

Chairman's Statement

The ongoing COVID-19 crisis has been a significant challenge for many individuals and businesses over the past year. Nevertheless, with its reliable connectivity and innovative services throughout the period, the Group has continuously demonstrated its agility and resilience to the constantly changing market dynamics and changes in the demand for telecommunications services.

In spite of the tough operating environment and an unprecedented period of uncertainty, total revenue of the Group in 2021 grew by HK\$840 million or 18% to HK\$5,385 million. This growth was driven primarily by an encouraging 70% growth in hardware and other product revenue, as well as a 35% increase in revenue from corporate solutions, partially offset by a 29% decline in roaming revenue, reflecting the full year impact of the prolonged travel restrictions which had been in place since the second quarter of 2020.

EBITDA of the Group decreased by HK\$195 million or 12% compared to last year. Besides the lower roaming revenue, the decrease in EBITDA was primarily a result of increased network costs associated with the Group's investment in advanced 5G technology and its network coverage expansion. Even though the Group reduced its own-store presence during the year, its ongoing collaboration with the retail chain of the A.S. Watson group of companies, one of the leading and largest retail networks in Hong Kong, combined with the cost efficiency enhancement initiatives implemented in 2020, had generated valuable synergies and partly offset the pressure of rising network costs.

EBIT of the Group decreased by HK\$271 million or 67% compared to last year. In addition to the factors mentioned above, the decrease in EBIT was due to a 6% increase in depreciation and amortisation resulting from investments in expanding the network coverage and launch of 5G network during 2020, along with the renewal of existing spectrums with higher spectrum utilisation fees.

Profit attributable to shareholders and earnings per share both decreased by 99%, to HK\$4 million and 0.08 HK cents respectively. The decrease was mainly due to the aforementioned factors affecting EBITDA and EBIT, as well as the lower interest income as both the bank deposit rate and the Group's cash and bank balances decreased. The cash and bank balances of the Group decreased from HK\$5,416 million at the beginning of 2020 to HK\$3,975 million as of 31 December 2021, following the distribution of a special interim dividend of HK\$954 million in September 2021.

As of 31 December 2021, the Group had approximately 3.2 million total customers in Hong Kong and Macau, compared with approximately 3.3 million as of 31 December 2020. This slight decrease was primarily due to the full year impact of the mandatory real-name registration requirement in Macau for prepaid customers which was enacted in April 2020. Such decrease was in turn partly offset by the newly-acquired prepaid customers after the launch of SoSIM in November 2020 in Hong Kong. Although the termination of 2G network services had led to a slight increase in churn, the monthly postpaid churn rate remained healthy at 1.2%. The net ARPU for local postpaid services increased by 4% to HK\$159, primarily due to higher contributions from the corporate segment and customers upgrade to 5G services.

Dividend

The Board recommends payment of a final dividend of 5.21 HK cents per share for 2021 (2020 final dividend: 5.21 HK cents), in line with last year, payable on Thursday, 26 May 2022, to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 17 May 2022, 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 and a special interim dividend of 19.80 HK cents per share, the full year dividend of 27.29 HK cents per share will be 264% more than that declared in 2020 (2020 full year dividend: 7.49 HK cents).

Outlook

Since the pandemic began, the Group had adapted and responded swiftly to the accelerating digitisation demands. Although COVID-19 variants and uncertainties surrounding the recovery had continued to pose challenges, the Group remains confident in its robust and advanced network connectivity as well as its innovation offerings to sustain a solid commercial momentum leading into the post-COVID-19 recovery.

The business environment is expected to remain challenging in 2022. In spite of that, the Group will continue to pursue a digital focus and introduce new business models and innovative solutions. The Group's advanced 5G broadband services provide ultra-fast, seamless connectivity for households and businesses. Together with the expanded distribution network of over 500 outlets through collaborations with the A.S. Watson group of companies, new synergistic values have been created, leading to an optimistic business outlook.

The Board is confident that, with steady growth in local service revenue and a gradual 5G services upgrade, as well as the launch of 5G broadband services for residential and corporate businesses, the Group will continue to deliver solid local operating results and maintain strong cash flow in the year ahead. Thus, the Group targets to deliver a dividend similar to that of 2020 next year. As the Group continues to review its cash position, it may consider declaring another special dividend at the time of its interim results announcement in 2022.

Meanwhile, the Group remains committed to understanding the environmental impact of its operations and looking for ways to drive positive environmental and social change. It continues to develop business strategies that place a greater emphasis on sustainability, which will maximise the long-term value for its stakeholders.

To conclude, I would like to thank the Board of Directors and all staff members for the dedication, diligence, and professionalism they have displayed throughout the year and for their valuable contributions to the Group during this challenging period.

FOK Kin Ning, Canning
Chairman

Hong Kong, 25 February 2022