595,341
TOTAL EQUITY		**7,464,850**	7,595,473

Approved and authorised for issue by the board of directors on 28 October 2021.

Chu Kwong YEUNG) Directors

Ni Quiaque LAI)

38 ACCOUNTING JUDGEMENT AND ESTIMATES

Sources of estimation uncertainty

Note 33 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) Depreciation

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. The Group reviews the estimated useful lives of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(c) Useful lives of property, plant and equipment and intangible assets (other than goodwill)

The Group has significant property, plant and equipment and intangible assets (other than goodwill). The Group is required to estimate the useful lives of property, plant and equipment and intangible assets (other than goodwill) in order to ascertain the amount of depreciation and amortisation charges for each reporting period.

The useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

(d) Impairment of goodwill

The Group tests annually whether goodwill 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)

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 AUGUST 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 August 2021 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
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Infected Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts – Cost of fulfilling a contract*	1 January 2022
Annual improvements to HKFRSs, 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
HKFRS 17, *Insurance contracts*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to HKAS 8, *Definition of Accounting Estimates*	1 January 2023
Amendments to HKAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023

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 2021.

	Years ended 31 August				
	2021	2020	2019	2018	2017
	$'000	$'000	$'000	$'000	$'000
Results					
Revenue	**11,463,745**	9,452,957	5,107,637	3,948,952	3,232,310
Profit from operations	**837,802**	619,305	568,909	607,249	465,396
Finance costs	**(481,029)**	(526,961)	(259,271)	(117,288)	(210,740)
Share of profits of associates	**-**	–	–	–	3,418
Share of losses of joint ventures	**(31,508)**	(242)	(276)	(693)	(920)
Profit before taxation	**325,265**	92,102	309,362	489,268	257,154
Income tax (expense)/credit	**(118,393)**	4,509	(94,835)	(92,371)	(86,044)
Profit for the year	**206,872**	96,611	214,527	396,897	171,110

(Expressed in Hong Kong dollars)

	As at 31 August				
	2021	2020	2019	2018	2017
	$'000	$'000	$'000	$'000	$'000
Assets and liabilities					
Goodwill	**9,016,507**	9,016,507	8,788,319	1,801,393	1,771,969
Intangible assets	**3,606,163**	4,200,644	4,638,643	1,453,588	1,612,707
Property, plant and equipment	**3,901,090**	4,112,260	4,341,590	2,293,950	2,289,790
Investment properties	**198,828**	206,800	222,041	–	–
Right-of-use assets	**681,349**	886,709	–	–	–
Customer acquisition and retention costs	**564,849**	595,149	598,030	–	–
Contract assets	**-**	–	4,740	–	–
Interest in an associate	**4,816**	4,438	–	–	–
Interest in joint ventures	**17,879**	9,387	9,429	8,095	8,788
Deferred tax assets	**68,913**	91,258	–	–	–
Finance lease liabilities	**-**	6,534	–	–	–
Other non-current assets	**91,958**	81,012	32,105	64,950	24,600
Net current (liabilities)/assets	**(248,163)**	(1,718,533)	2,003	46,205	115,211
Total assets less current liabilities	**17,904,189**	17,492,165	18,636,900	5,668,181	5,823,065
Other payables and accrued charges					
– long-term portion	**(30,397)**	(87,677)	(143,600)	(201,266)	(293,748)
Contract liabilities					
– long-term portion	**(194,818)**	(219,939)	(187,690)	–	–
Deferred services revenue					
– long-term portion	**-**	–	–	(79,371)	(92,752)
Obligations under granting of rights					
– long-term portion	**-**	(6,771)	(15,795)	(24,819)	(33,843)
Deferred tax liabilities	**(904,848)**	(1,033,447)	(1,131,440)	(408,218)	(423,618)
Contingent consideration					
– long-term portion	**-**	–	(28,278)	(28,236)	(2,869)
Lease liabilities	**(305,129)**	(445,804)	–	–	–
Provision for reinstatement costs	**(62,442)**	(67,320)	(50,146)	(15,643)	(16,015)
Bank and other borrowings	**(10,831,416)**	(5,018,368)	(4,454,253)	(3,873,716)	(3,831,332)
Senior notes	**-**	(4,101,847)	(5,169,137)	–	–
Other non-current liabilities	**(37,376)**	(50,493)	–	–	–
NET ASSETS	**5,537,763**	6,460,499	7,456,561	1,036,912	1,128,888
Capital and reserves					
Share capital	**132**	132	132	101	101
Reserves	**5,537,631**	6,460,367	7,456,429	1,036,811	1,128,787
TOTAL EQUITY	**5,537,763**	6,460,499	7,456,561	1,036,912	1,128,888

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.

2 As a result of the adoption of HKFRS 15, *Revenue from contracts with customers*, with effect from 1 September 2018, the Group changed its accounting policies in respect of revenue recognition. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to equity as at 1 September 2018. Figures in years earlier than 2018 are stated in accordance with the policies applicable in those years.

3 The Group adopted HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, Prepayment features with negative compensation, from 1 September 2018. As a result, the group changed its accounting policies in relation to financial instruments. As allowed by HKFRS 9, the Group did not restate information relating to prior years. Differences in the carrying amounts of the financial assets resulting from the adoption of HKFRS 9 were recognised in retained earnings and reserves at 1 September 2018. There was no difference in the carrying amounts of the financial liabilities. Figures in years earlier than 2018 are stated in accordance with the policies applicable in those years.

Chairman and Independent Non-executive Director

Mr. Bradley Jay HORWITZ

Executive Directors

Mr. Chu Kwong YEUNG
Mr. Ni Quiaque LAI

Non-executive Directors

Ms. Suyi KIM
Mr. Teck Chien KONG
Mr. Zubin Jamshed IRANI

Independent Non-executive Directors

Mr. Stanley CHOW
Mr. Yee Kwan Quinn LAW, SBS, JP

Audit Committee

Mr. Yee Kwan Quinn LAW, SBS, JP (Chairman)
Mr. Zubin Jamshed IRANI
Mr. Bradley Jay HORWITZ
Mr. Stanley CHOW

Nomination Committee

Mr. Bradley Jay HORWITZ (Chairman)
(appointed as chairman on 28 October 2021)
Mr. Chu Kwong YEUNG
(resigned as chairman on 28 October 2021)
Ms. Suyi KIM
Mr. Teck Chien KONG
Mr. Stanley CHOW
Mr. Yee Kwan Quinn LAW, SBS, JP

Remuneration Committee

Mr. Stanley CHOW (Chairman)
Mr. Chu Kwong YEUNG
Mr. Zubin Jamshed IRANI
Mr. Yee Kwan Quinn LAW, SBS, JP

Company Secretary

Ms. Chung Man CHENG (appointed on 1 June 2021)
Mr. Yue Kit Andrew WONG (resigned on 1 June 2021)

Authorised Representatives

Mr. Ni Quiaque LAI
Ms. Chung Man CHENG (appointed on 1 June 2021)
Mr. Yue Kit Andrew WONG (resigned on 1 June 2021)

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Cayman Islands

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Hong Kong

Company's Website

www.hkbnltd.net

Stock Code

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References to HKEX ESG Reporting Guide

Aspects and General Disclosures	Descriptions	Related chapters
A. Environmental		
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.	Our Strategy, Report of the Directors, Environment
KPI	• KPI A1.1 The types of emissions and respective emissions data • KPI A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility) • KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility) • KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility) • KPI A1.5 Description of emission target(s) set and steps taken to achieve them • 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	• Environment • Environment • Environment • Environment • Environment • Environment
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Our Strategy, Report of the Directors, Environment
KPI	• KPI A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility) • KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility) • KPI A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them • 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 • KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	• Environment • Environment • Environment • 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 • Packaging material is not applicable to the nature of our operations and business

Aspects and General Disclosures	Descriptions	Related chapters
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Our Strategy, Report of the Directors, Environment
KPI	• KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	• Environment
Aspect A4: Climate Change		
General Disclosure	• Policies on minimising the issuer's significant impact on climate change.	Our Strategy, Report of the Directors, Environment, Corporate Governance Report
KPI	• KPI A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the company, and the actions taken to manage them	• Environment, Corporate Governance Report
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.	Our Strategy, Report of the Directors, Talents, Corporate Governance Report
KPI	• KPI B1.1 Total workforce by gender, employment type, age group and geographical region • KPI B1.2 Employee turnover rate by gender, age group and geographical region	• Report of the Directors, Talents, Corporate Governance Report • Talents

References to HKEX ESG Reporting Guide

Aspects and General Disclosures	Descriptions	Related chapters
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.	Our Strategy, Report of the Directors, Talents
KPI	• KPI B2.1 Number and rate of work-related fatalities • KPI B2.2 Lost days due to work injury • KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored	• Talents • Talents • Talents
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our Strategy, Talents, Corporate Governance Report
KPI	• KPI B3.1 The percentage of employees trained by gender and employee category • KPI B3.2 The average training hours completed per employee by gender and employee category	• Talents • Talents
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	Our Strategy, Report of the Directors, Talents, Corporate Governance Report
KPI	• KPI B4.1 Description of measures to review employment practices to avoid child and forced labour • KPI B4.2 Description of steps taken to eliminate child and forced labour practices when discovered	• Talents • Talents

Aspects and General Disclosures	Descriptions	Related chapters
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Our Strategy, Report of the Directors, Suppliers
KPI	• KPI B5.1 Number of suppliers by geographical region • KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored • KPI B5.3 Description of practices used to identity environmental and social risks along the supply chain, and how they are implemented and monitored • KPI B5.4 Description of practices used to promote environmentally preferable products and services when selection suppliers, and how they are implemented and monitored	• Suppliers • Suppliers • Suppliers • Suppliers
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	Our Strategy, Report of the Directors, Customers, Corporate Governance Report
KPI	• KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons • KPI B6.2 Number of products and service related complaints received and how they are dealt with • KPI B6.3 Description of practices relating to observing and protecting intellectual property rights • KPI B6.4 Description of quality assurance process and recall procedures • KPI B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored	• Customers • Customers • Corporate Governance Report • Customers, Corporate Governance Report • Report of the Directors, Customers, Corporate Governance Report

References to HKEX ESG Reporting Guide

Aspects and General Disclosures	Descriptions	Related chapters
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
KPI	• 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 • KPI B7.2 Description of preventive measures and whistleblowing procedures, how they are implemented and monitored • KPI B7.3 Description of anti-corruption training provided to directors and staff	• Corporate Governance Report • Corporate Governance Report • 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.	Our Strategy, Community
KPI	• KPI B8.1 Focus areas of contribution • KPI B8.2 Resources contributed to the focus areas	• Our Strategy, Community • Community

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