

# Risk Factors

The business, financial condition and results of operations of the Group are subject to various business risks and uncertainties. The factors set out below are those that the Group believes could result in its financial condition or results of operations differing materially from expected or historical results. There may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be so in the future.

## Market Economy

The Group operates principally in Hong Kong and Macau; hence, the financial condition and results of operations of the Group may be influenced by the general state of the local markets or economies. Any significant or protracted worsening of the financial and economic climate in Hong Kong and Macau could result in lower customers' spending power and hence reduction in demand for the Group's services, and therefore, could adversely affect the financial condition and results of operations of the Group.

## Industry Trends and Interest Rates

The Group's results are affected by trends in the telecommunications markets in which it operates. Industry trends and volatility in interest rates have adversely affected the Group's results historically. There can be no assurance that these risks that might be experienced by the Group in the future will not adversely affect its financial condition and results of operations.

In particular, income from the Group's finance and treasury operations is dependent on interest rates and market conditions. Consequentially, there can be no assurance that changes in these conditions will not have material adverse effect to the financial condition and results of operations of the Group.

## Highly Competitive Market

The Group faces significant competition in markets in which it operates. Aggressive tariff plans and customer acquisition strategies adopted by existing market players and new market entrants could create pricing pressure, and may impact the Group's customer acquisition and retention costs, customer number growth rate, retention prospects as well as market position. These factors in turn, may reduce the service revenue as well as increase the costs of the Group, which could adversely affect the Group's financial performance and growth prospects.

## Rapid Technological Changes

The Group faces increased competition from technological advancement of the telecommunications industry. Telecommunications technology being developed, or to be developed by existing competitors or new market entrants could intensify competition. In the event if the Group fails to develop or obtain timely access to new technology and equipment, its customer relationship and market position could be at risks, and therefore adversely affect the financial condition and results of operations of the Group. Development and application of new technology involves time, substantial costs and risks; hence, technology deployed may become obsolete. Impairment of those obsoleted assets could adversely affect the financial condition and results of operations of the Group.

## Network Performance

Certain elements of the Group's networks, such as switching and data platforms, are critical functions for broad sectors of network operations. Damage or major incidents caused by natural disasters, deliberate attacks or technology failure to these critical elements may cause one or more sectors of the network to be non-functional, which could lead to major disruption of the Group's mobile telecommunications services. There can be no assurance that extended periods of service disruption will not materially and adversely affect the business and results of operations of the Group.

### Strategic Partners

The Group conducts some of its businesses through a joint venture, in which it shares control (in whole or in part); and strategic alliances are formed with certain leading international companies, government authorities and other strategic partners. There can be no assurance that any of the strategic or business partners will sustain their relationships and accompany obligations to pursue stated strategies with the Group, or vice versa. Furthermore, other investors in the joint venture may undergo a change of control or experience financial difficulties, which may negatively impact the financial condition and results of operations of the Group.

### Future Growth

The Group has made substantial investments in acquiring telecommunications licences and developing its mobile networks and growing its customer base in Hong Kong and Macau. The Group may need to incur further capital expenditure to expand, improve or upgrade its mobile networks, acquire additional spectrum licences, and incur more customer acquisition and retention costs to build and retain its customer base. There can be no assurance that any additional investments will bring higher operating margins, and consequently, additional investments may materially and adversely impact the financial condition and results of operations of the Group.

### Impact of Law and Regulatory Requirements

The Group is exposed to local business risks, which could have a material adverse effect on its financial condition and results of operations. The Group is also exposed to changing government policies, political, social, legal and regulatory requirements, which may include:

- changes in taxation regulations and interpretations;
- competition laws applicable to the telecommunications industry;
- changes in the process of, or the conditions, or criteria to obtaining or maintaining licences, permits and governmental approvals necessary for operations;
- telecommunications regulations; and
- environmental, safety, employee and consumer protection laws, rules and regulations.

There can be no assurance that the regulatory authorities in which the Group operates will not make decisions or interpret and implement regulations in a manner that may materially and adversely affect the financial condition and results of operations of the Group.

The Group is permitted to provide telecommunications services and operate networks under licences granted by regulatory authorities. These licences have historically been issued for fixed terms and subsequently renewed. However, further renewals may not be guaranteed, and if renewed, the terms and conditions may vary. Regulatory requirements and carrier obligations accompanying these licences may affect the Group's operations including that of maintaining network quality and coverage. Failure to comply with these requirements could result in damage awards, fines, penalties, suspension or other sanctions including the revocation of the licences. Decisions by regulators with respect to the granting, amendment or renewal of licences to the Group or other parties (including spectrum allocation to other parties, or relaxation of constraints with respect to the technology or specific service that may be deployed in the given spectrum band) could result in unforeseeable competition, which could have a material adverse effect on the financial condition and results of operations of the Group.

## Accounting

The International Accounting Standards Board, which issued the IFRS, may issue more new and revised standards, amendments, and interpretations in the future, that may require adoption of new accounting policies. There can be no assurance that the adoption of new accounting policies or new IFRS will not have a significant impact on the financial condition and results of operations of the Group.

## Impact of Regulatory Reviews

The Group is listed on the Stock Exchange and is subject to regulatory reviews of various filings by the Stock Exchange's regulatory bodies and/or other regulatory authorities. The Group endeavours to comply with all regulatory requirements of the Stock Exchange, and obtain independent professional advice when appropriate. There can be no assurance that any regulatory reviews will not result in disagreement with the Group's interpretation and judgement. Likewise, there can be no assurance that subsequently actions mandated by the authorities will not have a material adverse effect on the financial condition and results of operations of the Group.

## Outbreak of Highly Contagious Disease

The global outbreak of COVID-19 since early 2020, which the World Health Organisation has declared to be a pandemic, has caused widespread disruptions in social and economic activities. During the year, the COVID-19 pandemic has evolved rapidly with the infection cases continue to spread globally. Travel restrictions and other precautionary measures introduced by various governments to contain the spread of COVID-19 have severely affected economic activities, business operations, as well as individual's way of life. In response to this adversity, the Group has taken proactive measures to reduce the impact of the pandemic on its business. The Group continues to remain vigilant and closely monitor the development of the COVID-19 situation. Given the extent and duration of the COVID-19 pandemic remain uncertain, the full impact of the pandemic to the financial position and operating results of the Group may evolve as conditions change, and will depend on a number of factors, including its impact on the customers, partners and vendors of the Group. COVID-19 and other outbreaks of contagious disease could cause disruptions to the Group's operations and supply chain, and could have material adverse effect on the financial condition and results of operations of the Group.

## Natural Disasters

Some of the Group's assets and projects, and customers and suppliers are located in areas at risk of damage from floods, typhoons or other major natural disasters. The occurrence of any of these events could disrupt the Group's operations and have a material adverse effect on the financial condition and results of operations of the Group.

Although the Group has not experienced any major structural damage to its facilities, there can be no assurance that such natural disasters will not occur and result in severe damage to the Group's facilities in the future, which could materially and adversely affect the financial condition and results of operations of the Group.

### Climate Change

Global climate change has already impacted many aspects of the environment. Scientists predict that the global mean temperature will continue to rise, which may be beneficial to some regions while being harmful to others.

Changes in climate could disrupt supply chains, interrupt business operations, and cause financial and physical damage. Alteration in weather patterns such as with typhoons and rainfall may cause damage to the Group's assets and other natural resources. Governments are beginning to introduce legislation or requirements to restrict emission along with other environmental protective measures. Regulations, disruptions and damage arising from climate change could have a material impact on the Group's business and adversely affect its financial condition and results of operations.

Although the Group has not experienced any significant disruptions or damage arising from climate change, there can be no assurance that potential changes in weather patterns in the future will not cause major disruptions or damage to the Group's assets and business. This in turn, could have a material adverse effect on the financial condition and results of operations of the Group.

### Social Unrest

The Group has presence in Hong Kong and Macau. There can be no assurance that these two cities will remain socially stable, and in the event if either city experiences any social unrest, there could be an adverse impact on the financial condition and results of operations of the Group.

### Impact of Possible Economic Sanctions on Business Partners, Suppliers or Businesses in General

Governments and multinational organisations, from time to time administer certain laws and regulations that impose restrictions with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of economic sanctions. There can be no assurance that such sanctions will not affect the jurisdictions in which the Group conducts its business, as well as its business partners, suppliers or otherwise. To the extent that any such sanction is imposed, the Group may need to cease operations and suffer losses in that regard. If any of the Group's business partners or suppliers is impacted by sanctions, their provision of goods, services and support may be disrupted or discontinued, which may affect the Group's ability to continue to operate and/or could result in suspension of operations. There can be no assurance that the Group will be able to obtain alternative goods, services, support or alliance it needs for the operations, in a timely manner or at competitive terms. There can also be no assurance that any compensation recoverable from business partners or suppliers for the discontinued or disrupted supply, service, support or alliance will be available or adequate. Any of these factors could have a material adverse effect on the financial condition and results of operations of the Group.

## Cyber Security Risks

Cyber attacks could have an adverse effect on the Group's business, operations and reputation. They can be executed through the use of malware, computer viruses, dedicated denial of services attacks, credential harvesting and other means with the aim of obtaining unauthorised access to and/or disrupting the operation of network, systems and data base of the Group or its suppliers, vendors and other service providers. Such attacks may cause equipment failures, loss or leakage of data that includes personal data of customers or employees as well as technical and trade information, which may result in disruption of the operations of the Group and its customers. Cyber attacks targeting corporations have increased in frequency, scale and severity in recent years. The perpetrators behind the attacks are not restricted to particular groups or persons; they may be launched by company employees or external actors operating in any geographic area that include jurisdictions where law enforcement measures addressing such threats are absent or ineffective. Furthermore, these attacks may even be directed at the behest of nation states. The measures deployed by the Group may not be able to prevent, eliminate or minimise the risks associated with such attacks.

Operational impacts caused by cyber attacks to the networks, systems and data base of the Group or its suppliers, vendors and other service providers, even for a limited period of time, may result in costly remedial expenses and/or loss of business. Such costs may include considerable incentives and concessions to customers and business partners, increased expenditure on cyber security measures, the employment of alternative resources along with loss of revenue from business disruptions and resulting claims from regulators and other third parties. The potential costs associated with these attacks could exceed the monetary amount the Group is insured against. In addition, compromise to security or leakage of data, such as personal data and technical and trade information, could result in third party and/or regulator claims or investigations. Any of these actions could damage the Group's reputation, erode customer and investor confidence and have material adverse effects on its financial condition and results of operations.

## Compliance with Data Protection Legislation

In the ordinary course of its operations, various members of the Group collect, store and use data that is protected by data protection laws. As regulatory focus on privacy issues continues to broaden and laws and regulations concerning the handling of personal information expand and are becoming more complex, potential risks relating to data collection and use within the Group's business are expected to rise. The Group may be subject to regulatory action or civil claims in the event if it is unable to fulfil its obligations under applicable data protection laws. The cost of regulatory or legal action, and any monetary and/or reputational damage suffered as a result of such action could have a material adverse effect on the financial condition and results of operations of the Group.

## Past Performance and Forward-Looking Statements

The performance and results of operations of the Group contained within this Annual Report are historical in nature, and past performances does not guarantee future results of the Group. Any forward-looking statements and opinions contained within this Annual Report are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, its Directors, employees or agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained within this Annual Report; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.