HKBN Ltd.
香港寬頻有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1310)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 2021

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

The board of directors (the "**Board**") of HKBN Ltd. (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 August 2021.

- Despite the challenging economic environment, our Revenue, EBITDA and Adjusted Free Cash Flow ("**AFF**") recorded a growth of 21%, 3% and 2%, respectively to $11,464 million, $2,569 million and $1,132 million.

- Revenue increased by 21% year-on-year to $11,464 million, mainly driven by significant growth in smartphone sales and growth from Enterprise Solutions and related product revenue, as a result of the full year contribution of HKBN JOS* (FY20: eight and a half months).

- EBITDA increased by 3% year-on-year to $2,569 million mainly contributed by lower operating expenses as a result of the Group's continuous effort to drive operational efficiencies.

- AFF grew year-on-year at 2% to $1,132 million, contributed by improving EBITDA, interest savings and better working capital management.

- The Board has recommended the payment of a final dividend of 37.5 cents per share (FY20: 38 cents per share), resulting in a 2% year-on-year increase in full year payment to 76.5 cents per share (FY20: 75 cents per share).

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

SHAREHOLDER LETTER

Dear fellow HKBN shareholders,

Growth is the name of our game

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

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

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

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

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

Sincerely yours,

William Yeung	**NiQ Lai**
Co-Owner and Executive Vice-chairman	**Co-Owner and Group CEO**

KEY FINANCIAL AND OPERATIONAL SUMMARY

Table 1: Financial highlights

	For the year ended **31 August 2021**	31 August 2020	**Change YoY**
Key financials *($'000)*			
Revenue	**11,463,745**	9,452,957	+21%
– Enterprise Solutions	**4,965,553**	4,708,063	+5%
– Enterprise Solutions related product	**2,310,286**	1,806,409	+28%
– Residential Solutions	**2,465,294**	2,447,072	+1%
– Handset and other product	**1,722,612**	491,413	>100%
Profit for the year	**206,872**	96,611	>100%
Adjusted Net Profit[1,2]	**755,975**	600,190	+26%
EBITDA[1,3]	**2,568,507**	2,505,443	+3%
Service revenue	**7,430,847**	7,155,135	+4%
Service EBITDA[1,3]	**2,226,459**	2,191,763	+2%
Service EBITDA margin[1,4]	**30.0%**	30.6%	-0.6pp
Adjusted Free Cash Flow[1,5]	**1,131,543**	1,114,144	+2%

Reconciliation of Adjusted Net Profit[1,2]

Profit for the year	**206,872**	96,611	>100%
Amortisation of intangible assets	**456,754**	609,895	-25%
Deferred tax arising from amortisation of intangible assets	**(73,683)**	(98,017)	-25%
Loss on extinguishment of senior notes	**145,463**	43,595	>100%
Originating fee for banking facilities expired	**20,569**	–	n/a
Deferred tax recognised on unused tax losses	**–**	(80,304)	-100%
Loss on derecognition of contingent consideration	**–**	14,624	-100%
Impairment loss on investment properties	**–**	7,217	-100%
Transaction costs in connection with business combination	**–**	6,569	-100%
Adjusted Net Profit	**755,975**	600,190	+26%

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

KEY FINANCIAL AND OPERATIONAL SUMMARY (CONTINUED)

Table 2: Operational highlights

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

BUSINESS REVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OUTLOOK

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

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

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

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

HEDGING

The Group's policy is to partially hedge the currency and interest rate risk arising from non-Hong Kong dollar denominated assets/liabilities and the variable interest rates of the debt instruments and facilities by entering into currency forward and interest-rate swaps, respectively. The Chief Executive Officer and Chief Financial Officer are primarily responsible for overseeing the hedging activities. Under their guidance, the Group's finance team is responsible for planning, executing and monitoring the hedging activities. The Group would not enter into hedging arrangements for speculative purposes.

The Group entered into a currency forward to buy USD at 7.778 in the principal amount of US$621 million with an international financial institution that matures on 30 November 2020. Benefiting from hedging arrangement, the Group substantially fixed the USD/HKD exchange until maturity of the instrument.

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

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

CHARGE ON GROUP ASSETS

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

CONTINGENT LIABILITIES

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

EXCHANGE RATES

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

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

TALENT REMUNERATION

As at 31 August 2021, the Group had 5,218 permanent full-time Talents (31 August 2020: 5,929 Talents). The Group provides remuneration package consisting of basic salary, bonus and other benefits. Bonus payments are discretionary and dependent on both the Group's and individual performances. The Group also provides comprehensive medical insurance coverage, competitive retirement benefits schemes, and Talent training programmes.

RESTRICTED SHARE UNIT SCHEMES

To attract, retain and motivate skilled and experienced Talents, the Company adopted four Co-Ownership plans, namely Co-Ownership Plan II, Co-Ownership Plan III (was terminated and replaced by Co-Ownership Plan III Plus)*, Co-Ownership Plan III Plus and Co-Ownership Plan IV on 21 February 2015, 27 December 2017, 4 September 2019 and 21 October 2021 respectively. Co-Ownership is a powerful expression of the commitment and belief our

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

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, spanning the Group's operations across Hong Kong and China.

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 restricted share units ("**RSUs**") would be granted by the Company for every 7 purchased shares), and the vesting schedule would also be 25%-25%-50% upon each anniversary over 3 years after the date of grant. The maximum investment amount of each participant is limited to one year of the annual compensation package.

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

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

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

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

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

Co-Ownership Plan III Plus

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

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

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

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

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

Co-Ownership Plan IV

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

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

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

ANNUAL GENERAL MEETING

2021 annual general meeting of the Company (the "**2021 AGM**") will be held on Monday, 13 December 2021 and the notice of the 2021 AGM will be published and issued to shareholders of the Company (the "**Shareholders**") in due course.

FINAL DIVIDEND

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

The dividend policy of the Company is to pay dividends in an amount of not less than 90% of the AFF with an intention to pay 100% of the 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, the holders of Vendor Loan Notes are entitled to receive a cash amount payable by the Company equal to $62,745,830 based on the 37.5 cents final dividend per ordinary share declared by the Company for the year ended 31 August 2021, as if the holders of the Vendor Loan Notes are holders of 167,322,212 ordinary shares in the Company as of the record date for such final dividend. Such cash amount will be paid by the Company to the holders of Vendor Loan Notes on or around Thursday, 6 January 2022, being the date on which the 2021 final dividend will be paid by the Company.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Wednesday, 8 December 2021 to Monday, 13 December 2021, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2021 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 7 December 2021.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 20 December 2021 to Wednesday, 22 December 2021, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Friday, 17 December 2021.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company for the year ended 31 August 2021.

REVIEW OF ANNUAL RESULTS AND ANNUAL FINANCIAL STATEMENTS

The Audit Committee has reviewed with the management and the external auditor the annual results of the Group for the year ended 31 August 2021, the accounting principles and practices adopted by the Group, as well as discussion on auditing, internal control, risk management and financial reporting matters of the Group.

The annual financial statements of the Group for the year ended 31 August 2021 have been reviewed by the Audit Committee and approved by the Board of the Company.

The financial figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 August 2021 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the "Corporate Governance Code and Corporate Governance Report" (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange throughout the year ended 31 August 2021 except for the following deviation:

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by Directors. Having made specific enquiries with all Directors, they confirmed that they had complied with the Model Code throughout the year ended 31 August 2021.

SUBSEQUENT EVENT

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

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

This announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hkbnltd.net). The annual report of the Company for the year ended 31 August 2021 will be despatched to the Shareholders of the Company and made available on the same websites in due course.

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

Hong Kong, 28 October 2021

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

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

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

Independent Non-executive Directors
Mr. Bradley Jay HORWITZ *(Chairman)*
Mr. Stanley CHOW
Mr. Yee Kwan Quinn LAW, SBS, JP

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2021

		Year ended	
		31 August	31 August
		2021	2020
	Note	***$'000***	*$'000*
Revenue	*3*	**11,463,745**	9,452,957
Other net income	*4(a)*	**23,251**	25,812
Network costs and costs of sales		**(6,950,885)**	(4,926,272)
Other operating expenses	*4(b)*	**(3,698,309)**	(3,933,192)
Finance costs	*4(d)*	**(481,029)**	(526,961)
Share of losses of joint ventures		**(31,508)**	(242)
Profit before taxation	*4*	**325,265**	92,102
Income tax (expense)/credit	*5*	**(118,393)**	4,509
Profit for the year		**206,872**	96,611
Attributable to:			
Equity shareholders of the Company		**206,872**	97,174
Non-controlling interests		**–**	(563)
Profit for the year		**206,872**	96,611
Earnings per share	*6*		
Basic		**15.8 cents**	7.4 cents
Diluted		**14.0 cents**	6.6 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2021

	Year ended	
	31 August 2021	31 August 2020
	$'000	*$'000*
Profit for the year	**206,872**	96,611
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, with nil tax effect	**8,869**	8,360
Exchange loss on translating foreign operations transferred to consolidated income statement upon disposal	**–**	875
Other comprehensive income for the year	**8,869**	9,235
Total comprehensive income for the year	**215,741**	105,846
Attributable to:		
Equity shareholders of the Company	**215,741**	106,409
Non-controlling interests	**–**	(563)
Total comprehensive income for the year	**215,741**	105,846

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2021

	Note	**At 31 August 2021** *$'000*	At 31 August 2020 *$'000*
Non-current assets			
Goodwill		**9,016,507**	9,016,507
Intangible assets		**3,606,163**	4,200,644
Property, plant and equipment		**3,901,090**	4,112,260
Investment properties		**198,828**	206,800
Right-of-use assets		**681,349**	886,709
Customer acquisition and retention costs		**564,849**	595,149
Interest in an associate		**4,816**	4,438
Interests in joint ventures		**17,879**	9,387
Deferred tax assets		**68,913**	91,258
Finance lease receivables		**–**	6,534
Other non-current assets		**91,958**	81,012
		18,152,352	19,210,698
Current assets			
Inventories		**110,615**	154,641
Trade receivables	*8*	**1,073,306**	1,356,935
Other receivables, deposits and prepayments		**353,015**	359,458
Finance lease receivables		**–**	1,253
Contract assets		**211,945**	303,839
Amount due from joint ventures		**45,500**	19,600
Tax recoverable		**192**	717
Financial assets at fair value through profit or loss		**–**	40,517
Cash and cash equivalents		**1,421,124**	676,457
Assets classified as held for sale	*10*	**400,384**	–
		3,616,081	2,913,417

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 AUGUST 2021

	Note	At 31 August 2021 $'000	At 31 August 2020 $'000
Current liabilities			
Trade payables	9	**935,864**	830,805
Other payables and accrued charges – current portion		**1,018,271**	1,240,907
Contract liabilities – current portion		**632,492**	706,827
Deposits received		**90,475**	76,049
Obligations under granting of rights – current portion		**6,771**	9,024
Amounts due to an associate		**4,816**	4,438
Amounts due to joint ventures		**10,750**	10,750
Bank and other borrowings		**481,283**	1,310,667
Lease liabilities – current portion		**166,649**	234,258
Tax payable		**189,496**	199,521
Other current liabilities		**12,863**	8,704
Liabilities classified as held of sale	10	**314,514**	–
		3,864,244	4,631,950
Net current liabilities		**(248,163)**	(1,718,533)
Total assets less current liabilities		**17,904,189**	17,492,165
Non-current liabilities			
Other payables and accrued charges – long-term portion		**30,397**	87,677
Contract liabilities – long-term portion		**194,818**	219,939
Obligations under granting of rights – long-term portion		**–**	6,771
Deferred tax liabilities		**904,848**	1,033,447
Lease liabilities – long-term portion		**305,129**	445,804
Provision for reinstatement costs		**62,442**	67,320
Bank and other borrowings		**10,831,416**	5,018,368
Senior notes		**–**	4,101,847
Other non-current liabilities		**37,376**	50,493
		12,366,426	11,031,666
NET ASSETS		**5,537,763**	6,460,499
CAPITAL AND RESERVES			
Share capital		**132**	132
Reserves		**5,537,631**	6,460,367
TOTAL EQUITY		**5,537,763**	6,460,499

NOTES:

1 BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the Group's consolidated financial statement for the year ended 31 August 2021, but is derived from those financial statements.

The consolidated 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 (the "**Listing Rules**").

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

– contingent consideration;

– financial assets at fair value through profit or loss and derivative financial instruments;

– share-based payments; and

– non-current assets and disposal groups held for sale.

Going concern assumption

As at 31 August 2021, the current liabilities of the Group exceeded their current assets by approximately $248 million. Included in the current liabilities were (i) current portion of contract liabilities of $632 million recognised under HKFRS 15 which will be gradually reduced through performance obligations being satisfied over the contract terms and (ii) current portion of lease liabilities of $167 million recognised under HKFRS 16 relating to leases with a lease term of more than 12 months and with a corresponding asset recorded in the non-current assets as right-of-use assets. Management of the Group anticipates the net cash inflows from their operations, together with the ability to draw down from available bank loan facilities, would be sufficient to enable the Group to meet their liabilities as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

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

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

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

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

3 REVENUE AND SEGMENT REPORTING

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

(a) Disaggregation of revenue

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

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

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b).

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

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

(i) Telecom and technology solutions (Hong Kong)

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

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

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

(iii) Segment results, assets and liabilities

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

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

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

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

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

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

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 August 2021 and 2020 is set out below.

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

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

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

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

(d) 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, financial lease receivables and other non-current assets ("**specified non-current assets**"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of right-of-use assets, intangible assets, goodwill, customer acquisition and retention costs, contract assets and other non-current assets and the location of operations, in the case of interests in joint ventures and an associate.

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

4 PROFIT BEFORE TAXATION

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

	Year ended 31 August 2021 $'000	31 August 2020 $'000
(a) Other net income		
Interest income	**(2,200)**	(3,287)
Net foreign exchange loss/(gain)	**15,669**	(30,246)
Amortisation of obligations under granting of rights	**(9,024)**	(9,024)
Change in fair value of contingent consideration	**–**	1,355
Fair value loss on currency forward	**309**	16,699
Discounts on early settlement to suppliers	**(188)**	(411)
Impairment loss on investment properties	**–**	7,217
Fair value gain on financial assets	**–**	(186)
Loss on derecognition of contingent consideration	**–**	14,624
Other income	**(27,817)**	(22,553)
	(23,251)	(25,812)
(b) Other operating expenses		
Advertising and marketing expenses	**369,792**	397,121
Depreciation		
– Property, plant and equipment	**752,019**	728,424
– Investment properties	**7,972**	8,024
– Right-of-use assets	**201,701**	186,513
Loss on disposal of property, plant and equipment, net	**827**	4,889
Gain on disposal of right-of-use assets, net	**(167)**	(6,086)
Recognition of loss allowance on trade receivables and contract assets	**79,002**	80,292
Talents costs *(note 4(c))*	**984,184**	1,068,374
Amortisation of intangible assets	**456,754**	601,236
Amortisation of customer acquisition and retention costs	**295,767**	291,719
Transactions costs in connection with business combination	**–**	6,569
Loss on disposal of subsidiaries	**–**	1,301
Others	**550,458**	564,816
– Office rental and utilities	**79,371**	84,131
– Site expenses	**89,891**	86,184
– Bank handling charges	**42,015**	40,105
– Maintenance	**124,086**	137,023
– Subscription and license fees	**80,877**	82,328
– Legal and professional fees	**29,982**	33,131
– Printing, telecommunication and logistics expenses	**46,815**	44,495
– Others	**57,421**	57,419
	3,698,309	3,933,192

4 PROFIT BEFORE TAXATION (CONTINUED)

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

	Year ended 31 August 2021 $'000	31 August 2020 $'000
(c) Talent costs		
Salaries, wages and other benefits	**1,685,362**	1,729,313
Contributions to defined contribution retirement plan	**123,039**	117,788
Equity-settled share-based payment expenses	**293**	1,453
Cash-settled share-based payment expenses	**127**	929
	1,808,821	1,849,483
Less: Talent costs capitalised as property, plant and equipment	**(56,158)**	(59,821)
Talent costs included in advertising and marketing expenses and amortisation of customer acquisition and retention costs	**(403,420)**	(421,127)
	1,349,243	1,368,535
Talent costs included in other operating expenses	**984,184**	1,068,374
Talent costs included in network costs and costs of sales	**365,059**	300,161
	1,349,243	1,368,535

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

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

4 PROFIT BEFORE TAXATION (CONTINUED)

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

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

Network costs and costs of sales includes $365,059,000, $50,200,000 and $99,777,000 for the year ended 31 August 2021 (2020: $300,161,000, $51,306,000 and $115,254,000), relating to talent costs, and depreciation of right-of-use assets and amortisation of intangible assets respectively which amount is also included in the respective total amounts disclosed separately above or in notes 4(b) and 4(c) for each of these types of expenses.

5 INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 August 2021 $'000	31 August 2020 $'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**207,759**	179,317
(Over)/under-provision in respect of prior years	**(813)**	15,320
Current tax – Outside Hong Kong		
Provision for the year	**13,421**	8,588
Over-provision in respect of prior years	**(662)**	(2,339)
Deferred tax		
Origination and reversal of temporary differences	**(101,312)**	(205,395)
Tax expense/(credit)	**118,393**	(4,509)

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first $2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

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

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $206,872,000 (2020: $97,174,000) and the weighted average number of ordinary shares in issue calculated as follows:

	Year ended 31 August 2021 '000	31 August 2020 '000
Issued ordinary shares at 1 September	**1,311,599**	1,311,599
Less: shares held for the Co-Ownership Plan II	**(5,666)**	(5,666)
Add: effect of the Co-Ownership Plan II RSUs vested	**4,770**	4,611
Weighted average number of ordinary shares in issue during the year	**1,310,703**	1,310,544

6 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company $206,872,000 (2020: $97,174,000) and the weighted average number of ordinary shares in issue less shares held for the Co-Ownership Plan II after adjusting for the dilutive effect of the Company's Co-Ownership Plan II and the Vendor Loan Notes, calculated as follows:

	Year ended	
	31 August 2021	31 August 2020
	'000	*'000*
Weighted average number of ordinary shares less shares held for the Co-Ownership Plan II	**1,310,703**	1,310,544
Add: effect of the Co-Ownership Plan II	**34**	270
Add: effect of the Vendor Loan Notes	**167,322**	167,322
Weighted average number of ordinary shares (diluted)	**1,478,059**	1,478,136

7 BUSINESS COMBINATION, DISPOSAL OF SUBSIDIARIES AND ACQUISITION OF NON-CONTROLLING INTERESTS WITHOUT CHANGE IN CONTROL

a. Business combination during the year ended 31 August 2020

Pursuant to the share purchase agreement dated 23 August 2019, HKBNGL acquired 100% equity interests in Jardine OneSolution Holdings (C.I.) Limited, Adura Hong Kong Limited and ADURA CYBER SECURITY SERVICES PTE. LTD., a company incorporated in the Cayman Islands, Hong Kong and Singapore respectively (together referred as "**HKBN JOS**") from JTH (BVI) Limited (the "**JOS Acquisition**"). The consideration of the JOS Acquisition was settled by cash of US$50,000,000 (equivalent to $391,500,000).

HKBN JOS is principally engaged in IT-related businesses including provision of IT system integration, IT solutions and IT consultancy services with a focus on the enterprise segment. The JOS Acquisition was completed on 13 December 2019.

The goodwill reflects synergies expected from leveraging the Group's existing enterprise customer base, talents and culture to improve overall profitability by enhancing its service offering, reducing overlapping costs and delivering greater value to customers. None of the goodwill is expected to be deductible for tax purposes.

7 BUSINESS COMBINATION, DISPOSAL OF SUBSIDIARIES AND ACQUISITION OF NON-CONTROLLING INTERESTS WITHOUT CHANGE IN CONTROL (CONTINUED)

a. Business combination during the year ended 31 August 2020 (Continued)

The JOS Acquisition had the following effect on the Group's assets and liabilities on 13 December 2019, the completion date of the JOS Acquisition:

	$'000
Intangible assets	198,566
Property, plant and equipment	45,447
Right-of-use assets	199,704
Deferred tax assets	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	(4,372)
Contract liabilities	(297,189)
Bank loans	(267,464)
Tax payables	(2,615)
Lease liabilities	(237,112)
Deferred tax liabilities	(29,112)
Fair value of net assets acquired	161,628
Non-controlling interests	1,684
	163,312
Goodwill	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 $Nil and $6,569,000 were included in other operating expenses in the consolidated income statement for the year ended 31 August 2021 and 2020.

Revenue and profit contribution

The revenue and profit after taxation of $2,527,341,000 and $37,680,000 respectively included in the consolidated income statement were contributed by HKBN JOS from the date of the JOS Acquisition to 31 August 2020.

No separate sets of financial information for HKBN JOS were prepared for the period from 1 September 2019 to the date of the JOS Acquisition. As a result, it is impracticable for the Group to disclose the amounts of revenue and profit or loss after taxation of HKBN JOS as if the acquisition date for the business combination that occurred during the period had been as of 1 September 2019.

7 BUSINESS COMBINATION, DISPOSAL OF SUBSIDIARIES AND ACQUISITION OF NON-CONTROLLING INTERESTS WITHOUT CHANGE IN CONTROL (CONTINUED)

b. Disposal of WTT Outsourcing Services Limited and its subsidiaries (together the "WTTO Group") during the year ended 31 August 2020

In December 2019, the Group entered into a sale and purchase agreement ("**SPA**") pursuant to which the Group has agreed to sell the entire issued share capital of WTT Outsourcing Services Limited, an indirect wholly owned subsidiary of the Company, with a consideration of $2,500,000 to an independent third party. The transaction was completed in January 2020, the consideration of $750,000 (2020: $1,000,000) was settled during the current year and the remaining balance will be settled on or before 31 December 2021 in accordance with the SPA.

Details of net assets disposed of and the gain on disposal of interests in the WTTO Group at the date of disposal were as follows:

	$'000
Cash consideration	2,500
Less: Carrying amount of net assets disposed of	(2,926)
Exchange loss on translating foreign operations transferred to consolidated income statement upon disposal	(875)
Loss on disposal recognised in the consolidated income statement	(1,301)

The assets and liabilities of the WTTO Group at the date of disposal were as follows:

	$'000
Property, plant and equipment	819
Trade receivables	1,616
Other receivables, deposits and prepayments	749
Other payables and accrued charges	(258)
Net assets disposed of	2,926

c. Acquisition of non-controlling interests without change in control during the year ended 31 August 2020

On 23 July 2020, the Group acquired the remaining 25% of the issued shares of JOS APPLICATIONS (S) PTE. LTD. held by the non-controlling interests at a consideration of $2,525,000 by the way of waiving the receivables due from MUU Consulting Pte Ltd. Immediately prior to the purchase, the carrying amount of the 25% non-controlling interests in JOS APPLICATIONS (S) PTE. LTD. was in a deficit of $2,247,000. The Group recognised the same amount in non-controlling interests and a decrease in retained profits of $4,772,000.

	$'000
Carrying amount of non-controlling interests acquired	(2,247)
Consideration paid to non-controlling interests	(2,525)
Decrease in retained profits	(4,772)

8 TRADE RECEIVABLES

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

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

The majority of the Group's trade receivables is due within 30–90 days from the date of billing. Subscribers with receivable that are more than 3 months overdue are requested to settle all outstanding balances before further credit is granted.

9 TRADE PAYABLES

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

	At 31 August 2021 *$'000*	At 31 August 2020 *$'000*
Within 30 days	**388,941**	310,318
31 to 60 days	**111,618**	139,566
61 to 90 days	**132,769**	137,134
Over 90 days	**302,536**	243,787
	935,864	830,805

10 ASSETS AND LIABILITIES HELD FOR SALE

On 28 July 2021, the directors approved a plan ("**the Plan**") to sell part of its technology solutions operations outside Hong Kong ("**the Disposal Group**"). Management assessed that the criteria for the classification of the Disposal Group held for sale were fulfilled based on the facts and circumstances specific to the Plan. Accordingly, the assets and liabilities associated with the Disposal Group have been classified as held for sale on that date.

The assets and liabilities associated with the Disposal Group classified as held for sale as at 31 August 2021 are as follows:

	31 August 2021 *$'000*
Intangible assets	37,965
Property, plant and equipment	6,186
Right-of-use assets	35,088
Contract assets	35,429
Deferred tax assets	1,193
Other assets	1,697
Finance lease receivables	4,400
Inventories	35,619
Trade receivables	113,103
Other receivables, deposits and prepayments	24,167
Cash and cash equivalents	105,537
Assets classified as held for sale	400,384
Trade payables	99,631
Other payables and accrued charges	17,754
Contract liabilities	25,048
Bank and other borrowings	127,910
Deferred tax liabilities	6,034
Lease liabilities	36,693
Tax payable	102
Provision for reinstatement costs	1,342
Liabilities classified as held for sale	314,514

11 DIVIDENDS

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

	Year ended 31 August 2021 $'000	31 August 2020 $'000
Interim dividend declared and paid of 39 cents per ordinary share (2020: 37 cents per ordinary share)	**511,524**	485,292
Final dividend proposed after the end of the reporting period of 37.5 cents per ordinary share (2020: 38 cents per ordinary share)	**491,850**	498,408
	1,003,374	983,700

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

(b) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	Year ended 31 August 2021 $'000	31 August 2020 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 38 cents per ordinary share (2020: 36 cents per ordinary share)	**498,408**	472,176