

Chairman's Statement

In 2023, Hong Kong moved on from the pandemic and experienced a full Hong Kong-Mainland China border reopening and the resumption of global travel, sparking a notable revival of the Hong Kong tourism industry. The post-pandemic recovery had driven an encouraging growth in the Group's roaming service revenue and a decent increase in service revenue, which enhanced the overall financial performance of the Group.

The Group's loss attributable to shareholders and loss per share considerably narrowed to HK\$52 million and 1.08 HK cents respectively, a 67% improvement compared to last year. The Group continued to witness a more positive financial performance in the second half of 2023, primarily driven by the encouraging financial results delivered by the Group's Hong Kong business in 2023.

Dividend

The Board recommends a final dividend of 5.21 HK cents per share for 2023 (2022 final dividend: 5.21 HK cents per share), payable on Monday, 27 May 2024, to shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 16 May 2024, 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 is 7.49 HK cents per share (2022 full year dividend: 7.49 HK cents per share).

Business Highlights

The Group's service revenue was HK\$3,531 million, up 8% year-on-year, underpinned by a solid performance in roaming service segment. Roaming service revenue serving as the key revenue growth driver for 2023 gained further momentum on the back of tourism recovery and surged by HK\$229 million or 77% year-on-year to HK\$526 million. Local service revenue, on the other hand, marginally increased by 1% to HK\$3,005 million compared to last year. The Group's total revenue maintained at HK\$4,896 million, as the aforesaid increment was substantially offset by the decrease in low-margin hardware revenue due to weaker demand and prudent market sentiment. Total margin increased by HK\$211 million or 7% year-on-year to HK\$3,071 million, mainly driven by revenue mix with an increase in high-margin service revenue.

EBITDA was up by HK\$37 million or 3% to HK\$1,457 million, largely driven by the improvement in total margin, partially offset by higher network operating costs arising from the network expansion and enhancement projects invested by the Group.

LBIT improved considerably by HK\$12 million or 15% to HK\$69 million compared to last year. The improvement in EBITDA was partially offset by higher amortisation expenses associated with capitalised CACs and higher depreciation expenses incurred in network expansion. Against the backdrop of interest rate hikes, the Group's net interest income was HK\$101 million in 2023 compared to a net interest cost of HK\$22 million last year. The increase was mainly driven by higher bank interest income resulting from a surge in deposit interest rate.

The Group's total number of customers in Hong Kong and Macau further increased to approximately 4.0 million as of 31 December 2023, compared to last year which was approximately 3.3 million. This increment was mainly driven by a notable increase in prepaid customers. With growing customer subscription of 5G services, the Group's 5G penetration rate has sustained a positive growth, witnessing an increase of 16% points to 46% compared to last year. This growth was underpinned by the continued expansion of the Group's customer base in terms of 5G broadband and other 5G customers. With the Group's customer value management initiatives and retention programmes, the postpaid customer monthly churn rate increased slightly to 1.0% (2022: 0.8%), mainly arising from a post-pandemic reduction in work-from-home arrangements from the Group's corporate customers, which only had a minimal impact on the Group's profitability. Postpaid net ARPU increased by 4% to HK\$174, primarily driven by higher revenue from roaming services.

Outlook

Looking ahead, while Hong Kong economy is expected to witness a modest revival, the state of the macro environment still poses uncertainties over the pace of recovery. In light of the mixed outlook, the Group has undertaken a host of initiatives to uphold its commitment to service excellence and network enhancement in an effort to stay ahead of market competition.

The recovery of international travel in 2023 was fast-approaching pre-pandemic levels, prompting the Group to expand its roaming destinations and network coverage worldwide. The Group prides itself in providing over 200 5G roaming networks, and it is the only platform connecting to the three major network providers in the Mainland to offer seamless "Cross-network Roaming" services. Such initiatives have unveiled the Group's forward-looking strategy in capturing roaming service revenue.

The Board is pleased with the robust improvement in profitability for the Group's Hong Kong business in 2023 and is optimistic towards the Group's near-term outlook with stable business growth while staying vigilant amid ongoing economic uncertainties. The Group will keep exploring various long-term value-accretive opportunities for shareholders and is committed to strengthening its overall financial profile to further maximise shareholder value. The Group strives to achieve positive growth in recurring earnings while maintaining a solid financial position with disciplined and prudent financial, liquidity and cash flow management.

I would like to thank the Board, our management team and all staff members for their ongoing commitment and dedication, hard work, continued loyalty, professionalism as well as their valuable contributions to the Group.

FOK Kin Ning, Canning

Chairman

Hong Kong, 5 March 2024