Chairman's Statement

Year 2020 was marked by unprecedented challenges and opportunities. With the COVID-19 pandemic severely impacting millions of people and businesses worldwide, mobility and connectivity have taken on a whole new dimension and become more essential than ever before. Individuals and businesses leaned heavily on technology to stay connected, especially with what they have experienced during the pandemic. During these challenging times, the Group remained undeterred in its steadfast efforts in upholding its services with uncompromised quality in ensuring seamless network connectivity.

In the face of the hardships brought about by the pandemic, the Group delivered a resilient financial performance whilst building strong commercial momentum for the year. Despite a 50% drop in roaming service revenue caused by the prolonged global travel restrictions, local service revenue marginally grew 1% from last year. This increase was mainly attributable to a surge in demand for corporate solutions as businesses shifted to new operating modes during the pandemic. Overall service revenue decreased by 9% to HK$3,285 million in 2020, when combined with roaming service revenue.

On a Pre-IFRS 16 basis, service EBITDA improved by 4% as cost efficiency enhancement initiatives were successfully emplaced to create a high-efficiency operational environment. Key costs, which comprise CACs, staff costs and other operating expenses were reduced by 15% year-on-year. Despite the negative impact from travel restrictions enforced since the second quarter of 2020, the Group is pleased to report a 5%-point year-on-year growth on service EBITDA margin to 37% attributable to the improved cost structure. The Group's total EBITDA increased by 3% to HK$1,237 million, while total EBIT stayed flat at HK$392 million mainly due to the cost efficiency enhancement programme mentioned above offset by the effect of higher depreciation and amortisation subsequent to the launch of 5G network during the year.

On a Post-IFRS 16 basis, the Group's total EBITDA increased by 1% while total EBIT slightly decreased by 1% against last year. Profit attributable to shareholders and earnings per share both decreased by 16% to HK$361 million and 7.49 HK cents respectively. The decrease was mainly due to lower interest income as the Group's cash balance significantly reduced from HK$9,555 million at the beginning of 2019 to HK$5,251 million as of 31 December 2020 after the distribution of HK$3,855 million special interim dividend and cash settlement of HK$471 million for the acquisition of a 24.1% interest in the mobile operation in May 2019. The general decrease in interest rate during the second half of the year further aggravated the decline in interest income. Excluding the effect of interest income reduction, profit attributable to shareholders increased by 4% against last year. The impact of IFRS 16 on total EBIT and profit attributable to shareholders of the Group was insignificant.

The total number of customers in Hong Kong and Macau was approximately 3.3 million as of 31 December 2020, compared with approximately 3.7 million as of 31 December 2019. The decrease was mainly driven by a higher disconnection of silent prepaid customers in Macau after the mandatory real-name registration policy was enforced in April 2020. Monthly postpaid churn rate slightly improved by 0.1%-point to 1.1%, mainly attributable to the Group's continuous customer retention efforts. Local postpaid net ARPU increased by 6% to HK$153 mainly due to increased contributions from the corporate segment.

Dividend

The Board recommends payment of a final dividend of 5.21 HK cents (2019 final dividend: 3.75 HK cents) per share for 2020, which represents a 39% increase against that in 2019, payable on Wednesday, 26 May 2021, to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 14 May 2021, being the record date for determining shareholders' entitlement to the proposed final dividend. Combined with the interim dividend of 2.28 HK cents per share, the full year dividend will be 12% more than that in 2019 amounts to 7.49 HK cents per share (2019 full year dividend: 6.68 HK cents). The recommended increase in dividend payout was mainly due to the improvement in operational performance during the year as well as the strong financial position of the Group.

Outlook

The economic and social disruptions caused by COVID-19 have been devastating. The unprecedented and permanent impact brought by the pandemic not only affected day-to-day livelihood, but also business operations. While it cannot be predicted as to when the pandemic may be over and uncertainties over the resumption of economic market to normality remain, reliable network connectivity is undeniably crucial in keeping people and businesses connected when charting a sustainable course to recovery.

The full deployment of the ultra-fast, low-latency 5G network with extensive territory-wide 5G radio site coverage during the year had remarkably surpassed the Group's expectations, reaching a significant milestone propelling the customers of the Group into a new era of the 5G smart city.

Looking ahead to 2021, market conditions are expected to remain similar to that of the second half of last year, and it is not anticipated that there would be any meaningful contribution from roaming recovery. Nevertheless, the Group aims to revamp the network coverage in building the best 5G network by June 2021. This, coupled with a reduced cost structure as well as increased distribution points from 30 shops to an expanded network of over 300 outlets at Fortress and PARKnSHOP, are the vital backbone of the Group to driving success in 2021. In addition, through partnerships with Mobile Virtual Network Operators and upcoming Greater Bay Area data plan initiatives, the Group is expected to generate more revenue while leveraging its enhanced network. The Group is looking forward to a solid performance in 2021. Hence, the Board proposed to increase dividend payout to 100% of the profit for the year of 2020. After settling the 5G capital expenditure and evaluation of the potential investment opportunities, the Group will make decision on the surplus cash at the 2021 interim results announcement, at which special dividend could be considered.

As part of its determination to create long-term sustainable value for the stakeholders, the Group will continue to strengthen its sustainability governance and closely monitor the status of the pandemic as well as taking necessary measures to safeguard the interests of its employees and business operations. Finally, I would like to thank the Board of Directors and all staff members for their unswerving dedication, solid professionalism, and their contributions to the Group amid these unprecedentedly challenging times.

FOK Kin Ning, Canning
Chairman

Hong Kong, 26 February 2021