

# Chairman's Statement

Although still at a modest pace, recovery accelerated in the second half of 2022 after a turbulent fifth wave of COVID-19 pandemic hitting hard on the local economy in Hong Kong. As containment measures and travel restrictions gradually eased, service revenue of the Group increased by HK\$37 million or 1% to HK\$3,278 million, with a rebound in roaming service revenue by 14% year-on-year. Local service revenue remained resilient and was largely in line with last year amid a challenging market landscape during the first half.

Total revenue of the Group fell by HK\$503 million or 9% to HK\$4,882 million, mainly due to a 25% drop in revenue from hardware and other products which reflected constraints in the supply chain.

EBITDA decreased by HK\$57 million or 4% to HK\$1,420 million, mainly attributable to lower hardware and other product revenue, as well as higher network operating costs stemming from the Group's focussed efforts on the expansion and enhancement of 5G network coverage.

LBIT of HK\$81 million shifted downward by HK\$213 million or 161% compared with last year. This decrease was mostly due to the factors that impacted EBITDA, the full year impact of amortisation for the spectrum licence which was renewed at a higher spectrum utilisation fee in 2021, higher amortisation as the 700 MHz spectrum band was activated during the year, as well as higher depreciation for the Group's investments in network infrastructure and related-technologies, which in total accounted for HK\$199 million of the downward movement in LBIT.

Loss attributable to shareholders and loss per share were HK\$158 million and 3.28 HK cents respectively. The cash and bank balances of the Group decreased from HK\$3,975 million at the beginning of 2022 to HK\$3,700 million as of 31 December 2022, mainly due to the settlement of the 2021 final dividend and the 2022 interim dividend.

The Group's total number of customers in Hong Kong and Macau was approximately 3.3 million as of 31 December 2022, a slight increase compared with last year at approximately 3.2 million. This increase was largely driven by growth in prepaid customers and 5G postpaid subscriptions.

Postpaid customer churn rate improved significantly from 1.2% last year to a low 0.8% level due to the Group's network improvement as well as its continuous delivery of effective customer retention strategies, boosting customer engagement and loyalty.

Hindered by the growth pressure due to keen competition and unfavourable economic conditions during the first half of 2022, postpaid net ARPU decreased by 2% to HK\$168 compared with last year. However, the gradual recovery in the second half of 2022 rendered an encouraging improvement in postpaid net ARPU compared with the first half.

## Dividend

The Board recommends a final dividend of 5.21 HK cents per share for 2022 (2021 final dividend: 5.21 HK cents), payable on Monday, 29 May 2023, to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 17 May 2023, being the record date for determining shareholders' entitlement to the proposed final dividend. Combining with the interim dividend of 2.28 HK cents per share, the full year dividend amounts to 7.49 HK cents per share (2021 full year dividend: 27.29 HK cents per share, including a special interim dividend of 19.80 HK cents).

## Outlook

The Group has weathered the challenging times, while continuing to enhance network performance and maintain service quality excellence through network infrastructure enhancement and digital development.

Other than the activation of its commercial 5G network on the 700 MHz spectrum band, the Group expanded its 5G network to the East Rail Line Cross-Harbour Extension of the MTR, and the Tseung Kwan O - Lam Tin Tunnel and Cross Bay Link during the year. With the Group's huge efforts on the expansion and enhancement of its network, the number of 5G base stations increased by more than 50% compared to the third quarter of 2020, providing faster and more efficient connectivity.

During the year, the Group also seized further opportunities to generate synergy through collaborations with the members of the CKHH Group and other strategic partners. This was evident in the encouraging growth in 5G customer base, including 5G Broadband, and the Group is confident that this upward trend will continue in 2023.

As international travel gradually returns to normal, roaming service revenue is expected to further recover in the year ahead. Meanwhile, improvement in business and consumer sentiment should stimulate pent-up demand and drive spending, creating a better operating environment for the Group. The Group targets to grow revenue through offering the best connectivity services to its customers, leveraging unique platforms to provide a seamless customer experience across all channels - mobile applications, online and retail to support the development and demand for emerging business opportunities in the future.

The Board is optimistic about a healthy growth outlook as 5G capital expenditure investment has peaked and operating cost for network expansion has stabilised; the Group is well positioned to deliver a solid financial performance and a strong cash flow in 2023. The Group is also committed to contributing to a sustainable and digitally-connected future, one which will help deliver long-term value for all stakeholders.

The Group will continue to deliver the same level of dividend as 2020 at HK\$361 million until the recurring profit attributable to shareholders exceeds HK\$361 million, which by then the dividend payout will change to the equivalent of 100% of annual profit attributable to shareholders. Thus, the Group will make decision on the surplus cash at the time of 2023 interim results announcement, after taking into account its cash position and any potential investment opportunities, at which special dividend could be considered.

I would like to extend my thanks to the Board for their continued support and all staff members for their commitment, hard work, professionalism, and their invaluable contributions to the Group during this year.

**FOK Kin Ning, Canning**

Chairman

Hong Kong, 28 February 2023