

**HKBN Ltd.**  
**香港寬頻有限公司**

(incorporated in the Cayman Islands with limited liability)  
 Stock Code : 1310



Annual Report 2020

# Changing the Game

# Changing the Game

As businesses now recognise the exigent value of change amid the fragility exposed by COVID, HKBN is taking a leading role – leveraging our one-stop capabilities backed by expertise gained from our own digital transformation experiences – to innovate, transform and drive customer resilience for the future.

Always ready to adapt, HKBN is also redefining how business is done. For Enterprise customers, we're taking our relationships to all-new levels through

innovative partnership models built around growth co-creation, which, like never before, enable us to deepen Residential customer engagement with more exclusive rewards and offers.

In crisis, there is opportunity AND responsibility. Leading through purpose, we've continued to inspire – via committed action before and during COVID – the business sector to take greater responsibility for our society's shared future. Let's grow through change.



**Your Transformation  
Journey  
Starts  
Here**

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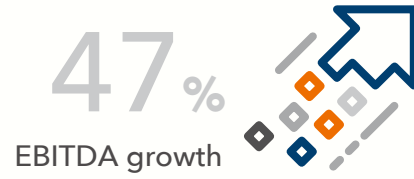
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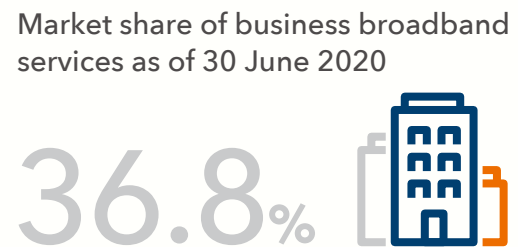
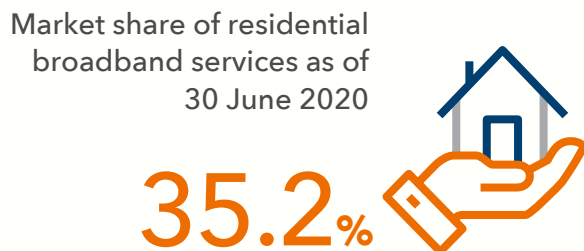
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### Financial Performance



### Customers





### Talents

Around

**990**

Co-Owners



Over

**5,900**

Talents

Total training hours provided



**119,019\***

\* Includes the training hours provided to HKBN JOS Talents from January to August 2020.

### Environment

**1,667,080** kWh



electricity saved through our Something From Nothing project in Hong Kong



Waste recovery rate

**40.13%**

in Hong Kong and Guangzhou operations

### Community



**21**

CSI projects

running in Hong Kong and Guangzhou

### Suppliers



Over

**880**

active suppliers

## 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, we have 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 service possible – delivered at highly competitive value.

Whether it is connecting over one million households and thousands of 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'.

## Purpose at

# HKBN

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 enterprises. At every possible occasion, we do our best to inspire different stakeholders to join 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**  
”

## From Telco to One-stop Telecom and Technology Solutions Provider

Through past acquisitions like Y5Zone<sup>1</sup> (Wi-Fi specialist) in 2013, NWT<sup>2</sup> (telecom and ICT service provider) in 2016, ICG<sup>3</sup> (cloud specialist) in 2018, WTT (telecom and ICT service provider) and JOS (technology partner and system integrator) in 2019, HKBN has evolved from a telco into a fully-fledged integrated one-stop telecom and technology solutions business. As a result, our operations now span across five regions in Hong Kong, Singapore, Malaysia, mainland China and Macau, and 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 won't be content with just connectivity. They want possibilities – and more of it. Thanks to our enhanced Talent force and expanded scope of services, HKBN is equipped to deliver far more. More innovation. More compelling value. For enterprise customers, we're all set to change everything – empowering great new possibilities through bleeding-edge technology, game-changing partnership models and our 'skin-in-the-game' Co-Ownership commitment – in a faster timeframe.

Notes:

1. HKBN Group Limited ("HKBNGL"), an indirect wholly-owned subsidiary of the Company, acquired the entire issued share capital of Y5Zone Limited in 2013 (the "Y5Zone").
2. HKBNGL acquired the entire issued share capital of CONCORD IDEAS LTD. and Simple Click Investments Limited on 31 March 2016 (the "NWT").
3. HKBNGL acquired the entire issued share capital of HKBN Enterprise Solutions Cloud Services Limited (formerly known as I Consulting Group Limited) on 8 May 2018 (the "ICG").

### 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 amazing 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 shares. 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. Far from typical, our Co-Owners always have the Group's best interest at heart. As at August 2020, HKBN had around 990 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 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:	Diverse telecom and technology solutions for enterprises:
<ul style="list-style-type: none"> <li>• High Speed Fibre Broadband</li> <li>• Managed Wi-Fi with Home Network Security and Parental Control</li> <li>• Home Telephone</li> <li>• Mobile Services</li> <li>• Roaming Solutions</li> <li>• Over-The-Top Entertainment &amp; Music Streaming</li> </ul>	<ul style="list-style-type: none"> <li>• Connectivity</li> <li>• Cloud and Data Centre</li> <li>• Business Continuity Services</li> <li>• System Integration</li> <li>• Cybersecurity</li> <li>• Voice and Collaboration</li> <li>• Digital Solutions</li> <li>• Stationery and Supplies</li> </ul>

### HKBN Recurring Billing Relationships



## Dear fellow HKBN Shareholders,

Let's first express our deep appreciation to all our Fellow 5,929 HKBNers for the incredible work in delivering dividend per share growth of 7% to \$0.75 for FY20, which is by far the highest growth within our telecom industry peer group. We are particularly proud of these results as they are inclusive of our comprehensive pay-it-forward #ToughTimesTogether initiatives such as 1-month service fee waiver to our entire residential fixed-line and enterprise customer base, 10,000 free broadband lines for the underprivileged, 100 fresh graduate hires being 10x more than what we need, and most significantly, pass-through to all our eligible Talents of regional government wage subsidies.

Whereas COVID-19 is an unprecedented global crisis, at HKBN we see COVID-19 as an unprecedented calling to serve our community and an accelerant for our own much needed transformations. In confronting the COVID-19 situation, our baseline is "perfect is the enemy of good", i.e. we embrace imperfect and incomplete information decision making and rely on our agility to adjust to changing conditions. In uncertainty, our Company's clear core purpose of **"Make our Home a Better Place to Live"** sets a very clear priority on safety above all else, impact to the community and taking care of our wide range of stakeholders. At HKBN, we consider profit to be a subset of PURPOSE and we run HKBN for PURPOSE.

At HKBN we "eat what we cook", i.e. we must first transform ourselves as to earn the right to help others transform. Our digital transformation, which we accelerated a couple of years ago, is now paying big dividends. Being digital has transformed our Company from a "fibre" company to a "distribution" company, leveraging our massive reach of 1-in-3 residential households and 1-in-2 active enterprises in Hong Kong.

At HKBN, we condemn "silos", i.e. we intermix our residential and enterprise scale to empower innovations such as our Barter & Bundle, where we happily accept partial payment for our enterprise solutions in the form of service vouchers to use in our residential acquisition and retention programmes. In doing so, we transform our enterprise customers into our business partners which opens a far greater range of opportunities for value creation. Our partners, formerly known as enterprise customers, love our Barter & Bundle as this brings new business from our massive reach to them. Whereas in the past, we were selling our telecom services to their procurement team, we are now strategising CEO-to-CEO to improve our businesses for true Win-Win-Win for our enterprise partners, our residential customers and HKBN.

With each sequential integration of our five acquisitions post our Management Buy Out in 2012, we have learned and strengthened our "best of breed" merger process. Our baseline is that there is no ex-HKBN, ex-WTT, ex-JOS, etc silo culture that should survive, but rather there is only one "best of breed" 1-HKBN. Our deep Co-Ownership alignment means we have skin-in-the-game to realise integration gains. So far, we are well on track to fully realise the highlighted \$300 million synergies from our recent WTT Merger and JOS Acquisition by FY21.

Beyond our operational transformation, we are super excited to see the formal launch of our HKBN Talent CSI Fund seeded by Co-Owners' contribution of 4 million HKBN shares currently valued at over \$54 million. This fund is governed independently from the HKBN executive group with the additional checks and balances of independent non-executive directors as voted in by Co-Owners. Having a percentage of our HKBN owned by this Fund means that we are perpetually







**William Yeung**  
Co-Owner and Executive Vice-chairman

**NiQ Lai**  
Co-Owner and Group Chief Executive Officer

aligned, i.e. the more value and dividends we execute for HKBN, the more funding this CSI Fund will have to make positive impacts. This perpetual alignment gives our CSI Fund the runway to make strategic impact, rather than just short term ad-hoc initiatives. For more details, please refer to the HKBN Talent CSI Fund section on pages 92 to 93.

At HKBN, we embrace “Change or Die” and we want to live. We have exited past predicaments such as SARS in 2003 and the global financial crisis in 2008 stronger than when they hit us, and this is exactly what we are doing with COVID-19.

We are here to GROW!

**William Yeung**  
Co-Owner and Executive Vice-chairman

**NiQ Lai**  
Co-Owner and Group Chief Executive Officer

## Chairman and Independent Non-executive Director

**Mr. Bradley Jay HORWITZ**, aged 65, was appointed as the Independent Non-executive Director, the Chairman of the board of directors of the Company (the “Board”) and the member of the Audit Committee and the Nomination Committee of the Company on 6 February 2015. Mr. Horwitz has over 30 years of experience in the wireless and telecommunication industry. Mr. Horwitz founded Trilogy International Partners in 2005 and has been the President and the Chief Executive Officer of the company since it was founded. 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 August 1978.



## Executive Directors

**Mr. Chu Kwong YEUNG (also known as William YEUNG)**, aged 59, is the Executive Vice-chairman, the Executive Director, the Chairman of the Nomination Committee and the member of the Remuneration Committee of the Company. Mr. Yeung joined the Group in October 2005 as the Chief Operating Officer, overseeing customer engagement, relationship management and network development. In November 2008, Mr. Yeung was appointed as the Chief Executive Officer with the responsibility of developing corporate strategies and overseeing operations. On 1 September 2018, Mr. Yeung was appointed as the Executive Vice-chairman, stepping up to focus on engaging key strategic partners and exploring new business opportunities for the Group. 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 a 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 50, is the Group Chief Executive Officer, and the 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 Group Chief Executive Officer in September 2018, leading all HKBN Talents to deliver world class products and services to make our home a better place to live. Prior to joining the Group, Mr. Lai was an analyst and the Director and the Head of Asia Telecom Research for Credit Suisse, where he was involved in numerous global fund raising initiatives for a wide range of Asian telecom carriers. Prior to Credit Suisse, Mr. Lai held positions in HKT, as a strategic planning manager, and Kleinwort Benson Securities (Asia). He is currently a member of Advisory Board of Shyam Spectra Private Limited (formerly known as “Citycom Networks Private Limited”) and the Director of Cambodian Children’s Fund (Hong Kong) Limited. Mr. Lai graduated from the University of Western Australia with a Bachelor of Commerce Degree in April 1990 and obtained an Executive Master of Business Administration Degree from Kellogg-HKUST, Hong Kong in June 2009. Mr. Lai is a fellow member of Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia. In 2009, he was recognised as a 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 March 2016, he was recognised as 1st for Best CFO by FinanceAsia Survey of Asia’s Best Companies (Hong Kong). Mr. Lai is a proud Co-Owner of the Company.



## Non-executive Directors

**Ms. Suyi KIM**, aged 47, was appointed as the Non-executive Director and the 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, establishing CPP Investments’ first international office in Hong Kong and has held a number of senior leadership roles including overseeing private investments in Asia and leading private equity investments as Managing Director & Head of Private Equity Asia. Since 2016, Ms. Kim has been responsible for overseeing CPP Investments’ investment activities in Asia Pacific across all investment programmes including public equity, private equity, real estate, infrastructure and credit and overseeing operations in the Hong Kong, Mumbai and Sydney offices. She is also a member of CPP Investments’ Global Investment Committee, Strategy & Risk Committee and Management Committee. Prior to joining CPP Investments, Ms. Kim worked at Ontario Teachers’ Pension Plan and The Carlyle Group, as well as McKinsey & Co. in various Asian countries and at PricewaterhouseCoopers. 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. She currently serves on the board of directors of Homeplus Holdings Co., Ltd, one of the largest multi-channel retailers in South Korea. Ms. Kim is also on the Products Advisory Committee of the Securities and Futures Commission of Hong Kong and sits on the board of Junior Achievement in Korea.



## Board of Directors and Senior Management



**Mr. Zubin Jamshed IRANI**, aged 48, was appointed as the Non-executive Director, the 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. Prior to TPG Capital, Mr. Irani was with United Technologies Corporation (“UTC”) where he led the business in India which included Carrier Air-conditioning and Refrigeration, Otis Elevators and UTC Fire & Security. Mr. Irani started his career at McKinsey & Company and worked in the Cleveland, Detroit, Copenhagen and Mumbai offices, serving several multi-national clients with a focus on automotive, industrial and post-merger management. Mr. Irani holds a Masters 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.



**Mr. Teck Chien KONG**, aged 45, was appointed as the Non-executive Director and the 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. Prior to MBK Partners, Mr. Kong spent five years at Carlyle Asia Partners, where he was Vice President and co-head of the Singapore office, and three years in the investment banking division at Salomon Smith Barney in New York and Hong Kong. Mr. Kong currently serves on the Board of Directors of, among others, Apex International Corporation, Teamsport Topco Limited, Siyanli Co. Ltd., and Wendu Education & Technology Group Limited, and has experience serving on the Board of Directors of 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 (formerly known as WTT 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.



## Independent Non-executive Directors

**Mr. Stanley CHOW**, aged 56, was appointed as the Independent Non-executive Director, the Chairman of the Remuneration Committee and the 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 partner in the Hong Kong office of Latham & Watkins, an international law firm, from March 2009 to February 2014 where he was the local department chair of the corporate department in Hong Kong. He was also a member of the firm's Initiatives Committee from March 2012 to February 2014. Prior to joining Latham & Watkins, Mr. Chow practised law with Allen & Overy, another international law firm, from November 1996 to January 2009, where he was a partner in its Hong Kong office for over 8 years. As a corporate lawyer in Hong Kong, Mr. Chow has advised on a broad range of corporate finance and mergers and acquisitions transactions, including in the context of the Stock Exchange and the Listing Rules. Prior to Mr. Chow's time in private practice, he was a senior manager in the Stock Exchange's Listing Division from May 1995 to October 1996 and also practised law with Canadian law firms in Hong Kong and Canada. Mr. Chow was a member of The Law Society of Hong Kong's Company Law Committee from August 2011 to October 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 graduated from Queen's University, Canada with a Bachelor of Commerce (Honours) Degree in May 1986 and obtained a Juris Doctor with Honour Standing from the University of Toronto, Canada in June 1989.



**Mr. Yee Kwan Quinn LAW, SBS, JP**, aged 67, was appointed as the Independent Non-executive Director, the Chairman of the Audit Committee and the 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 and has been a member of its Court of the Hong Kong University of Science and Technology since 4 October 2018. Mr. Law ceased to be the Deputy Chairman of Professional Conduct Committee of the Hong Kong Institute of Certified Public Accountants on 31 December 2018. From 1 August 2012 to 31 July 2018, Mr. Law was a council member cum Audit Committee Chairman at the Hong Kong University of Science and Technology. From 1 March 2008 to 28 February 2013, Mr. Law was the Deputy Chairman and the Managing Director of the Urban Renewal Authority, a statutory organisation in Hong Kong. Mr. Law is a Fellow of the Hong Kong Institute of Certified Public Accountants and is 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. CY CHAN**

Co-Owner and Chief Talent & Purpose Officer

**2. Andrew WONG**

Co-Owner and Chief Financial Officer and Company Secretary

**3. Elinor SHIU**

Co-Owner and Chief Executive Officer – Residential Solutions

**4. NiQ LAI**

Co-Owner and Group Chief Executive Officer

**5. Billy YEUNG**

Co-Owner and Chief Executive Officer – Enterprise Solutions & JOS Group



## Board of Directors and Senior Management

6. **Agnes TAN**  
Co-Owner and Chief Legal Officer
7. **William YEUNG**  
Co-Owner and Executive Vice-chairman
8. **Almira CHAN**  
Co-Owner and Chief Strategy Officer
9. **Danny LI**  
Co-Owner and Chief Technology Officer
10. **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 61, 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 54, the Chief Strategy Officer of the Group. Almira joined 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 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, acquisitions and divestitures. She also looks after all beyond-Hong Kong business covering mainland China, Singapore, Malaysia and Macau. Fully inspired, she sees this role as a new challenge. 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 Chartered Association of 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. Yue Kit Andrew WONG (also known as Andrew WONG)**, aged 41, the Chief Financial Officer of the Group and the Company Secretary of the Company. Andrew joined the Group in 2006. He holds a Bachelor's Degree in Accounting and Law from the University of Manchester, U.K. and an Executive Master of Business Administration Degree from the Chinese University of Hong Kong. He is also a member of the Hong Kong Institute of Certified Public Accountants.

With over 15 years of experience in auditing, financial management, corporate finance and investor engagement, Andrew has been one of the key members in transforming the Group through a number of major milestones such as its initial public offering, acquisitions of New World Telecom, WTT and JOS, and various financing projects. Outside of work, he is a tech savvy person who enjoys trying new and innovative gadgets and is a strong believer that technology can make our lives better. Andrew is a proud Co-Owner of the Company.



**Mr. Tak Wa William YEUNG (also known as Billy YEUNG)**, aged 54, the Chief Executive Officer – Enterprise Solutions & JOS Group of the Group. Billy joined the Group in 2013 and leads a team of sales professionals to service corporates of all sizes and carrier customers. In 1995, he pioneered the Netplus regional Internet backbone for telecommunication carriers in Asia Pacific. While at PCCW, he developed the Netvigator Internet service. In 2004, Billy branched out to spearhead Y5Zone in Hong Kong. In nine years, he steered the company to become one of the largest wholesale Wi-Fi suppliers in Hong Kong, which was acquired by HKBN Group Limited in January 2013.

Billy holds a Master of Business Administration Degree from the University of Birmingham, U.K. Billy's definition of the perfect relaxing day is one that includes a nice game of golf followed by a lovely wine dinner with family and friends. Billy is a proud Co-Owner of the Company.

**Mr. Chun Yu CHAN (also known as CY CHAN)**, aged 41, the Chief Talent and Purpose Officer of the Group. CY joined the Group in 2011 as a Learning and Development Manager and was steadily promoted to Chief Talent and Purpose Officer in January 2020. Overseeing the Group's Talent engagement and corporate social investment strategy, he leads an elite team of professionals to champion HKBN's Talent-first focus, define its purpose + profit leadership requirements, and drive HKBN forward via long-term succession-planning.

Under his management, CY has played a pivotal role in building a strong Co-Ownership and performance-based culture as well as garnering recognition of HKBN as one of the best companies to work for in Asia. Accruing a broad range of hands-on experiences, CY's holistic journey with HKBN features a variety of key roles in Talent Engagement, Sales, Talent and Organisation Development, as well as Corporate Social Investment. Prior to joining HKBN, he was a consultant and business development head for a human performance improvement multinational, covering China's southern region. CY has extensive experience as an HR practitioner and is also a leadership trainer across the consultancy, telecommunication and the manufacturing industries.

CY holds a Master of Strategic Human Resources Management degree from Hong Kong Baptist University, and a Master of Applied Psychology from City University of Hong Kong and is a graduate of the Stanford Executive Program from Stanford Graduate School of Business. CY loves sports and is an amateur cyclist who enjoys to ride and experience different countries. CY is a Proud Co-Owner of the Company.

**Mr. Yau Chung LI (also known as Danny LI)**, aged 50, the Chief Technology Officer of the Group. Danny joined the Group in 2017 and was appointed as Chief Technology Officer in 2020. With over 25 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 the Company.

## Board of Directors and Senior Management

**Ms. Yung Yin SHIU (also known as Elinor SHIU)**, aged 49, 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 with over 5,900 Talents 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 of 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 drives her to surmount any peak. Elinor is a proud Co-Owner of the Company.

**Mr. Teow Boon TAN (also known as Sam TAN)**, aged 55, 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 the Company.

## 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. At HKBN, we consider profit to be a subset of PURPOSE and we run HKBN for PURPOSE.

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.

## Reporting Boundaries

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”) set out in Appendix 27 of the Listing Rules and the ESG Guide’s “comply or explain” provisions. Unless specifically stated otherwise, the scope of ESG reporting herein covers all aspects of HKBN Group operations in Hong Kong and Guangzhou. Although we also have operations in Shenzhen and Shanghai, related ESG data are not included as both these offices comprise less than 30 Talents respectively and do not have a material impact on our Group-level performance. Due to integration with JOS, which began in December 2019, our ESG reporting for FY20 does not contain data relating to HKBN JOS\* operations. We expect to include HKBN JOS operations data for reporting in FY21.

## Our Material Approach

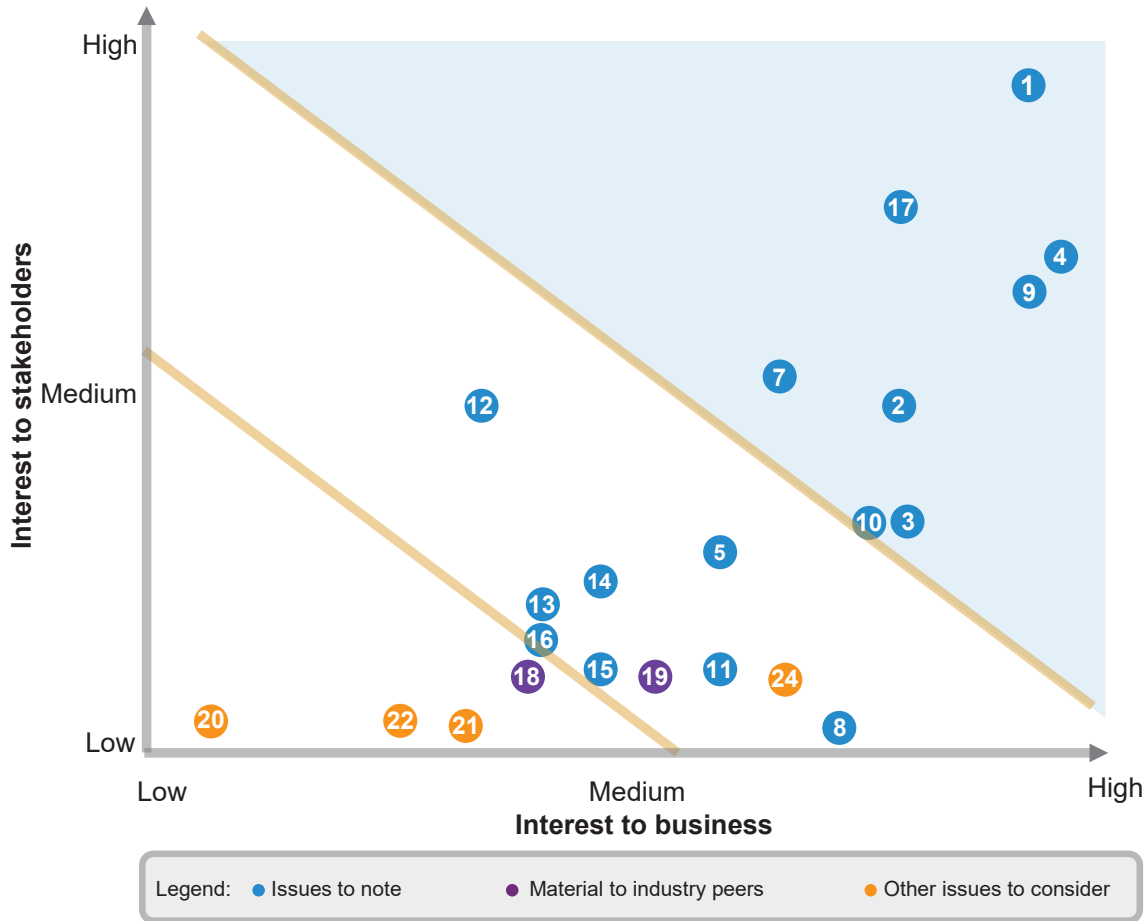
After merging with WTT in late FY19, we kick-started a new round of materiality assessments to guide us in formulating an up-to-date ESG strategy. In August 2019, we appointed an independent consultant to conduct a comprehensive materiality assessment to better align our sustainability priorities with our Core Purpose, “Make our Home a Better Place to Live”.

Leveraging materiality expertise from the internationally recognised consultancy, AccountAbility, our approach holistically considers sustainability topics covered in five segments to define which issues are relevant to us: (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.

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

### HKBN FY20 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
<ul style="list-style-type: none"> <li>1. Offer the best customer value in terms of service reliability, coverage and affordability</li> <li>2. Offer high value customer service and ensure customer satisfaction*</li> <li>3. Safeguard customer data privacy at all times</li> <li>4. Promote innovation, and embed innovation in our services</li> <li>7. Enable LIFE-work priority</li> <li>9. Champion Co-Ownership</li> <li>10. Promote Talent development</li> <li>17. Efficient business and cultural integration with newly acquired and merged companies*</li> </ul>	<ul style="list-style-type: none"> <li>5. Fair and transparent sales and marketing approach</li> <li>8. Beyond compliance with the basic requirement of the law*</li> <li>11. Enable Talent feedback and ensure transparency*</li> <li>12. Effective communication with partners and ensure transparency on selection mechanism</li> <li>13. Technology for Good</li> <li>14. Encourage Talent volunteering</li> <li>15. Carbon emissions reduction via energy conservation</li> <li>16. Waste minimisation of general and e-waste</li> <li>19. Anti-corruption policies and preventive measures</li> <li>24. Fairly rewarded remuneration</li> </ul>	<ul style="list-style-type: none"> <li>18. Waste Minimisation (for products)</li> <li>20. Cybersecurity solutions</li> <li>21. Supplier sustainability</li> <li>22. Responsible network management – Investment in infrastructure</li> </ul>

Note: Material issues with an asterisk (\*) are new issues identified this year and did not form the list of key priorities in 2018 HKBN Annual Report.



## 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

## Our ESG Governance Structure

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

The Board has delegated CY Chan, our Chief Talent and Purpose Officer to lead and drive the Group's ESG development. The Chief Talent and Purpose Officer, 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.

To: All Fellow HKBNers  
From: Management Committee  
Date: 14 May 2020

### **RE: We're taking Core Purpose into real business**

For most businesses, success is essentially defined through profits. At HKBN, we pursue **Purposeful Profit**. This powerful and unique HKBN DNA means achieving our CO3+ AFF target through "Making our Home a Better Place to Live". **It is not only about winning more businesses, but also "Better Risk Management + Continuous Enhancement" throughout the whole HKBN business cycle** related to Customers, Talents, Suppliers, Business Partners, Community and the Environment.

Just like how we will not break the law or do unethical things to achieve AFF, ESG should also be of prime consideration in how shape HKBN to be a company that we are truly proud of, beyond financial profits. There are times when we will be called upon to make difficult discussions, which is when our core purpose and our leadership attributes needs to kick-in.

#### **Better Risk Management**

If we over stress on our CO3+ AFF target and encourage Talents to take entrepreneurial risk through skin-in-the game, we may run the risk of underinvesting effort in non-AFF generating areas. To ensure business continuity and full concentration on business development, we should make effort to systematically and comprehensively review our core business activities before issues pop up, like our customer data breach in 2018.

#### **Continuous Enhancement**

Being a purposeful HKBNer, we need to think for the best interest of our stakeholders and continuously enhancing our work. Taking "Customers" as an example, apart from offering norm-breaking pricing, have we put enough efforts to listen to our customers voices and proactively review on our existing strategic approach to upgrade our customer experience journey?

These will not create direct AFF impact but imagine - if all HKBN stakeholders are happy with what we are doing, without a doubt profits will follow. In other words, investing in non-AFF areas would pave the path to hit our CO3+ AFF target.

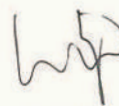
To achieve this, we **need every Talents and leaders to PROACTIVELY review on how your functional area is contributing to our core purpose of "Make our Home a Better Place to Live"**. Ask yourself a question: What have you been doing and most importantly, what will you do next to bring long term benefits and advancement for our Customers, Talents, Suppliers, Business Partners, Community and the Environment?

We are fully committed to delivering Purposeful Profit and expecting your support to this!

Management Committee:



Agnes Tan



Almira Chan



Andrew Wong



Billy Yeung



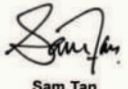
CY Chan



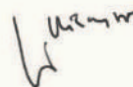
Elinor Shiu



NIQ Lai



Sam Tan



William Yeung

To better communicate our leadership's commitment to our ESG development, our Management Committee (MC) issued a MC Memo "We're taking Core Purpose into real business" to all Talents this year, to encourage Talents to pursue Purposeful Profit through "Better Risk Management" and "Continuous Enhancement" across the entire HKBN business operation cycle.



1. At the execution level, representatives from different business units drive and coordinate actions, as well as review progress made towards our ESG commitments.
2. Led by the Chief Talent and Purpose Officer, a member of our MC, the ESG Taskforce consists of representatives from the Corporate Social Investment, Internal Audit & Risk, Talent Excellence, and Corporate Communications departments, and 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.
3. Our 10-member MC, 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.
4. The Board of Directors oversees and is accountable for HKBN's ESG strategy, development and performance.

### ESG Alignment for Talents

Throughout FY20, we introduced a series of alignment initiatives and workshops to help Talents across different functional levels, from our MC members to team leaders and those on the front lines, better understand how to embed ESG priorities into their business strategy and operational processes.

### Embedding ESG into Leadership Attributes

To deepen our commitment as a purpose-driven Group, we have made ESG-related concepts framed around "Purposeful Leadership", one of the core competencies expected from our leaders. Over the course of each fiscal year, these factors are also evaluated as part of our management-level Talents' annual performance review.



△ This year, we invited an independent consultant to conduct a strategic workshop for our MC and leadership team. This exercise helped debrief our leaders on HKBN's key stakeholders' views and expectations concerning ESG performance based on our materiality assessment results, as well as provide an update on the latest statutory requirements from the Stock Exchange and an overview on industry best practices. This workshop provided a solid foundation for our leadership team to formulate a more refined ESG strategy, based on the latest stakeholder and industry insights.

## Our Strategy



Another workshop was delivered by the independent consultant to our various executive team heads. The aim was to enhance their understanding about our latest set of materiality issues, learn more effective ways to set ESG goals and benchmarking against industry peers and leaders worldwide, as means to drive improvement of HKBN's performance.



We designed the "HKBN CORE 5" as adorable cartoons to better educate Talents about our different ESG stakeholder groups: Customers, Talents, Suppliers, Community and the Environment. All throughout the year, these endearing characters will remind our Talents that by delivering better results for stakeholders, they too can fulfill our purpose.

## Awards & Recognitions

Award and Certifications	Presented by
Constituent Member of Hang Seng Corporate Sustainability Benchmark Index	Hang Seng Indexes Company Limited
Hong Kong Sustainability Award 2018/19	Hong Kong Management Association
Special Recognition for Outstanding Sustainability Initiative: Social Dimension	Hong Kong Management Association



Hang Seng Corporate Sustainability Index Series Member 2019-2020



**Table 1: Financial highlights**

	For the year ended		Change YoY
	31 August 2020	31 August 2019	
<b>Key financials (\$'000)</b>			
Revenue	<b>9,452,957</b>	5,107,637	+85%
- Enterprise Solutions	<b>4,708,063</b>	2,324,329	>100%
- Enterprise Solutions related product	<b>1,806,409</b>	-	n/a
- Residential Solutions	<b>2,447,072</b>	2,472,707	-1%
- Other product	<b>491,413</b>	310,601	+58%
Profit for the year	<b>96,611</b>	214,527	-55%
Adjusted Net Profit <sup>1,2</sup>	<b>600,190</b>	538,175	+12%
EBITDA <sup>1,3</sup>	<b>2,505,443</b>	1,709,348	+47%
Service EBITDA <sup>1,3</sup>	<b>2,191,763</b>	1,687,529	+30%
Service EBITDA margin <sup>1,4</sup>	<b>30.6%</b>	35.2%	-4.6pp
Adjusted Free Cash Flow <sup>1,5</sup>	<b>1,114,144</b>	750,170	+49%
Reconciliation of Adjusted Net Profit <sup>1,2</sup>			
<b>Profit for the year</b>	<b>96,611</b>	214,527	-55%
Amortisation of intangible assets	<b>609,895</b>	283,776	>100%
Deferred tax arising from amortisation of intangible assets	<b>(98,017)</b>	(45,599)	>100%
Loss on extinguishment of senior notes	<b>43,595</b>	-	n/a
Deferred tax recognised on unused tax losses	<b>(80,304)</b>	-	n/a
Loss on derecognition of contingent consideration	<b>14,624</b>	-	n/a
Impairment loss on investment properties	<b>7,217</b>	-	n/a
Transaction costs in connection with business combination	<b>6,569</b>	75,608	-91%
Transaction costs in connection with proposed business combination	-	9,863	-100%
<b>Adjusted Net Profit</b>	<b>600,190</b>	538,175	+12%



## Key Financial and Operational Summary

	For the year ended		Change YoY
	31 August 2020	31 August 2019	
Reconciliation of EBITDA & Adjusted Free Cash Flow <sup>1,3,5</sup>			
<b>Profit for the year</b>	<b>96,611</b>	214,527	-55%
Finance costs	<b>526,961</b>	259,271	>100%
Interest income	<b>(3,287)</b>	(4,083)	-19%
Income tax (credit)/charge	<b>(4,509)</b>	94,835	>100%
Depreciation	<b>974,267</b>	534,758	+82%
Amortisation of intangible assets	<b>609,895</b>	283,776	>100%
Amortisation of customer acquisition and retention costs	<b>291,719</b>	240,793	+21%
Impairment loss on investment properties	<b>7,217</b>	-	n/a
Transaction costs in connection with business combination	<b>6,569</b>	75,608	-91%
Transaction costs in connection with proposed business combination	-	9,863	-100%
<b>EBITDA</b>	<b>2,505,443</b>	1,709,348	+47%
Capital expenditure	<b>(540,565)</b>	(413,860)	+31%
Net interest paid	<b>(429,651)</b>	(276,802)	+55%
Other non-cash items	<b>9,337</b>	3,525	>100%
Income tax paid	<b>(161,758)</b>	(117,396)	+38%
Customer acquisition and retention costs	<b>(288,838)</b>	(231,901)	+25%
Premium paid on senior notes redemption	<b>(31,457)</b>	-	n/a
Lease payments in relation to right-of-use assets	<b>(239,554)</b>	-	n/a
Changes in working capital	<b>291,187</b>	77,256	>100%
<b>Adjusted Free Cash Flow</b>	<b>1,114,144</b>	750,170	+49%

*Notes:* The Group had changed its accounting policies with effect from 1 September 2019 as a result of adopting HKFRS 16, *Leases* ("HKFRS 16"). Under HKFRS 16, the Group recognised right-of-use assets and lease liabilities arising from certain lease commitments. Details on the financial impact and accounting policy changes can be referred to note 1(c) on pages 136 to 141. The adoption of HKFRS 16 had no impact on adjusted free cash flow.

**Table 2: Operational highlights**

	For the year ended		Change YoY
	31 August 2020	31 August 2019	
<b>Enterprise business</b>			
Commercial building coverage	<b>7,374</b>	7,224	+2%
Subscriptions ('000)			
- Broadband	<b>117</b>	116	+1%
- Voice	<b>443</b>	454	-2%
Market share <sup>6</sup>			
- Broadband	<b>36.8%</b>	37.8%	-1.0pp
- Voice	<b>25.3%</b>	25.3%	+0pp
Enterprise customers ('000)	<b>105</b>	103	+2%
Broadband churn rate <sup>9</sup>	<b>1.4%</b>	1.3%	+0.1pp
Enterprise ARPU <sup>10</sup>	<b>\$2,948</b>	\$1,742	+69%
<b>Residential business</b>			
Fixed telecommunications network services business			
Residential homes passed ('000)	<b>2,415</b>	2,360	+2%
Subscriptions ('000)			
- Broadband	<b>886</b>	878	+1%
- Voice	<b>498</b>	500	-0%
Market share <sup>6</sup>			
- Broadband	<b>35.2%</b>	35.8%	-0.6pp
- Voice	<b>22.4%</b>	22.0%	+0.4pp
Broadband churn rate <sup>7</sup>	<b>0.9%</b>	0.9%	-0pp
Residential ARPU (Without TTT) <sup>8</sup>	<b>\$190</b>	\$185	+3%
Residential ARPU (With TTT) <sup>8</sup>	<b>\$187</b>	\$185	+1%
Mobile business			
Mobile subscriptions ('000)	<b>275</b>	277	-1%
Mobile ARPU <sup>11</sup>	<b>\$110</b>	\$127	-13%
Residential customers ('000)	<b>1,019</b>	1,019	-0%
<b>Total full-time permanent Talents</b>	<b>5,929</b>	4,131	+44%

# Key Financial and Operational Summary

## 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 transaction costs in connection with business combination, loss of extinguishment of senior notes, loss on derecognition of contingent consideration, impairment loss on investment properties and deferred tax recognised on unused tax losses.
- (3) EBITDA means profit for the period plus finance costs, income tax charge, depreciation, amortisation of intangible assets (net of direct cost incurred in corresponding period), amortisation of customer acquisition and retention costs, impairment loss on investment properties, transaction costs in connection with business combination, and less interest income and income tax credit. 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, amounts due to 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, change in fair value of contingent consideration, Co-Ownership Plan II related non-cash items and loss on derecognition of contingent consideration.
- (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 June 2020 market data.
- (7) Calculated by dividing the sum of the monthly broadband churn rate for each month of the given financial period by the number of months in the financial 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 campaign namely ToughTimesTogether, in which the Group offered one-month service fee waiver to its customers for the purpose of relieving the household financial burden caused by COVID-19.
- (9) Calculated by dividing the sum of the monthly broadband churn rate for each month of the given financial period by the number of months in the 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 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. Enterprise ARPU calculation for the year ended 31 August 2020 includes the relevant revenue and average number of enterprise customers of WTT, HKBN JOS and HKBN for the year ended 31 August 2020. As such, the enterprise ARPU may be different if full year information of HKBN JOS was used. For information, the Enterprise ARPU for the Group for the month August 2020 was \$3,116.
- (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.

# WTT represents HKBN Enterprise Solutions Development Ltd and its subsidiaries.

## Business Review

Under the challenge of COVID-19, the Group still managed to deliver a solid set of operational and financial results for the year ended 31 August 2020. During the year, the Group completed the JOS Acquisition and has further bolstered our offerings and capabilities in the enterprise space as the largest alternative telecom carrier with integrated telecom and technology solutions capabilities in Hong Kong. Residential business continued to thrive as we relentlessly delivered customer-focused, integrated and high value-for-money services to our customers, which rewarded the Group with higher ARPU and stable monthly churn rate in return. Taking into consideration eight and a half months results of HKBN JOS and the full year results of original HKBN Group and WTT, the Group revenue, EBITDA, and Adjusted Free Cash Flow ("AFF") increased year-on-year by 85%, 47% and 49% to \$9,453 million, \$2,505 million and \$1,114 million respectively.

- Enterprise Solutions revenue increased by 103% year-on-year to \$4,708 million after consolidating the full year operating results of WTT and eight and a half months of operating results of HKBN JOS in the current year. In spite of the gloomy economic outlook brought about by COVID-19, our business showed resilience in this difficult time as indicated by the stable customer churn. Total number of enterprise customers increased to 105,000 and our enterprise ARPU improved from \$1,742 to \$2,948. WTT and HKBN JOS integrations have been completed successfully. Both the sales team and back-end support functions have been streamlined to effectively execute the 1-HKBN strategy and to realise cost synergies.

Enterprise Solutions related product revenue increased to \$1,806 million, mainly contributed by eight and a half months of operating results of HKBN JOS in the current year.

WTT Merger\* and JOS Acquisition increased both our capabilities and offerings in the enterprise segment, which have enabled us to provide integrated telecom and technology solutions at competitive value to a much larger customer base. Throughout both integrations, our senior management has relentlessly engaged key customers and vendors to understand their needs

and challenges. We see many more growth opportunities as we further streamline our combined operations and fully exploit the upsell potential through integration.

- Residential Solutions revenue dropped by 1% year-on-year to \$2,447 million, mainly due to the one-month service fee waiver we granted to customers during the year for the purpose of relieving the household financial burdens caused by COVID-19. Putting aside the impact of the service fee waiver, revenue slightly increased by 0.4% year-on-year to \$2,483 million as a result of the successful execution of our quad-play strategy, which increased ARPU while achieving subscription growth, partly offset by the drop in mobile services revenue. The impact of COVID-19 to the residential business is mainly operational, whereby offline promotional activities were at times limited and new installations needed rescheduling due to social distancing. However, the flip side of this change in behavior has helped in some areas, such as better customer retention and the improved traffic on our digital platforms.

Our customer base has shown good receptiveness to our quad-play offerings whereby our triple/quad-play upsell has reached 50% of our total broadband customers as at 31 August 2020. Excluding the one-month service fee waiver, historical full base residential ARPU has increased by 3% year-on-year, from \$185/month to \$190/month, while our monthly churn rate remained low. Our market share by broadband subscriptions remained stable at 35% as at 30 June 2020 (based on the latest available OFCA statistics).

The Group also sought to enhance our customers' experiences by investing in our digital platforms, which will facilitate us to serve our one million billing relationships more efficiently. As always, the Group will continue to extend our integrated multi-play price strategy to deliver unprecedented household savings and service convenience to disrupt the legacy broadband, fixed-voice, content and mobile standalone segments.

\* WTT Merger refers to 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.

## Management Discussion and Analysis

- Other product revenue increased by 58% to \$491 million, mainly represented by the sales of smartphone products that complement our mobile business.

Network costs and costs of sales increased by 169% year-on-year to \$4,926 million mainly due to enlarged business scale after the integration with WTT and HKBN JOS, and organic business growth during the year. Cost of inventories increased by 587% to \$1,983 million mainly due to the contribution by HKBN JOS.

Other operating expenses increased by 44% year-on-year from \$2,735 million to \$3,933 million mainly due to (i) the increase of Talent costs by \$375 million caused by the increase of headcount number by 1,798 Talents after WTT Merger and JOS Acquisition in 2019; (ii) increase in depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of customer acquisition and retention costs and amortisation of intangible assets by \$201 million, \$187 million, \$51 million and \$325 million, respectively, which mainly attributed to the full year contributions of WTT and eight and a half months contributions of HKBN JOS; (iii) increase in advertising and marketing expenses by \$24 million due to the contributions from WTT and HKBN JOS; and (iv) increase in other expenses contributed by the enlarged business scales. We have applied for various employment relief subsidies offered by governments in the regions we operate in and have substantially passed through these subsidies to all our eligible Talents during the year.

Finance cost increased by 103% year-on-year from \$259 million to \$527 million mainly caused by the increase of interest on senior notes by \$153 million due to the full year consolidation with WTT, one-off loss on extinguishment of senior notes of \$44 million arose from the partial redemption of the senior notes and increase of interest and finance charges on bank loans of \$61 million due to the increase in borrowing rate during the year.

Income tax changed from tax charge of \$95 million to tax credit of \$5 million which is due to the recognition of deferred tax assets arising from the unused tax loss of Group subsidiary.

As the result of the aforementioned factors, profit attributable to equity shareholders decreased by 55% to \$97 million.

Adjusted Net Profit, excluding the impact of amortisation of intangible assets (net of deferred tax credit), and non-recurring items, increased by 12% year-on-year to \$600 million. This was mainly contributed by the combined operating performance of the enlarged Group.

Reported EBITDA increased by 47% year-on-year from \$1,709 million to \$2,505 million, mainly contributed by the reducing operating lease expense after the adoption of HKFRS 16 and consolidating the operating results of WTT and HKBN JOS during the year.

Services EBITDA, which is excluding the gross profits on Enterprise Solutions related products and other products, increased by 30% year-on-year from \$1,688 million to \$2,192 million, mainly due to the full year contributions from WTT and HKBN JOS. Services EBITDA margin decreased by 4.6 percentage points from 35.2% to 30.6%, mainly caused by the consolidation of eight and a half months of operating results of HKBN JOS, which had much lower margins.

AFF rose by 49% year-on-year to \$1,114 million mainly due to the consolidation of full year results of WTT and eight and a half months results of HKBN JOS. The Group also benefited from cash inflow through better working capital management.

### Outlook

The WTT Merger and JOS Acquisition have greatly enhanced the combined Group's capabilities, in terms of extended customer reach, wider service offerings and enhanced market competition in the enterprise space. HKBN had proven success in integrating five add-on acquisitions since management buyout in 2012. As both businesses are highly complementary, we are confident that the combined organisation shall deliver both operational and financial synergies to shareholders.

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 by collaborating with new partnerships through our well established digital platforms. We shall 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. We had invited eligible WTT and HKBN JOS Talents to the Co-Ownership scheme, which was well received. As of 31 August 2020, the take-up rate of Co-Ownership by eligible Talents for managers and above was 75% and 47% overall;
- Maximise the operational and financial synergies benefits from the enlarged Group, and fully utilise the network capacity and back-end support function of WTT and HKBN JOS in transforming the Group to a truly integrated telecom and technology solutions powerhouse. With successful WTT integration, we target to achieve over \$300 million synergy by the year ending 31 August 2021;
- 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 market, in turn, sharing a larger wallet of spending;
- 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; and
- Further lower finance costs by refinancing relatively expensive senior notes and deleverage to below 4x net debt to EBITDA ratio to enjoy a better interest rate grid of existing bank facilities.

Undoubtedly, COVID-19 shall continue to affect our daily lives and the business environments of Hong Kong and other territories in the coming year. Our business has shown resilience in the past year but we expect challenges such as delays in customer projects, prolonged collection and payments shall pose certain risks to our business. The fact that we are a much larger company with diversified business, vast customer reach and a Co-Ownership culture shall help us navigate these challenges ahead.

## LIQUIDITY AND CAPITAL RESOURCES

As at 31 August 2020, the Group had total cash and cash equivalents of \$676 million (31 August 2019: \$663 million) and gross debt (principal amount of outstanding borrowing) of \$10,487 million (31 August 2019: \$9,712 million), which led to a net debt position of \$9,811 million (31 August 2019: \$9,049 million). The significant increase in gross debt is mainly due to the financing for the JOS Acquisition during the year.

- The Group's gearing ratio, which was expressed as a ratio of the gross debt over total equity, was 1.6x as at 31 August 2020 (31 August 2019: 1.3x).
- The Group's net debt to EBITDA ratio as computed in accordance with the term of the Group's various loan facilities is approximately 4.4x (31 August 2019: 4.2x). The significant increase in net debt to EBITDA ratio is mainly due to the financing for the acquisition of HKBN JOS, and the consolidation of the existing banking facilities of HKBN JOS for working capital purpose.

Cash and cash equivalents consisted of cash at bank and in hand. There was no pledged bank deposit as at 31 August 2020 and 31 August 2019. As at 31 August 2020, the Group had an undrawn revolving credit facility of \$1,840 million (31 August 2019: \$200 million).

Under the liquidity and capital resources condition as at 31 August 2020, the Group can fund its capital expenditures and working capital requirements for the period with internal resources and the available banking facilities.

## Hedging

The Group's policy is to partially hedge the currency and interest rate risk arising from non-Hong Kong dollar denominated assets/liabilities and the variable interest rates of the debt instruments and facilities by entering into currency forward and interest-rate swaps, respectively. The Group Chief Executive Officer and Chief 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 entered into an interest-rate swap arrangement in the principal amount of \$2,635 million with an international financial institution for a term of 1.8 years from 31 August 2018 to 29 May 2020. After the lapse of the aforementioned swap, the Group's borrowings were still substantially based on fixed rate, mainly due to the senior notes inherited from the WTT Merger. Management shall continue to evaluate the need for hedging interest rate in the context of the market condition and financing activities.

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 2020, the Group pledged assets to secured the other borrowings of \$20 million (31 August 2019: Nil).

## Contingent Liabilities

As at 31 August 2020, the Group had total contingent liabilities of \$140 million (31 August 2019: \$8 million) in respect of bank guarantees provided to suppliers and customers and utility vendors in lieu of payment of utility deposits. The increase of \$132 million was mainly contributed by HKBN JOS as a guarantee for the obligations with their suppliers and customers.

## Exchange Rates

All the Group's monetary assets and liabilities are primarily denominated in either Hong Kong dollars ("HKD") or United States dollars ("USD"). Given the exchange rate of HKD to the USD has remained close to the current pegged rate of HKD7.80 = USD1.00 since 1983, management does not expect significant foreign exchange gains or losses between the two currencies.

The Group is also exposed to a certain amount of foreign exchange risk based on fluctuations between HKD and Renminbi arising from its operations. In order to limit this foreign currency risk exposure, the Group ensures that the net exposure is kept to an acceptable level of buying or selling foreign currencies at spot rates where necessary.

## Significant Investments, Acquisitions and Disposals

On 23 August 2019, HKBNGL, an indirect wholly-owned subsidiary of the Company, (as purchaser) and JTH (BVI) Limited ("JTH") (as seller), amongst others, entered into the share purchase agreement (the "Share Purchase Agreement"), pursuant to which, among other things, HKBNGL conditionally agreed to purchase, and JTH conditionally agreed to sell, the entire issued share capital of HKBN JOS Holdings (C.I.) Limited (formerly known as Jardine OneSolution Holdings (C.I.) Limited), Adura Hong Kong Limited and ADURA CYBER SECURITY SERVICES PTE. LTD. (collectively, the "Target Companies") for a consideration of US\$50 million (representing approximately \$392 million) in cash ("JOS Acquisition"). The condition precedent as set out in the Share Purchase Agreement was satisfied and the completion of JOS Acquisition took place on 13 December 2019. The Target Companies have become direct wholly-owned subsidiaries of HKBNGL and indirect wholly-owned subsidiaries of the Company. Please refer to the announcements of the Company dated 23 August 2019 and 13 December 2019, and the circular of the Company dated 21 November 2019 for further details.

Save as disclosed, the Group did not make any significant investments, acquisitions or disposals in relation to its subsidiaries and associated companies during the year ended 31 August 2020.

## Talent Remuneration

As at 31 August 2020, the Group had 5,929 permanent full-time Talents (31 August 2019: 4,131 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 Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 August 2020.

## 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, Singapore, Malaysia, mainland China and Macau, 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 on pages 6 to 7 and pages 27 to 30 in the "Shareholder Letter" and "Management Discussion and Analysis" sections of this 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 report respectively.

## Principal Risks and Uncertainties

The Directors are 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 Directors 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 103 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".

With the implementation of our Environmental Policy since 2017, we have adopted various initiatives to continually improve our energy efficiency and minimise our generation of waste. Aiming to facilitate a greener and more sustainable future, we have been working on several energy reduction initiatives via collaboration and innovation. In addition, we have collaborated with our vendors, partners and communities to "reduce-at-source", minimising waste by reducing consumption and encouraging reuse and recycling.

More information about the Group's environmental performance is set out on pages 94 to 102 in the "Environment" section of this 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 comes before work, and 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 as an integrated HKBN company. We have walked through a cultural integration journey to allow ex-JOS Talents to understand more about HKBN and embrace our unique culture. During the year, we also opened invitation to supervisory or above-level of HKBN JOS HK Talents to join our Co-Ownership Plan III Plus and Beyond-HK Talents to join 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 in rewarding Talents.

As a Talent-obsessed company, we need a powerful HR system that engages our over 5,900 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.

Always putting Talents first, we have also passed through to all eligible Talents wage subsidies received under the first tranche of the Hong Kong SAR Government's Employment Support Scheme to about 3,500 Talents in Hong Kong. Meanwhile, HKBN has also given the business subsidies received from Singapore, Malaysia, mainland China and Macau governments as a one-time financial subsidy to over 2,500 Talents there.

In line with our core purpose to "Make Our Home a Better Place to Live", we launched "#ToughTimesTogether – Career Kickstarter for Graduates". This programme offered 100 university graduates a three-month learning and career opportunity, aiming to give them inspiring work experiences and prepare them for their future career aspirations amid the tough times of the COVID-19 pandemic.

### Customers

#### Customer Service

For residential market, HKBN values our relationship with customers, not just the money they spend at our business. That is why we consistently engage with customers by offering them something of value beyond our products and services. With My HKBN App, there have been over 30 freebies or discount offers provided by our business partners throughout the year for our customers to redeem. Our new "myHKBNmall" section creates a convenient shopping experience for our in-base customers, who can enjoy the best offer from a selection of around 700 items. They can also check mobile data usage, upgrade or renew services, refer a friend or pay their monthly bills by using My HKBN App anytime, anywhere.

Other than offering unprecedented value across broadband, telephone, OTT and mobile service, our new HKBN Home smart solution enables setup and self-management of different brands of IoT smart devices via a single mobile app and connect with on-site installation and a 7x24 technical hotline support. It transforms customers' living environment for convenience, comfort and security.

To demonstrate our dedication to customers' needs during COVID-19, we offered a one-month service fee waiver for all our residential fixed services and enterprise customers. We also supplied two years of free residential broadband services to 10,000 disadvantaged individuals and families.

As we always encourage more positive interactions with our customers, we have over one hundred Facebook feeds providing various updates about "freebies and discounts", "new products information", "new offers", "games", etc. Other communication channels – live chat, hotline, retails, email or correspondence are also in place for customers to share their feedback with us.

Our Residential Service Hotline and Live Chat Services have been awarded Service Quality Management Certificate from the Hong Kong Quality Assurance Agency (“HKQAA”). Additionally, we won 4 Gold and 3 Silver awards from the Hong Kong Call Centre Association (“HKCCA”) for 2019:

Mystery Caller Assessment Award – Residential Service Hotline (7 consecutive years)	Gold
Mystery Caller Assessment Award – Residential VIP Hotline (5 consecutive years)	Gold
Mystery Caller Assessment Award – Residential Online Customer Service (2 consecutive years)	Gold
Mystery Caller Assessment Award – Number Porting Hotline (2 consecutive years)	Gold
Inbound Contact Centre of the Year (Over 100 seats)	Silver
Off shore Contact Centre of the Year	Silver
Outbound Contract Centre of the Year (20–50 seats)	Silver

Besides, we received around 4,300 compliments, from letters, e-survey feedback to emails, praising the outstanding work of our customer service agents and service technicians. All these are the true recognition of our professional services and commitment to customers.

In 2020, additional complexity and challenges were introduced into the enterprise market contributed by COVID-19 pandemic, and other incidents in Hong Kong and around the world. These are also changing the way we do business, with “new-normal” practices and more customer-centric processes emerging to address our customers’ needs, and help them to meet upcoming changes and offer more solutions to improve the customer experience.

With our successful integration with 2 companies completed in the last year (ex-WTT & ex-JOS), our ICT portfolio has further strengthened, so that we can deliver different level of products and services efficiently in very affordable offerings, helping our customers maintain their business momentum despite the economic difficulties.

For example, during the initial outbreak of COVID-19, in consideration of our business clients’ difficulty to run their daily operations and meet their customers in person, we introduced various ICT solutions and extended our partners’ products to business customers in very flexible ways to resolve their problems. These include:

- All-in-one remote office solution services, that enabled customers to work from home easily without extra costs on IT investment and network set up to access their offices
- Expand the Global Conferencing platform capacity to serve more customers within a short period of time
- Business Continuity Services, with various back up office sites and co-working space solutions
- IoT solutions focused on health protection and promoting hygiene within client offices
- Free trial of FixIT service given to small size businesses to enjoy remote technical support

Leveraging our extensive telecom service experience and combined experience gained across ex-WTT and ex-JOS Talents, we have agile teams working around the clock to ensure timely delivery to meet customers needs. Every aspect of our after-services and support functions have been upgraded to provide full support to our customers from the enterprise market as well as NGOs.

As a reliable and recognised ICT business partner providing quality services, we plan to adopt ISO9001 certification across all of our core after sales operation teams by end of 2020. With continuous improvement of services and an upgraded ICT portfolio, we are ready to explore many more new opportunities and solutions to grow together with our customers, and achieve our goal to “Make our Home a Better Place to Live”.

Details of our customer-focused initiatives are set out in the “Customers” section on pages 44 to 61 of this report.



## Suppliers

HKBN is committed to conducting our supplier procurement activities with the highest standards of quality and integrity. Our Procurement Policy sets out a consistent approach with comprehensive guidelines which we require all Talents to comply with when undertaking any sourcing activities. Diversity of sourcing is essential to driving our vision in making our home a better place to live. Whenever possible, HKBN prefers any opportunity to diversify partnerships with a proclivity to choose social enterprise suppliers.

With the strong foundation set by our corporate core value, sustainable procurement plays an important role in our Corporate Social Investment strategy which is expounded in our Group's Procurement Policy. We expect our suppliers either to comply with our Supplier Code of Conduct or have their own business code of conduct that meets our requirements and a similar approach is expected for their suppliers and subcontractors.

The Group has introduced criticality assessment and added measurements and considerations on supplier sustainability concerning Environment, Labour, Health and Safety in our supplier selection processes. More information about our Group's Procurement Policy and approaches is set out on pages 80 to 83 in the "Suppliers" section of this report.

## 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), Competition Ordinance (Cap. 619), Employment Ordinance (Cap. 57) and 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 2020. During the year ended 31 August 2020, the Group has organised training session on "Data Protection in Direct Marketing Activities" for Talents from all departments. Likewise, trainings on "Overview on

Intellectual Property Law", "What You Need To Know About Competition Ordinance" and "The Essential Legal 101 for Sales and Marketing Professionals" were undertaken by different level Talents from all departments.

## 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. During the year, there were a series of 6 legal actions involving the Group relating to PDPO and the legal process was completed with a fine imposed on the Group. To prevent similar occurrences in the future, a training session on "Data Protection in Direct Marketing Activities" was provided to Talents from all departments in August 2020, and further trainings and meetings with relevant business units will be held, and procedures will be tailored, to ensure that business activities are 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"). To refresh and enhance the understanding of the Talents, the Group conducted a briefing on Overview of Fixed Telecommunications Regulatory Regime in August 2020.

## Trade Descriptions Ordinance ("TDO")

The CA has concurrent jurisdiction with the Customs and Excise Department in the enforcement of the 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")

The CA has concurrent jurisdiction with the Competition Commission ("CC") in the enforcement of the CO in relation to telecommunications and broadcasting licensees. 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. To ensure compliance with the CO, training sessions were conducted for all business units before the CO came into effect and a further update session was conducted after the CO came into effect for managerial and above level Talents. 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 2020 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 129 to 237 of this report.

## Recommended Dividend

The Directors recommended the payment of a final dividend of 38 cents per share for the year ended 31 August 2020 (31 August 2019: 36 cents per share) to the shareholders whose names appear on the register of members of the Company on Wednesday, 23 December 2020. Subject to the approval by the Shareholders at the 2020 Annual General Meeting, the proposed final dividend is expected to be paid in cash on or around Thursday, 7 January 2021.

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.

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 were entitled to receive a cash amount payable by the Company equal to \$63,582,441 based on the 38 cents final dividend per ordinary share declared by the Company for the year ended 31 August 2020, as if the holders of the Vendor Loan Notes were 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 Thursday, 7 January 2021, being the date on which the 2020 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 2020 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 238 to 240 of this 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 2020 are set out in note 20 to the "Notes to the Financial Statements".

## Donations

During the year ended 31 August 2020, the Group made charitable and other donations of approximately \$25,000 (2019: \$1,056,000).

## Distributable Reserves of the Company

As at 31 August 2020, the Company's reserves available for distribution to shareholders were \$5,205,772,000 (2019: \$5,334,175,000).

Under the Companies Law (2020 Revision) of the Cayman Islands and the articles of association of the Company (the "Articles"), no dividend shall be declared or payable except out of the profits and reserves of the Company lawfully available for distribution including share premium.

## Directors and Directors' Service Contracts

The directors of the Company (the "Director(s)") during the year ended 31 August 2020 and up to the date of this report are:

	Name of Directors
Chairman and Independent Non-executive Director	Mr. Bradley Jay HORWITZ <sup>2,4</sup>
Executive Directors	Mr. Chu Kwong YEUNG <sup>3,6</sup> Mr. Ni Quiaque LAI
Non-executive Directors	Ms. Deborah Keiko ORIDA <sup>4</sup> (resigned on 15 July 2020) Ms. Suyi KIM <sup>4</sup> (appointed on 15 July 2020) Mr. Zubin Jamshed IRANI <sup>2,6</sup> Mr. Teck Chien KONG <sup>4</sup>
Independent Non-executive Directors	Mr. Stanley CHOW <sup>2,4,5</sup> Mr. Yee Kwan Quinn LAW, SBS, JP <sup>1,4,6</sup>

### Notes:

1	Chairman of Audit Committee	2	Member of Audit Committee	3	Chairman of Nomination Committee
4	Member of Nomination Committee	5	Chairman of Remuneration Committee	6	Member of Remuneration Committee

A full list of names of the Directors of the Group's subsidiaries can be found on the Company's website at [www.hkbnltd.net](http://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. 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. Chu Kwong YEUNG, the Executive Director of the Company, Mr. Bradley Jay HORWITZ, the Chairman and Independent Non-executive Director of the Company and Mr. Stanley CHOW, 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.

Pursuant to article 16.2 of the Articles, any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. According to this provision, Ms. Suyi KIM, the Non-executive Director of the Company, shall retire from office at the forthcoming annual general meeting and shall be eligible for re-election.

The Company has received, from each of the Independent Non-executive Directors, a confirmation of his/her 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 2020.

## Directors' and Chief Executives' Interests in Securities

As at 31 August 2020, 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); or (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 \$0.0001 each in the Company

Name of Directors	Note	Number of shares held	Percentage of the issued share capital of the Company
Mr. Bradley Jay HORWITZ	(a)	600,000	0.05%
Mr. Chu Kwong YEUNG	(b)	25,934,429	1.98%
Mr. Ni Quiaque LAI	(c)	31,553,129	2.41%
Mr. Teck Chien KONG	(d)	228,627,451	17.43%
Mr. Stanley CHOW	(e)	110,000	0.01%

Notes:

- (a) Mr. Bradley Jay HORWITZ held 600,000 ordinary shares in the Company.
- (b) Mr. Chu Kwong YEUNG held 25,934,429 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 110,000 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 2020.

## Interests in Competing Business

During the year ended 31 August 2020, none of the Directors are 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 three Co-Ownership plans, namely Co-Ownership Plan II, Co-Ownership Plan III (was terminated and replaced by Co-Ownership III Plus)\* and Co-Ownership Plan III Plus on 21 February 2015, 27 December 2017 and 4 September 2019 respectively. Co-Ownership is a powerful expression of the commitment and belief our Talents have in the Group. Unlike the more traditional approach of giving stock options to a very limited group of senior executives, the Company's Co-Ownership is open to all supervisors and above level Talents (approximately 37% of the Group's total Talent base), spanning the Group's operations across Hong Kong and China.

\* By reasons of (i) the occurrence of 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 ("RSU") has been made under the plan since its adoption, on 21 June 2019, the Board resolved to terminate the Co-Ownership Plan III, and to adopt the Co-Ownership Plan III Plus as a replacement.

## Co-Ownership Plan II

Co-Ownership Plan II is a restricted share unit scheme adopted by the Company on 21 February 2015. The plan has a matching ratio of 7:3 (i.e. 3 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 between two and 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 2020 are as follows:

Participants	Date of grant	Number of RSUs						To be vested on		
		Granted	As at 1 September 2019	Granted during the year	Forfeited during the year	Vested during the year	As at 31 August 2020	30 January/26 February (As at 31 August 2020)	2021	2022
Other Participants	24 January 2017	400,472	148,839	-	2,476	146,363	-	-	-	-
Other Participants	20 July 2017	252,635	111,215	-	-	111,215	-	-	-	-
Other Participants	30 January 2019	329,330	292,092	-	19,080	72,634	200,378	-	66,772	133,606
Other Participants	26 February 2019	126,410	126,410	-	-	31,591	94,819	-	31,591	63,228
<b>Total</b>		<b>1,108,847</b>	<b>678,556</b>	<b>-</b>	<b>21,556</b>	<b>361,803</b>	<b>295,197</b>	<b>-</b>	<b>98,363</b>	<b>196,834</b>

### Co-Ownership Plan III Plus

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

Under the Co-Ownership Plan III Plus, the granting of the RSUs to the eligible participants depends on the level of the adjusted available cash per share for distribution achieved, on a cumulative basis, during the 2019, 2020 and 2021 financial years. The minimum level of the adjusted available cash per share for distribution required to be achieved by the Company before any RSU 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.

Additionally, Co-Ownership Plan III Plus also contains a Corporate Social Investment element whereby the HKBN Talent CSI Fund Limited (the "Charitable Fund") is included as a participant in the scheme. On 27 February 2020, the Executive Directors of the Company donated a total of 4,000,000 shares to the Charitable Fund. With their contributions to the Charitable Fund, the Co-Ownership Plan III Plus would reserve RSUs to be contributed to the Charitable Fund with respect to the 4,000,000 shares donated by the Executive Directors, and such RSUs will entitle the Charitable Fund to receive not more than 5,320,000 awarded shares under the terms of the scheme. Talents may also, at their own discretion, make contributions to the Charitable Fund by directing the plan trustee to transfer any part of their award shares receivable upon the vesting of the RSUs to the Charitable Fund. The Company considers that this charitable element of the scheme would support the Company's core purpose: "Make our Home a Better Place to Live".

## Report of the Directors

Details of the share purchase movements under the Co-Ownership Plan III Plus during the year ended 31 August 2020 are as follows:

Batch of purchase	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 2020	Approximate percentage of the issued share capital of the Company as at 31 August 2020	Approximate percentage of shares purchased under the Scheme Mandate Limit utilised as at 31 August 2020
<b>2020 1<sup>st</sup> Batch Purchase</b>					
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	18,210,868	500,039	17,710,829	1.350%	45.011%
<b>2020 2<sup>nd</sup> Batch Purchase</b>					
Other participants	554,377	-	554,377	0.042%	1.409%
<b>Total</b>	<b>21,397,230</b>	<b>500,039</b>	<b>20,897,191</b>	<b>1.593%</b>	<b>53.109%</b>

\* Please refer to the circular of the Company dated 29 July 2019 for the definition of Bad Leavers.

### 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 2020 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 2020, 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 \$0.0001 each in the Company

Name of shareholders	Note	Number of ordinary shares or underlying shares Long position (L) Short position (S) Lending pool (P)	Percentage of the issued voting shares of the Company
Canada Pension Plan Investment Board	(a)	182,405,000 (L)	13.91%
The Capital Group Companies, Inc.	(b)	131,810,843 (L)	10.04%
JPMorgan Chase & Co.	(c)	75,309,538 (L) 6,921,500 (S) 60,459,038 (P)	5.74% 0.52% 4.60%
Mr. David BONDERMAN	(d)	228,627,451 (L)	17.43%
Mr. James George COULTER	(e)	228,627,451 (L)	17.43%
Mr. Michael ByungJu KIM	(f)	228,627,451 (L)	17.43%
Mr. Teck Chien KONG	(g)	228,627,451 (L)	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 Limited, Capital International Sàrl, Capital International, Inc., and Capital Bank and Trust Company held 121,943,500 ordinary shares, 146,000 ordinary shares, 6,813,000 ordinary shares, 565,500 ordinary shares and 2,342,843 ordinary shares in the Company respectively, and was accordingly deemed to be interested in the respective shares held by the aforesaid companies.
- (c) 75,309,538 ordinary shares are in long position held by JPMorgan Chase & Co. as to (i) 7,049,000 ordinary shares in the capacity as interest of controlled corporation, (ii) 7,801,500 ordinary shares in the capacity as investment manager, and (iii) 60,459,038 ordinary shares in the capacity as approved lending agent.  
6,921,500 ordinary shares are in short position held by JPMorgan Chase & Co. in the capacity as interest of controlled corporation.
- (d) 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.
- (e) 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.
- (f) 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.
- (g) 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 2020.

### 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 2020 did not constitute connected transaction or continuing connected transaction as defined under Chapter 14A of the Listing Rules.

### Connected Transactions

On 20 February 2020, the plan trustee entered into a share purchase agreement with TPG Wireman and a share purchase agreement with Twin Holding, pursuant to which (i) TPG Wireman conditionally agreed to sell 8,000,000 ordinary shares to the plan trustee and the plan trustee agreed to purchase such shares on behalf of the Co-Ownership Plan III Plus; and (ii) Twin Holding conditionally agreed to sell 8,000,000 ordinary shares to the plan trustee, and the plan trustee agreed to purchase such shares on behalf of the Co-Ownership Plan III Plus (in aggregate, 16,000,000 ordinary shares, representing approximately 1.22% of the total issued share capital of the Company as at 20 February 2020) (together, the “Sale Shares”) (the “Share Purchases”).

On 27 February 2020, the plan trustee completed the purchases of 20,842,853 shares of the Company for and on behalf of the participants of the Co-Ownership Plan III Plus in the first invitation period in which 16,000,000 ordinary shares were from the Sale Shares.

Mr. Chu Kwong YEUNG, Mr. Ni Quiaque LAI, Mr. Tak Wa William YEUNG, Mr. Yue Kit Andrew WONG, Ms. Yan Fen LIU and Ms. Wing Sze CHAN are the connected participants in the Share Purchases, and TPG Wireman and Twin Holding are the substantial shareholders of the Company, and hence they are connected persons of the Company. Therefore, the Share Purchases would constitute connected transaction of the Company under Chapter 14A of the Listing Rules.

Please refer to the announcements of the Company dated 20 February 2020 and 27 February 2020 for details.

Other than the above, there were no connected transactions (defined under Chapter 14A of the Listing Rules) of the Company during the year under review.

### Major Customers and Suppliers

For the year ended 31 August 2020, the aggregate amount of revenue attributable to the Group’s five largest customers were approximately 8.2% of the Group’s total revenue and the revenue attributable to the Group’s largest customer were approximately 2.0% of the Group’s total revenue.

For the year ended 31 August 2020, the aggregate amount of purchases and costs incurred attributable to the Group’s five largest suppliers were approximately 26.6% of the Group’s total purchases and costs incurred, and purchases and costs incurred from the largest supplier accounted for approximately 9.7% 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 2020 interim report are set out below:

Ms. Deborah Keiko ORIDA resigned as the Non-executive Director of the Company with effect from 15 July 2020.

Ms. Suyi KIM has been appointed as the Non-executive Director of the Company with effect from 15 July 2020.

Mr. Yee Kwan Quinn LAW, the Independent Non-executive Director of the Company, obtained an award of Honorary Fellow of Hong Kong University of Science and Technology in July 2020.

## 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 during the year ended 31 August 2020.

## Directors' Emoluments and Five Highest Paid Individuals

The emoluments of the Directors of the Company are recommended by the Remuneration Committee 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 2020 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 Company's Articles, or the laws of 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 103 to 118 of this 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 2020 and up to the date of this 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 is currently in force and was in force throughout this year.

## 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.

## Auditor

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

On behalf of the Board

**Mr. Chu Kwong YEUNG**

Executive Director

Hong Kong, 29 October 2020



# Leading Change for Customers

At HKBN, we are transforming our enterprise customers to our business partners, from making money from them to making money with them.



Expand  
Customer  
Base



Retail



Banking



unities





-Win-Win-



Hotel



CSI  
Community  
Chest



Food & Beverage

Opport



## Leading Change for Customers

**The pace of change for telecom and tech is now faster than ever. To stay ahead, we're leveraging our expertise with game-changing ideas that can improve lives and experiences, as well as redefine how our enterprise customers grow and move forward into the future. HKBN is a very substantial business with about \$10 billion annualised revenue and over 5,900 Talents across regions. What really differentiates our approach to serving customers is that we first "eat what we cook", i.e. we must first transform ourselves before we earn the right to help our customers transform, and this is exactly what we are doing.**

From remote work access, managed security and IT services to collaboration tools and, of course, the digital transformation journey, our one-stop telecom and technology capabilities – now comprehensively complete with the integration of HKBN JOS – put us in the best position to help business customers evolve and become operationally resilient. In short, we are not here to merely sell services to our customers, rather we are here to help them run their business better.

Going one step further, bold new initiatives like our Barter & Bundle model, highlight how we're transforming our relationships with enterprise customers, from customers to business partners – so rather than make money from our customers, we have transformed them into business partners to make money together. The bartered goods and services are repurposed as enticing cross-sell offers and freebie rewards to our massive 1-in-3 Hong Kong household residential base, which in turn brings new business to our business partners (ex-customers) and enable us to deepen engagement with our residential customers on top of best-in-class telecom and entertainment services.

### HKBN JOS Integration

Moving as quickly as possible, we set up a merger integration team ("MIT") and worked through the complications to align and synergise two distinct entities across a broad spectrum of specialties and regions of operation. Guided by a process similar to our WTT integration project last year, HKBN JOS integration was largely completed in just four short months.



▲ Like all HKBN Talents, our frontline technical teams stand proud to serve customers with an open mindset for change and improvement.





### Expanded One-stop ES Solutions Portfolio

With a goal of creating one agile silo-less operation, our integration has enhanced our capabilities with end-to-end telecom and technology solutions. After consolidation, we have now increased our solutions portfolio by about 40%, greatly enhancing our Group's capabilities to better serve and lead the digital transformation demands of enterprise customers. As at the end of the reporting period, our one-stop array of telecom and technology solutions encompass core categories like Connectivity, Cloud and Data Centre, System Integration, Cybersecurity, Voice and Collaboration, Digital Solutions, Stationery and Supplies, with exciting offerings that range from Transformation as a Service, Remote Access, Business Continuity Services, Managed IT to IoT, Machine Learning and Digital Application Development.

Increased solutions portfolio by

40%



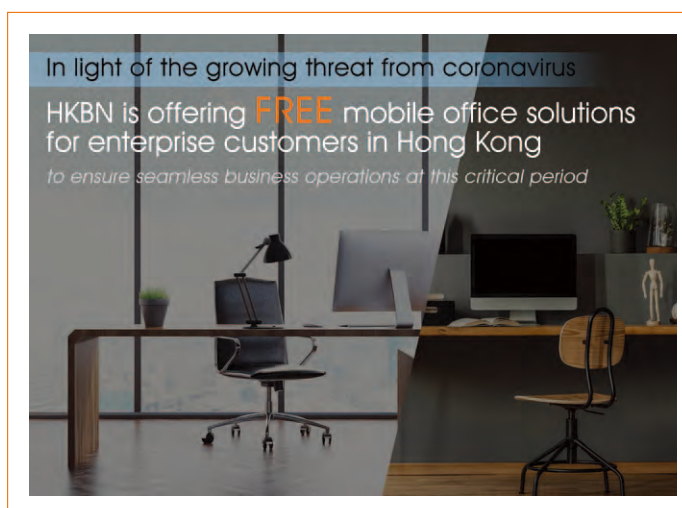
to better serve and lead the digital transformation demands of enterprise customers

### COVID Relief: Free Mobile & Remote Office Solutions

As companies scrambled to balance employee safety with maintaining operational continuity, in late January, we offered mobile office solutions free for our enterprise customers until the end of May 2020. Our free solutions included the use of Business Continuity Service ("BCS") Centres as an office backup facility, mobile conferencing service and remote access service.

In February, in response to growing demand for business continuity outside the office, we teamed up with Microsoft Hong Kong to help customers in Hong Kong work from anywhere and access their company's data and systems – free for three months. HKBN JOS customers in Singapore could also enjoy similar offers.

On top of these free solutions, we also offered one-month service fee waivers to all our fixed-line and enterprise solutions customers. For more details, please refer to page 86 of this report.



## Transformation as a Service

One of the big lessons to emerge out of the COVID-19 crisis is the realisation that businesses and institutions must rapidly transform. Organisations now recognise how fundamentally important a shift to digital technologies like cloud computing, automation, remote access and cybersecurity, machine learning and more, will enable them to simplify and automate operational processes, improve efficiency and react to changing conditions faster – core priorities for mitigating future uncertainty.



As recognition of our incredible transformation progress, Samuel was named the 2020 DX Leader in Hong Kong by IDC Digital Transformation Awards.

### HKBN's transformation journey

More than two years ago – long before COVID – we began accelerating our own digital transformation with a goal to grow HKBN's business.

Leading a strong team of professionals, Samuel Hui, Co-Owner and Chief Transformation Officer, set out to modernise our way of doing business, enabling us to fuel growth with an ambitious target of doubled revenue without doubling headcount, and also turn HKBN's successful transformation experience into business solutions. Over the past year, we have seen phenomenal business successes from our digital transformation, including 40%+ growth in monthly active users of My HKBN App, 2+ times higher engagement rates in campaigns, 3 times faster in deploying APIs leveraging Change-Ready Architecture design, and more.

While online was previously seen as a competitive channel to offline, we empowered our frontline sales Talents with digital reach to engage customers across channels. Through unifying the data infrastructure, revamping the consumer-facing My HKBN App to include enhanced digital customer engagement capabilities, upselling, business collaborations and customer service support, we transformed digitally, and turned HKBN into a customer-in, seamless omni-channel company. HKBN Enterprise Solutions's "Transformation as a Service" ("TaaS") combines everything we learned – from both the successes and stumbles made in the past few years.

Samuel said, "Digital transformation goes beyond technologies. Companies need the right business and operating models, and ultimately, the right Talent mindset, to achieve business-impactful and sustainable transformation. Our technical expertise, plus the insights gained along our own transformation journey have not only transformed our business, but also empowered us to expedite digital transformations for our enterprise customers."

### Core transformations achieved

Post transformation, our Talents now spend 3x more time on high-value tasks (e.g. interactions with customers, strategy & planning), rather than low-value tasks. Today, a highly segmented marketing campaign takes us 1-2 days deploy vs. 10+ days before, which can now be sent to our 1 million+ customer base with an engagement rate of 50% to 60%, more than doubling what was achieved in the past. In just two years, we tripled our revenues generated via digital marketing.

Improved agility has changed how we manage and evolve projects faster; product release cycles have now shortened from 3-4 months to just 1-2 weeks. Today, we have 10-15 scrum teams operating in parallel, driving our transformation programmes.



Scan the QR code for a quick video of Samuel sharing the journey behind our transformation and how customers win from 'we eat what we cook'.



## #ToughTimesTogether waivers launched in seven days

Back in March 2020, we offered a one-month service fee waiver to our residential fixed-line and enterprise customers (refer to page 86 of this report for details). Acting at warp speed to tackle the pandemic impacts, we gave our teams just seven days to prepare for launch.

“Anticipating that online traffic could spike with up to one million residential and enterprise customers, our teams had to alleviate existing architecture constraints. During the 7-day preparation, our prior digital transformations enabled us to quickly leverage cloud services with agile project management, setting up key success factors and performance tuning, followed by stress tests to identify and resolve identified bottlenecks. As a result, our system was able to consistently provide a smooth user experience – achieving zero disruption even when serving over 10x the normal volume of traffic.”

“Knowing how to use technologies to achieve business goals and how to choose the right tech stacks play a key role in business success. We are willing to share our experience with customers and clients to jump-start their digital transformation journey.”

Stephen Lui, Co-Owner and Director of IT



## We eat what we cook: Transformation as a Service for customers

Because we transformed ourselves to great results, we’re now leveraging our gained experiences to help enterprise customers do the same. Put simply, ‘we eat what we cook’, meaning that by completing our own transformation first we can better drive customer transformations with heuristic knowledge of what commercially works and doesn’t – speeding up their entire digital transformation journey.

Unlike conventional ICT providers who tend to treat customer transformation as a combination of one-off IT projects and focus on implementation, our TaaS offers a holistic perspective and a co-creating partnership model that elevates collaboration with a discovery approach to co-develop solutions – from start to end and beyond – based on each customer’s current and evolving vision.

## HKBN JOS end-to-end expertise

With HKBN JOS, a regional leader in systems integration and technology solutions implementation, we are even better positioned to help customers from all industries and sectors with complete end-to-end transformation.

“From applications development and infrastructure implementation to ERP systems and CRM loyalty, HKBN JOS has a long history of serving customers through our broad industry domain knowledge. Unlike most ICT vendors who typically specialise in a handful of areas, HKBN JOS brings deployment expertise across the full spectrum of customer needs. By working closely with our Transformation team, we can augment architecture strategy with our years of delivery experiences, and make the right recommendations based on what we know each industry actually requires. As companies look for ways either to cut costs or grow their business, we have a unique opportunity to help them effectively achieve both; to shift their operations from offline to online, merge systems for greater efficiency and much more.”

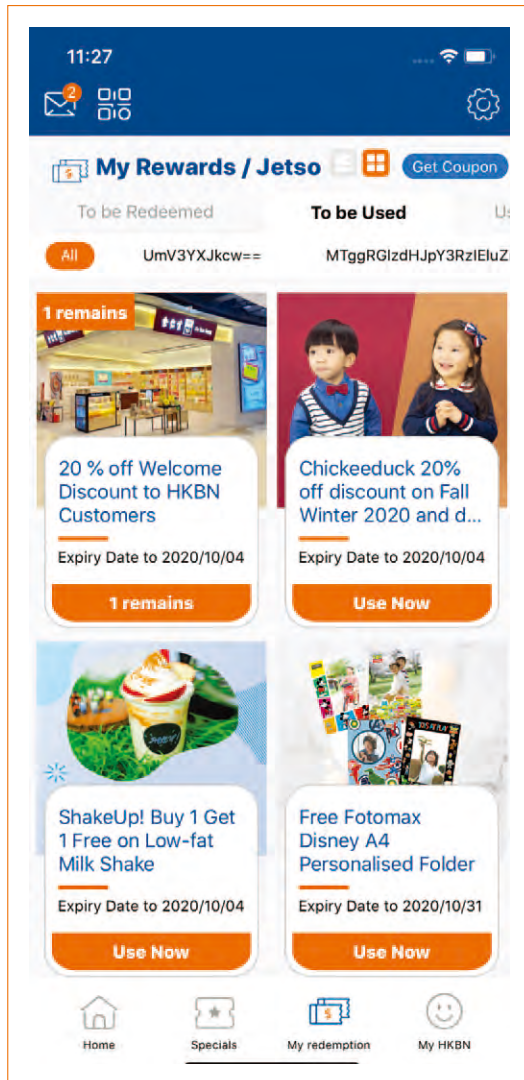
Gary Leung, Co-Owner and Head of JOS Solutions



## 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 new solutions and services introduced during the FY20 period:



### myHKBNmall

Our all-new myHKBNmall is a one-stop online shopping destination designed to expand our relationship with customers through a growing range of exclusive offers featuring houseware, wellness, personal care, electronics, appliances and child learning products. This platform serves to deepen engagement as it rewards our customers for their loyalty.

### My HKBN App: Deepening Customer Engagement

One of the biggest innovations for our residential solutions customers came courtesy of our newly transformed My HKBN App. This fiscal year, we evolved the My HKBN App from essentially a handy tool (typically used to pay monthly bills or check service usage) to an all-in-one engagement channel enabling customers to do more like refer friends or redeem freebies and discounts on a regular basis. Through our newly added reward functionality, we've rapidly deepened our relationship with customers – by incentivising their loyalty with a steady stream of exclusive giveaways and discounts (including those sourced through our Barter & Bundle partnership deals). In just a few simple clicks, HKBN customers can now redeem awesome rewards like a free KFC egg tart, a free bottle of hand sanitiser, an additional Hung Fong Tong herbal drink, a Pacific Coffee \$10 discount coupon and so much more!

### Global Talk+

For just \$28 per month, Global Talk+ breaks the shackles of the home telephone by allowing subscribers to take their current home number (or be assigned a brand-new home number from HKBN) anywhere in the world (no fixed telephone line installation necessary). Powered by a seamless user experience, Global Talk+ subscribers can travel the world and make calls to any Hong Kong number or receive calls from anywhere for free via their smartphones (a data or Wi-Fi connection is needed).



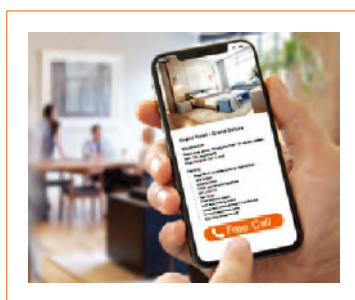


△ We partnered with Pricerite to launch “Germ-free Smart Home” solutions that combine easy-to-install appliances with intuitive remote controls.

### HKBN Home Smart Solution

As more consumers embrace the connected efficiency of smart home living, we launched HKBN Home smart solution to make setup and management of different IoT smart devices as easy as possible via our HKBN Home mobile app. By including on-site service and 24/7 hotline support, our strategy seeks to make home automation much more accessible and affordable for mass market consumers.

In addition, we partnered with appliance manufacturer, Gilman, and home furnishings retailer, Pricerite Group, to respectively expand compatibility of our HKBN Home platform with more appliances/devices and jointly promote our smart solutions in Pricerite’s Megabox store.



### WebCall

Our WebCall service is a one-click Internet calling solution that enables anyone browsing the Internet to speak to any business without requiring additional

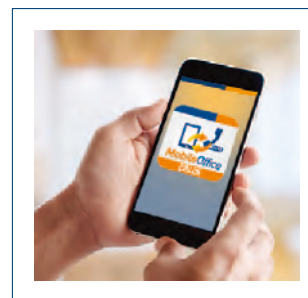
IDD or long-distance charges. This game-changing

solution is the perfect answer for companies that regularly do business with customers worldwide, like hotels or e-commerce websites. Rather than make customers wait for an email reply, any questions they may have can be answered directly in-person.

### Mobile Office Solutions

As businesses and their employees better appreciate the importance of having additional options for remote access and split offices, especially in times of disruption, we

launched our Mobile Office Solutions. This multifaceted service includes the use of Business Continuity Service Centres as an office backup facility, conferencing service for virtual meetings and remote access service to company systems, databases and telephone lines.





## Remote Office Solutions

In response to a growing demand for continuing business outside the office, we teamed up with Microsoft Hong Kong to enable customers to work from anywhere and access their company's data and systems. For many companies, especially SMEs, the costs of systems, software, user equipment, and IT support as well as network configuration are often the biggest barriers in adopting a virtual desktop infrastructure ("VDI") for working remotely. Our Remote Office Solutions provides excellent value for money with comprehensive end-to-end service that includes use of laptops, software licences and installation, system configuration and fast deployment.

## Business Continuity Service Anywhere

Our Business Continuity Service Anywhere provides an essential security blanket for enterprises to minimise loss and keep their businesses up and running in times of contingencies. Tailored to each enterprise customer's needs, including compliance with regulatory requirements, our service works by completing core mission-critical data set-up (such as financial, HR, IT systems and customer information) for remote access by employees at different locations across Hong Kong, minimising the impact of business disruption. When needed, our service also includes flexibility for employees to use backup office sites covering various locations around Hong Kong.

## IoT-based Thermal Detection

Our highly cost-effective Smart IoT Thermal Detection Solution ("SITD Solution") is a well-timed service designed to help businesses and organisations mitigate the risks of COVID-19 and other similar viruses from entering their premises. Using advanced Internet of Things ("IoT") and Artificial Intelligence ("AI") thermal tracking technologies, our SITD Solution effectively detects and screens abnormal body temperatures before individuals enter offices, restaurants, retailers or schools. This convenient contactless body temperature tracking solution supports real-time monitoring, smart alerts and record uploads via Wi-Fi or 4G mobile network, without requiring a staff member to manually conduct temperature checking.



△ Through our SITD solutions, we're helping businesses including many consumer-facing retailers and restaurants to stay operationally safe for their customers.

## Beyond-HK Innovation in Focus

Throughout (and after) the integration of JOS, one of our main objectives has been to leverage JOS's unique strengths as a technology specialist and redefine how we can better address enterprise customer needs, particularly for our Beyond-Hong Kong regions of Singapore, Malaysia, mainland China and Macau. While in the past, JOS's competitiveness has been largely underpinned by its leadership in system integration and bespoke technology solutions, we're working aggressively to expand our strategy from reactive to a more agile and proactive one. By breaking down existing silos, our teams 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 and smarter infrastructure system consultancy.

The following are some examples of how our innovations are translating into all-new opportunities. Looking ahead, we intend to scale up these and other similar breakthroughs, replicating success outcomes for even more customers.

### Smart Retail Solution

As mainland China continues its rapid development, local consumers are expecting greater sophistication in their retail experiences. By working with an American burger speciality restaurant chain, our teams are deploying an integrated smart retail solution that pushes the tech experience envelope across more than 100+ stores nationwide (completed over the next three years). Designed for easy replication, key features of our solution include:

- Custom-developed software and applications that can automatically start-up at each location, reducing operational complexity and maintenance
- An integrated video display system for easy management of various in-store display functions

### Less Physical Contact and Paper-based Processes

When the COVID-19 pandemic hit Malaysia hard in mid-March, the government enacted a Movement Control Order (“MCO”). Many businesses were prohibited from operating and employees were required to work from home. To address such social distancing constraints, we helped a Malaysian banking group develop a mobile app for its onsite asset inventory management and another app to automate its IT job installation tasks. Likewise, a similar version of this onsite asset inventory management mobile app was deployed for a leading local insurer. In these projects, we aimed to eliminate paper-based processes, reduce physical contact, and improve efficiency by 50% through

automation. With the pandemic situation now shifted into a recuperation mode, we are working closely with medium and large enterprise clients to empower them to work from home with different solutions and services that include sufficient IT security.

### vCISO

Cyber threats have become a hot topic in Singapore, as reports reveal that about 80% of companies in the territory have, in one way or another, been affected. Addressing this issue head-on, we tailor-made vCISO to help business customers look after their security posture, identify what’s needed and map out their security journey – just as if they had a Chief Information Security Officer. Our virtual approach saves costs whilst it strengthens security and reduces risk from cyber exposure.

### Cybersecurity Solutions and CISP Training

Just as the Macau government implemented its new Macau Cybersecurity Law (“MCSL”) in December 2019, requiring all private and public organisations to meet obligations to ensure that critical infrastructure and individual Internet users are protected from security attack and data loss, we quickly embraced this change as a growth opportunity. By leveraging our own expertise with partners from mainland China and Hong Kong, our Macau business is providing security assessment and consultancy services, and an expanded portfolio of security solutions, as well as the region’s first CISP (Certified Information Security Professional) training to meet growing customer demand.



△ Following our acquisition of JOS in December 2019, we focused on supercharging our end-to-end capabilities through greater silo-less collaboration in Hong Kong and across our Beyond-Hong Kong operations in Singapore, Malaysia, mainland China and Macau.



## Changing the Game: Barter & Bundle

As a company that has always sought to disrupt, the best way to take on emerging challenges is to move faster than our peers with bold new ideas. This year, we promoted a highly flexible new model of doing business, Barter & Bundle (“B&B”), to give new and even existing enterprise customers a compelling way to slash costs and grow their business simultaneously – an opportune measure in extraordinary times.



### How Barter & Bundle works:

Enterprise customers can exchange their goods and services to offset part of their payments for our range of ICT solutions, from data connectivity, voice communication, cloud and remote office solutions to IoT, digital solutions, business continuity, e-security and more. The goods and services we receive are then repurposed as enticements in the form of rewards and special offers, provided exclusively to our base of about 900,000 household customers or one in three Hong Kong households.

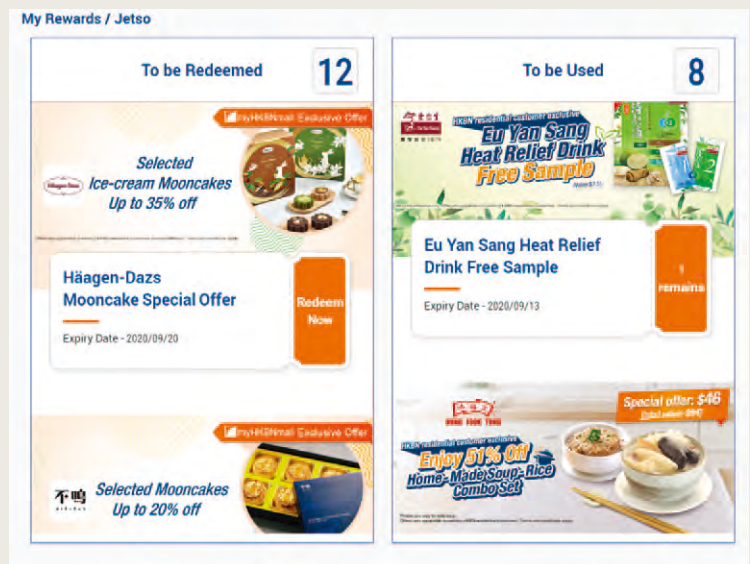


“Amid a climate of decline that our economies have faced, many companies are tightening their belts and adopting austerity measures. CEOs are re-evaluating their budgets, looking for ways to cut costs. Whereas in the past, sales of our solutions would typically engage a company’s IT executives, Barter & Bundle is enabling us to make direct CEO-to-CEO conversations, as we work together not just to reduce spending, but importantly, to co-grow their business via increased commercial agility and by driving incremental sales opportunities with HKBN’s 900,000 household consumers. Our radical game-changing approach puts us in the driver’s position to attract many new enterprise customers – small, medium and large.”

Billy Yeung, Co-Owner and CEO of Enterprise Solutions & JOS Group

### Transforming customers into partners

Instead of enterprise customer relationships that only go one way, B&B is fundamentally changing the whole dynamic, unlocking value-adding partnerships beyond just engaging our residential customers with bartered goods and services. For example, we’ve already leveraged the myHKBNmall e-commerce platform, My HKBN App and other engagement channels to help our B&B partners cross-sell their products and services to a broader range of customers, often deployed as special discount offers. Likewise, a number of B&B partners have empowered us to directly sell our home broadband, mobile services and our lineup of smart home products at their retail locations across Hong Kong.



## Spreading the message

To spark awareness and attract more barter customers, we rolled out campaigns featuring print ads, advertorials digital online banners and social media messaging, as well as outdoor billboards at the heart of Hong Kong's high-traffic thruways in Causeway Bay and the Hung Hom Cross Harbour Tunnel.



Our Barter & Bundle flexibility was showcased with an outdoor billboard brandished across Sino Plaza in the busy hub of Causeway Bay, and another outdoor billboard (pictured at top) overlooking the Hung Hom Cross Harbour Tunnel entrance, a mega traffic thruway linking Hong Kong Island with Kowloon. Interestingly, both billboards were sourced via a barter deal with local outdoor advertising company POAD.

## Long-term partnerships

The response to our B&B model has been incredible. Some enterprises have promptly embraced B&B, opting for five and even 10-year long strategic partnerships. In many ways, these partnerships represent a fluid ever-evolving opportunity for HKBNES to deploy – and upsell – more value and ICT solutions over time addressing immediate and future requirements, from connectivity and digital transformation to whatever other challenges our partners may need to overcome. To date, our long-term B&B partners include some of the largest companies and retailers in F&B, fast food, wellness and health, home furnishings and lifestyle, and many others.

## 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.



▲ Our technical teams are 100% committed to delivering the very best service and reliability.

### 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 2020, availability of our core network for Residential Solutions ("RS") customers was at 99.9999%, exceeding our target of 99.999%; availability of our access network was at 99.9934%, exceeding our target of 99.99%. As at the end of August 2020, availability of our core network for Enterprise Solutions ("ES") customers was at 99.999%, beating our target of 99.99%; availability of our access network was at 99.9999%, exceeding our target of 99.99%.

Core network availability for residential customers was at



99.9999%

Core network availability for enterprise customers was at



99.999%

On the rare occasion when unforeseen network outages occur, customers expect a quick resumption of service. As at the end of August 2020, 94% of our residential customers' services can be restored within six hours and 85% can be restored within four hours, slightly lower than our FY20 target of 95% and on par with our target of 85%. For Enterprise Solutions customers as at the end of August 2020, the average restoration time was 118 minutes.

\* 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.

### Expanded Network Coverage

To increase the availability of our services to more households and companies, we continued to expand our fibre network coverage. In FY20, our fibre coverage was extended to 55,500 additional homes, around 7,000 of which were in rural areas, including villages not previously served by high-speed fibre broadband service, exceeding our target of 55,000 (50,000 general residential households and 5,000 rural households). Likewise, 140 commercial buildings were added to the coverage of our fibre network, a 27% increase over FY19. As at the FY20, our fibre network reached over 2.4 million homes and over 7,300 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 FY20, the following measures were undertaken:



- Upgraded mobile backhaul cell sites, video links and DF links with tri-carrier network diversity
- Commissioned multi-vendor IP core routers on top of existing routers to achieve a multi-vendor strategy for our IP core network
- Phased out over 400 legacy network equipment nodes to reduce operational risk
- Enhancing Enterprise Solutions infrastructure at ex-WTT co-located HKBN commercial buildings with UPS backup to reduce downtime from expected AC power suspensions
- New Managed Service Centre to provide customers with network monitoring support
- A new Network Operation Centre in Guangzhou has been established to increase network operation resiliency and scalability
- Upgraded our Fibre-To-The-Home access network to enable future 10GE user-interface support



△ Broadening our coverage into new areas requires a great deal of hard work, planning and investment.

## Customer Privacy

Our customers trust us with their personal data, and we uphold data privacy protection as a 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.

During FY20, there were a series of six legal actions involving the Group relating to the Personal Data (Privacy) Ordinance in Hong Kong. The legal process was completed with a fine imposed on the Group and we have rectified our fault accordingly.

During the reporting period, we further strengthened our information security capabilities via the following:

- In FY20, we conducted 13 surprise phishing exercises to test our Talents’ information safety awareness, and followed up with additional training for individuals who failed the trials
- Provided detailed guidelines to help our Talents stay alert about information security whilst working from home
- Our Information Security Department introduced external security intelligence and benchmarks to help us monitor and prevent external threats
- Added more dedicated Talents with international information security accreditation to further bolster our commitment to data protection
- Upgraded our internal endpoint detection and response system
- Performed regular system and application assessments to ensure adequate security is in place

## 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.



△ Focused on customer empathy, the quality of our customer service is widely considered amongst the best in our peer industry group.

### Residential Solutions Customer Service\*

Through our customer service hotline, online platform, email and other channels, customers can get help quickly and easily. In terms of FY20 performance, our enquiry hotline answered 82%\*\* of calls within 30 seconds during normal operating hours (9am to 11pm), exceeding our target of 80%. Our online chat customer service answered 88%\*\* 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 95% of customer enquiries within a 4-hour window during normal

operating hours (9am to 11pm). In FY20, we exceeded our goals with a 97%\*\* performance.

For enquiries relating to technical support, installation and maintenance issues, we have an 80% target to complete a diagnosis within two days. In FY20, we exceeded this with a 85%\*\* performance.

### Enterprise Solutions Customer Service\*

To better address the needs of 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 FY20 performance, we achieved a combined answer rate of 88%\*\* , 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
- 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

\* 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.

\*\* Data excludes performance during the height of COVID-19's impact (February to April 2020).



- To better understand how new Residential Solutions customers view our broadband services, we conducted satisfaction surveys and collected feedback for future enhancement. In FY20, our broadband survey scored 4.7 out of 6
  - After each service installation or maintenance order has been completed, we ask Residential Solutions customers to provide their feedback. In FY20, the average score received was 5.75 out of 6, beating our target of 5.4
  - In FY20, the overall satisfaction score recorded by our customer service enquiry hotline was 6.55 out of 7<sup>#</sup>. While satisfaction of our live chat enquiry service was 6.28 out of 7<sup>#</sup>, virtually on par with our target of 6.3. For survey scores of 3 and under, follow-up is automatically taken in order to rectify or improve the experience
- <sup>#</sup> Since November 2019, our survey rating was changed to a scale of 1 to 7 to provide more granularity in satisfaction analysis.
- Enterprise Solutions customers are regularly invited to participate in our e-surveys and comprehensive telephone surveys
  - In FY20, 1,900 Enterprise Solutions customers provided feedback on HKBNES' products and services. The average score achieved was 7.68 out of 10 for "products in use" (down from 7.79 in FY19) and 7.81 out of 10 for "overall performance of products and services" (up from 7.79 in FY19)

## 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.

With a target to resolve customer complaints within 6 working days, as at the end of August 2020, 100%\* of Residential Solutions related complaints received got initial resolution within the target response timeline, exceeding our target of 90%\*\*; whilst 84%\* of complaints received were settled and fully closed within 6 working days, slightly 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 2020, we received 4,329 individual complimentary notes.



▲ Before being allowed to interact with customers, our customer service Talents must undergo hours of rigorous training.

For Enterprise Solutions related complaints, a dedicated Customer Care & Fulfillment ("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.

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 2020, 89.2%\*\* of Enterprise Solutions related complaints got initial resolution within the target response time.

\* Data excludes performance during the height of COVID-19's impact (February to April 2020).

\*\* 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.



△ All year round, a broad array of roadshow and workshop events are organised to help customers better understand the solutions that we provide.

## 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 were made to our online platforms in FY19. These include:

- In September 2020, we launched our revamped Enterprise Solutions website to give customers

with a much more comprehensive view of the one-stop solutions, services, and offer options that are available

- We are developing a consolidated bill statement system that integrates different accounts into single profile so that enterprise customers can better manage their HKBNES portfolio (targeted launch in FY21)

## 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 2019 and August 2020, we provided 1,744 hours of sales and marketing conduct training exercises for our newly joined Talents.



**1,744** hours  
of sales and  
marketing training  
conducted for new  
joiners

### Customer Health & Product Safety

HKBN is committed to providing products and services which comply fully 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.

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

### Awards & Recognitions

Award and Certifications	Presented by
<p><b>2020 Microsoft Hong Kong Partner of the Year</b></p> <p><b>Mystery Caller Assessment Award – Residential Service Hotline (Gold)</b></p> <p><b>Mystery Caller Assessment Award – Residential VIP Hotline (Gold)</b></p> <p><b>Mystery Caller Assessment Award – Residential Online Customer Service (Gold)</b></p> <p><b>Mystery Caller Assessment Award – Number Porting Hotline (Gold)</b></p> <p><b>Inbound Contact Centre of the Year (Over 100 Seats) (Silver)</b></p> <p><b>Off shore Contact Centre of the Year (Silver)</b></p> <p><b>Outbound Contract Centre of the Year (20-50 Seats) (Silver)</b></p>	<p><b>Microsoft</b></p> <p><b>Hong Kong Call Centre Association</b></p>



# United

to

## Lead Change

HKBN is now powered by elite expertise from five companies acquired in the past seven years. Working stronger as one silo-less team, our Talents are changing the game for better stakeholder outcomes.





**WTT**

**JOS**

**HKBN**

**HKBNES**



## Leaders of Change

**With HKBN JOS integration now complete, we are working stronger as one silo-less team across five regions – to unleash our best capabilities for customers. Mindful of the clear and present challenges such as COVID-19, prolonged economic downturn and ever-greater customer expectations, our Talents are leveraging their dynamic expertise to lead the way for improved change.**

So, as our Talents focus on driving customer change – from the future of work to the way we’re deepening engagement through rewards and expanded multi-play residential offerings – 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 pioneer benefits 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.



△ To unify and digitalise our HR systems for enhanced Talent efficiency, our Talent@Work implementation team pictured above included leaders like Daniel Cham, General Manager – Greater China at Workday (pictured 1st row, 6th from right), Jonathan Lo, Partner, HR Transformation Lead, KPMG (1st row, 8th from right), and CY Chan, our Co-Owner and Chief Talent & Purpose Officer (1st row, 5th from right).

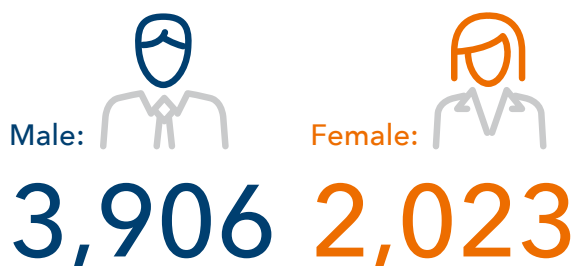
### Pay for Performance

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.

Our performance reviews comprise self-assessment, supervisory evaluation, review meetings and company-wide performance calibration at the department or senior management level. The rated results serve as a reference and criterion from which annual salary reviews, discretionary bonus allocations and promotion nominations are based upon.

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 are an elite sports team rather than a family, and as such, we only offer conditional love based on performance.

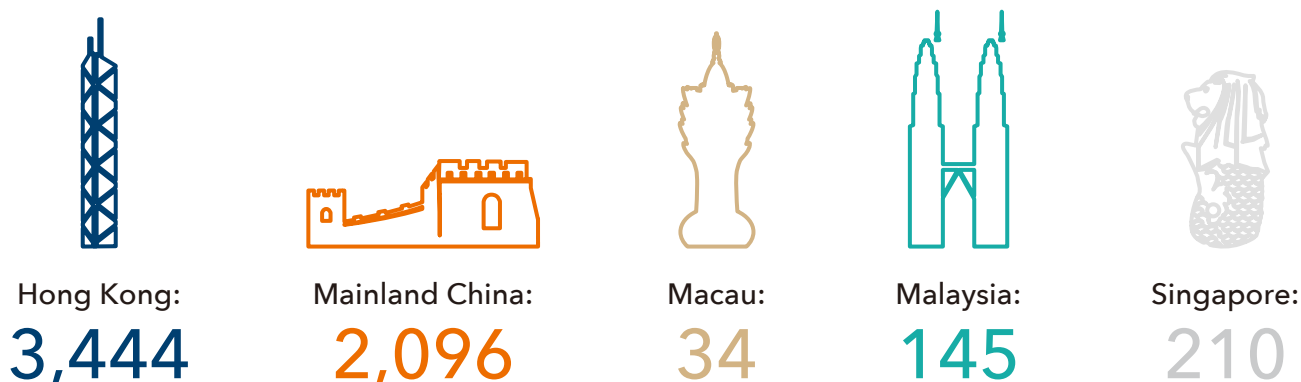
### Total workforce based on gender:



### Total workforce based on employment type:



### Total workforce based on geographical region:



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 jurisdictions in which we operate, there have been no case of non-compliance throughout FY20.

## HKBN Co-Ownership

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

To participate, Talents can choose to invest their personal savings in the amount of between two 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 (Singapore, Malaysia, mainland China and Macau) can also become Co-Owners by investing between two and 24 months of salary via our pain/GAIN Programme. 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.

### Co-Ownership Plan III Plus (“CO3+”)

During the end of 2019, we opened invitations for CO3+ to all supervisory-and-above-level Talents. In late February 2020, 789 Talents (including many former WTT and JOS Talents) joined as CO3+ Co-Owners and made an incremental investment of \$295 million for the latest CO3+ tranche. Our CO3+ scheme has a 3-year cumulative performance target with bonus share returns of up to 1.33 times the amount purchased by Co-Owners. A 1-year cooling off period will be enforced before we grant the bonus shares; this 4-year period allows Talents to focus on long-term value creation beyond the immediate market challenges.

In June 2020, we opened invitations for CO3+ to newly joined or newly promoted supervisor-and-above-level Talents. As a result, a total of 74 new Co-Owners invested into CO3+.



## Adding Purpose to Co-Ownership

Mirroring our purpose-driven objective to create a lasting community impact wherever we operate, a majority of the CO3+ Co-Owners have pledged to donate some of their bonus shares to the HKBN Talent CSI Fund, an independently operated charity founded by HKBN Co-Owners, if the CO3+ KPIs are achieved. On 27 February, our Executive Directors personally donated four million HKBN shares as seed funding. Collectively, this remarkable commitment from our Co-Owners will endow the HKBN Talent CSI Fund with perpetual capital (includes twice-a-year share dividends) to sustainably fuel its purposeful initiatives.

## Beyond HK pain/GAIN Co-Ownership

Shortly after acquiring JOS, we challenged our ‘Beyond-HK’ management team (as part of integrating Singapore, Malaysia, mainland China and Macau) to drastically improve their AFF contribution to our Group. In March 2020, through our Beyond-HK pain/GAIN Co-Ownership programme, 72 supervisor-and-above level Talents from Singapore, Malaysia, mainland China and Macau 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 4 different regions.

In June 2020, we opened invitations to our Beyond-HK pain/GAIN Co-Ownership programme for newly joined or newly promoted supervisor-and-above-level Talents. As a result, a total of 7 new Co-Owners invested into our Beyond HK pain/GAIN programme.



### Powerful Skin-in-the-game Alignment

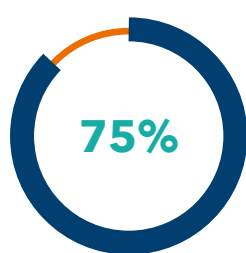
In total, we have around 990 Co-Owners from our CO1, CO2, CO3+ and Beyond-HK pain/GAIN schemes. Having mass skin-in-the-game means that we are fully aligned in feeling both the pain and the gain from our decisions and actions, hence HKBN is far more motivated to make the right long-term choices for our stakeholders.

### Co-Ownership participating rate

Management  
Committee Executives:



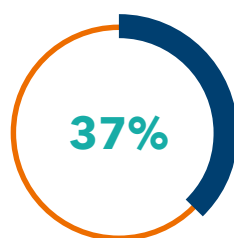
Managers:



Senior Executives:



Supervisors:



### COVID-19 Response

In light of the COVID threat, we exercised 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.

At our mainland China offices, we implemented comparable WFH measures until 10 February 2020 (when Talents returned to work in compliance with local authority directives). For those who were required to work due to operational needs between 29 January and 9 February 2020, we provided additional allowances.

For our Talents in Singapore, Malaysia and Macau, similar flexible WFH and split office measures were implemented as the situation across these regions were monitored and reviewed on a regular basis.

As a precaution, we've implemented a policy for any Talent at risk of contacting the COVID-19 to undergo self-quarantine at home for 14 days, with full sick leave compensation provided. A commission protection scheme was also introduced to help sales-related Talents in Hong Kong and Guangzhou whose incomes were impacted during the pandemic period. To protect our Talents, we also implemented the following:



△ Before stepping into a customer's premises, our frontline Talents will sanitise their hands, and put on goggles, face masks and shoe covers.

- Workplace environments are regularly disinfected by professional cleaning services
- Personal protective equipment such as surgical masks, surgical gloves, shoe covers, protective goggles and sanitising materials are provided to Talents and subcontractors



# Talents

- Installed IoT Thermal Detectors at major entrances of our offices and retail shops
- Regularly provided health-related advice and safety guidelines for working outdoors



▲ For the safety of frontline Talents and contractors, we provide a complete set of PPE.

## Passing on Government Subsidies to Talents

Faced with unprecedented global economic challenges posed by COVID, many of our Talents have seen their overall family incomes adversely affected. In April, we pledged to pass on received Talent-related government payout funds to our Talents in Hong Kong, Singapore, Malaysia, mainland China and Macau without reducing their current salaries paid by us, and will meet the headcount retention requirements as stipulated by the various subsidy terms. As at the end of this reporting period, we have passed on the Talent-related funds received.

## 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 well-being 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.

For these practical reasons, we proudly provide HKBN Talents with a broad array of leave benefits, far beyond the obligations stipulated by law. On the whole, our entitlement policies provide the equivalent of about 39 additional days off annually for each Talent.



▲ At HKBN, we do our best to ensure that Talents come to work every day with passion and excitement.



▲ True to our Core Purpose, we passed on government wage subsidies so that Talents and their families got much needed financial aid to get through these tough times.

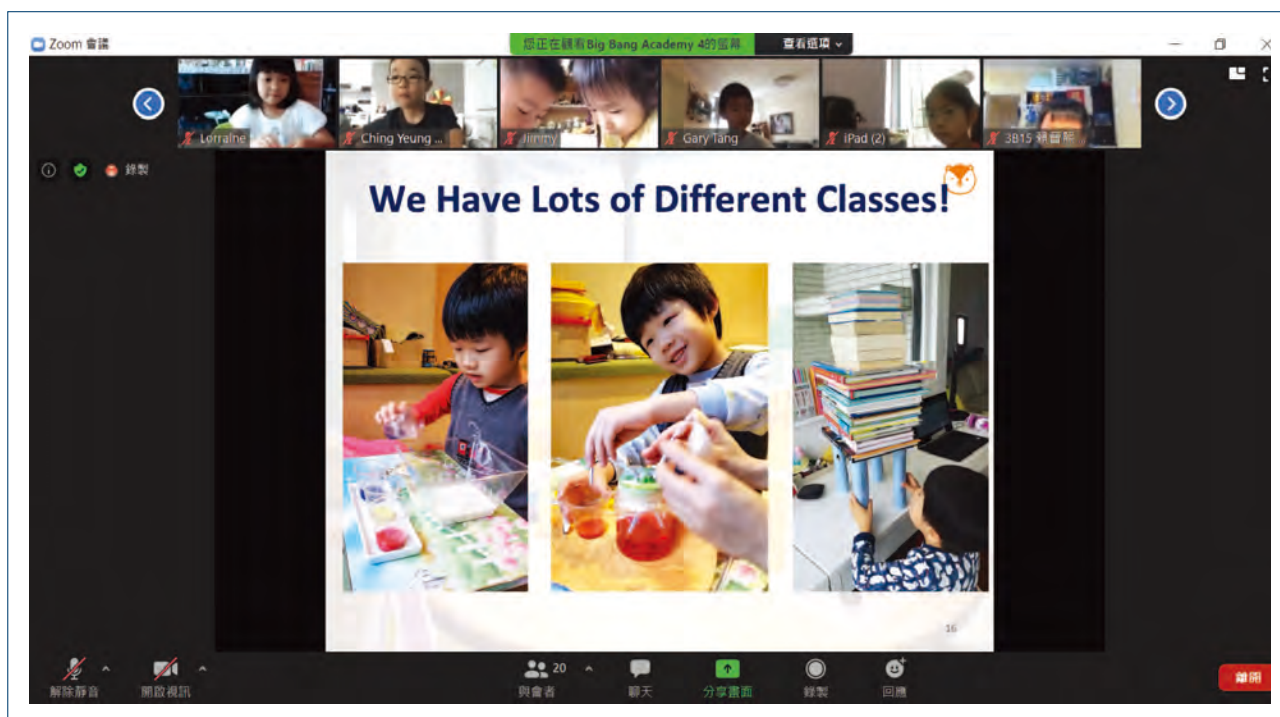
### Talent Wellness

To encourage our Talents to live healthier, active and more rewarding lifestyles, we've continued organising an expansive range of wellness activities, events and talks all year-round. From seminars about healthy eating to character-building sports challenges and workshops aimed at enhancing our Talents' financial/investment knowledge, our focus has been in four core areas: physical health, mental health, financial health and social health. The following are examples of the kind of events organised in FY20:

- Spartan@Life, a world-renowned outdoor obstacle-course challenge
- Happy Monday Every Day, a workshop led by professional training consultant sharing practical tips on how Talents can better use their positive energy for work and stay motivated
- LIFEagram: Dream Chaser Series – Build Your Financial Castle, a workshop covering common mistakes in financial planning and insights to better manage and build wealth
- 3 in 1 Health Series Talk, a workshop teaching financial health, mental health and social health
- Dream Sailing, an overnight cruise trip designed to build relationships between Talents, family members and our business partners



△ Our Talents took part in a day of experiential rock climbing with famed paraplegic climber Chi-wai Lai.



△ While due to COVID, our Family Day was held virtually this year, the spirit remained unchanged: giving family members a chance to know the HKBN workplace better.



△ At a special movie screening of *Lion Rock*, a biopic about Chi-wai Lai, we celebrated the life and achievements of our inspirational friend.



△ At HKBN Sports Day, our Guangzhou Talents endured gruelling challenges that included a 7km power run, 15km endurance cycling and 3km of obstacle challenge.

## Digital Transformation: Talent@Work

As a Talent-obsessed company tackling rapid back-to-back integration with WTT and JOS with the resulting challenges of three different HR systems across five geographic regions, we simply could not hesitate to get our over 5,900 Talents sprinting at full potential. Our all new Talent@Work digital platform empowers us with the agility of one unified human capital management system to better manage Talent capital, expertise and importantly, silo-less synergy between teams and regions. Providing easy remote access to everything from personal benefits and performance appraisal to team management, Talent@Work streamlines Talent engagement with data-driven tools and real-time analytics and efficiency to unleash new capabilities for our business. In just a few simple clicks, we can now track Talent certifications and skillsets and automatically allocate the right Talents to specific projects or task-force teams.



## FY21 Enterprise Solutions and Residential Solutions Kick-off Meetings

Every year, we hold large-scale meetings for our Enterprise Solutions and Residential Solutions teams, sharing key areas we intend to grow our business in the new fiscal year. At this year's meetings, our senior leaders shared plans about our infinite-play and digital strategy, as well as many more growth opportunities with a strong, integrated 1-HKBN.



△ At our FY21 Residential Solutions Kickoff Meeting, our leadership team presented a comprehensive strategy to expand and deliver more infinite-play value and experiences for customers.



△ Part team building and part celebration event for all HKBNers, Global HKBN Day is held annually on 13 October (1310), our stock code number on the Stock Exchange.



## A Peek Inside HKBN

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

New message

16 Sep 2020  
NiQ Lai

To **All HKBNers**

Subject **We have no "victims" in HKBN ... Let's take collective ownership of our future and shape it.**

**Victim is defined as "A person who has come to feel helpless and passive in the face of misfortune or ill-treatment. i.e. "I saw myself as a victim"**

In traditional, legacy, bureaucratic companies their staff feel like "Victims" as defined per above. Lots of things are wrong and inefficient around them, but the victims feel like this is something beyond their control.

At HKBN, we want all HKBNers to take ownership in our collective future, know that by working together, we can fix things, i.e. Get Stuff Done (GSD). At the ES FY21 Kick Off meeting, there was a question "What will you do to make HKBN more efficient?" Rather than address this question to William, NiQ and Billy this question should be addressed to all 6,000 HKBNers!

At HKBN, with regards to GSD, unless you get a firm "No", don't assume there is a "No". Until you get to "No" you have not found your boundary yet, and if you get to "No", propose a way to get to "Yes". A lot of the incredible things we have achieved as 1-HKBN is due to us overing "Nos" that would already have stopped normal companies.

At HKBN, don't merely ask, rather propose. Asking is "Can I have \$100 for myself?". Proposing is "Can I have \$100 to help create \$200 of value for HKBN"... in short, we don't have budget for new Asks, but have unlimited budget for Proposals that create value for HKBN.

At HKBN, rather than be passive a "victim" to our surroundings, let's take ownership to shape our future by GSDing the roadblocks to success.

Cheers,  
NiQ Lai  
Co-Owner & Group CEO

Send   A   📎   🔗   😊   📷

New message

21 Aug 2020  
NiQ Lai

To **All HKBNers**

Subject **"Change today or die a little bit every day"**

We are being not dramatic when we say "Change or Die" as the real world is even more severe, i.e. "Change today or die a little bit every day". Once great companies like Blackberry did not die overnight, rather they died a little bit every day. Ironically, if companies die overnight due to lack of change, then far more companies would have changed to avoid death. The fact that legacy inaction death quietly and slowly sneaks on you is what catches companies by surprise, i.e. the slowly boiling frog death.

Even within HKBN today, we often hear legacy colleagues resist change with "but this is the way we have been doing it for the past 5 years". What is essential for us to realise is that when we change today, it doesn't mean we were wrong 5-years ago, rather we change today, because the questions have changed.

The telecom industry is a never-ending series of J-curves, i.e. we must always re-invent ourselves and never become complacent; embracing what we do today will be outdated tomorrow. If you buy the latest model iPhone, you know that in 1 year's time the "S" upgrade will come and in 2 years' time, the new model will be released. If you are still using an iPhone from 5 years ago, there will be a lot of limitations on your service access. This is our industry, "Change today or die a little bit every day."

NiQ Lai  
Co-Owner & Group CEO

Send   A   📎   🔗   😊   📷

New message

11 Sep 2020  
NiQ Lai

To **All HKBN Talents**

Subject **Getting punched in the face.**

Dear Summer Xers,

If there is only one resolve that you take away from your 3 months in HKBN, I hope is your resilience to "Getting punched in the face". This is because in life, you will get plenty of punches to the face.

At HKBN, we took an almost knock-out punch to the face in 2018 when we had a public data breach. In hindsight, we were responsible as the breach was due to our lax controls. Our response was to take full public accountability for event, i.e. no excuses offered, and then intentionally overkill the GSD actions needed to improve our security.

Due to the 2018 GSD actions above, when the Covid punch to the face hit us, we were far firmer as our security posture was far more robust, and we were far better prepared for overnight work from home demands.

Beyond the HKBN Summer Innovator programme, you will endure plenty of punches to face, so get ready for this.

Cheers,  
NiQ Lai  
Co-Owner & Group CEO

Send   A   📎   🔗   😊   📷

## New message

18 Mar 2020  
Management  
Committee

To **All HKBN Talents**

Subject **Together for Purpose & Profit**

Dear All HKBNers,

Let's continue to pursue both purpose and profit together as a strong 1-HKBN!

Since the beginning of our FY20, i.e. Sep 2019, HK economy has been suffering and no one can tell when the recovery will come.

Look at people and companies around us, there are bad news everyday, such as business closures, profit warnings, salary and headcount reduction & no-pay leave... etc.

We, HKBN, are the extreme minority suffering less than the others. In fact, we are still growing! That's why we have the capability to fulfil our Purpose of "making our home a better place to live" by #ToughTimesTogether Waves 1 & 2 and other initiatives. It is possible for us to do Good and to do Well. Over time, the #ToughTimeTogether will open doors to new business with stakeholders who share our purpose.

However, we still need to pursue Profit. We have aggressive growth targets to hit. It's challenging under the current economy, but our stronger 1-HKBN is in the best position to bring win-win to our customers and partners.

Respective MC and Dept Heads will share with you how each of us can contribute to Revenue growth and costs control.

Let's move forward together, for Purpose and for Profit.

From Management Committee

Send



## New message



7 Nov 2019  
William Yeung

To **All HKBN Talents**

Subject **Engaging our Customers**

Hi,

When we say we have relationship with 1/3 of households and 1/2 of active companies, we refer to billing relationship only. Electricity companies have this billing relationship with all households/companies in Hong Kong. Many credit card companies also have this billing relationship with many households/companies. Our competitors have similar billing relationship.

We are not different from the above if we DO NOT ENGAGE our customers.

Many customers will say that we never reach out to them during the 24-month contract period except for contract renewals or selling other stuff! This is the same as others.

I have suggested we "engaged" our customers more, i.e. do more non-business contacts/communications that bring additional care or benefits to our customers. Examples include sharing "Friends of HKBN releases" and generic internal emails to Talents/interns with our customers, organising ES events for ES customers to connect through us. The recent Hung Fook Tong benefits to household customers can be an example, BUT can we do much more to RS and ES customers?

We want our customers to think of us about the HUMAN side in addition to business, i.e. not only billing relationship.

By doing so, we will be successful in both Purpose and Profit.

Cheers,  
William Yeung  
Co-Owner & Executive Vice-chairman

Send



New message



17 Feb 2020  
CY Chan

7 May 2020  
Elinor Shiu

To **All HKBN Talents**

Subject **Lead From Home (LFH)**

The quickest way to change habits is when you have no choices. Three weeks ago, we were still talking about 4+1-day Work From Home (WFH) trial arrangement, today we are forced to have most office Talents working from home 0+5-day to minimise risk.

We all have "comfort zone" but let's stop being skeptical on productivity loss during WFH and start to embrace it and make it work. As an 1-HKBN leader, let's talk about how to LFH effectively through "Empowerment", "Leading Disruption" and "Purposeful Leadership".

**Empowerment** - Your team is less "visible", and you can't "see" them working, empowerment is even more important, but to make sure they perform when you LFH...

- **Set clear roles for each teammate**, with clear deliverables and timeline but not necessarily KPIs
- **Use technology (Teams / conf call)** to facilitate regular team meetings to sync team direction and update high level operation issues
- **Spend more time to one-on-one coach your team** for long term development while operations might not be as busy as usual (with less travelling now you have more time)

**Leading Disruption** - This time around, we are forced to disrupt in some areas because the old way does not work...

- **Challenge yourself and the team to use disruptive way** to achieve something not possible before and move quickly. E.g. use masks or sanitizers to engage customers, speed up renovation when Talents are not in the office
- **Change the work practice to prepare your team for future agile working mode**. E.g. virtual meetings instead of face-to-face, flexible work hours at your own pace instead of fixed work hour, etc.
- **Coach your team to embrace changes and enjoy being pioneer** under this situation, they might find WFH arrangement less effective and productive, ask them to call for help and don't wait

**Purposeful Leadership** - Some people, companies who are ok before are struggling, and we are in a good position to help...

- **Care about your teammates and their families**. People are in general more fragile psychologically with more things to worry about, show your support to them then we are already making 6,000 families better
- **Be sensitive to what's happening out there and** make use of our core services/products to help, mobile office, video conferencing, BCP, not to mention our network to get toilet paper with HKBN JOS's power
- **Make sure we perform the best we could** so customers can still operate normally, as our services are making our home a better place to live!

Indeed, LFH or not, the above should help us perform as a better leader all the time.

Lastly, **TRUST your teammates!** Deliverables and productivity are what we look for, not number of work hours. If you can't trust them when you can't "see" them, it might the time to rebuild the trust with them and challenge them to demonstrate back to you that they are trustable.

Stay healthy and productive!

Cheers,  
CY Chan  
Co-Owner  
Chief Talent & Purpose Officer

To **All HKBN Talents**

Subject **Charm is a muscle that can be developed**

**We Gave Out 70,000 Free Hand Sanitizers and 100,000 Marvel/Disney Face Mask Folders**  
Recently, we launched a number of impactful programmes to the market and recorded high redemption rates – codes for 70,000 free hand sanitizers and 100,000 Marvel/Disney face mask folders have been downloaded.

**3 Tips for Marketing**

- (1) Think from angle of the customers, NOT from yourself – giving something people would treasure, NOT what you want to give to the customers
- (2) Hard selling product is no longer a way to do in marketing – See below our Disney/Marvel face mask folders, we softly rode on this medium to present our Home Gateway with parental control and home firewall features
- (3) 3-WIN Relationship – Customers WIN, our partners WIN and HKBN WINS ! You may notice that we have given out a lot of freebies to our customers, including hand sanitizers, Disney face mask folders, McDonalds OREO pies, Pacific Coffee discounts, KFC free ice-creams, Hung Fook Tong discount drinks and etc. All these promotions are working closely with our strategic ES partners! This is 1-HKBN!



Regards

Elinor Shiu  
Co-Owner & CMO-Residential Solutions

## Talent Development

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

As the COVID pandemic swept the world, some of our learning and development plans were changed or suspended. In response, we adapted to a virtual model, and continued our FY20 learning momentum via a stream of online workshops, webinars, and more.

The total training hours of FY20 according to the latest data consolidated up to 31 August are 119,019\*, which equates to 20.07 hours per Talent per year.



Leadership & skills-related training\*:

**9,628** hours



Operations-related training\*:

**102,431** hours



Compliance-related training\*:

**6,960** hours

\* Includes the training hours provided to HKBN JOS Talents from January to August 2020.



△ Life-long learning means our Talents never stop growing and developing their potential.

### Learning@INSEAD Singapore

Shortly after the JOS acquisition deal was completed, we jumpstarted our HKBN x JOS integration strategy in January 2020 by gathering a variety of vision-aligning activities that included a 2.5-day workshop at INSEAD Singapore. After spending time at INSEAD unlearning and relearning, 53 of our elite senior executives from HKBN, HKBNES and HKBN JOS regional offices became inspired leaders, breaking free from legacy thinking to embrace concepts like a blue ocean strategy shift, design thinking and calculated risk taking – all whilst elevating our silo-less team chemistry.



△ At INSEAD, our senior executives gained new thinking insights that will help grow HKBN's business.

### AWS Partner Network Funding Programme 2020

As a key partner of Amazon Web Services ("AWS"), we enjoy special offers and sponsorship for AWS's official training and certification programmes. This year, a total of 32 Talents, across different regions, participated in various AWS training and examination programmes. To maximise our investment and pay it forward, participants will help "teach" what they've learned by holding workshops for our HKBN Talents.



## Summer Innovator Programme

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. Reflecting a phenomenal reputation, this year's Summer Innovator programme attracted over 2,500 applicants for 13 slots. New for 2020, our programme was combined with our #ToughTimesTogether – Career Kickstarter for Graduates programme to deliver life-changing transformations for a group of 109 young Talents. For more details, refer to the 'Career Kickstarter for Graduates' section on page 89 of this report.

"In the span of 60 short days, I organised and hosted over 10 different events, webinars, and projects all throughout the summer. How did I manage to succeed? It was always about believing in both your capabilities as a Talent, and those around you."

**Myles Ng, Summer Innovator – Talent Engagement**

"For almost a decade, I have been very impressed with HKBN's commitment to building one of the most talented teams in the business, while simultaneously holding everyone to a high standard of also making our Hong Kong a better place to live. This summer I was honoured to spend time with the 109 summer "Talents" and am grateful that the HKBN leadership dramatically increased the size of the class so that motivated young people can learn the skills they will need to be successful in their careers, and in life."

**John Wood, Founder of Room To Read**



△ At our HKBN Book Club, our Summer Talents hosted John Wood, who shared the life journey behind his NGO Room to Read's charity work and the making of his book *Purpose, Incorporated*.

## WisCafé

To meet the learning and development needs from our expanded operations in Hong Kong, Singapore, Malaysia, mainland China and Macau, we established a brand-new digital platform, WisCafé, bringing together our knowledge, inspiration, best practices and experience sharing via one easy to access resource that enables our Talents to learn and develop remotely in the post-COVID "new normal". Since launching in the past 9 months, 24 WisCafé sessions were organised with topics like machine learning, digital transformation and public speaking covered. In total, 2,550 total hours of learning was delivered for 2,293 participants.



△ As a digital platform for knowledge sharing and learning, WisCafé helps equip our various teams in Hong Kong, Singapore, Malaysia, mainland China and Macau with the success insights they need.

## Learning & Development at our Guangzhou Office

Mirroring our commitment as a learning company, this year we provided a stream of multi-learning programmes to holistically develop our Talents in Guangzhou. The following are some of our Guangzhou initiatives undertaken in FY20:

**WOW English Course:** With the help of professional trainers, our Talents took lessons to augment their English language skills

**Cross-department Selling Course:** Practical skillset training to enhance the service mindset and selling capabilities of our frontline Talents

**Memory Training Course:** Professional trainers from Hong Kong's Whole Brain Development Training Center provided more than 60 Talents with skills to improve their logical thinking and memory skills

**Knowledge Management Training:** We invited a team of professors from Hong Kong Polytechnic University to share best-practice concepts and skills for better knowledge management – and accelerate our Talents' ability to learn much more effectively



△ This year, learning in Guangzhou kicked into full gear with a broad range of development programmes for our Talents.

## Talent Health & Safety

Providing a healthy and safe workplace is an important element of our Talent-first commitment. To achieve this, we maintain policies for occupational health and safety that are regularly reviewed and tested across a diverse variety of conditions. In general, our objective is to establish a vigilant view over safety. This ensures that identification of hazards, assessment of risks, and the implementation of necessary control measures are undertaken on a regular and timely basis. At all times, we committed the appropriate resources to implement and uphold 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, Cap509A of the laws of Hong Kong, Occupational Safety and Health (Display Screen Equipment) Regulation, Cap509B of the laws of Hong Kong and Construction Sites (Safety) Regulation, Cap591 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 to identify the systemic factors that contribute to Talent injuries. Through regular review meetings, we define the monitoring and review mechanisms from which our safety performance is reported internally on a quarterly basis, and make recommendations to improve safety performance from which our health and safety objectives could 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 shop
- Risk assessment and surprise inspections performed at network installation sites
- In-house safety training provided for our frontline teams



△ Thanks to our Talent-first focus, this year we enhanced health and safety in ways that included proactively upgrading our ladders and replacing all footwear with safer performing models.

## Basic Safety Training

As a general requirement, all Talents and new hires in our technical departments must undergo mandatory safety certification training and job specific qualifications training like being certified as a Registered Electrical Worker and attaining the Construction Industry Training Certificate.



△ To maintain our safety standards, technical Talents and contractors are required to attend a number of health and safety training workshops.

## Workplace Safety Performance

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

### Hong Kong

Number of fatalities: Nil

Injury rate\*: 0.89

Lost day rate\*\*: 110.4

### Guangzhou

Number of fatalities: Nil

Injury rate: Nil

Lost day rate: Nil

\* Injury rate calculation: total number of work injury (22) x total working hours for 100 full-time Talents (200,000)/total working hours for all Talents (4,965,415)

\*\* Lost day rate calculation: total number of lost days (2,741) x total working hours for 100 full-time Talents (200,000)/total working hours for all Talents (4,965,415)

In Hong Kong, the number of our work-related injuries for this FY decreased by 20% compared to FY19.

In FY20, there were no court cases relating to our workplace safety. Over the past three years, no work-related fatalities occurred in Hong Kong and Guangzhou.



### Specific Training for Frontline Talents

In addition, we offer a wide range of Occupational Safety & Health ("OSH") training to enhance Talent awareness. Our safety training exercises are also extended to sub-contractors who must undergo relevant safety training based on their work duties with HKBN. And to uphold social distancing, we adapted by switching to an online training format. During FY20, we provided Talents, new joiners and sub-contractors in Hong Kong and Guangzhou with over 10 sessions and 2,041 hours of health and safety-related training.

The following safety-related training were provided:

- Regular fire contingency training
- First aid certification course
- Automated external defibrillation training
- Working at height training
- Driver safety training
- Occupational Safety and Health Management Plan briefing
- Internal safety inspection training



△ Throughout the year, we provide our Talents with professionally-led first-aid training sessions.

### Awards & Recognitions

Award and Certifications	Conferred by
Best Companies To Work For In Asia 2020	HR Asia
52nd Distinguished Salesperson Award	The Hong Kong Management Association





Energy Efficiency

CSI Community

Smart Office

Hotel

CUSTOMER

香港寬頻  
HONG KONG  
BROADBAND NETWORK

PARTNER

Win-Win-Win







# Win-Win-Win

More than ever before, our relationships with partners and suppliers are creating long-term co-growth opportunities. The aim is to deliver greater value for our customer reach of 1-in-3 residential households and 1-in-2 active enterprise companies in Hong Kong – for win-win-win.



## Our Performance Suppliers

**Our business is better 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 and suppliers in a fair, open, transparent, and mutually beneficial manner.**

In the early days of COVID, supply chains around the world were thrown into disarray. The unexpected nature of this 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 strategies – can better serve our business.



△ Our Procurement team worked around the clock to ensure we deliver more win-win opportunities through supplier sourcing and creative Barter & Bundle deals.

### Evolving the partnership game

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 that favours flexibility, we've been working with different business partners not to necessarily only seek better prices, but rather better deals based on mutual strategic needs.



△ A sweet partnership - our win-win-win approach saw us work with a fast food chain to promote their latest offerings, as well as reward our residential customers with a popular dessert.

Following COVID, in 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 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. For more details about Barter & Bundle, please refer to pages 54 to 55 of this report.

### 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.

Starting from January 2020, we launched 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, and reputation. When it comes to supplier evaluation, we have included

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

In January 2020, we updated our supplier questionnaire and enriched the section on sustainability and corporate ethics, specifically to assess environmental and social risks. 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 ESG strategy and targets with environmental policies, or maintain policies to ensure they comply with laws relating to staff employment, occupational health and safety, and anti-corruption. This enhancement will help us identify supply chain partners who are most prone to environmental and social issue risks due to their lack of active management oversight.

### 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. 99% of our suppliers have endorsed and acknowledged our SCoC. To ensure 100% SCoC adoption, we have embedded SCoC into our supplier onboarding process. In order to register as a valid supplier of HKBN, all new suppliers after September 2018 are required to comply with our SCoC, or have their own code of conduct which espouses a similar approach of expectation for their respective suppliers, partners and subcontractors.

### 2019/2020 Supplier Satisfaction Survey

Currently, the Group maintains active business relationships with over 880 suppliers while 90% of our suppliers are sourced locally in Hong Kong and mainland China (number excludes 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.

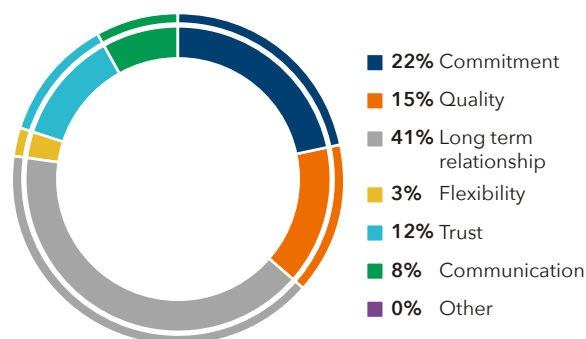
In June 2020, we invited suppliers to participate in our supplier satisfaction survey. 41% of suppliers who responded said they valued a long-term relationship with us, while 22% saw their commitment to deliver excellent services to HKBN as a critical factor. Through this detailed survey, which now includes questions relating to supplier’s experience when working with



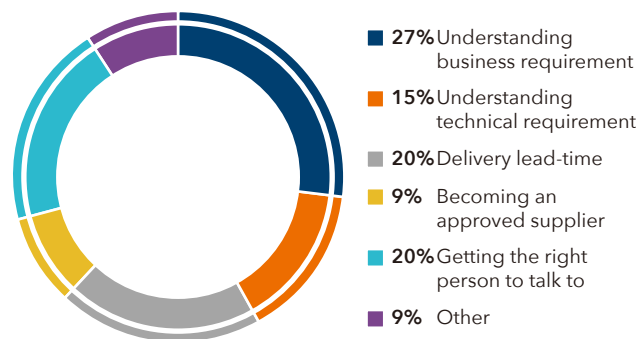
of suppliers endorsed and acknowledged our Supplier Code of Conduct

HKBN as to compare with our rivals, 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.

### 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.



# Tough Times Together

In times of crisis, opportunity and responsibility go hand in hand. At HKBN, we consider profit to be a subset of PURPOSE and we run HKBN for PURPOSE. We see COVID-19 as an unprecedented calling to serve our community.





**CSI COMMUNITY CHEST**

“ We go beyond pure philanthropy to use Corporate Social Investment to drive sustainability and betterment for those we help. ”



**In everything we do, and in every decision we take, “Make our Home a Better Place to Live” is present at all times. The most direct way we achieve this is through purposeful initiatives aimed at the local communities in which our Talents operate.**

Moving beyond pure philanthropy, we strive to ensure that people, especially youths and the underprivileged, can benefit by way of sustainability and empowerment to offer a hand-up rather than a handout. Rather than corporate social responsibility, we passionately embrace Corporate Social Investment (“CSI”) to focus our resources and Talent expertise as drivers for digital inclusion and betterment in a sustainable way. During FY20, we worked on 21 CSI projects in Hong Kong and Guangzhou.

### Technology for Good

By leveraging our resources and technology capabilities, we can make a bigger impact. Throughout our CSI journey, HKBN is actively giving back – from bridging the digital divide to helping disadvantaged students adapt to new models of remote learning – through empowerment that aims to boost technology accessibility, connectivity, as well as support digital skills development. By working closely with like-minded business partners, NGOs and the HKBN Talent CSI Fund, our independently operated charity, we’re creating a more digitally inclusive future for local communities.



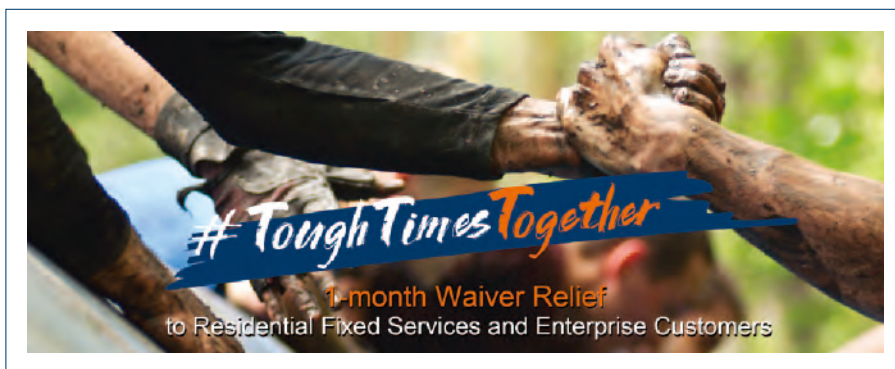
△ By empowering the young with technological aptitude, we give them the keys to unlocking a brighter future.

### COVID-19 Relief

The world changed permanently with COVID. From businesses struggling for survival and seniors forced to stay isolated in their nursing care homes, to the people who’ve lost jobs and are experiencing financial hardship, over the past several months we have all felt the impact. As a purpose-driven Group, we responded with decisive #ToughTimesTogether actions from the pandemic’s outset – stepping up to lead by example – to show how businesses (those fortunate enough in a position to do so) can give back to local communities and help alleviate the challenges. With the situation and its impacts changing over time, we holistically evolved our #ToughTimesTogether and related initiatives to better address the needs of different stakeholder groups. The following are some of the relief measures we introduced during the reporting period:

#### One-month Service Fee Waiver for Residential and Enterprise Customers

Mindful of COVID economic toll, we stepped forward to ease the financial burden for our full base of over 900,000 residential fixed-line services and enterprise customers in Hong Kong. From 2 to 15 March, registered customers could enjoy a one-month service fee waiver (up to \$200 for Residential Solutions and up to \$500 for Enterprise Solutions).



△ Our #ToughTimesTogether campaign was a powerful showcase of how the business sector can step up to help others from society under extraordinary circumstances.

### Free Broadband for 10,000 Disadvantaged Families

Extending our support to families in need, we announced plans to provide our fibre broadband service free for two years to 10,000 disadvantaged households representing more than 1% of our paid residential lines. Starting on 1 April, disadvantaged individuals and families, including the chronically ill, the elderly and students in financial hardship began applying for our free broadband plans through nine partner organisations.

**2** years **FREE**  
fibre broadband to  
**10,000**  
disadvantaged households



"The pandemic hit me especially hard, just as I was preparing for the Diploma of Secondary Education examination. Thanks to the free broadband and refurbished computer that was provided by HKBN, I can better focus on my studies!"

**Ka Wing, our beneficiary of "Free Broadband for The Disadvantaged" and "Donate Your Own Devices for Students" programmes**



Our Talent Long-kin Lee (left) helped deliver and setup beneficiary Ka Wing's (right) donated notebook computer.

"While the Internet is essential, there are other daily living expenses that are comparatively more important for disadvantaged families. Two years of free broadband service is not short, which means they won't be burdened by Internet expenses over the next two years."

**Anita Moy, Registered Social Worker of Hong Kong Young Women's Christian Association**



Anita Moy



Scan the QR code for a video about our community relief measures.



## Free Data SIM Cards & Computers for Disadvantaged Students

School closures due to the coronavirus have made online learning a necessity for students. To help disadvantaged families with children eager to learn, we joined hands with HKBN Talent CSI Fund, Caritas Hong Kong, The Hong Kong Family Welfare Society, The Hong Kong Federation of Youth Groups and St. James' Settlement to provide 1,000 free unlimited local mobile data SIM cards. Separately, we partnered with HKBN Talent CSI Fund to launch the "Donate Your Own Device for Students". This programme leverages donated notebook computers and tablets from our residential and business customers and partners to empower the online learning of disadvantaged students.



◀ Chung Chung (right) is a student beneficiary of our free broadband and computer donation programme. In appreciation, Mrs. Luo (middle) said, "Throughout the COVID lockdowns, Chung Chung could not attend school, but we needed to keep learning online. With no other option, I used my mobile phone. Now we have a computer to watch the videos, which is so much better for our eyes!"

## Free Data Smartphones for Care Home Residents & New Life Psychiatric Rehabilitation Association Members

As in-person visitations have halted at care homes, we joined hands with the Evangelical Lutheran Church Social Service – Hong Kong and St. James' Settlement to give away free unlimited local mobile data and smartphones to help over 720 residents (elderly and persons with disabilities) stay connected through video calls.

Besides care home residents, many rehabilitation centres in Hong Kong have also faced similar challenges. Addressing the immediate needs of New Life Psychiatric Rehabilitation Association members, particularly those who live alone, HKBN and HKBN Talent CSI Fund stepped up to provide free unlimited mobile data SIM cards and smartphones. These beneficiaries can now resume basic medical check-ups via video calls made to tele-health services.

"Due to the coronavirus outbreak, I couldn't meet with staff from the rehab centre. Ever since I received a smartphone from HKBN, I've been connecting with the outside world through video calls. As someone new to smartphones, I've managed to learn and use the communication app."

**Lin, beneficiary of our free data smartphones programme**



By using our free data smartphone, Lin was able to stay connected with friends and loved ones during the pandemic.

Career Kickstarter for Graduates



△ 109 Summer Associates and Summer Innovators undertook a 3-month journey of transformation through our #ToughTimesTogether 'Career Kickstarter for Graduates' summer programme.

Launched in June, this three-month initiative saw us hire 96 Summer Associates and 13 Summer Innovators to help participants discover their professional identity during a severe lull in the job market. The unique HKBN culture gained from job-shadowing the top 1% of our Elite Sports Team and taking lead roles in various challenges has transformed them with know-how to get stuff done – greatly enhancing their future prospects. After programme completion, we offered full-time employment to 25 Summer Associates, which is double our normal annual intake.



◀ From April to July 2020, our Talent volunteers shared homework guidance and their affection for disadvantaged children in Guangzhou through in-person visits and video calls.

Teaming up with Chinese herbal products retailer Hung Fook Tong, we visited society's most vulnerable and gave away 15,000 face masks.





## Narrowing Digital Divides

### ConnectED@Home Programme for Disadvantaged Students

In August 2020, HKBN Group, HKBN Talent CSI Fund, Kerry Group, Peterson Group Charity Foundation and Wu Jieh Yee Charitable Foundation teamed up and launched the ConnectED@Home Programme for Disadvantaged Students, providing free high-performance tablets, 6-month 4.5G unlimited data SIMs and Wi-Fi dongles worth over \$2.7 million to more than 1,300 students from disadvantaged families. Pooling funds, technology, experience, business and social welfare networks, our five founding organisations expedited our response and delivered purpose by getting donated items into the hands of disadvantaged students in just 1.5 months.



△ In just 1.5 months, we sourced and delivered over \$2.7 million worth of tablets, Wi-Fi dongles and SIM cards into the hands of disadvantaged students.



△ Everyone deserves equal e-learning opportunities, whether they are kindergarteners or senior secondary schoolers preparing for the DSE examination.



“ConnectEd is a programme that demonstrates how pressing social problems can be tackled by pooling resources and expertise from the private sector with Hong Kong’s NGOs. I would encourage businesses/foundations which have greater flexibility to take leadership and create more innovative models in purpose capital; so that more social problems can be solved in a more efficient and scalable manner.”

**Tony Yeung, CEO of Peterson Group**

### PC Doctor 2.0

First introduced in 2015, our “PC Doctors” volunteer programme is an on-going initiative that mobilises our Certified Professional Engineers and Facilities Services Engineers who provide free home visits to help diagnose and fix computers for underprivileged families, as well as IT classes at community centres taught free of charge. In early FY20, we further expanded the programme’s scope to share cyber wellness knowledge to families in Hong Kong with children aged 3-16.

### Senior Video-Pals

Due to low mobility amongst the elderly, visiting friends and family is something of a daily challenge. Our HKBN Volunteer Team partnered with Young Women's Christian Association (YWCA) to initiate the 3-month "Senior Video Pals" volunteer project, offering companionship and tech tutoring. Through free prepaid SIM cards provided by HKBN Enterprise Solutions and tablets lent by our Certificate Professional Engineers (CPE) Team, this project empowered seniors who live alone to use video calling and stay connected.



△ Besides lending out their tablets, our Talent volunteers also spent time with solitary seniors teaching them to stay connected via video calls.

### AI Code Programming

To foster innovative thinking among children, as well as seed their curiosity for the computer sciences, 12 of our IT Talents in Guangzhou volunteered in November 2019 to work with students from Nanjiao Primary School. Through this educational exercise, our Talents combined LEGO blocks with their IT expertise, teaching each young participant about the wonders of AI programming.



△ In Guangzhou, our Talent volunteers taught students the magic of AI coding.

### Care for the Elderly: Learning Tech

In October 2019, our Talents in Guangzhou partnered with the Qichuang Social Work Service Center to teach 20 seniors how to use their smartphones and mobile apps. By narrowing the digital divide, this effort has helped the elderly to make better use of technology in their everyday routine such as for commuting and social networking.



△ Believing in tech-for-all, our Talents in Guangzhou helped seniors stay up to date with the use of smartphones and communication apps.

### Cyber Wellness Detective Game x Dyeing Experience

Running since July 2019, we introduced school learning cyber wellness workshops for primary students in Hong Kong. Under the guidance of facilitators, our activities gave over 150 students from four schools the chance to role-play as they investigate the disappearance of a missing dye master. Participants learned how to manage their digital footprint and espouse a more critical view towards cyber information.



△ Blending handicraft and cyber education, our Talents designed unique interactive games to instil awareness of cyber wellness for young children.



## Talent Volunteering

At every opportunity, our Talents are encouraged to give back by participating in volunteering activities. During the reporting period, a wide range of volunteer activities were organised featuring contributions from our Talents in Hong Kong and Guangzhou. However, owing to social unrest in Hong Kong and later, the coronavirus outbreak, we acted responsibly by curtailing and even cancelling activities to safeguard both our volunteers and beneficiaries. In total, 178 Talents volunteered 653 hours to serve our local communities.



## Ethical Consumption

During the reporting period, we continued to engage our customers with both ethical consumption and social enterprises. For example, this year we purchased gift certificates from "Live Smart", a social enterprise linked to the Hong Kong Society of Rehabilitation which sells rehab supplies and groceries. Our customers can choose to receive these gift certificates as bonus premiums for joining or renewing our telecom services. Since 2013, the total accumulated amount we've spent on ethical consumption was \$14.68 million, a considerable increase from \$13.06 million, our accumulated ethical consumption in 2019.



## 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 address community needs by initiating people and technology-related social investment projects. To date, the Fund and its projects have touched the lives of more than 6,000 beneficiaries. In late February 2020, in tandem with the commencement of Co-Ownership Plan III Plus, our Executive Directors donated 4,000,000 HKBN shares to seed the HKBN Talent CSI Fund, which over time, will expect to receive far more donations from other Talents. This commitment has endowed the Fund with perpetual capital (via twice-a-year share dividends) to fuel its purposeful initiatives well into the future.



In order to strengthen the Fund's governance, the Fund has renewed its Board of Directors structure with new donor-elected Talent Directors and 2 Independent Non-Executive Directors. With the advantage of Talent Directors' technology knowledge and INED's solid experience in the community, the Fund's mission and direction can be further enhanced to create bigger social impacts.

In the coming three years, the Fund intends to contribute over \$7 million to foster youth development via technology. For like-minded corporations and community peers who share similar beliefs, the Fund is open to collaboration to co-create greater social good.

## HKBN Talent CSI Fund Board Members



(From left to right)

1. HKBN Co-Owner & Senior Manager – Business Development (JOS) Charles Wong
2. The Hong Kong University of Science and Technology Associate Professor of Engineering Practice (Entrepreneurship) Erwin Huang
3. HKBN Co-Owner & Associate Director – Corporate Social Investment and Talent Experience Bonnie Chan
4. HKBN Co-Owner and Chief Talent & Purpose Officer CY Chan
5. Social Venture Hong Kong Founder & CEO Francis Ngai
6. HKBN Co-Owner & Associate Director – Systems Integration (Enterprise Solutions) Karina Tsoi
7. HKBN Co-Owner & Senior Manager – Product Development (Enterprise Solutions) Maggie Liu

## Awards & Recognitions

Award and Certifications	Presented by
Caring Company Scheme – 10 Years Plus Caring Company Certification	The Hong Kong Council of Social Service
Social Enterprise Supporter Plus Award 2019	Tithe Ethical Consumption Movement
The 10th Hong Kong Outstanding Corporate Citizenship Award – Merit Award (Enterprise Category) and Bronze Award (Volunteer Team)	Hong Kong Productivity Council
Gold Award for Volunteer Service (Organization)	Social Welfare Department





*Temperature  
Control*



*Reduce, Reuse,  
Recycle*



*IoT Solutions*



*Move 5 steps  
ahead*



# A Smarter Way to Green

Every day, HKBN is pursuing smarter and more efficient ways to tackle environmental challenges. Our use of tech and smart solutions is improving the way we consume and conserve.





*Green  
Consumption*



*Energy  
Efficiency*



*Smart Office*



**Win-**



**HKBN is committed to protecting the planet for our future generations. As a technology-driven business, we believe that conventional approaches to energy, carbon and waste reduction only go so far. A smarter approach that puts innovative technology and better workflow changes into practice can improve HKBN's long-term environmental impact.**

Throughout the year, we have continued our eco-strategy in two key areas, namely carbon emissions reduction via improved energy consumption and conservation, and minimising waste generation via solutions that enhance efficiency and sustainability.

### Environmental Performance Assurance

During FY20, we extended our environmental data collection to include performance of our Guangzhou and Shenzhen operations (includes all former-WTT

offices with the exception of our Shanghai office and HKBN JOS-related operations). The performance data provided herein has undergone pre-assurance validation by our Internal Audit and Risk team.

### Energy: Smarter, Rational & More Innovative

Along with the expansion of our Group's business (from both organic growth and acquisition activities), factors like an enlarged office space footprint and a higher total number of Talents have resulted in increased energy consumption. For better indication of actual performance, our consumption will be measured by intensity, that is, energy consumption (kWh) in relation to revenue.

Compared to last year, in Hong Kong and Guangzhou, both energy and fuel consumption increased by 96.74% and 35.58% respectively, as a result of the expansion of our business and the total number of Talents.



### Switching off Idle Network Equipment

To support our energy reduction ambitions, in FY19, we switched off 194 units of idle equipment in former-NWT switch rooms, garnering annual energy savings of 380,000 kWh. For FY20, we powered off 550 idle equipment units in our former WTT switch rooms, resulting in 1,600,000 kWh energy saved. Looking ahead, we aim to shut down the telephone system at our data centre in Kwun Tong (World Tech Centre) for an additional expected annual savings of 275,000 kWh.



**1,600,000 kWh**

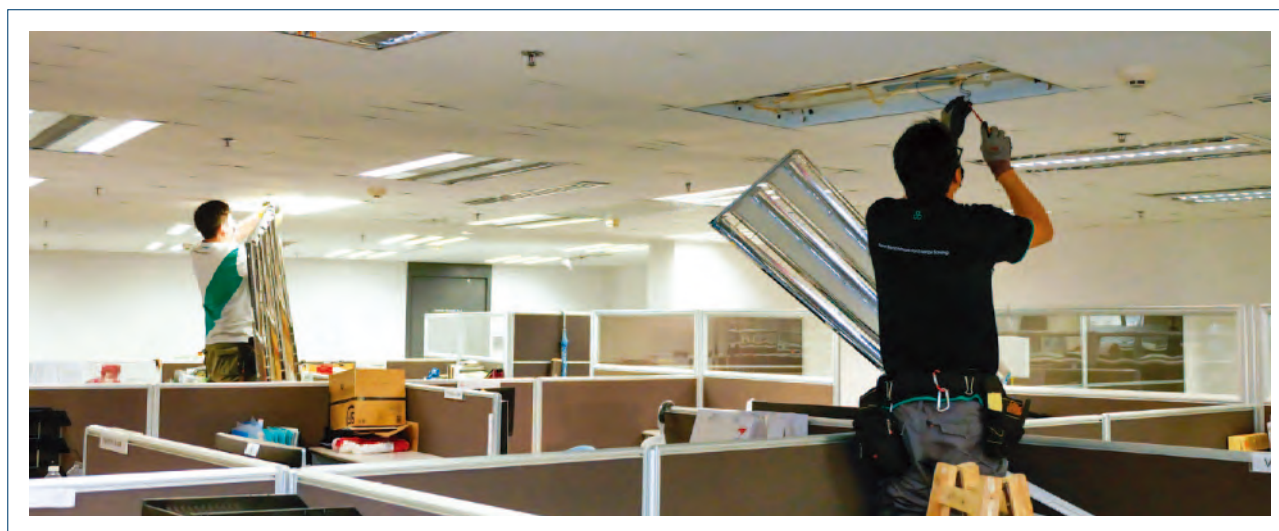
of energy saved by switching off  
idle equipment in switch rooms

### Something from Nothing

Something from Nothing is a pioneering project that has required zero capital investment from HKBN, despite numerous energy efficiency upgrades implemented at our various offices and data centres. Expenditures made over the years (the project launched in 2016) for all incurred retrofitting have been fully funded by investor Blue Sky, which receives a fraction of our energy cost savings as compensation. To date, this initiative has enabled us to yield significant energy and cost savings.

This year, using our model, we extended upgrades throughout Hong Kong at our office in Kowloon Bay, at two more data centres in Kwun Tong and Tsuen Wan, and at our warehouse in Fo Tan. In November 2019, this joint project was recognised with an Asia Pacific Award of Excellence in Collaborative Partnership from the International Facility Management Association.

Something from Nothing expansions made in FY20		Estimated annual energy savings (kWh)
Office in Kowloon Bay	Replace existing T8 fluorescent tubes with T5 LED Replace existing T5 fluorescent tubes with T5 LED Replace existing downlight plug in tube with downlight plug in LED tube	409,100 kWh (72% reduction on baseline consumption)
Data Centre (World Tech Centre in Kwun Tong & Cable TV Tower in Tsuen Wan)	Replace existing T5 fluorescent tubes with T5 LED at two data centres	474,181 kWh (71% reduction on baseline consumption)
Warehouse in Fo Tan	Replace existing T5 fluorescent tubes with T5 LED at warehouse	61,713 kWh (63% reduction on baseline consumption)

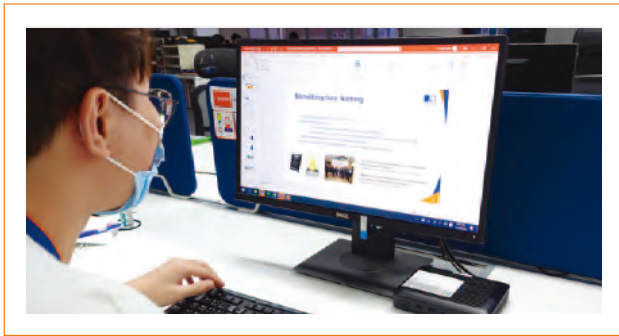


△ Something from Nothing retrofitting projects like this one at our new office space in Kowloon Bay, Hong Kong, continue to deliver significant energy savings.

## Environment

### Computer Upgrade: Energy Efficient Thin Clients and Notebooks

For improved energy efficiency – and enhanced work from home agility – we’re now opting to buy notebook computers whenever old desktops need replacing. Likewise, to minimise our power consumption in Guangzhou, we began replacing computer hardware with thin client-based computers. As at May 2020, 300 host computers have been replaced with thin clients for a 90% computer-related power reduction in Guangzhou. Plus, since August 2019, we’ve set our systems to automatically shut down 700 thin client computers, further lowering our related electricity consumption by about 25%.



▲ Many of our Guangzhou Talents are now using thin client computers instead of traditional desktops, saving both desk space and electricity consumption.

### Less Travel, More Virtual Meetings

The hyper-connected world is changing the way people meet, interact and collaborate. Anticipating this, we further expanded our Global Conferencing (GC) platform capacity at the end of 2019, enabling our business to provide far more remote conferencing and collaboration solutions. For customers, as well as our own Talents, this means they can travel less for face-to-face business meetings and, as a result, reduce overall carbon footprints in a significant way.



▲ As proof of our forward-thinking, we have been actively conducting virtual meetings long before COVID, even to teach virtual cooking classes to our Talents.

### Lights Off

In addition to employing a smart lighting solution that utilises motion sensors and timers to manage electricity consumption, we have also adjusted our office lighting to accommodate for much greater use of natural sunlight.



▲ Abracadabra! Motion activated lighting in our common work areas now turn on and off to save energy.



▲ 531 Guangzhou Talents joined our go green challenge, as they experienced the great outdoors and helped with conservation through plogging, garbage sorting and more.

### Supporting Local Renewable Energy Initiatives

Besides various equipment upgrades, we have long supported local renewable energy programmes such as Hong Kong’s First Renewable Energy Certificate by WWF. In FY20, we joined the CLP Local Renewable Energy Certificate programme to offset 9,282 kg of Co<sub>2</sub> emissions.



## Key environmental data

	Unit	FY18	FY19	FY20
<b>The types of emissions and respective emissions data</b>				
Sulfur oxides (SOx) <sup>1</sup>	kg			<b>640.39</b>
Nitrogen oxides (NOx) <sup>1</sup>	kg			<b>710.72</b>
Particulate matter (PM) <sup>1</sup>	kg			<b>749.74</b>
Greenhouse gas emissions				
Scope 1 emission <sup>2</sup>	tCO <sub>2</sub> e	133.03	166.48	<b>235.16</b>
Scope 2 emission <sup>3</sup>	tCO <sub>2</sub> e	29,056.82	27,490.06	<b>53,887.72</b>
Scope 3 emission <sup>4</sup>	tCO <sub>2</sub> e	464.25	199.78	<b>29.01</b>
Total Greenhouse gas emissions <sup>5</sup>	tCO <sub>2</sub> e	29,654.1	27,856.3	<b>54,151.88</b>
Greenhouse gas emissions intensity <sup>12</sup>	tCO <sub>2</sub> e/Revenue (\$ million)	7.5093	5.45	<b>7.82</b>
Direct energy consumption <sup>6</sup>	kWh	478,276	605,949	<b>821,545.26</b>
Direct energy intensity <sup>12</sup>	kWh/Revenue (\$ million)	121.11	118.63	<b>118.62</b>
Indirect energy consumption <sup>7</sup>	kWh	53,293,332.29	53,337,342	<b>104,934,247.13</b>
Indirect energy intensity <sup>12</sup>	kWh/Revenue (\$ million)	13,495.4	10,441.92	<b>15,150.77</b>
Water consumption <sup>8</sup>	m <sup>3</sup>	4,675	2,401	<b>1,606</b>
Water intensity <sup>12</sup>	m <sup>3</sup> /Revenue (\$ million)	1.18	0.47	<b>0.23</b>
<b>Waste</b>				
Hazardous waste generated <sup>9</sup>	tonnes	83.98	105.04	<b>56.68</b>
Hazardous waste intensity <sup>12</sup>	tonnes/Revenue (\$ million)	0.02	0.02	<b>0.01</b>
Non-hazardous waste generated <sup>10</sup>	tonnes	132.94	103.31	<b>220.69</b>
Non-hazardous waste intensity <sup>12</sup>	tonnes/Revenue (\$ million)	0.03	0.02	<b>0.03</b>
Waste diverted <sup>11</sup>	tonnes	73.87	62.31	<b>88.57</b>

## Remarks:

- 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.
- 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.
- Scope 2 emissions are indirect GHG emission resulting from the generation of electricity purchases by HKBN.
- 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.
- Carbon emissions generated from the operation owned and controlled in Hong Kong and Guangzhou operation including offices, shops, data centres, hub sites and switch rooms.
- Vehicle, generator and mobile generator fuel consumption are included in the direct energy consumption.
- Electricity purchases are included in the indirect energy consumption.
- 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.
- Hazardous waste generated is included uninterruptible power system and lighting tube only.
- Non-hazardous waste included construction waste and general waste in offices, retail shops and data centres.
- Waste diverted included paper, plastic, metal, wooden, e-waste and glass. Overall waste diversion rate in FY19 is 40.13%.
- The revenue as at 31 August 2019 and 31 August 2020 was \$4,400 million and \$6,926 million.

## Energy Performance

For FY20, our scope 1 and 2 emissions rose by 41% and 96% respectively over FY19 mainly due to an overall expansion of our business operations. Scope 3 emissions fell 85% versus FY19 because of concerted efforts to reduce business travel throughout the year.

Direct energy consumption and indirect energy consumption rose by 35.58% and 96.74% respectively over FY19, primarily due to both the expansion of our business and the total number of Talents. Water consumption fell 33% versus FY19 as a result of ongoing educational efforts to change the consumption habits of our Talents. Hazardous waste generated decreased 45.92% over FY19, mainly because of our decision to delay data centre battery replacement to the next fiscal year. Our non-hazardous waste generated rose 113.62% versus FY19 due to expansion of our business operations

and office relocation. As a sign of progress in this area, our waste diversion rose 42% over FY19's performance due to comprehensive efforts to ramp up recycle, reduce and reuse efforts across our operations.

## Waste: Reduce, Reuse & Recycle

Operational waste, e-waste and packaging materials comprise the primary sources of waste that we generate. To effectively minimise waste, we've continued to focus on a 4R (reduce, reuse, recycle and replace) strategy, and through collaborating with our suppliers and partners.

In FY20, our non-hazardous waste intensity generated in Hong Kong and Guangzhou increased by 35.71% year-on-year. Consumption of printing paper also decreased by 3.62% compared with last year.



## Sustainable Office Renovations

In FY20, we carried out two large-scale renovation projects encompassing 135,000 sq. feet of office space. Rather than a complete overhaul, we made sensible design choices by taking a 'less is more' route – favouring simple design changes, the reuse of existing furnishings and sourcing second-hand furniture when possible. Discarded items like file cabinets, 128 in total, were donated to four different charity organisations and schools. All in all, these decisions reduced our OPEX spending from the originally-budgeted \$24 million to just \$5 million, and saw us reuse around 1,070 sets of second-hand office furniture.



▲ Prioritising sustainability and practicality, our new office was renovated using an eco-conscious approach that favoured simplicity, reuse and recycle.

### Consume Less, Save More

In Hong Kong and Guangzhou offices, we have stopped all purchasing activities of throwaway items. For example, in our Guangzhou office, paper cups are no longer available. By the same token, our paperless e-workflow systems have broadly replaced the physical documents that have traditionally been used across our operations. In FY20, we reduced our paper consumption by 51% over the previous year.

Going paperless has given our customers greener options like receiving communications and billing statements via email or the My HKBN mobile app, and submitting their signatures electronically to minimise paper contracts and related documentation.

### In-house Repair Workshop

Taking our resourcefulness to the next level, this year we set up our own workshop to repair and refurbish equipment ranging from routers to phone line switches. As at the end of this reporting period, this initiative has saved 1,650 kg of e-waste from entering our landfills.

### Repair and refurbish equipment workshop helped save

1,650kg

of e-waste from entering our landfills



### Collaborations For a Greener Future

#### OOLA

In collaboration with Guangdong OOLA Charitable Foundation (“OOLA”), an eco-conscious company, we set up an exclusive recycling programme for our operations in mainland China. Through this, we’re incentivising our Talents to take more individual action for the planet. When Talents donate items like second-hand clothing, books and digital devices, they earn points which are converted into cash by OOLA, and subsequently used as proceeds for ‘Send Reading Treasures to Children in the Country’, a charity project for disadvantaged children.



## Waste Lead Acid Batteries

In 2019, we started working with the Hong Kong Battery Recycling Centre (“HKBR”), the city’s first waste lead acid batteries (“WLAB”) recovery facility. Through our collaboration with HKBR, during FY20, we safely recycled 55.69 tonnes of WLAB into reusable materials. Leveraging this experience, we’re now working with HKBR on a joint incentive WLAB recycling programme to encourage more local businesses to make a difference for our planet. In this FY, we invited business partners to join with a pledge to recycle 100 tonnes of WLAB.



△ Promoting sustainability beyond HKBN, we’re encouraging other businesses to recycle waste lead acid batteries through our collaboration with the Hong Kong Battery Recycling Centre.

## Awards & Recognitions

Awards & Certifications	Conferred by
Asia Pacific Award of Excellence in Collaborative Partnership	International Facility Management Association
Hong Kong Green Organization	Environmental Campaign Committee
WasteWi\$e Certificate	Environmental Campaign Committee
Food Wise Charter	Environmental Protection Department
Renewable Energy Certificate	CLP Power Hong Kong Limited



The Directors are pleased to present this "Corporate Governance Report" for the year ended 31 August 2020.

## **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 Practices and 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 2020 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, the 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. current composition of Nomination Committee is 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.

## **Board of Directors**

### **Roles and Responsibilities**

The overall management of the Company's business is 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.

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 seeks to ensure that all Directors are properly briefed on issues arising at Board meetings with reasonable advance notice.

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

## Board Composition

The Board currently comprises eight Directors, including two Executive Directors (Mr. Chu Kwong YEUNG and Mr. Ni Quiaque LAI), three Non-executive Directors (Ms. Suyi KIM, Mr. Zubin Jamshed IRANI and Mr. Teck Chien KONG) and three Independent Non-executive Directors (Mr. Bradley Jay HORWITZ (Chairman), Mr. Stanley CHOW and Mr. Yee Kwan Quinn LAW). The Directors' biographical details are set out on pages 8 to 16 in the "Board of the Directors and Senior Management" section of this report. None of the members of the Board are related to one another.

## Chairman and Group Chief Executive Officer

As at 31 August 2020, the roles of the Chairman and the Group Chief Executive Officer are served by Mr. Bradley Jay HORWITZ 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; and
  - (e) ensuring effective communication with shareholders and ensuring that their views are communicated to the Board.
- Subject to specific delegations by the Board from time to time, in performing the role of 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 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.

## Independent Non-executive Directors

During the year ended 31 August 2020, 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 2020 pursuant to Rule 3.13 of the Listing Rules, and considered all of them to be independent.

## Appointment and Re-Election of Directors

The appointment of a new director of the Company is made on the recommendation of the Nomination Committee and the Board and 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.

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

## Directors' Training

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 the training they received during the year ended 31 August 2020 to the Company, which includes attending professional seminars, trainings organised by the Company Secretary and/or reading materials relevant to the Company's business or to the directors' duties and responsibilities.

## Directors' Liability Insurance and Indemnity

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 2020, no claim was made against the Directors.



## Meetings

The Board meets on a regular and on an ad hoc basis, as required by business needs. The attendance of each Director at the Board meetings, committee meetings and general meetings during the year ended 31 August 2020 is set out in the following table:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
	Number of Meetings Attended/Held <sup>(1)</sup>				
<b>Chairman and Independent Non-executive Director</b>					
Mr. Bradley Jay HORWITZ	5/5	3/3	1/3 <sup>(2)</sup>	1/1	0/2
<b>Executive Directors</b>					
Mr. Chu Kwong YEUNG	5/5	3/3 <sup>(2)</sup>	3/3	1/1	2/2
Mr. Ni Quiaque LAI	5/5	3/3 <sup>(2)</sup>	1/3 <sup>(2)</sup>	N/A	2/2
<b>Non-executive Directors</b>					
Ms. Deborah Keiko ORIDA <sup>(3)</sup>	2/4	N/A	N/A	1/1	0/2
Ms. Suyi KIM <sup>(4)</sup>	1/1	N/A	N/A	0/0	0/0
Mr. Zubin Jamshed IRANI	5/5	3/3	3/3	N/A	0/2
Mr. Teck Chien KONG	5/5	N/A	N/A	1/1	2/2
<b>Independent Non-executive Directors</b>					
Mr. Stanley CHOW	5/5	3/3	3/3	1/1	2/2
Mr. Yee Kwan Quinn LAW	5/5	3/3	3/3	1/1	2/2

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
- (3) Ms. Deborah Keiko ORIDA was resigned as the Non-executive Director and member of the Nomination Committee of the Company on 15 July 2020. During the period from 1 September 2019 to 15 July 2020, there were four Board meetings, two Audit Committee meetings, two Remuneration Committee meetings, one Nomination Committee meeting and two general meetings.
- (4) Ms. Suyi KIM has been appointed as the Non-executive Director and member of the Nomination Committee of the Company with effect from 15 July 2020. During the period from 15 July 2020 to 31 August 2020, there were one Board meeting, one Audit Committee meeting, one Remuneration Committee meeting, nil Nomination Committee meeting and nil general meeting.

## Board Committees

The Board has established three Board committees, namely the Remuneration Committee, the Nomination Committee and the Audit Committee.

### Remuneration Committee

The Remuneration Committee was established with written terms of reference which are available for view on the Company's website and the website of Hong Kong Exchanges and Clearing Limited ("HKEX").

The Remuneration Committee currently comprises four members, namely Mr. Stanley CHOW, Mr. Yee Kwan Quinn LAW, Mr. Chu Kwong YEUNG and Mr. Zubin Jamshed IRANI. The Chairman of the Remuneration Committee is Mr. Stanley CHOW, the Independent Non-executive Director of the Company.

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 2020, the Remuneration Committee held three meetings to review the remuneration package and discretionary bonus of Directors, senior management and Talents, review the remuneration policy of the Company, and made recommendations for the Board's approval.

Pursuant to B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 August 2020 is set out in note 6 to the "Notes to the Financial Statements".

### Nomination Committee

The Board has a Nomination Committee with written terms of reference in compliance with the CG Code, except for the deviation of Code Provision A.5.1 of the CG Code (please refer to the section under "Corporate Governance Practices and Corporate Governance Code" on page 103 for details), setting out the duties and authority of the Nomination Committee. The terms of reference of the Nomination Committee are available for view on the Company's website and HKEX's website.

The Nomination Committee currently comprises six members, namely Mr. Stanley CHOW, Mr. Bradley Jay HORWITZ, Ms. Suyi KIM, Mr. Yee Kwan Quinn LAW, Mr. Chu Kwong YEUNG and Mr. Teck Chien KONG. The Chairman of the Nomination Committee is Mr. Chu Kwong YEUNG, the Executive Director of the Company.

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 2020, the Nomination Committee held one meeting to assess the independence of Independent Non-executive Directors, consider the re-election of the retiring Directors at the forthcoming annual general meeting of the Company, as well as review the composition of the Board, the nomination policy and Board Diversity Policy.

## 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 provision of the policy is set out below:

### Nomination Criteria

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

- (a) Age, gender, skills, knowledge, experience, expertise, professional and educational qualifications, background and other personal qualities of the candidate;
- (b) Effect on the Board's composition and diversity;
- (c) Ability and commitment of the candidate to devote sufficient time to effectively carry out his/her duties. In this regard, the number and nature of offices

held by the candidate in public companies or organisations, and other executive appointments or significant commitments should be considered;

- (d) Potential/actual conflicts of interest that may arise if the candidate is selected;
- (e) The contributions that the candidate is expected to bring;
- (f) Independence of the candidate; and
- (g) Other factors considered to be relevant on a case by case basis.

### Nomination Procedures and Process

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

## Board Diversity Policy

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. The main part of the policy is set out below:

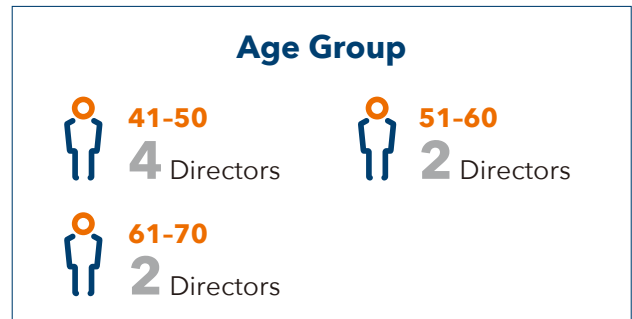
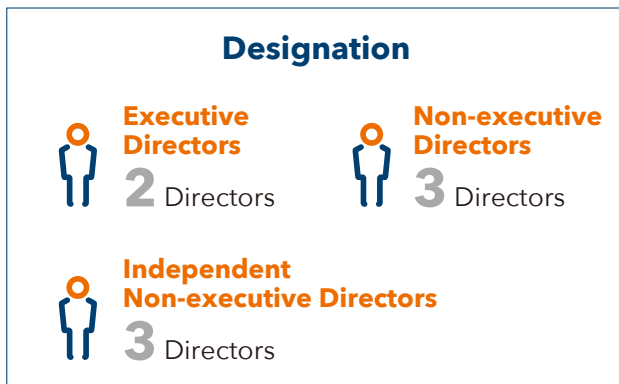
In considering and reviewing board composition, both the Nomination Committee and the Board will consider the benefits of all aspects of diversity, including age, gender, skills, knowledge, cultural, experience, expertise, professional and educational qualifications, background and other personal qualities 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 2020, 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.

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





## Audit Committee

The Audit Committee was established with written terms of reference which are available for view on the Company's website and HKEX's website.

The Audit Committee currently comprises four members, namely Mr. Yee Kwan Quinn LAW, Mr. Stanley CHOW, Mr. Bradley Jay HORWITZ and Mr. Zubin Jamshed IRANI. The Chairman of the Audit Committee is Mr. Yee Kwan Quinn LAW, the Independent Non-executive Director of the Company. The majority of the Audit Committee members are Independent Non-executive Directors. None of the members of the Audit Committee are a former partner of the Company's existing external auditor.

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

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 audited consolidated financial statements for the year ended 31 August 2020 have been reviewed by the Audit Committee.

During the year ended 31 August 2020, the Audit Committee held three 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 2019 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 2019 Annual General Meeting;
- Reviewed the internal audit work plan, the risk management and internal control systems of the Group during the year;
- Reviewed the interim report and the interim results announcement for the six months ended 29 February 2020 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.

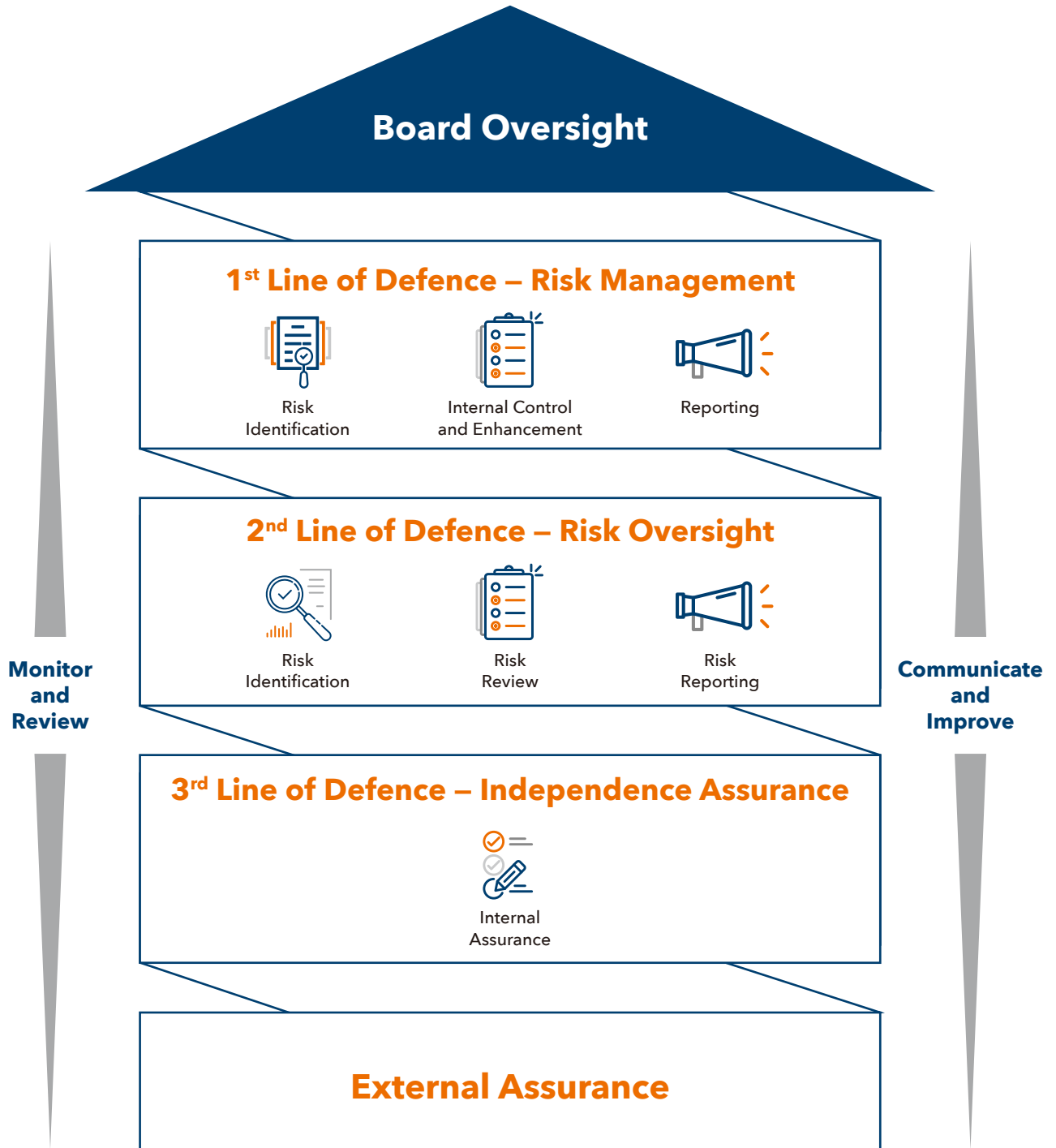
## Corporate Governance Functions

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.

**Risk Governance**

Our risk management structure is based on the best practice model known as 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

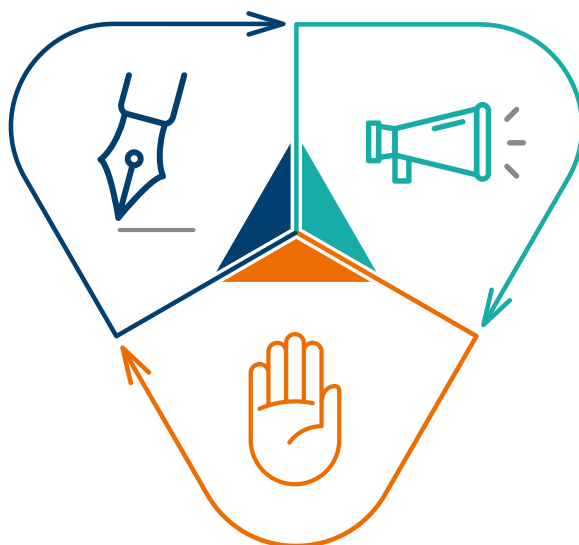
Company policies are set out and leaders from different departments are responsible to identify What Could Go Wrong (“WCGW”) and perform risk assessment, risk ranking, establishing and implementing mitigating actions and reporting to the Internal Risk Management Team (the “IRM”) on a yearly basis through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

### Company Policies

Talents and management are required to comply with multiple company policies which coherent with our core value.

#### 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 inducements of any kind to and received from any person, including officials in the private or public sector, customers and suppliers. Nine training sessions were provided to over 1,300 new joiners. The topics of the anti-bribery and anti-corruption training include 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 FY20, no substantiated court cases or complaints relating to HKBN and corruption, bribery or conflict of interest occurred

## Internal Control

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

## 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.

## Cybersecurity and Data Privacy

With the merger and integration, it is critical to align information security policies and practises among the group companies. During the year, we had already aligned and integrated security controls across all the Group’s entities with a high standard and enrolled all under the threat intelligence services for active monitoring and efficient remediation.

Protecting customer data is our priority, during the year, we updated data classification and enhanced security measures on unstructured sensitive data.

Numerous security drills for Talents were carried out and education training was provided for 435 talents in FY20, with security training incorporated as part of the training new joiners must under take.

## Second Line of Defence – Risk Oversight

The 2nd line of defence is overseen by the Internal Risk Assessment Team (“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.

IRM ensures appropriate actions are taken on risks affecting the Group’s business, operations and ESG related issues. The IRM team meets twice 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

The Group’s internal audit function is performed by the Audit and Risk Department (“ARD”). It is responsible for conducting independent reviews of the adequacy and effectiveness of the Group’s internal control and risk management systems. It also assists management in assessing the risks inherent in particular business or functional areas, including fraud 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, especially with respect to the significant risks and control issues identified over the financial reporting process.

### Risk Management and Principal Risks

It is our commitment to launch service quickly and meet market demands at a fast pace to pursue long-term growth in our business. Because we embrace risk as an inherent component in our daily operation, HKBN takes an “enterprise-wide 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 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

#### Risk Treatment (Mitigation and Action)

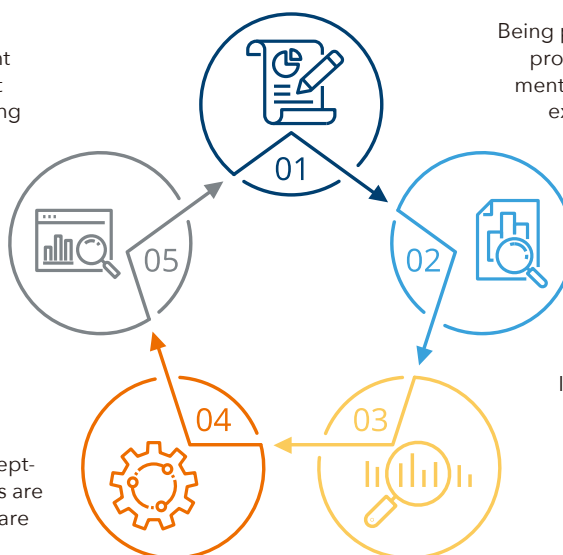
Treatment is identified and determined as to whether or not it reduces the residual risk to an acceptable level, if not, further treatments are considered until the residual risks are reduced to an acceptable level

#### Risk Identification

Being part of our strategic planning process and day-to-day 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



## 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. In FY20, the Group identified the following principal risks:

Potential risks	Potential impact	Mitigating actions
 <p><b>Market Risk</b></p> <p>The Group operates in markets which may be subject to pricing and other competitive pressures</p>	<p>Failure to respond to pricing and competitive pressures could result in losing customers and affect the Group's profitability</p>	<ul style="list-style-type: none"> <li>Proactively monitor market conditions</li> <li>Conduct responsive project management to allow flexible allocation of resources for strategy changes</li> <li>Closely monitor price levels and act accordingly</li> </ul>
 <p><b>Financial (Interest Rate Risk)</b></p> <p>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</p>	<p>Any significant increase in interest rates could increase our finance costs and adversely affect our profitability</p>	<ul style="list-style-type: none"> <li>Continue to monitor interest rate trend and market condition diligently and device hedging strategy accordingly</li> <li>Utilise interest rate swaps to hedge against our interest rate risks as appropriate</li> </ul>
 <p><b>Operation</b></p> <p>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</p>	<p>Any damage to or failure in our network or such infrastructure could adversely affect our business</p> <p>Leakage of customer data could adversely affect the Group's reputation, operations and financial performance</p>	<ul style="list-style-type: none"> <li>The Group has implemented a multi-vendor approach</li> <li>Continuously monitor of network status, continuously review and update our customer data collection and retention policy</li> <li>Upgraded network equipment and capacity during COVID-19 pandemic to ensure smooth online experience</li> <li>Provide network/IT security awareness training for all Talents</li> <li>Continuously review and update our customer data collection and retention policy</li> </ul>

Potential risks	Potential impact	Mitigating actions
 <p><b>People</b></p> <p>The Group's success is dependent upon continued service from Talents employed by our Group</p>	<p>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</p>	<ul style="list-style-type: none"> <li>The Group has a succession planning strategy in place for key management positions</li> </ul>
 <p><b>Technology</b></p> <p>The telecommunications industry is characterised by rapidly changing technology and industry standards, evolving customer demands and services with increasingly short life cycles</p>	<p>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</p>	<ul style="list-style-type: none"> <li>Explore and roll out emerging network technologies as we see fit</li> <li>New service is provided to customers by partnering with industry leaders</li> </ul>
 <p><b>Legal &amp; Regulatory</b></p> <p>The Group operates in markets and industries which require compliance with legal and regulatory requirements</p>	<p>Failure to comply with applicable legal and regulatory requirements may adversely affect the Group's reputation, operations and financial performance</p>	<ul style="list-style-type: none"> <li>ARD will conduct compliance review on business activities and new initiatives where appropriate</li> <li>Legal and Regulatory Department (LRD) will review contracts before their execution</li> <li>On-going trainings on legal and regulatory compliance will be provided to Talents to promote awareness and ensure compliance</li> </ul>

## 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 2020, 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.

## Auditor's Remuneration

During the year ended 31 August 2020, the remuneration paid or payable to the Company's external auditor, KPMG, is set out as follows:

	\$'000
Audit services	10,810
Other services <sup>(Note)</sup>	12,222
	<b>23,032</b>

Note: Other service fee includes the review of the Group's interim financial report amounting to \$945,000, tax advisory service amounting to \$671,000 and other professional fees in connection with business combination and other professional services amounting to \$10,606,000.

## Directors' Responsibility and Auditor's Responsibility in respect of Financial Statements

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 2020 are set out on pages 126 to 128 of this report.

## Model Code for Securities Transactions

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 2020.

## Communication with Shareholders

### 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 Company's 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.

## 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.

## 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 Company's dividend policy 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.

## 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. There is no change on the constitutional documents of the Company during the year ended 31 August 2020.



## 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 129 to 237, which comprise the consolidated statement of financial position as at 31 August 2020, 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 2020 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 ("HSAs") 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)

*Accounting for the acquisition of Jardine OneSolution Holdings (C.I.) Limited, Adura Hong Kong Limited and Adura Cyber Security Services Pte. Ltd.*

*Refer to note 32 and accounting policies in note 1(f) to the consolidated financial statements.*

#### The Key Audit Matter

#### How the matter was addressed in our audit

On 13 December 2019, the Group acquired the system integration and technology solution business through the acquisition of the entire issued share capital of Jardine OneSolution Holdings (C.I.) Limited, Adura Hong Kong Limited and Adura Cyber Security Services Pte. Ltd. (together referred as "HKBN JOS") ("the HKBN JOS Acquisition") for cash consideration of US\$50 million (equivalent to HK\$392 million).

Goodwill arising from the HKBN JOS Acquisition represented the excess of the consideration paid over the Group's shares of the fair value of the identifiable net assets of the acquired entities.

The fair values of the identifiable assets and liabilities acquired in the HKBN JOS Acquisition was assessed by the directors based on an independent valuation prepared by a firm of external valuers. The assessment of fair values required the exercise of significant judgements and estimation, particularly in relation to the forecast of future performance of the businesses acquired.

- inspecting the sale and purchase agreements and evaluating management's accounting treatment for the HKBN JOS Acquisition with reference to the terms set out in the sale and purchase agreements and the requirements of the prevailing accounting standards;
- obtaining and inspecting the valuation assessments prepared by the external valuers engaged by the Group and on which management's assessment of the fair values of the assets and liabilities acquired was based;
- assessing the external valuers' qualifications, experience and expertise in the assets being valued and considering their objectivity and independence;
- with the assistance of our internal valuation specialists, assessing the valuation methodologies adopted by the external valuers with reference to industry standards and the requirements of the prevailing accounting standards, and challenging the assumptions and critical judgements which impacted their valuation by comparing these assumptions and critical judgements with market data and the Group's business plan supporting the HKBN JOS Acquisition;

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HKBN LTD. (continued)

*(Incorporated in the Cayman Islands with limited liability)*

### Key audit matters (continued)

*Accounting for the acquisition of Jardine OneSolution Holdings (C.I.) Limited, Adura Hong Kong Limited and Adura Cyber Security Services Pte. Ltd. (continued)*

*Refer to note 32 and accounting policies in note 1(f) to the consolidated financial statements.*

#### The Key Audit Matter

#### How the matter was addressed in our audit

We identified the accounting for the HKBN JOS Acquisition as a key audit matter because of the significance to the consolidated financial statements and because assessing the fair values of the assets and liabilities acquired can be inherently subjective and requires significant judgements and estimation which increase the risk of error or potential management bias.

- evaluating the information provided by management to the external valuers by inspecting the underlying contracts and relevant underlying documentation;
- evaluating management's assessment of the estimated useful lives of (i) brand and trademark and (ii) customer relationships, with reference to future operating plans and our knowledge of the industry; and
- assessing the disclosures in the consolidated financial statements in respect of the HKBN JOS Acquisition with reference to the requirements of the prevailing accounting standards.



## 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 2020, which amounted to HK\$9,017 million, HK\$4,201 million, HK\$4,112 million and HK\$887 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.

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;

## 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 (continued)*

*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

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.

- 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\$6,247 million, which accounted for 66% of the total revenue for the year ended 31 August 2020. 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

29 October 2020

## Consolidated Income Statement

For the year ended 31 August 2020 (Expressed in Hong Kong dollars)

	Note	2020 \$'000	2019 (Note) \$'000
<b>Revenue</b>	2	<b>9,452,957</b>	5,107,637
Other net income	3(a)	<b>25,812</b>	29,926
Network costs and costs of sales		<b>(4,926,272)</b>	(1,834,054)
Other operating expenses	3(b)	<b>(3,933,192)</b>	(2,734,600)
Finance costs	3(d)	<b>(526,961)</b>	(259,271)
Share of losses of joint ventures	13(b)	<b>(242)</b>	(276)
<b>Profit before taxation</b>	3	<b>92,102</b>	309,362
Income tax credit/(charge)	4	<b>4,509</b>	(94,835)
<b>Profit for the year</b>		<b>96,611</b>	214,527
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>97,174</b>	214,527
Non-controlling interests		<b>(563)</b>	-
<b>Profit for the year</b>		<b>96,611</b>	214,527
<b>Earnings per share</b>	7		
Basic		<b>7.4 cents</b>	19.4 cents
Diluted		<b>6.6 cents</b>	18.4 cents

Note: The Group has initially applied HKFRS 16 at 1 September 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

The notes on pages 135 to 237 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 2020 (Expressed in Hong Kong dollars)

	<b>2020</b>	2019
	<b>\$'000</b>	(Note)
		\$'000
<b>Profit for the year</b>	<b>96,611</b>	214,527
<b>Other comprehensive income for the year</b>		
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	<b>8,360</b>	(6,198)
Exchange loss on translating foreign operations transferred to consolidated income statement upon disposal	<b>875</b>	-
<b>Other comprehensive income for the year</b>	<b>9,235</b>	(6,198)
<b>Total comprehensive income for the year</b>	<b>105,846</b>	208,329
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>106,409</b>	208,329
Non-controlling interests	<b>(563)</b>	-
<b>Total comprehensive income for the year</b>	<b>105,846</b>	208,329

Note: The Group has initially applied HKFRS 16 at 1 September 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

The notes on pages 135 to 237 form part of these financial statements.

# Consolidated Statement of Financial Position

At 31 August 2020 (Expressed in Hong Kong dollars)

	Note	2020 \$'000	2019 (Note) \$'000
<b>Non-current assets</b>			
Goodwill	9	9,016,507	8,788,319
Intangible assets	10	4,200,644	4,638,643
Property, plant and equipment	11	4,112,260	4,341,590
Investment properties	11	206,800	222,041
Right-of-use assets	11(c)	886,709	-
Customer acquisition and retention costs	15	595,149	598,030
Contract assets	16(a)	-	4,740
Interest in an associate	13	4,438	-
Interest in joint ventures	13	9,387	9,429
Deferred tax assets	27	91,258	-
Finance lease receivables		6,534	-
Other non-current assets	14	81,012	32,105
		<b>19,210,698</b>	18,634,897
<b>Current assets</b>			
Inventories	15	154,641	29,168
Trade receivables	17(a)	1,356,935	557,439
Other receivables, deposits and prepayments	17(a)	359,458	240,894
Finance lease receivables		1,253	-
Contract assets	16(a)	303,839	241,717
Amounts due from joint ventures	23	19,600	15,093
Tax recoverable	26	717	-
Financial assets at fair value through profit or loss	17(b)	40,517	-
Cash and cash equivalents	18	676,457	662,816
		<b>2,913,417</b>	1,747,127
<b>Current liabilities</b>			
Trade payables	19	830,805	365,976
Other payables and accrued charges – current portion	19	1,240,907	907,317
Contract liabilities – current portion	16(b)	706,827	219,763
Deposits received		76,049	72,443
Obligations under granting of rights – current portion	28	9,024	9,024
Amount due to an associate	23	4,438	-
Amounts due to joint ventures	23	10,750	10,750
Contingent consideration – current portion	29	-	1,371
Bank and other borrowings	20	1,310,667	-
Lease liabilities – current portion	21	234,258	-
Tax payable	26	199,521	158,480
Other current liabilities	24	8,704	-
		<b>4,631,950</b>	1,745,124
<b>Net current (liabilities)/assets</b>		<b>(1,718,533)</b>	2,003
<b>Total assets less current liabilities</b>		<b>17,492,165</b>	18,636,900

# Consolidated Statement of Financial Position

At 31 August 2020 (Expressed in Hong Kong dollars)

	Note	2020 \$'000	2019 (Note) \$'000
<b>Non-current liabilities</b>			
Other payables and accrued charges – long-term portion	19	87,677	143,600
Contract liabilities – long-term portion	16(b)	219,939	187,690
Obligations under granting of rights – long-term portion	28	6,771	15,795
Deferred tax liabilities	27	1,033,447	1,131,440
Contingent consideration – long-term portion	29	-	28,278
Lease liabilities – long-term portion	21	445,804	-
Provision for reinstatement costs		67,320	50,146
Bank and other borrowings	20	5,018,368	4,454,253
Senior notes	22	4,101,847	5,169,137
Other non-current liabilities	24	50,493	-
		<b>11,031,666</b>	11,180,339
<b>NET ASSETS</b>		<b>6,460,499</b>	7,456,561
<b>CAPITAL AND RESERVES</b>			
Share capital	30(c)	132	132
Reserves		6,460,367	7,456,429
<b>Total equity attributable to equity shareholders of the Company</b>		<b>6,460,499</b>	7,456,561
<b>Non-controlling interests</b>		-	-
<b>TOTAL EQUITY</b>		<b>6,460,499</b>	7,456,561

Note: The Group has initially applied HKFRS 16 at 1 September 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

Approved and authorised for issue by the board of directors on 29 October 2020.

	)	
	)	
<b>Chu Kwong YEUNG</b>	)	
	)	Directors
	)	
<b>Ni Quiaque LAI</b>	)	
	)	
	)	

The notes on pages 135 to 237 form part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 August 2020 (Expressed in Hong Kong dollars)

Note	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity	
	Share capital	Share premium	Vendor Loan Notes	Capital reserve	Other reserve	Retained profits	Exchange reserve	Total			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Balance at 1 September 2018</b>	101	-	-	35,813	596,420	781,639	(8,805)	1,405,168	-	1,405,168	
<b>Changes in equity for the year ended 31 August 2019:</b>											
Profit for the year	-	-	-	-	-	214,527	-	214,527	-	214,527	
Other comprehensive income	-	-	-	-	-	-	(6,198)	(6,198)	-	(6,198)	
Total comprehensive income	-	-	-	-	-	214,527	(6,198)	208,329	-	208,329	
Issues of ordinary shares	30(c)	31	4,295,264	-	-	-	-	4,295,295	-	4,295,295	
Issue of Vendor Loan Notes	31	-	-	2,349,204	-	-	-	2,349,204	-	2,349,204	
Dividend approved in respect of the previous year	30(b)(ii)	-	-	-	-	(301,700)	-	(301,700)	-	(301,700)	
Dividend declared to equity shareholders of the Company in respect of the current year		-	(445,944)	-	-	-	-	(445,944)	-	(445,944)	
Distribution to holders of Vendor Loan Notes		-	(56,890)	-	-	-	-	(56,890)	-	(56,890)	
Equity-settled share-based transactions	25(a)	-	-	-	3,099	-	-	3,099	-	3,099	
<b>Balance at 31 August 2019 (Note)</b>	132	3,792,430	2,349,204	38,912	596,420	694,466	(15,003)	7,456,561	-	7,456,561	
<b>Impact on initial application of HKFRS 16</b>	1(c)	-	-	-	-	(19,539)	-	(19,539)	-	(19,539)	
<b>Adjusted balance at 1 September 2019</b>	132	3,792,430	2,349,204	38,912	596,420	674,927	(15,003)	7,437,022	-	7,437,022	
<b>Changes in equity for the year ended 31 August 2020:</b>											
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(e)	-	-	-	-	-	(4,772)	(4,772)	2,247	(2,525)	
<b>Balance at 31 August 2020</b>		<b>132</b>	<b>2,712,817</b>	<b>2,349,204</b>	<b>40,365</b>	<b>596,420</b>	<b>767,329</b>	<b>(5,768)</b>	<b>6,460,499</b>	<b>-</b>	<b>6,460,499</b>

Note: The Group has initially applied HKFRS 16 at 1 September 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

The notes on pages 135 to 237 form part of these financial statements.



# Consolidated Cash Flow Statement

For the year ended 31 August 2020 (Expressed in Hong Kong dollars)

	Note	2020 \$'000	2019 (Note) \$'000
<b>Operating activities</b>			
Cash generated from operations	18(b)	2,341,123	1,469,569
Tax paid:			
– Hong Kong Profits Tax paid		(154,932)	(111,512)
– Tax paid outside Hong Kong		(8,186)	(5,884)
– Tax refunded outside Hong Kong		1,360	-
<b>Net cash generated from operating activities</b>		<b>2,179,365</b>	<b>1,352,173</b>
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment		(539,451)	(413,860)
Payment for the purchase of investment properties		-	(191,431)
Payment for the purchase of intangible assets		(1,968)	-
Proceeds from sale of property, plant and equipment		2,682	4,795
Payment for investment in other financial assets		(40,331)	-
Payment for contingent consideration		-	(11,600)
Payment for acquisition of subsidiaries	32(a)&(c)	(323,067)	(296,390)
Increase in amount due from a joint venture		(3,125)	-
Cash from acquisition of subsidiaries	32(b)	-	355,172
Payment for investment in joint ventures		(250)	(810)
Interest received		3,287	4,083
Proceeds from disposal of subsidiaries	32(d)	1,000	-
<b>Net cash used in investing activities</b>		<b>(901,223)</b>	<b>(550,041)</b>
<b>Financing activities</b>			
Capital element of lease rentals paid	18(c)	(211,091)	-
Interest element of lease rentals paid	18(c)	(28,463)	-
Proceeds from bank and other borrowings	18(c)	1,686,486	974,365
Repayment of bank loans	18(c)	(102,098)	(400,000)
Repayment of other borrowings	18(c)	(1,114)	-
Payment for redemption of senior notes	18(c)	(1,096,708)	-
Interest paid on bank and other borrowings	18(c)	(172,408)	(126,915)
Interest paid on senior notes	18(c)	(257,775)	(144,636)
Interest paid on interest-rate swap	18(c)	(1,336)	(8,850)
Transaction costs paid for bank loans	18(c)	(1,419)	(484)
Dividend paid to the equity shareholders of the Company		(957,468)	(747,644)
Dividend paid to the holders of Vendor Loan Notes		(122,145)	(56,890)
<b>Net cash used in financing activities</b>		<b>(1,265,539)</b>	<b>(511,054)</b>
<b>Net increase in cash and cash equivalents</b>		<b>12,603</b>	<b>291,078</b>
<b>Cash and cash equivalents at the beginning of the year</b>	18(a)	<b>662,816</b>	<b>373,293</b>
<b>Effect of foreign exchange rate changes</b>		<b>1,038</b>	<b>(1,555)</b>
<b>Cash and cash equivalents at the end of the year</b>	18(a)	<b>676,457</b>	<b>662,816</b>

Note: The Group has initially applied HKFRS 16 at 1 September 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

The notes on pages 135 to 237 form part of these financial statements.

## 1 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

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

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

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

The consolidated financial statements for the year ended 31 August 2020 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 contingent consideration, share-based payments, financial assets at fair value through profit or loss and derivative financial instruments are stated at their fair values as explained in the accounting policies set out below in notes 1(f), 1(s) and 1(g).

#### *Going concern assumption*

As at 31 August 2020, the current liabilities of the Group exceeded their current assets by approximately \$1,719 million. Included in the current liabilities were (i) current portion of contract liabilities of \$707 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 \$234 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 has 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 39.

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Change in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### *HKFRS 16, Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 September 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 September 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

#### *a. New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. 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.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 September 2019. For contracts entered into before 1 September 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)****(c) Change in accounting policies (continued)****b. Lessee accounting and transitional impact**

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to interests in leasehold land held for own use, properties leased for own use and telecommunication facilities and computer equipment as disclosed in note 34(b)(ii). For an explanation of how the Group applies lessee accounting, see note 1(j)(i).

At the date of transition to HKFRS 16 (i.e. 1 September 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 September 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.32%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 August 2020; and
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as disclosed in note 34(b) as at 31 August 2019 to the opening balance for lease liabilities recognised as at 1 September 2019:

	<b>\$'000</b>
Operating lease commitments at 31 August 2019	531,771
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 August 2020	(12,660)
– non-lease component	(109,821)
Add: adjustments for reassessment of termination options of lease contracts	13,592
Add: finance lease liabilities recognised as at 1 September 2019	36,931
Less: leases committed but not commenced on 1 September 2019	(3,208)
	456,605
Less: total future interest expenses	(63,840)
Total lease liabilities recognised at 1 September 2019	392,765



# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Change in accounting policies (continued)

#### b. Lessee accounting and transitional impact (continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 August 2019.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 August 2019 \$'000	Capitalisation of operating lease contracts \$'000	Carrying amount at 1 September 2019 \$'000
<b>Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:</b>			
Property, plant and equipment	4,341,590	(264,948)	4,076,642
Right-of-use assets	-	642,521	642,521
Other non-current assets	32,105	(3,818)	28,287
<b>Total non-current assets</b>	<b>18,634,897</b>	<b>373,755</b>	<b>19,008,652</b>
Other receivables, deposits and prepayments – current portion	240,894	(529)	240,365
<b>Current assets</b>	<b>1,747,127</b>	<b>(529)</b>	<b>1,746,598</b>
Lease liabilities – current portion	-	(91,647)	(91,647)
<b>Current liabilities</b>	<b>(1,745,124)</b>	<b>(91,647)</b>	<b>(1,836,771)</b>
<b>Net current assets/(liabilities)</b>	<b>2,003</b>	<b>(92,176)</b>	<b>(90,173)</b>
<b>Total assets less current liabilities</b>	<b>18,636,900</b>	<b>281,579</b>	<b>18,918,479</b>
Lease liabilities – long-term portion	-	(301,118)	(301,118)
<b>Total non-current liabilities</b>	<b>(11,180,339)</b>	<b>(301,118)</b>	<b>(11,481,457)</b>
<b>Net assets</b>	<b>7,456,561</b>	<b>(19,539)</b>	<b>7,437,022</b>
Reserves	7,456,429	(19,539)	7,436,890
<b>Total equity attributable to equity shareholders of the Company</b>	<b>7,456,561</b>	<b>(19,539)</b>	<b>7,437,022</b>
<b>Total equity</b>	<b>7,456,561</b>	<b>(19,539)</b>	<b>7,437,022</b>

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Change in accounting policies (continued)

#### c. Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 September 2019, 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. This results in a positive impact on the reported profit from operations in the Group's consolidated income statement, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 18(c)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (see note 18(e)).

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result for the year ended 31 August 2020, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to the year ended 31 August 2020 instead of HKFRS 16, and by comparing these hypothetical amounts for 2020 with the actual 2019 corresponding amounts which were prepared under HKAS 17.

	2020				2019
	Amounts reported under HKFRS 16 (A) \$'000	Add back: HKFRS 16 depreciation and interest expense (B) \$'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (C) \$'000	Hypothetical amounts for 2020 as if under HKAS 17 (D=A+B+C) \$'000	Compared to amounts reported for 2019 under HKAS 17 \$'000
<b>Financial result for the year ended 31 August 2020 impacted by the adoption of HKFRS 16:</b>					
Network costs and costs of sales	(4,926,272)	51,306	(62,072)	(4,937,038)	(1,834,054)
Other operating expenses	(3,933,192)	186,513	(200,469)	(3,947,148)	(2,734,600)
Finance costs	(526,961)	28,463	-	(498,498)	(259,271)
<b>Profit before taxation</b>	<b>92,102</b>	<b>266,282</b>	<b>(262,541)</b>	<b>95,843</b>	<b>309,362</b>
<b>Profit for the year</b>	<b>96,611</b>	<b>266,282</b>	<b>(262,541)</b>	<b>100,352</b>	<b>214,527</b>

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Change in accounting policies (continued)

#### c. Impact on the financial result, segment results and cash flows of the Group (continued)

	2020			2019
	Amounts reported under HKFRS 16 (A) \$'000	Estimated amounts related to operating leases as if under HKAS 17 (notes 1 & 2) (B) \$'000	Hypothetical amounts for 2020 as if under HKAS 17 (C=A+B) \$'000	Compared to amounts reported for 2019 under HKAS 17 \$'000
<b>Line items in the consolidated cash flow statement for year ended 31 August 2020 impacted by the adoption of HKFRS 16:</b>				
Cash generated from operations	2,341,123	(239,554)	2,101,569	1,469,569
<b>Net cash generated from operating activities</b>	<b>2,179,365</b>	<b>(239,554)</b>	<b>1,939,811</b>	1,352,173
Capital element of lease rentals paid	(211,091)	211,091	-	-
Interest element of lease rentals paid	(28,463)	28,463	-	-
<b>Net cash used in financing activities</b>	<b>(1,265,539)</b>	<b>239,554</b>	<b>(1,025,985)</b>	(511,054)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2020 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2020. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2020 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2020. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

#### d. Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 August 2019. Consequentially, these leasehold investment properties continue to be carried at fair value.

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Change in accounting policies (continued)

#### e. *Lessor accounting*

In addition to leasing out the investment property referred to in paragraph d. above, the Group leases out a number of items of telecommunication facilities as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

### (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.

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).



# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Associates and joint ventures

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

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

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

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

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

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

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

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Business combination and goodwill

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

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

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

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

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

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

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 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

## 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.



# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 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

##### (A) Policy applicable from 1 September 2019

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

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (j) Leased assets (continued)

#### (i) As a lessee (continued)

##### (B) Policy applicable prior to 1 September 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, with the following exceptions:

- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

#### (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.

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

#### Measurement of ECLs

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

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

- trade receivables, other receivables, deposits and prepayments and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- lease receivables: discount rate used in the measurement of the lease receivable.

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

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

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

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

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)****(k) Credit losses and impairment of assets (continued)****(i) Credit losses from financial instruments, contract assets and lease receivables (continued)****Significant increases in credit risk**

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

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

**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.



## 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 (continued)

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.

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).

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)****(k) Credit losses and impairment of assets (continued)****(ii) Credit losses from financial guarantees issued (continued)**

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.

## 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)).



# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) Trade and other receivables

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

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

### (o) Interest-bearing borrowings

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

### (p) Trade and other payables

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

### (q) Obligations under granting of rights

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

- Rights to use of telecommunications services 10 years

### (r) Cash and cash equivalents

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

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (s) Talent benefits

#### (i) Short term Talent benefits

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

#### (ii) Profit sharing and bonus plans

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

#### (iii) Retirement benefit costs

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

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

#### (iv) Share-based payments

##### (a) Equity-settled share-based payments

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

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

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (s) Talent benefits (continued)

#### (iv) Share-based payments (continued)

##### (b) Cash-settled share-based payments

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

##### (c) Share-based payments among group entities

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

### (t) Income tax

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

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

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

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

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) Income tax (continued)

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

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

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.



# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (u) Provisions, contingent liabilities and onerous contracts

#### (i) *Contingent liabilities assumed in business combinations*

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

#### (ii) *Provisions and contingent liabilities*

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

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

### (v) Revenue and other income

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

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

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

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (v) Revenue and other income (continued)

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

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

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

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

#### (ii) Product revenue

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

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

#### (iii) Revenue from system integration services

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

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

#### (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.

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 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.

#### (vii) Government grants

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

### (w) Research and development costs

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

### (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.

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (y) Borrowing costs

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

### (z) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group.
- (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.

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (aa) Offsetting of financial assets and financial liabilities

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

### (ab) Segment reporting

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

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

## 2 REVENUE AND SEGMENT REPORTING

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

### (a) Disaggregation of revenue

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



## 2 REVENUE AND SEGMENT REPORTING (continued)

### (a) Disaggregation of revenue (continued)

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

	2020 \$'000	2019 \$'000
Disaggregated by major products or service lines:		
Fixed telecommunications network services	4,686,640	3,535,948
International telecommunications services	1,058,131	633,176
Other services	501,885	627,912
Fees from provision of telecommunications services	6,246,656	4,797,036
Product revenue	2,297,822	310,601
Technology solution and consultancy services	848,164	-
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>	<b>9,392,642</b>	5,107,637
Rental income from leasing business	60,315	-
	<b>9,452,957</b>	5,107,637
Disaggregated by major categories:		
Residential Solutions revenue	2,447,072	2,472,707
Enterprise Solutions revenue	4,708,063	2,324,329
Enterprise Solutions related product revenue	1,806,409	-
Other product revenue	491,413	310,601
	<b>9,452,957</b>	5,107,637

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 2020 and 2019, product revenue is recognised at a point-in-time and revenue from the provision of telecommunications services is substantially recognised over time.

## 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 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is \$4,286,347,000 (2019: \$2,999,416,000). 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 16 years (2019: 12 to 180 months).

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.

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 and there is a change in the composition of segment reporting in the current year's financial statements. 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

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

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

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

The performance measure used for reporting segment profit is "EBITDA" i.e. "earnings before finance costs, interest income, income tax, depreciation, amortisation of intangibles assets (net of direct cost incurred), 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.

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 2020 and 2019 is set out below.

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 REVENUE AND SEGMENT REPORTING (continued)

### (b) Segment reporting (continued)

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

	Telecom and technology solutions (Hong Kong)		Telecom and technology solutions (non- Hong Kong)		Total	
	2020 \$'000	2019 (Note) \$'000	2020 \$'000	2019 (Note) \$'000	2020 \$'000	2019 (Note) \$'000
<b>Disaggregated by timing of revenue recognition</b>						
Point in time	1,605,130	310,601	692,692	-	2,297,822	310,601
Over time	6,793,278	4,793,061	361,857	3,975	7,155,135	4,797,036
<b>Revenue from external customers</b>	<b>8,398,408</b>	5,103,662	<b>1,054,549</b>	3,975	<b>9,452,957</b>	5,107,637
Inter-segment revenue	10,961	-	320,273	275,215	331,234	275,215
<b>Reportable segment revenue</b>	<b>8,409,369</b>	5,103,662	<b>1,374,822</b>	279,190	<b>9,784,191</b>	5,382,852
<b>Reportable segment profit (EBITDA)</b>	<b>2,628,210</b>	1,939,464	<b>(122,767)</b>	(230,116)	<b>2,505,443</b>	1,709,348
Interest income	1,384	2,610	1,903	1,473	3,287	4,083
Finance costs	518,826	259,271	8,135	-	526,961	259,271
Depreciation and amortisation during the year	1,902,016	1,118,864	80,460	4,649	1,982,476	1,123,513
Impairment loss on investment properties	7,217	-	-	-	7,217	-
Capital expenditure incurred during the year	711,688	640,476	17,649	5,603	729,337	646,079
Income taxes (credit)/charge	(11,606)	89,023	7,097	5,812	(4,509)	94,835

Note: The Group has initially applied HKFRS 16 at 1 September 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

#### (ii) Reconciliation between segment profit after taxation and profit for the year

	2020 \$'000	2019 (Note) \$'000
Reportable segment profit derived from Group's external customers	2,505,443	1,709,348
Finance costs	(526,961)	(259,271)
Interest income	3,287	4,083
Depreciation	(974,267)	(534,758)
Amortisation of intangible assets	(609,895)	(283,776)
Amortisation of customer acquisition and retention costs	(291,719)	(240,793)
Impairment loss on investment properties	(7,217)	-
Transaction costs in connection with business combination	(6,569)	(85,471)
<b>Consolidated profit before taxation</b>	<b>92,102</b>	309,362

Note: The Group has initially applied HKFRS 16 at 1 September 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

## 2 REVENUE AND SEGMENT REPORTING (continued)

### (b) Segment reporting (continued)

#### (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 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	
	2020 \$'000	2019 (Note) \$'000	2020 \$'000	2019 (Note) \$'000
Hong Kong (place of domicile)	8,398,408	5,103,662	18,940,799	18,622,964
Mainland China	403,652	3,975	91,819	11,933
Singapore	293,122	-	77,563	-
Other territories	357,775	-	9,259	-
	1,054,549	3,975	178,641	11,933
	9,452,957	5,107,637	19,119,440	18,634,897

Note: The Group has initially applied HKFRS 16 at 1 September 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).



# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 3 PROFIT BEFORE TAXATION

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

	2020 \$'000	2019 \$'000
<b>(a) Other net income</b>		
Interest income	(3,287)	(4,083)
Net foreign exchange gain	(30,246)	(3,484)
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	1,542
Fair value loss on currency forward	16,699	-
Discounts on early settlement to suppliers	(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 (note 29)	14,624	-
Other income	(22,553)	(14,877)
	<b>(25,812)</b>	<b>(29,926)</b>
<b>(b) Other operating expenses</b>		
Advertising and marketing expenses	397,121	373,137
Depreciation		
– Property, plant and equipment	728,424	527,428
– Investment properties	8,024	7,330
– Right-of-use assets	186,513	-
Loss on disposal of property, plant and equipment, net	4,889	119
Gain on disposal of right-of-use assets, net	(6,086)	-
Recognition of loss allowance on trade receivables and contract assets (note 33(a))	80,292	52,759
Talent costs (note 3(c))	1,068,374	693,104
Amortisation of intangible assets	601,236	276,355
Amortisation of customer acquisition and retention costs (note 15(b))	291,719	240,793
Transaction costs in connection with business combination	6,569	75,608
Transaction costs in connection with proposed business combination	-	9,863
Loss on disposal of subsidiaries (note 32(d))	1,301	-
Others	564,816	478,104
– Office rental and utilities*	84,131	158,820
– Site expenses	86,184	95,915
– Bank handling charges	40,105	34,044
– Maintenance	137,023	101,213
– Subscription and license fees	82,328	9,348
– Legal and professional fees	33,131	13,585
– Printing, telecommunication and logistics expenses	44,495	20,811
– Others	57,419	44,368
	<b>3,933,192</b>	<b>2,734,600</b>

\* Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 September 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 September 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

## 3 PROFIT BEFORE TAXATION (continued)

	2020 \$'000	2019 \$'000
<b>(c) Talent costs</b>		
Salaries, wages and other benefits	1,729,313	1,137,395
Contributions to defined contribution retirement plan	117,788	71,685
Equity-settled share-based payment expenses (note 25(a)(I))	1,453	3,099
Cash-settled share-based payment expenses (note 25(a)(II))	929	797
	<b>1,849,483</b>	1,212,976
Less: Talent costs capitalised as property, plant and equipment	<b>(59,821)</b>	(45,133)
Talent costs included in advertising and marketing expenses and amortisation of customer acquisition and retention costs	<b>(421,127)</b>	(474,739)
	<b>1,368,535</b>	693,104
Talent costs included in other operating expenses	<b>1,068,374</b>	693,104
Talent costs included in network costs and costs of sales	<b>300,161</b>	-
	<b>1,368,535</b>	693,104

In 2020, 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 \$105,429,000, of which \$92,931,000 was passed on to the eligible Talents up to 31 August 2020. The Funds is for providing time-limited financial support to employers to retain their employees with the operating pressure caused by the novel coronavirus epidemic.

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

	2020 \$'000	2019 \$'000
<b>(d) Finance costs</b>		
Interest and finance charges on bank loans	196,394	134,909
Interest on other borrowings	112	-
Interest and finance charges on senior notes	256,280	103,424
Interest on interest-rate swaps, net	1,336	8,850
Interest on lease liabilities	28,463	-
Interest on other liabilities	845	-
Loss on extinguishment of senior notes (note 22)	43,595	-
Fair value (gain)/loss on interest-rate swaps	(64)	12,088
	<b>526,961</b>	259,271

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 3 PROFIT BEFORE TAXATION (continued)

	2020 \$'000	2019 \$'000
<b>(e) Other items</b>		
Amortisation of intangible assets (note 10)	<b>716,490</b>	347,962
Depreciation		
– Property, plant and equipment (note 11(a))	<b>728,424</b>	527,428
– Investment properties (note 11(a))	<b>8,024</b>	7,330
– Right-of-use assets (note 11(c))	<b>237,819</b>	-
Rental charges		
– Telecommunications facilities and computer equipment	<b>443,069</b>	343,699
– Land and buildings	-	92,783
Lease expenses relating to short-term leases, in respect of:		
– Land and buildings	<b>18,454</b>	-
Auditor's remuneration		
– Audit services	<b>10,810</b>	5,665
– Review services	<b>945</b>	635
– Tax services	<b>671</b>	210
– Other services	<b>10,606</b>	3,850
Recognition of loss allowance on trade receivables and contract assets	<b>80,292</b>	52,759
Research and development costs	<b>31,835</b>	28,076
Rental receivable from investment properties less direct outgoings \$820,000 (2019:\$ 778,000)	<b>(4,835)</b>	(1,910)
Cost of inventories (note 15)	<b>1,982,902</b>	288,782
Write down of inventories (note 15)	<b>1,240</b>	-

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 September 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 September 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

**4 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT****(a) Taxation in the consolidated income statement represents:**

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	<b>179,317</b>	146,864
Under/(over)-provision in respect of prior years	<b>15,320</b>	(51)
<b>Current tax – Outside Hong Kong</b>		
Provision for the year	<b>8,588</b>	5,812
Over-provision in respect of prior years	<b>(2,339)</b>	-
<b>Deferred tax</b>		
Origination and reversal of temporary differences (note 27)	<b>(205,395)</b>	(57,790)
Tax (credit)/expense	<b>(4,509)</b>	94,835

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 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 2019.

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

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

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Profit before taxation	<b>92,102</b>	309,362
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	<b>16,282</b>	52,543
Tax effect of non-deductible expenses	<b>85,588</b>	57,569
Tax effect of non-taxable income	<b>(18,587)</b>	(749)
Utilisation of tax loss/other deferred assets previously not recognised	<b>(23,779)</b>	(20,506)
Tax effect of unused tax losses not recognised	<b>2,036</b>	2,719
Recognition of previously unrecognised tax losses	<b>(80,304)</b>	-
Under/(over)-provision in respect of prior years	<b>12,981</b>	(51)
Others	<b>1,274</b>	3,310
Actual tax (credit)/expense	<b>(4,509)</b>	94,835

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 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:

	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
<b>Executive directors</b>							
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
<b>Non-executive directors</b>							
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	-	-	-	-	-	-	-
<b>Independent non-executive directors</b>							
Mr. Bradley Jay HORWITZ	628	-	-	-	628	-	628
Mr. Stanley CHOW	628	-	-	-	628	-	628
Mr. Yee Kwan Quinn LAW	628	-	-	-	628	-	628
	<b>1,884</b>	<b>16,934</b>	<b>1,460</b>	<b>1,710</b>	<b>21,988</b>	<b>-</b>	<b>21,988</b>

	2019						
	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
<b>Executive directors</b>							
Mr. Chu Kwong YEUNG	-	8,838	1,616	998	11,452	267	11,719
Mr. Ni Quiaque LAI	-	6,649	1,076	665	8,390	183	8,573
<b>Non-executive directors</b>							
Ms. Deborah Keiko ORIDA	-	-	-	-	-	-	-
Mr. Zubin Jamshed IRANI	-	-	-	-	-	-	-
Mr. Teck Chien KONG	-	-	-	-	-	-	-
<b>Independent non-executive directors</b>							
Mr. Bradley Jay HORWITZ	543	-	-	-	543	-	543
Mr. Stanley CHOW	543	-	-	-	543	-	543
Mr. Yee Kwan Quinn LAW	543	-	-	-	543	-	543
	<b>1,629</b>	<b>15,487</b>	<b>2,692</b>	<b>1,663</b>	<b>21,471</b>	<b>450</b>	<b>21,921</b>



## 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 2020, 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 (2019: Nil). There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 August 2020 (2019: Nil).

## 6 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2019: two) are directors whose emoluments are disclosed in note 5. The aggregate of the emoluments in respect of the other three (2019: three) individuals are as follows:

	2020 \$'000	2019 \$'000
Salaries and other emoluments	10,693	10,566
Discretionary bonuses	1,258	4,708
Share-based payments	21	173
Retirement scheme contributions	914	867
	<b>12,886</b>	16,314

The emoluments of the three (2019: three) individuals with the highest emoluments are within the following bands:

	2020 Number of individuals	2019 Number of individuals
\$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	1
\$5,500,001 – \$6,500,000	-	-
\$6,500,001 – \$7,500,000	-	1
	<b>3</b>	3

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 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 \$97,174,000 (2019: \$214,527,000) and the weighted average number of ordinary shares in issue less shares held for the Co-Ownership Plan II, of 1,310,544,000 ordinary shares (2019: 1,106,828,000 ordinary shares) which is calculated as follows:

	2020 '000	2019 '000
Issued ordinary shares at 1 September	1,311,599	1,005,666
Less: shares held for the Co-Ownership Plan II	(5,666)	(5,666)
Add: effect of the Co-Ownership Plan II RSUs vested	4,611	3,733
Add: effect of issue of new shares	-	103,095
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	1,310,544	1,106,828

### (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 \$97,174,000 (2019: \$214,527,000) 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:

	2020 '000	2019 '000
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	1,310,544	1,106,828
Add: effect of the Co-Ownership Plan II	270	269
Add: effect of the Vendor Loan Notes	167,322	56,385
Weighted average number of ordinary shares (diluted)	1,478,136	1,163,482

## 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 \$467,000 (2019: \$438,000) were used to reduce the current year's level of contributions and \$Nil was available at 31 August 2020 (2019: \$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 to 31 December 2020. 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.

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 9 GOODWILL

	<b>\$'000</b>
<b>Cost:</b>	
At 31 August 2018 and 1 September 2018	1,801,393
Acquisition of subsidiaries (note 32(b))	6,986,926
At 31 August 2019 and 1 September 2019	8,788,319
Acquisition of subsidiaries (note 32(a))	228,188
At 31 August 2020	9,016,507
<b>Accumulated impairment losses:</b>	
At 1 September 2018, 31 August 2019, 1 September 2019 and 31 August 2020	-
<b>Carrying amount:</b>	
At 31 August 2020	9,016,507
At 31 August 2019	8,788,319

### 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:

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Telecom and technology solutions (Hong Kong)		
– fixed telecommunications network service	<b>8,933,317</b>	8,788,319
– technology related services	<b>83,190</b>	-
	<b>9,016,507</b>	8,788,319

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.

**9 GOODWILL (continued)**

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

	2020	2019
Telecom and technology solutions (Hong Kong) – fixed telecommunications network service		
Revenue growth rate	<b>4%</b>	6%
Long-term growth rate	<b>2%</b>	2%
Pre-tax discount rate	<b>12%</b>	12%

	2020	2019
Telecom and technology solutions (Hong Kong) – technology related services		
Revenue growth rate	<b>3%</b>	N/A
Long-term growth rate	<b>1%</b>	N/A
Pre-tax discount rate	<b>14%</b>	N/A





## 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.

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 11 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

### (a) Reconciliation of carrying amount

	Cable	Leasehold land	Leasehold	Furniture,	Telecommunications,	Motor	Sub-total	Investment	Total
	and buildings	improvements	fixtures	computer	vehicles			properties	
	\$'000	\$'000	\$'000	and fittings	and office	\$'000	\$'000	\$'000	\$'000
				\$'000	equipment				
<b>Cost:</b>									
At 1 September 2018	52,449	36,148	79,282	5,628	4,232,250	3,567	4,409,324	-	4,409,324
Exchange adjustments	-	-	(796)	(138)	(1,354)	-	(2,288)	-	(2,288)
Acquisition of subsidiaries (note 32(b)(c))	-	348,226	21,101	1,065	1,792,905	488	2,163,785	-	2,163,785
Additions	-	-	6,147	877	407,712	1,972	416,708	229,371	646,079
Disposals	-	-	(5,118)	(126)	(15,419)	(1,364)	(22,027)	-	(22,027)
At 31 August 2019	52,449	384,374	100,616	7,306	6,416,094	4,663	6,965,502	229,371	7,194,873
At 31 August 2019	52,449	384,374	100,616	7,306	6,416,094	4,663	6,965,502	229,371	7,194,873
Impact on initial application of HKFRS 16 (Note)	-	(273,179)	(13,497)	-	-	-	(286,676)	-	(286,676)
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(d))	-	-	(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
<b>Accumulated depreciation:</b>									
At 1 September 2018	46,125	4,127	33,496	3,203	2,026,027	2,396	2,115,374	-	2,115,374
Exchange adjustments	-	-	(728)	(85)	(964)	-	(1,777)	-	(1,777)
Charge for the year	286	11,825	13,602	1,008	499,995	712	527,428	7,330	534,758
Written back on disposals	-	-	(3,649)	(88)	(12,379)	(997)	(17,113)	-	(17,113)
At 31 August 2019	46,411	15,952	42,721	4,038	2,512,679	2,111	2,623,912	7,330	2,631,242
At 31 August 2019	46,411	15,952	42,721	4,038	2,512,679	2,111	2,623,912	7,330	2,631,242
Impact on initial application of HKFRS 16 (Note)	-	(11,777)	(9,951)	-	-	-	(21,728)	-	(21,728)
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(d))	-	-	(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
<b>Net book value:</b>									
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 2019	6,038	368,422	57,895	3,268	3,903,415	2,552	4,341,590	222,041	4,563,631

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 September 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See note 1(c).

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

### (a) Reconciliation of carrying amount (continued)

At 31 August 2020 and 2019, 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.

### (b) Fair value measurement of investment properties

The fair value of investment properties at 31 August 2020 is \$206,800,000 (2019: \$217,800,000) which is estimated at their open market value by reference to recent market transactions in comparable properties (2019: 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 \$'000	Fair value measurements categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Recurring fair value measurements</b>				
Investment properties				
– 31 August 2020	206,800	-	206,800	-
– 31 August 2019	217,800	-	217,800	-

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

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

### (b) Fair value measurement of investment properties (continued)

During the year ended 31 August 2020, 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 4.38% (2019: 2.98%). The fair value measurement is positively correlated to the property-specific adjusting rate.

### (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:

	Note	31 August 2020 \$'000	1 September 2019 \$'000
Interests in leasehold land held for own use, carried at depreciated cost, with remaining lease term of:			
– 10 years or less	(i)	4,171	4,404
– between 10 and 50 years		241,367	250,534
– 50 years or more		6,279	6,464
		<b>251,817</b>	261,402
Other properties leased for own used, carried at depreciated cost	(ii)	451,048	348,926
Telecommunication facilities and computer equipment	(iii)	183,844	32,193
		<b>886,709</b>	642,521

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

	2020 \$'000	2019 (Note) \$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Interests in leasehold land held for own use	9,583	-
Other properties leased for own used	166,114	-
Telecommunication facilities and computer equipment	62,122	-
	<b>237,819</b>	-

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 September 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 September 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).



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

### (c) Right-of-use assets (continued)

During the year, additions to right-of-use assets were \$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.

#### (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.

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:

	2020 Lease liabilities recognised (discounted) \$'000	2020 Potential future lease payments under extension option not included in lease liabilities (undiscounted) \$'000
Warehouse – Hong Kong	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 2020.

#### (iii) Telecommunications facilities and computer equipment

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

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

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

### (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:

	2020 \$'000	2019 \$'000
Within 1 year	5,803	4,810
After 1 year but within 2 years	2,439	812
	<b>8,242</b>	<b>5,622</b>

### (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)(xi)).

## 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
A dura Hong Kong Limited	Hong Kong	1 share	100	Provision of consultancy services in relation to cybersecurity in Hong Kong
COL LIMITED	Hong Kong	40,000 shares	100	Provision of data processing/ data centre services in Hong Kong
COL (SHANGHAI) LTD.* (formerly known as Wharf Col (Shanghai) Ltd.*)	PRC <sup>#</sup>	US\$700,000	100	Provision of data processing/ data centre services in the PRC
CONCORD IDEAS LTD.	BVI	US\$10	100	Investment holding in Hong Kong

# Notes to the Financial Statements

(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
COSMO TRUE LIMITED	BVI	US\$1	100	Property investment in Hong Kong
Crown Master Enterprises Limited	Hong Kong	1 share	100	Investment holding in Hong Kong
DYNAMIC FUTURE INVESTMENTS LIMITED	Hong Kong	1 share	100	Property holding
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") (formerly known as WTT Cayman Corp)	Cayman Islands	US\$1	100	Investment holding in Hong Kong
HKBN Enterprise Solutions Development Ltd ("HKBNESDL") (formerly known as WTT Development Ltd)	Cayman Islands	US\$0.01	100	Investment holding in Hong Kong
HKBN Enterprise Solutions Cloud Services Limited (formerly known as I Consulting Group Limited)	Hong Kong	100 shares	100	Provision of cloud solutions services in Hong Kong
HKBN Enterprise Solutions eBusiness Limited	Hong Kong	1 share	100	Provision of eBusiness 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

## Notes to the Financial Statements

(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 Limited	Hong Kong	10,000,000 shares	100	Provision of telecommunication services in Hong Kong
HKBN Enterprise Solutions Net Limited	Hong Kong	2 shares	100	Investment holding in the PRC
HKBN Group Limited ("HKBNGL")	BVI	US\$5,294	100	Investment holding in Hong Kong
HKBN JOS Holdings (C.I.) Limited (formerly known as Jardine OneSolution Holdings (C.I.) Limited)	Cayman Islands	US\$1,411.9	100	Investment holding in Hong Kong
HKBN JOS Synergy (HK) Limited (formerly known as JOS SYNERGY (HK) LIMITED)	Hong Kong	4 shares	100	Consulting and outsourcing services in Hong Kong
HKBN JOS Limited (formerly known as Jardine One Solution (HK) Limited)	Hong Kong	33,000,000 shares	100	Enterprise systems technical services and distribution and logistics services in Hong Kong
HKBN JOS (China) Limited (formerly known as Jardine One Solution (China) Limited)	Hong Kong	100,000 shares	100	Investment holding in Hong Kong
HKBN JOS (Macau) Limited (formerly known as Jardine OneSolution (Macau) Limited)	Macau	MOP\$25,000	100	Enterprise systems in Macau
HKBN JOS (MALAYSIA) SDN. BHD. (formerly known as JOS MALAYSIA SDN. BHD.)	Malaysia	MYR\$7,500,000	100	Enterprise systems technical services in Malaysia
HKBN JOS (SINGAPORE) PTE. LTD. (formerly known as JARDINE ONESOLUTION (2001) PTE. LTD.)	Singapore	SG\$10,450,000	100	Enterprise systems technical services in Singapore

# Notes to the Financial Statements

(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 (formerly known as JOS APPLICATIONS (HK) LIMITED)	Hong Kong	2 shares	100	Enterprise systems development in Hong Kong
HKBN JOS (Shanghai) Company Limited* (formerly known as Jardine OneSolution (China) Company Limited*)	PRC#	\$30,000,000	100	Technical services and product sales in the PRC
HKBN JOS (Zhuhai) Company Limited* (formerly known as Jos Digital Service Company Ltd.*)	PRC#	\$2,500,000	100	Technical services and product sales in the PRC
HKBN International Limited	BVI	US\$1	100	License holding in Taiwan
Hong Kong Broadband Network Limited ("HKBN")	Hong Kong	383,049 shares	100	Provision of fixed telecommunications network services and international telecommunications services in Hong Kong and product sales
Jiuxin (Guangzhou) Electron Technology Service Limited Company*	PRC#	\$1,300,000	100	Provision of telecommunication services in the PRC
JOSD PTE. LTD.	Singapore	SG\$500,000	100	Wholesale of computer software (except games and cybersecurity software)
JOS APPLICATIONS (S) PTE. LTD.	Singapore	Ordinary shares: SG\$200 Preference shares: SG\$750,000	100	Software and programming activities in Singapore
JOS Applications Holdings Limited	BVI	US\$10,000	100	Investment holding in Hong Kong



## Notes to the Financial Statements

(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
JOS Asia Limited	Hong Kong	1 share	100	Business referrals and consultancy services in Hong Kong
Metropolitan Light Company Limited ("MLCL")	Cayman Islands	US\$1,000	100	Investment holding in Hong Kong
Metropolitan Light (HK) Company Limited	Hong Kong	400,000 shares	100	Investment holding in the PRC
Mirapoint Asia Limited	Hong Kong	1 share	100	Distribution of email and related products in Hong Kong
NEW FORCE CUSTOMER SERVICES LIMITED	Hong Kong	2 shares	100	Investment holding in the PRC
NEW IMPACT CUSTOMER SERVICES LIMITED	Hong Kong	2 shares	100	Investment holding in the PRC
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
UTMOST POWER LIMITED	Hong Kong	1 share	100	Property holding
Y5Zone Limited	Hong Kong	2 shares	100	Provision of Wi-Fi connectivity in Hong Kong

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

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

**13 INTEREST IN JOINT VENTURES AND 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
HomePlus (Hong Kong) Limited ("HomePlus")	Limited liability company	Hong Kong	500,000 shares	50	Provision of retail and telecommunication services 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
TGgo Company Limited ("TGgo")	Limited liability company	Hong Kong	100 shares	40	Provision of cloud computing services in Hong Kong

BROADBANDgo, TGgo, HomePlus 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.

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

	2020 \$'000	2019 \$'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	9,387	9,429
Aggregate amounts of the Group's share of those joint ventures'		
– Loss and other comprehensive income for the year	(242)	(276)
– Total comprehensive income	(242)	(276)

# Notes to the Financial Statements

(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			Principal activity
				Group's effective interest	Held by the company	Held by a subsidiary	
Guangdong Broadband Network Limited*	Limited liability company	PRC <sup>#</sup>	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 the entity is in Chinese.

<sup>#</sup> Chinese-Foreign equity joint venture registered under the PRC law.

## 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.

	2020 \$'000	2019 \$'000
Prepayments	59,587	16,474
Deposits	21,425	15,631
	<b>81,012</b>	32,105

## 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.

	2020 \$'000	2019 \$'000
Finished goods	135,555	29,168
Spare parts for services	19,081	-
Work in progress	5	-
	<b>154,641</b>	29,168

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

	2020 \$'000	2019 \$'000
Carrying amount of inventories sold	1,982,902	288,782
Write down of inventories	1,240	-
	<b>1,984,142</b>	288,782

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

	<b>\$'000</b>
<b>Cost:</b>	
At 1 September 2018	433,755
Acquisition of subsidiaries (note 32(b))	173,166
Additions	231,902
At 1 September 2019	838,823
Additions	288,838
At 31 August 2020	1,127,661
<b>Accumulated amortisation:</b>	
At 1 September 2019	240,793
Charge for the year	291,719
At 31 August 2020	532,512
<b>Carrying amount:</b>	
At 31 August 2020	595,149
At 31 August 2019	598,030

Customer acquisition and retention costs capitalised as at 31 August 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.

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 16 CONTRACT ASSETS AND CONTRACT LIABILITIES

### (a) Contract assets

	2020 \$'000	2019 \$'000
Arising from international telecommunications services	58,385	91,405
Arising from product revenue bundled with telecommunication services	165,469	139,506
Arising from system integration services contracts with conditional payment terms	79,985	15,546
	<b>303,839</b>	246,457
Represented by:		
Non-current portion	-	4,740
Current portion	303,839	241,717
	<b>303,839</b>	246,457
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade receivables, other receivables, deposits and prepayments"	<b>1,356,935</b>	557,439

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

	2020 \$'000	2019 \$'000
Indefeasible right of use ("IRU") arrangement		
– Billing in advance of performance	<b>83,869</b>	92,171
Telecom and technology solutions services		
– Billing in advance of performance	<b>842,897</b>	315,282
	<b>926,766</b>	407,453
Represented by:		
– Non-current portion	<b>219,939</b>	187,690
– Current portion	<b>706,827</b>	219,763
	<b>926,766</b>	407,453

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*

	2020 \$'000	2019 \$'000
Balance at 1 September	<b>407,453</b>	178,024
Acquisition of subsidiaries (note 32)	<b>297,189</b>	235,720
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	<b>(4,054,053)</b>	(3,744,156)
Decrease in contract liabilities as a result of billings in advance of IRU arrangements	<b>(14,584)</b>	(4,148)
Increase in contract liabilities as a result of billings in advance of the provision of telecom and technology solutions services	<b>4,295,675</b>	3,742,013
Exchange differences	<b>(4,914)</b>	–
Balance at 31 August	<b>926,766</b>	407,453

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 \$219,939,000 (2019: \$187,690,000).

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 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

	2020 \$'000	2019 \$'000
Trade debtors, net of loss allowances	1,356,935	557,439
Other receivables, deposits and prepayments	359,458	240,894
	<b>1,716,393</b>	798,333

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 \$35,279,000 (2019: \$23,528,000). All of the remaining other receivables, deposits and prepayments are expected to be recovered or recognised as expense within one year.

#### *Ageing analysis*

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

	2020 \$'000	2019 \$'000
Within 30 days	369,211	217,558
31 to 60 days	360,870	113,655
61 to 90 days	197,973	59,638
Over 90 days	428,881	166,588
	<b>1,356,935</b>	557,439

The majority of the Group's trade receivables is due within 30 days from the date of billing. Further details on the Group's credit policy are set out in note 33(a).

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

The balance of \$40,517,000 (2019: \$Nil) 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.

### 18 CASH AND CASH EQUIVALENTS

#### (a) Cash and cash equivalents comprise:

	2020 \$'000	2019 \$'000
Cash at bank and in hand	676,457	662,816

**18 CASH AND CASH EQUIVALENTS (continued)****(b) Reconciliation of profit before taxation to cash generated from operations:**

	Note	2020 \$'000	2019 (Note) \$'000
Profit before taxation		<b>92,102</b>	309,362
Adjustments for:			
Amortisation of intangible assets	10	<b>716,490</b>	347,962
Depreciation	3(e)	<b>974,267</b>	534,758
Amortisation of obligations under granting of rights	3(a)	<b>(9,024)</b>	(9,024)
Amortisation of customer acquisition and retention costs	3(b)	<b>291,719</b>	240,793
Interest income	3(a)	<b>(3,287)</b>	(4,083)
Finance costs	3(d)	<b>526,961</b>	259,271
Loss on disposal of property, plant and equipment, net	3(b)	<b>4,889</b>	119
Gain on disposal of right-of-use assets, net	3(b)	<b>(6,086)</b>	-
Change in fair value of contingent consideration	3(a)	<b>1,355</b>	1,542
Loss on contingent consideration cancellation	3(a)	<b>14,624</b>	-
Foreign exchange gain		<b>(26,328)</b>	(4,134)
Share of losses of joint ventures	13(b)	<b>242</b>	276
Equity-settled share-based payment expenses	3(c)	<b>1,453</b>	3,099
Write down of inventories	3(e)	<b>1,240</b>	-
Loss on disposal of subsidiaries	3(b)	<b>1,301</b>	-
Fair value loss on currency forward	3(a)	<b>16,699</b>	-
Impairment loss on investment properties	3(a)	<b>7,217</b>	-
Fair value gain on financial assets	3(a)	<b>(186)</b>	-
Changes in working capital:			
Increase in other non-current assets		<b>(33,688)</b>	(1,187)
(Increase)/decrease in inventories		<b>(649)</b>	12,962
Increase in trade receivables		<b>(50,994)</b>	(2,922)
Decrease/(increase) in other receivables, deposits and prepayments		<b>22,252</b>	(45,334)
Increase in finance lease receivables		<b>(5,191)</b>	-
Increase in customer acquisition and retention costs		<b>(288,838)</b>	(231,901)
Increase in contract assets		<b>(7,225)</b>	(24,938)
Increase in amounts due from joint ventures		<b>(1,332)</b>	(6,549)
Decrease in amounts due to joint ventures		-	(50)
Increase in trade payables		<b>142,284</b>	151,168
Decrease in other payables and accrued charges		<b>(266,874)</b>	(55,727)
Increase in deposits received		<b>3,606</b>	398
Increase/(decrease) in contract liabilities		<b>222,124</b>	(6,292)
Cash generated from operations		<b>2,341,123</b>	1,469,569

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 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) (Note 17 and 19)	Bank and other borrowings (Note 20)	Other non- current and current liabilities (Note 24)	Senior notes (Note 22)	Accrued borrowing costs <sup>(*)</sup> \$'000	Lease liabilities (Note 21) \$'000	Prepaid borrowing cost <sup>(**)</sup> \$'000	Total \$'000
<b>At 1 September 2018</b>	(12,024)	3,873,716	-	-	-	-	(1,419)	3,860,273
<b>Changes from financing cash flows:</b>								
Proceeds from bank loans, net of transaction costs	-	974,365	-	-	-	-	-	974,365
Repayment of bank loans	-	(400,000)	-	-	-	-	-	(400,000)
Transaction costs for bank loans paid	-	(484)	-	-	-	-	-	(484)
Interest paid	(8,850)	-	-	-	(271,551)	-	-	(280,401)
Total changes from financing cash flows	(8,850)	573,881	-	-	(271,551)	-	-	293,480
<b>Changes in fair value</b>	12,088	-	-	-	-	-	-	12,088
<b>Other changes:</b>								
Interest and finance charges	8,850	6,656	-	5,944	225,433	-	300	247,183
Acquisition of subsidiaries (note 32)	-	-	-	5,163,193	127,344	-	-	5,290,537
Total other charges	8,850	6,656	-	5,169,137	352,777	-	300	5,537,720
<b>At 31 August 2019</b>	64	4,454,253	-	5,169,137	81,226	-	(1,119)	9,703,561
<b>Impact on initial application of HKFRS 16 (Note 32)</b>	-	-	-	-	-	392,765	-	392,765
<b>At 1 September 2019</b>	64	4,454,253	-	5,169,137	81,226	392,765	(1,119)	10,096,326
<b>Changes from financing cash flows:</b>								
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)
<b>Changes in fair value</b>	16,635	-	-	-	-	-	-	16,635
<b>Exchange adjustments</b>	-	(3,449)	-	(29,442)	-	249	-	(32,642)
<b>Other changes:</b>								
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)(ii))	-	-	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
<b>At 31 August 2020</b>	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)**

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 September 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Previously, cash payments under operating leases made by the Group as a lessee of \$92,783,000 were classified as operating activities in the consolidated cash flow statement. Under HKFRS 16, except for short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element (see note 18(c)) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to HKFRS 16 are set out in note 1(c).

(\*) 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 2020, additions to certain property, plant and equipment of the Group financed by other borrowings and other liabilities were \$21,021,000 and \$58,352,000 respectively (2019: \$Nil).
- (ii) The initial capital investment in an associate of \$4,438,000 (2019: \$Nil) has not been paid as at 31 August 2020.

**(e) Total cash outflow for leases**

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

	<b>2020</b>	2019
	<b>\$'000</b>	(Note)
		\$'000
Within operating cash flows	<b>18,454</b>	92,783
Within financing cash flows	<b>239,554</b>	-
	<b>258,008</b>	92,783

Note: As explained in the note to note 18(b), the adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Lease rentals paid	<b>258,008</b>	92,783



## Notes to the Financial Statements

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### 19 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

	2020 \$'000	2019 \$'000
Trade payables	830,805	365,976
Other payables and accrued charges		
– Current portion	1,240,907	907,317
– Non-current portion	87,677	143,600
	<b>2,159,389</b>	1,416,893

All trade payables, other payables and accrued charges are expected to be settled within one year, except other payables and accrued charges of \$87,677,000 (2019: \$143,600,000) are expected to be settled after more than one year and are classified as non-current liabilities.

The amount of the currency forward included in other payables and accrued charges is \$16,699,000 (2019: \$64,000 of interest rate swap included in other payables and accrued charges).

In 2015, the Group entered into an interest-rate swap with a 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, to hedge the floating interest rate after the maturity of the current interest-rate swap. The new interest-rate swap has a notional amount of \$2,635,000,000 and with a maturity date on 29 May 2020.

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, they are 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:

	2020 \$'000	2019 \$'000
Within 30 days	310,318	124,247
31 to 60 days	139,566	46,783
61 to 90 days	137,134	35,734
Over 90 days	243,787	159,212
	<b>830,805</b>	365,976

**20 BANK AND OTHER BORROWINGS****(a) The analysis of the carrying amount of bank and other borrowings is as follows:**

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
<b>Bank borrowings</b>		
– unsecured	<b>6,306,342</b>	4,454,253
<b>Other borrowings</b>		
– secured	<b>19,907</b>	-
– unsecured	<b>2,786</b>	-
	<b>6,329,035</b>	4,454,253
Amounts due within one year included in current liabilities	<b>(1,310,667)</b>	-
	<b>5,018,368</b>	4,454,253

**(b) As at 31 August 2020, the bank and other borrowings were repayable as follows:**

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
<b>Bank borrowings (unsecured)</b>		
Within 1 year on demand	<b>1,303,853</b>	-
After 1 year but within 2 years	<b>541,730</b>	-
After 2 years but within 5 years	<b>4,460,759</b>	4,454,253
	<b>6,306,342</b>	4,454,253
<b>Other borrowings (secured)</b>		
Within 1 year on demand	<b>6,814</b>	-
After 1 year but within 2 years	<b>7,043</b>	-
After 2 years but within 5 years	<b>6,050</b>	-
	<b>19,907</b>	-
<b>Other borrowings (unsecured)</b>		
After 1 year but within 2 years	<b>1,305</b>	-
After 2 years but within 5 years	<b>1,481</b>	-
	<b>2,786</b>	-
Amounts due within one year included in current liabilities	<b>(1,310,667)</b>	-
	<b>5,018,368</b>	4,454,253

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 20 BANK AND OTHER BORROWINGS (continued)

### (b) As at 31 August 2020, the bank and other borrowings were repayable as follows: (continued)

- (i) 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.
- (ii) 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.
- (iii) On 25 September 2019, the Group entered into revolving credit facilities agreement of \$1,000,000,000 in aggregate from a bank in Hong Kong and drew down the revolving credit facilities of \$220,000,000 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 facility was repayable on 30 September 2020 and \$90,000,000 of the facility was repaid on 30 September 2020.
- (iv) 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 \$380,000,000 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 facilities was not repaid as of the date of this report.
- (v) 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.
- (vi) 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.
- (vii) On 20 February 2020, HKBN JOS (SINGAPORE) PTE. LTD. entered into revolving credit facilities agreement of Singapore Dollar ("SGD") 25,540,000 in aggregate from an international bank and drew down the revolving credit facilities of SGD23,400,000 at a fixed rate of 1.365% per annum payable at the maturity date. The facility was unsecured and fully repaid on 4 September 2020.

## 20 BANK AND OTHER BORROWINGS (continued)

### (b) As at 31 August 2020, the bank and other borrowings were repayable as follows: (continued)

- (viii) On 20 February 2020, JOS APPLICATIONS(S) PTE. LTD. entered into revolving credit facilities agreement of SGD2,000,000 in aggregate from an international bank and drew down the revolving credit facilities of SGD1,655,000 at a fixed rate of 1.365% per annum payable at the maturity date. The facility was unsecured and fully repaid on 4 September 2020.
- (ix) On 22 October 2019, HKBN JOS (MALAYSIA) SDN. BHD. entered into revolving credit facilities agreement of Malaysian Ringgit ("MYR") 9,500,000 in aggregate from an international bank and drew down the revolving credit facilities of MYR4,500,000 at Kuala Lumpur Interbank Offered Rate ("KLIBOR") plus a margin of 0.60% per annum payable at the maturity date. The facility was unsecured and fully repaid on 11 September 2020.
- (x) On 22 October 2019, HKBN JOS (MALAYSIA) SDN.BHD. entered into bank acceptance facilities agreement of MYR15,000,000 in aggregate from an international bank and drew down the revolving credit facilities of MYR8,140,000 at KLIBOR plus a margin of 0.75% per annum payable at the maturity date. The facility was unsecured and fully repaid by 13 October 2020.

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 2020 is 2.70% per annum (2019: 3.25%).

- (xi) 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 2020, the aggregate book value of the assets was \$20,320,000 and the balance of other borrowings amounting to \$6,814,000 was recorded as a current liability and \$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 3.36%.
- (xii) On 30 December 2019, HKBN JOS (SINGAPORE) PTE. LTD. entered into a 48-month financing arrangement of SGD475,000 at a fixed interest rate of 4.57%. Such facility was unsecured.

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 21 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	At 31 August 2020		At 1 September 2019 (Note)		At 31 August 2019 (Note)	
	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	Present value of the minimum lease payments \$'000	Total minimum lease payments \$'000
Within 1 year	<b>234,258</b>	<b>256,626</b>	91,647	106,850	-	-
After 1 year but within 2 years	<b>164,200</b>	<b>179,620</b>	64,302	76,482	-	-
After 2 years but within 5 years	<b>173,415</b>	<b>198,807</b>	117,288	142,100	-	-
After 5 years	<b>108,189</b>	<b>115,741</b>	119,528	131,173	-	-
	<b>445,804</b>	<b>494,168</b>	301,118	349,755	-	-
	<b>680,062</b>	<b>750,794</b>	392,765	456,605	-	-
Less: total future interest expenses		<b>(70,732)</b>		<b>(63,840)</b>		-
Present value of lease liabilities		<b>680,062</b>		<b>392,765</b>		-

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 September 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 August 2019 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 1(c).



## 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 2020, the Group 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\$140,171,000 (equivalent to \$1,096,708,000). The loss on partial extinguishment of the senior notes, which included the write-off of unamortised senior notes originating fee and redemption cost, was 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 2020.

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 is 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 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.

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 25 SHARE-BASED TRANSACTIONS

### (a) Co-Ownership Plan II

#### (I) *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 \$1,453,000 (2019: \$3,099,000) were recognised as Talent costs in the consolidated income statement (see note 3(c)) for the year ended 31 August 2020 and the remaining expenses related to the RSUs are to be recognised in the years ending 31 August 2021 and 2022 based on the respective vesting periods.

**25 SHARE-BASED TRANSACTIONS (continued)****(a) Co-Ownership Plan II (continued)****(I) 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)
<b>Total RSUs granted</b>	<b>5,967</b>	

## 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.

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 25 SHARE-BASED TRANSACTIONS (continued)

### (a) Co-Ownership Plan II (continued)

#### (I) 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	
	2020 '000	2019 '000
Outstanding at the beginning of the year	517	1,200
Granted during the year	-	361
Vested during the year	(274)	(922)
Forfeited during the year	(19)	(122)
Outstanding at the end of the year	224	517

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)****(II) 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 2020 to be \$10.30 (2019: \$9.38).

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 \$929,000 (2019: \$797,000) were recognised as Talent costs in the consolidated income statement (see note 3(c)) for the year ended 31 August 2020 and the remaining expenses related to the RSUs are to be recognised in the years ending 31 August 2021 and 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 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 2020, 20,842,853 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 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.



# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 25 SHARE-BASED TRANSACTIONS (continued)

### (b) Co-Ownership Plan III Plus (the "Plan III Plus") (continued)

The fair value of services received in return for RSUs is measured by reference to the fair value of RSUs at the service periods commencement dates. The estimate of the fair value of the RSUs is measured based on a binomial lattice model. Key assumptions are set out as below:

Fair value of RSUs and assumptions	Granted on 6 December 2019	Granted on 18 December 2019
Share price	\$14.02	\$13.22
Risk-free interest rate	1.53%	1.67%

## 26 CURRENT TAXATION IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### Current taxation in the consolidated statement of financial position represents:

	2020 \$'000	2019 \$'000
Provision for Hong Kong Profits Tax for the year	<b>179,317</b>	146,864
Balance of Profits Tax provision relating to prior years	<b>16,162</b>	8,922
	<b>195,479</b>	155,786
Provision for tax outside Hong Kong	<b>3,325</b>	2,694
	<b>198,804</b>	158,480

### Tax recoverable/(payable) in the consolidated statement of financial position represents:

	2020 \$'000	2019 \$'000
Tax recoverable	<b>717</b>	-
Tax payable	<b>(199,521)</b>	(158,480)
	<b>(198,804)</b>	(158,480)

## 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
<i>Deferred tax arising from:</i>								
At 1 September 2018	(224,511)	(189,347)	5,584	(65,499)	-	-	56	(473,717)
Acquisition of subsidiaries (note 32)	(140,109)	(582,949)	-	-	7,545	-	-	(715,513)
Credited/(charged) to profit or loss	4,462	45,599	(1,489)	4,013	5,090	-	115	57,790
At 31 August 2019 and 1 September 2019	(360,158)	(726,697)	4,095	(61,486)	12,635	-	171	(1,131,440)
Acquisition of subsidiaries (note 32(a))	(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	(373,275)	(656,894)	2,606	(23,830)	2,487	104,583	2,134	(942,189)

### (i) Reconciliation to the consolidated statement of financial position

	2020 \$'000	2019 \$'000
Net deferred tax asset recognised in the consolidated statement of financial position	91,258	-
Net deferred tax liability recognised in the consolidated statement of financial position	(1,033,447)	(1,131,440)
	(942,189)	(1,131,440)

### (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 \$2,124,142,000 (2019: \$2,686,931,000) 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 2020, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to RMB139,298,000 (equivalent to \$157,253,000) (2019: RMB119,364,000 (equivalent to \$130,894,000)). 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.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 28 OBLIGATIONS UNDER GRANTING OF RIGHTS

	2020 \$'000	2019 \$'000
At the beginning of the year	24,819	33,843
Amortisation for the year (note 3(a))	(9,024)	(9,024)
At the end of the year	15,795	24,819
Less: Current portion	(9,024)	(9,024)
Non-current portion	6,771	15,795

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.

### 29 CONTINGENT CONSIDERATION

- (i) On 31 March 2016, the Group acquired the entire issued share capital of CONCORD IDEAS LTD. and Simple Click Investments Limited and the contingent consideration in respect of the acquisition of CONCORD IDEAS LTD. and Simple Click Investments Limited was measured at fair value at acquisition date ("Concord Acquisition"). The fair value of the contingent consideration was determined by the discounted cash flow valuation method. The expected payment was determined by considering the forecast amount of cash rebates to New World Telephone Holdings Limited for services provided by the Group to New World Development Company Limited and Chow Tai Fook Enterprises Limited and their subsidiaries and related parties based on 50% of settled invoices up to \$50,000,000 in aggregate. The Concord Acquisition contingent consideration has been fully settled during 2019.
- (ii) On 30 May 2018, the Group acquired the entire issued share capital of HKBN Enterprise Solutions Cloud Services Limited (formerly known as I Consulting Group Limited) and its' subsidiary ("ICG Acquisition") and the contingent consideration in respect of the acquisition of ICG ("the ICG contingent consideration") was measured at fair value at acquisition date and was account for as part of the consideration transferred in the business combination.

The fair value of the contingent consideration was determined by the discounted cash flow valuation method. The expected payment was determined by considering the adjusted fund flow of ICG Group for the period from 31 May 2018 to 31 March 2023 up to \$200,000,000 in aggregate.

On 3 August 2020, the original liabilities for the ICG contingent consideration was cancelled and replaced by a net sum of \$50,000,000. The directors estimated the fair value of the contingent consideration as at 3 August 2020 to be \$31,004,000 (2019: \$29,649,000) and a loss on derecognition of contingent consideration of \$18,996,000 was recognised accordingly.

## 29 CONTINGENT CONSIDERATION (continued)

(iii) \$4,372,000 of contingent consideration was recognised in relation to the JOS Acquisition relating to the acquisition of a workflow business practice (“the JOS contingent consideration”). The fair value of this contingent consideration as at the acquisition date is a Level 3 fair value measurement. The fair value as at acquisition date was estimated based on cash flow projections used in financial budgets approved by management covering a five-year period and cash flow projection beyond the five-year period were extrapolated using terminal growth rates averaging 2% a year and discounted using a weighted average cost of capital rate of 12%.

On 23 July 2020, the original JOS contingent consideration was cancelled. The directors estimated the fair value of the JOS contingent consideration to be \$4,372,000 and a gain on derecognition of contingent consideration of \$4,372,000 was recognised accordingly.

(iv) The contingent consideration payable is classified as a financial liability and its fair value is re-measured at the end of each reporting period. Any changes in fair value are recognised in profit or loss.

During the year, change in fair value of \$1,355,000 (2019: \$1,542,000) was recognised in profit or loss during the year ended 31 August 2020.

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 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
<b>Balance at 1 September 2018</b>		101	-	-	35,813	1,097,491	1,133,405
<b>Changes in equity for the year ended 31 August 2019:</b>							
Issue of ordinary shares	30(c)	31	4,295,264	-	-	-	4,295,295
Issue of Vendor Loan Notes	31	-	-	2,349,204	-	-	2,349,204
Profit and total comprehensive income for the year		-	-	-	-	745,954	745,954
Dividend approved to equity shareholders of the Company in respect of the previous year	30(b)(ii)	-	-	-	-	(301,700)	(301,700)
Dividend declared to equity shareholders of the Company in respect of the current year	30(b)(i)	-	(445,944)	-	-	-	(445,944)
Distribution to holders of Vendor Loan Notes		-	(56,890)	-	-	-	(56,890)
Equity-settled share-based transactions	25(a)(l)	-	-	-	3,099	-	3,099
<b>Balance at 31 August 2019 and 1 September 2019</b>		132	3,792,430	2,349,204	38,912	1,541,745	7,722,423
<b>Changes in equity for the year ended 31 August 2020:</b>							
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)(l)	-	-	-	1,453	-	1,453
<b>Balance at 31 August 2020</b>		132	2,712,817	2,349,204	40,365	2,492,955	7,595,473



## 30 CAPITAL, RESERVES AND DIVIDENDS (continued)

### (b) Dividends

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

	2020 \$'000	2019 \$'000
Interim dividend declared and paid of 37 cents per ordinary share (2019: 34 cents per ordinary share)	<b>485,292</b>	445,944
Final dividend proposed after the end of the reporting period of 38 cents per ordinary share (2019: 36 cents per ordinary share)	<b>498,408</b>	472,176
	<b>983,700</b>	918,120

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

	2020 \$'000	2019 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 36 cents per ordinary share (2019: 30 cents per ordinary share)	<b>472,176</b>	301,700

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 30 CAPITAL, RESERVES AND DIVIDENDS (continued)

### (c) Share capital

	No. of shares	\$'000
<b>Authorised:</b>		
At 1 September 2018, 31 August 2019, 1 September 2019 and 31 August 2020	3,800,000,000	380
<b>Ordinary shares, issued and fully paid:</b>		
At 31 August 2019 and 1 September 2019	1,311,599,000	132
At 31 August 2020	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.

### (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 2020 and 2019 was as follows:

	Note	2020 \$'000	2019 \$'000
Bank borrowings (principal amount)	20	6,327,321	4,480,000
Other borrowings	20	22,693	-
Senior notes (principal amount)	22	4,137,299	5,232,091
Lease liabilities	21	680,062	-
<b>Gross debt</b>		<b>11,167,375</b>	9,712,091
Total equity		6,460,499	7,456,561
<b>Gearing ratio</b>		<b>173%</b>	130%

Neither the Company nor any of its subsidiaries were subject to externally imposed capital requirements during the years presented.

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 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, ACQUISITION OF A SUBSIDIARY, 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.

### 32 BUSINESS COMBINATION, ACQUISITION OF A SUBSIDIARY, 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)

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:

	<b>\$'000</b>
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

#### *Acquisition-related costs*

Acquisition-related costs of approximately \$6,569,000 and \$9,863,000 were included in other operating expenses in the consolidated income statement for the year ended 31 August 2020 and 2019.



# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 32 BUSINESS COMBINATION, ACQUISITION OF A SUBSIDIARY, 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)

#### 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. Business combination during the year ended 31 August 2019

Pursuant to the share purchase agreement dated 7 August 2018, MLCL, acquired 100% equity interests in WTT Holding Corp, a company incorporated in the Cayman Islands, and its subsidiaries (together referred as "WTT Group") from TPG Wireman and Twin Holding (the "WTT Acquisition"). The consideration of the WTT Acquisition was settled by (i) allotment and issuance of 305,932,690 of the Company's shares and (ii) issuance of the Vendor Loan Notes in the principal amount of \$1,940,937,656.

WTT Group is principally engaged in the provision of telecommunication services to business communications market primarily in Hong Kong through its wholly-owned subsidiary in Hong Kong, namely HKBN Enterprise Solutions HK Limited ("HKBNESHKL") (formerly known as WTT HK Limited). HKBNESHKL is an enterprise-focused fixed telecommunication services operator with significant fixed line infrastructure in Hong Kong, and over 20 years' track record of serving local and international businesses. The WTT Acquisition was completed on 30 April 2019.

	\$'000
<b>Consideration transferred:</b>	
Allotment and issuance of new ordinary shares of the Company (note (a))	4,295,295
Issuance of the Vendor Loan Notes (note (b))	2,349,204
Aggregate consideration	6,644,499
Add: fair value of net liabilities acquired	342,427
Goodwill on the WTT Acquisition	6,986,926

Note (a): The fair value of the ordinary shares of the Company issued as consideration is determined by reference to the quoted market price of \$14.04 per each of the ordinary shares of the Company at the date of completion of the WTT Acquisition.

Note (b): The Vendor Loan Notes may be converted into new ordinary shares to be issued by the Company at initial conversion price of \$11.60 per share pursuant to the terms and conditions of the Vendor Loan Notes. At the date of completion of the WTT Acquisition based on the initial conversion price, the Vendor Loan Notes are convertible to 167,322,212 ordinary shares of the Company. Therefore, the fair value of the Vendor Loan Notes has been determined by reference to the quoted market price of \$14.04 per each of the ordinary shares of the Company at the date of completion of the WTT Acquisition.

## 32 BUSINESS COMBINATION, ACQUISITION OF A SUBSIDIARY, DISPOSAL OF SUBSIDIARIES AND ACQUISITION OF NON-CONTROLLING INTERESTS WITHOUT CHANGE IN CONTROL (continued)

### b. Business combination during the year ended 31 August 2019 (continued)

The goodwill reflects synergies expected from leveraging network of the WTT Group and expected efficiencies from the combined company that will make the combined business a more efficient and effective competitor in Hong Kong. None of the goodwill is expected to be deductible for tax purposes.

The WTT Acquisition had the following effect on the Group's assets and liabilities on 30 April 2019, the completion date of the WTT Acquisition:

	<b>\$'000</b>
Intangible assets (note 10)	3,533,017
Property, plant and equipment (note 11)	1,834,490
Customer acquisition and retention costs (note 15)	173,166
Other non-current assets	23,668
Inventory	9,425
Trade receivables	306,675
Other receivables, deposits and prepayments	88,625
Contract assets	70,571
Cash and cash equivalents	355,172
Trade payables	(75,890)
Other payables and accrued charges – current portion	(494,994)
Contract liabilities – current portion	(136,528)
Deposits received	(2,703)
Tax payable	(13,835)
Contract liabilities – non-current portion	(99,192)
Deferred tax liabilities (note 27)	(714,499)
Provision for reinstatement costs	(36,402)
Senior notes (note 18(c))	(5,163,193)
Fair value of net liabilities acquired	(342,427)
Goodwill (note 9)	6,986,926
<b>Total consideration</b>	<b>6,644,499</b>
Cash consideration paid	-
Cash and cash equivalents acquired	(355,172)
<b>Net cash inflow in respect of the WTT Acquisition during the year ended 31 August 2019</b>	<b>(355,172)</b>

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 32 BUSINESS COMBINATION, ACQUISITION OF A SUBSIDIARY, DISPOSAL OF SUBSIDIARIES AND ACQUISITION OF NON-CONTROLLING INTERESTS WITHOUT CHANGE IN CONTROL (continued)

### b. Business combination during the year ended 31 August 2019 (continued)

#### Acquisition-related costs

Acquisition-related costs of approximately \$Nil and \$75,608,000 were included in other operating expenses in the consolidated income statement for the years ended 31 August 2020 and 2019.

#### Revenue and profit contribution

The revenue and loss after taxation of \$708,411,000 and \$15,358,000 respectively included in the consolidated income statement were contributed by WTT Group from the date of the WTT acquisition to 31 August 2019.

No separate sets of financial information for WTT Group were prepared for the period from 1 September 2018 to the date of the WTT Acquisition. As a result, it is impracticable for the Group to disclose the amounts of revenue and profit or loss after taxation of WTT Group as if the acquisition date for the business combination that occurred during the year had been as of 1 September 2018.

### c. Acquisition of a subsidiary during the year ended 31 August 2019

On 26 September 2018 ("CTL Acquisition date"), HKBNGL acquired the entire interest of COSMO TRUE LIMITED ("CTL") which is principally engaged in property investment in Hong Kong at a cash consideration of \$329,219,000 ("CTL Acquisition").

The CTL Acquisition would help the Group to secure the location site of its own network centres, which save future rental expenses and avoid the need for relocation.

The major assets of CTL are property, plant and equipment which are leased by the Group, and accordingly, the transaction has been accounted as the acquisition of assets.

The following table summarises the consideration paid for CTL, the fair values of assets acquired and liabilities assumed at CTL Acquisition date.

	<b>\$'000</b>
Cash consideration	329,219
Identifiable assets acquired and liabilities assumed:	
Property, plant and equipment (note 11)	329,295
Prepayments, deposits and other receivables	439
Trade receivables	631
Other payables and accruals	(132)
Deferred tax liabilities (note 27)	(1,014)
Total identifiable net assets	<u>329,219</u>

An analysis of net cash outflow in respect of CTL Acquisition is as follows:

Total consideration	329,219
Deposits paid as at 31 August 2018	<u>(32,829)</u>
Net cash outflow in respect of CTL Acquisition for the year ended 31 August 2019	<u>296,390</u>

### 32 BUSINESS COMBINATION, ACQUISITION OF A SUBSIDIARY, DISPOSAL OF SUBSIDIARIES AND ACQUISITION OF NON-CONTROLLING INTERESTS WITHOUT CHANGE IN CONTROL (continued)

#### d. Disposal of WTT Outsourcing Services Limited and its subsidiaries (together the "WTTTO 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 \$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 WTTTO Group at the date of disposal were as follows:

	<b>\$'000</b>
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)
<b>Loss on disposal recognised in the consolidated income statement</b>	<b>(1,301)</b>

The assets and liabilities of the WTTTO Group at the date of disposal were as follows:

	<b>\$'000</b>
Property, plant and equipment (note 11)	819
Trade receivables	1,616
Other receivables, deposits and prepayments	749
Other payables and accrued charges	(258)
<b>Net assets disposed of</b>	<b>2,926</b>

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 32 BUSINESS COMBINATION, ACQUISITION OF A SUBSIDIARY, DISPOSAL OF SUBSIDIARIES AND ACQUISITION OF NON-CONTROLLING INTERESTS WITHOUT CHANGE IN CONTROL (continued)

### e. 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.

	<b>\$'000</b>
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 2020:

	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
		<b>1,792,812</b>	<b>132,038</b>
	2019		
	Expected loss rate %	Gross carrying amount \$'000	Loss allowance \$'000
Current (not past due)	1.3	470,014	5,999
Less than 30 days past due	6.5	121,492	7,837
31 to 60 days past due	12.0	67,740	8,102
Over 60 days past due	28.6	233,293	66,705
		<b>892,539</b>	<b>88,643</b>

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.

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 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:

	2020 \$'000	2019 \$'000
Balance at the beginning of the year	88,643	24,939
Through acquisition of subsidiaries	17,004	44,975
Amounts written off during the year	(53,901)	(34,030)
Impairment losses recognised during the year (note 3(b))	80,292	52,759
Balance at the end of the year	132,038	88,643

### (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.

	2020					Carrying amount at 31 August \$'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 years but less than 5 years \$'000	More than 5 years \$'000	Total \$'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 (Note)	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

### 33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

#### (b) Liquidity risk (continued)

	2019					Carrying amount at 31 August \$'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 years but less than 5 years \$'000	More than 5 years \$'000	Total \$'000	
Trade payables	365,976	-	-	-	365,976	365,976
Contract liabilities	219,763	187,690	-	-	407,453	407,453
Other payables and accrued charges	907,317	143,600	-	-	1,050,917	1,050,917
Deposits received	72,443	-	-	-	72,443	72,443
Amounts due to joint ventures	10,750	-	-	-	10,750	10,750
Contingent consideration	1,371	28,278	-	-	29,649	29,649
Bank borrowings	139,202	138,822	4,728,799	-	5,006,823	4,454,253
Senior notes	805,865	261,009	5,065,256	-	6,132,130	5,169,137
	2,522,687	759,399	9,794,055	-	13,076,141	11,560,578

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 September 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Lease liabilities include amounts recognised at the date of transition to HKFRS 16 in respect of leases previously classified as operating leases under HKAS 17 and amounts relating to new leases commenced or entered into during the year. Under this approach, the comparative information is not restated. See note 1(c).

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

### (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 to achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy. At 31 August 2020, the Group had interest-rate swaps with a notional contract amount of \$Nil (2019: \$2,635,000,000) which were not designated as cash flow hedging instrument. The net fair value of swaps entered into by the Group at 31 August 2020 was \$Nil (2019: Liability of \$64,000). The amount is recognised as derivative financial instrument and included in other payables and accrued charges (see note 19).

#### (ii) Interest-bearing financial instruments

The following table details the interest-bearing financial instruments of the Group at the end of the reporting period.

	2020 \$'000	2019 \$'000
<b>Fixed rate instruments</b>		
Lease liabilities (Note)	680,062	-
Senior notes	4,101,847	5,169,137
Bank borrowings	539,137	-
Other borrowings	22,693	-
Other liabilities	59,197	-
	<b>5,402,936</b>	5,169,137
<b>Variable rate instruments</b>		
Bank borrowings	5,767,205	4,454,253
Derivative financial instrument – interest-rate swap	-	64
	<b>5,767,205</b>	4,454,317
<b>Total borrowings</b>	<b>11,170,141</b>	<b>9,623,454</b>
Fixed rate borrowings as a percentage of total borrowings	<b>48%</b>	54%

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 September 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. See note 1(c).

## 33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

### (c) Interest rate risk (continued)

#### (iii) Sensitivity analysis

At 31 August 2020, it is estimated that a general increase/decrease of 50 basis points (2019: 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 \$28,836,000 (2019: \$12,528,000). 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.

### (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.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

#### (d) Currency risk (continued)

##### (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.

	2020		2019	
	USD \$'000	RMB \$'000	USD \$'000	RMB \$'000
Cash and cash equivalents	95,037	1,225	41,338	415
Trade receivables	124,179	425	115,739	-
Other receivables, deposit and prepayment	-	2,589	-	-
Trade payables	(133,455)	(613)	(152,679)	(443)
Other payables and accrued charges	(25,703)	(10,230)	(31,244)	(116,569)
Bank and other borrowings	(542,500)	-	-	-
Senior notes	(4,137,299)	-	(5,272,900)	-
Net exposure arising from recognised assets and liabilities	(4,619,741)	(6,604)	(5,299,746)	(116,597)

##### (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.



### 33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

#### (d) Currency risk (continued)

##### (ii) Sensitivity analysis (continued)

	2020			2019		
	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%	(531)	(531)	10%	(9,771)	(9,771)
	(10)%	531	531	(10)%	9,771	9,771

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 2019.

#### (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

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 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)

Fair value hierarchy (continued)

- Level 3 valuations: Fair values measured using significant unobservable inputs

	Fair value at	Fair value measurements as at		
	31 August 2020 \$'000	31 August 2020 Level 1 \$'000	31 August 2020 Level 2 \$'000	31 August 2020 Level 3 \$'000
<b>Recurring fair value measurement</b>				
<i>Financial liabilities:</i>				
Derivative financial instrument:				
Currency forward	16,699	-	16,699	-
Financial assets at fair value through profit or loss	40,517	-	-	40,517

	Fair value at	Fair value measurements as at		
	31 August 2019 \$'000	31 August 2019 Level 1 \$'000	31 August 2019 Level 2 \$'000	31 August 2019 Level 3 \$'000
<b>Recurring fair value measurement</b>				
<i>Financial liabilities:</i>				
Derivative financial instrument:				
Interest-rate swap	64	-	64	-
Contingent consideration	29,649	-	-	29,649

During the year ended 31 August 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (year ended 31 August 2019: \$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.

#### 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.

### 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)

Information about Level 3 fair value measurement (continued)

The movement during the year in the balance of Level 3 fair value measurement is as follows:

	2020 \$'000	2019 \$'000
<b>Contingent consideration</b>		
At the beginning of the year	29,649	39,707
Acquisition of subsidiaries (note 32)	4,372	-
Settlement of contingent consideration for the year	-	(11,600)
Change in fair value during the year (note 3(a))	1,355	1,542
Derecognition of contingent consideration during the year	(35,376)	-
At the end of the year	-	29,649
Contingent consideration – current portion	-	1,371
Contingent consideration – long-term portion	-	28,278
<b>Total contingent consideration</b>	-	29,649
	2020 \$'000	2019 \$'000
<b>Financial assets at fair value through profit or loss</b>		
At the beginning of the year	-	-
Additions	40,331	-
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 2020 and 2019.

## Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

### 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.

	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)

	2019		
	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	833,960	(276,521)	557,439
Trade payables	(642,497)	276,521	(365,976)

### 34 COMMITMENTS

#### (a) Capital commitments

At 31 August 2020, the Group had the following capital commitments:

	2020 \$'000	2019 \$'000
Contracted but not provided for		
– Purchase of property, plant and equipment	252,050	190,546
– Redemption of senior notes	-	552,131
– Investment in an associate	4,438	-
	<b>256,488</b>	742,677

In addition, the Group was committed at 31 August 2020 to enter into a lease of 5 years that is not yet commenced, the lease payments under which amounted to \$440,000 per annum.

**34 COMMITMENTS (continued)**

**(b) Commitment under operating leases**

- (i) At 31 August 2020, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
<b>Leases in respect of telecommunications facilities which are receivable:</b>		
Within 1 year	<b>99,781</b>	388,196
After 1 year but within 5 years	<b>188,293</b>	294,775
After 5 years	<b>40,498</b>	114,447
	<b>328,572</b>	797,418
<b>Leases in respect of equipment:</b>		
Within 1 year	<b>9,161</b>	-
After 1 year but within 5 years	<b>20,605</b>	-
	<b>29,766</b>	-

- (ii) At 31 August 2019, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>Telecommunications facilities and computer equipment</b>	<b>Land and buildings</b>
	<b>\$'000</b>	<b>\$'000</b>
Within 1 year	97,820	106,887
After 1 year but within 5 years	12,221	185,589
After 5 years	-	129,254
	110,041	421,730

The Group is the lessee in respect of a number of land and buildings and telecommunications facilities and computer equipment held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 September 2019 to recognise lease liabilities relating to these leases (see note 1(c)). From 1 September 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 1(j), and the details regarding the Group's future lease payments are disclosed in note 21.

# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 35 CONTINGENT LIABILITIES

	2020 \$'000	2019 \$'000
Bank guarantee in lieu of payment of utility deposits	6,200	7,913
Bank guarantee in lieu of performance guarantees	133,928	-
	<b>140,128</b>	7,913

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 2020, 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 (2019: \$Nil).

## 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:

	2020 \$'000	2019 \$'000
Short-term employee benefits	34,219	40,108
Post-employment benefits	2,945	3,001
Equity compensation benefits	126	691
	<b>37,290</b>	43,800

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.



# Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 37 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2020 \$'000	2019 \$'000
<b>Non-current assets</b>			
Investments in subsidiaries		1,164,931	1,164,002
Other non-current assets		-	117
		<b>1,164,931</b>	1,164,119
<b>Current assets</b>			
Other receivables, deposits and prepayments		629	534
Amounts due from subsidiaries		6,664,702	6,654,102
Cash and cash equivalents		3,374	1,977
		<b>6,668,705</b>	6,656,613
<b>Current liabilities</b>			
Other payables and accrued charges		4,647	4,079
Amounts due to subsidiaries		233,516	94,230
		<b>238,163</b>	98,309
<b>Net current assets</b>		<b>6,430,542</b>	6,558,304
<b>NET ASSETS</b>		<b>7,595,473</b>	7,722,423
<b>CAPITAL AND RESERVES</b>			
	30(a)		
Share capital		132	132
Reserves		7,595,341	7,722,291
<b>TOTAL EQUITY</b>		<b>7,595,473</b>	7,722,423

Approved and authorised for issue by the board of directors on 29 October 2020.

	)	
	)	
<b>Chu Kwong YEUNG</b>	)	
	)	Directors
	)	
<b>Ni Quiaque LAI</b>	)	
	)	
	)	

## 38 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 September 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 1(c).

## 39 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) *Fair value of assets acquired and liabilities assumed upon acquisition*

In connection with acquisition of subsidiaries, the assets acquired and liabilities assumed were adjusted to their estimated fair values on the date of acquisition. The determination of the values of assets acquired and liabilities assumed involves management's judgements and assumptions. The values of assets acquired and liabilities assumed were based on valuation report from independent professional qualified valuer. Such valuations were based on certain assumptions, which were subject to uncertainty and might materially differ from the actual results. Any change in such judgements and assumptions would affect the fair value of assets acquired and liabilities assumed.

### 39 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

#### Sources of estimation uncertainty (continued)

##### (e) 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.

##### (f) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation and practices.

##### (g) Determining the lease term

As explained in policy note 1(j), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

### 40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 AUGUST 2020

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 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKFRS 3, <i>Definition of a business</i>	1 January 2020
Amendments to HKAS 1 and HKAS 8, <i>Definition of material</i>	1 January 2020

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 2020.

	<b>2020</b> <b>\$'000</b>	<b>Years ended 31 August</b>			
		2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
<b>Results</b>					
Revenue	<b>9,452,957</b>	5,107,637	3,948,952	3,232,310	2,784,007
Profit from operations	<b>619,305</b>	568,909	607,249	465,396	476,645
Finance costs	<b>(526,961)</b>	(259,271)	(117,288)	(210,740)	(141,891)
Share of profits/(losses) of associates	-	-	-	3,418	(15)
Share of losses of joint ventures	<b>(242)</b>	(276)	(693)	(920)	(185)
<b>Profit before taxation</b>	<b>92,102</b>	309,362	489,268	257,154	334,554
Income tax credit/(charge)	<b>4,509</b>	(94,835)	(92,371)	(86,044)	(89,875)
<b>Profit for the year</b>	<b>96,611</b>	214,527	396,897	171,110	244,679

## Five year summary

(Expressed in Hong Kong dollars)

	<b>As at 31 August</b>				
	<b>2020</b>	2019	2018	2017	2016
	<b>\$'000</b>	\$'000	\$'000	\$'000	\$'000
<b>Assets and liabilities</b>					
Goodwill	<b>9,016,507</b>	8,788,319	1,801,393	1,771,969	1,771,969
Intangible assets	<b>4,200,644</b>	4,638,643	1,453,588	1,612,707	1,550,209
Property, plant and equipment	<b>4,112,260</b>	4,341,590	2,293,950	2,289,790	2,419,890
Investment properties	<b>206,800</b>	222,041	-	-	-
Right-of-use assets	<b>886,709</b>	-	-	-	-
Customer acquisition and retention costs	<b>595,149</b>	598,030	-	-	-
Contract assets	-	4,740	-	-	-
Interest in an associate	<b>4,438</b>	-	-	-	7,473
Interest in joint ventures	<b>9,387</b>	9,429	8,095	8,788	9,708
Deferred tax assets	<b>91,238</b>	-	-	-	-
Finance lease liabilities	<b>6,534</b>	-	-	-	-
Other non-current assets	<b>81,012</b>	32,105	64,950	24,600	19,618
<b>Net current (liabilities)/assets</b>	<b>(1,718,533)</b>	2,003	46,205	115,211	95
<b>Total assets less current liabilities</b>	<b>17,492,165</b>	18,636,900	5,668,181	5,823,065	5,778,962
Other payables and accrued charges – long-term portion	<b>(87,677)</b>	(143,600)	(201,266)	(293,748)	(99,008)
Contract liabilities – long-term portion	<b>(219,939)</b>	(187,690)	-	-	-
Deferred services revenue – long-term portion	-	-	(79,371)	(92,752)	(55,923)
Obligations under granting of rights – long-term portion	<b>(6,771)</b>	(15,795)	(24,819)	(33,843)	(42,867)
Deferred tax liabilities	<b>(1,033,447)</b>	(1,131,440)	(408,218)	(423,618)	(450,980)
Contingent consideration – long term portion	-	(28,278)	(28,236)	(2,869)	(27,885)
Lease liabilities – long-term portion	<b>(445,804)</b>	-	-	-	-
Provision for reinstatement costs	<b>(67,320)</b>	(50,146)	(15,643)	(16,015)	(17,644)
Bank and other borrowings	<b>(5,018,368)</b>	(4,454,253)	(3,873,716)	(3,831,332)	(3,721,297)
Senior notes	<b>(4,101,847)</b>	(5,169,137)	-	-	-
Other non-current liabilities	<b>(50,493)</b>	-	-	-	-
<b>NET ASSETS</b>	<b>6,460,499</b>	7,456,561	1,036,912	1,128,888	1,363,358
<b>Capital and reserves</b>					
Share capital	<b>132</b>	132	101	101	101
Reserves	<b>6,460,367</b>	7,456,429	1,036,811	1,128,787	1,363,257
<b>TOTAL EQUITY</b>	<b>6,460,499</b>	7,456,561	1,036,912	1,128,888	1,363,358

## 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<sup>2,4</sup>

### Executive Directors

Mr. Chu Kwong YEUNG<sup>3,6</sup>  
Mr. Ni Quiaque LAI

### Non-executive Directors

Ms. Deborah Keiko ORIDA<sup>4</sup> (resigned on 15 July 2020)  
Ms. Suyi KIM<sup>4</sup> (appointed on 15 July 2020)  
Mr. Zubin Jamshed IRANI<sup>2,6</sup>  
Mr. Teck Chien KONG<sup>4</sup>

### Independent Non-executive Directors

Mr. Stanley CHOW<sup>2,4,5</sup>  
Mr. Yee Kwan Quinn LAW, SBS, JP<sup>1,4,6</sup>

- <sup>1</sup> Chairman of Audit Committee
- <sup>2</sup> Member of Audit Committee
- <sup>3</sup> Chairman of Nomination Committee
- <sup>4</sup> Member of Nomination Committee
- <sup>5</sup> Chairman of Remuneration Committee
- <sup>6</sup> Member of Remuneration Committee

### Company Secretary

Mr. Yue Kit Andrew WONG

### Authorised Representatives

Mr. Ni Quiaque LAI  
Mr. Yue Kit Andrew WONG

### Registered Office

P.O. Box 309  
Ugland House  
Grand Cayman KY1-1104  
Cayman Islands

### Head Office and Principal Place of Business in Hong Kong

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

### Auditor

#### KPMG

Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance  
8th Floor, Prince's Building  
10 Chater Road  
Central  
Hong Kong

### Cayman Principal Share Registrar and Transfer Office

#### Maples Fund Services (Cayman) Limited

P.O. Box 1093  
Boundary Hall  
Cricket Square  
Grand Cayman KY1-1102  
Cayman Islands

### Hong Kong Branch Share Registrar and Transfer Office

#### Computershare Hong Kong Investor Services Limited

Rooms 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### Principal Bankers

#### Citibank, N.A., Hong Kong Branch

50th Floor, Champion Tower  
3 Garden Road, Central  
Hong Kong

#### Standard Chartered Bank (Hong Kong) Limited

3rd Floor, Standard Chartered Bank Building  
4-4A Des Voeux Road Central  
Hong Kong

### Company's Website

[www.hkbnltd.net](http://www.hkbnltd.net)

### Stock Code

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Aspects and General Disclosures	Descriptions	Related chapters
<b>A. Environmental</b>		
<b>Aspect A1: Emissions</b>		
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	<ul style="list-style-type: none"> <li>KPI A1.1 The types of emissions and respective emissions data</li> <li>KPI A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)</li> <li>KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)</li> <li>KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)</li> <li>KPI A1.5 Description of measures to mitigate emissions and results achieved</li> <li>KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved</li> </ul>	<ul style="list-style-type: none"> <li>Environment</li> <li>Environment</li> <li>Environment</li> <li>Environment</li> <li>Environment</li> <li>Environment</li> </ul>
<b>Aspect A2: Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Our Strategy, Report of the Directors, Environment
KPI	<ul style="list-style-type: none"> <li>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)</li> <li>KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility)</li> <li>KPI A2.3 Description of energy use efficiency initiatives and results achieved</li> <li>KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved</li> <li>KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced</li> </ul>	<ul style="list-style-type: none"> <li>Environment</li> <li>Environment</li> <li>Environment</li> <li>Not material to HKBN's business and therefore such data is not covered in this report</li> <li>Not material to HKBN's business and therefore such data is not covered in this report</li> </ul>

Aspects and General Disclosures	Descriptions	Related chapters
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Our Strategy, Report of the Directors, Environment
KPI	<ul style="list-style-type: none"> <li>KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them</li> </ul>	<ul style="list-style-type: none"> <li>Environment</li> </ul>
<b>B. Social</b>		
<b>Aspect B1: Employment</b>		
General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	Our Strategy, Report of the Directors, Talents, Corporate Governance Report
KPI	<ul style="list-style-type: none"> <li>KPI B1.1 Total workforce by gender, employment type, age group and geographical region</li> <li>KPI B1.2 Employee turnover rate by gender, age group and geographical region</li> </ul>	<ul style="list-style-type: none"> <li>Report of the Directors, Talents, Corporate Governance Report</li> <li>This data is currently being consolidated, and will be disclosed once available</li> </ul>

## References to HKEX ESG Reporting Guide

Aspects and General Disclosures	Descriptions	Related chapters
<b>Aspect B2: Health and Safety</b>		
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	<ul style="list-style-type: none"> <li>KPI B2.1 Number and rate of work-related fatalities</li> <li>KPI B2.2 Lost days due to work injury</li> <li>KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored</li> </ul>	<ul style="list-style-type: none"> <li>Talents</li> <li>Talents</li> <li>Talents</li> </ul>
<b>Aspect B3: Development and Training</b>		
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	<ul style="list-style-type: none"> <li>KPI B3.1 The percentage of employees trained by gender and employee category</li> <li>KPI B3.2 The average training hours completed per employee by gender and employee category</li> </ul>	<ul style="list-style-type: none"> <li>This data is currently being consolidated, and will be disclosed once available</li> <li>This data is currently being consolidated, and will be disclosed once available</li> </ul>

Aspects and General Disclosures	Descriptions	Related chapters
<b>Aspect B4: Labour Standards</b>		
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	<ul style="list-style-type: none"> <li>KPI B4.1 Description of measures to review employment practices to avoid child and forced labour</li> <li>KPI B4.2 Description of steps taken to eliminate child and forced labour practices when discovered</li> </ul>	<ul style="list-style-type: none"> <li>Not material to HKBN's business and therefore such data is not covered in this report</li> <li>Not material to HKBN's business and therefore such data is not covered in this report</li> </ul>
<b>Aspect B5: Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Our Strategy, Report of the Directors, Suppliers
KPI	<ul style="list-style-type: none"> <li>KPI B5.1 Number of suppliers by geographical region</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Suppliers</li> <li>Suppliers</li> </ul>
<b>Aspect B6: Product Responsibility</b>		
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	<ul style="list-style-type: none"> <li>KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons</li> <li>KPI B6.2 Number of products and service related complaints received and how they are dealt with</li> </ul>	<ul style="list-style-type: none"> <li>Customers</li> <li>This data is currently being consolidated, and will be disclosed once available</li> </ul>

## References to HKEX ESG Reporting Guide

Aspects and General Disclosures	Descriptions	Related chapters
	<ul style="list-style-type: none"> <li>KPI B6.3 Description of practices relating to observing and protecting intellectual property rights</li> <li>KPI B6.4 Description of quality assurance process and recall procedures</li> <li>KPI B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Governance Report</li> <li>Customers, Corporate Governance Report</li> <li>Report of the Directors, Customers, Corporate Governance Report</li> </ul>
<b>Aspect B7: Anti-corruption</b>		
General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to bribery, extortion, fraud and money laundering.</p>	Corporate Governance Report
KPI	<ul style="list-style-type: none"> <li>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</li> <li>KPI B7.2 Description of preventive measures and whistleblowing procedures, how they are implemented and monitored</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Governance Report</li> <li>Corporate Governance Report</li> </ul>
<b>Aspect B8: Community Investment</b>		
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	<ul style="list-style-type: none"> <li>KPI B8.1 Focus areas of contribution</li> <li>KPI B8.2 Resources contributed to the focus areas</li> </ul>	<ul style="list-style-type: none"> <li>Our Strategy, Community</li> <li>Community</li> </ul>





**HKBN Ltd.**  
香港寬頻有限公司

