

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 in Hong Kong^{*}; hence, the general state of local markets or economy may have a material adverse effect on its business, the financial condition and results of operations of the Group. Any significant slowdown in economic growth in the regional or a specific economy, deterioration in social and/or political conditions in the markets in which the Group conducts business could adversely affect the financial condition or results of operations of the Group.

Industry Trends and Interest Rates

The results of the Group are affected by the trends, consumer preferences and spending preferences in the telecommunications markets in which it operates. Industry trends and volatility in interest rates have adversely affected the Group's results historically. In particular, income from the finance and treasury operations of the Group is dependent on interest rates and market conditions. Consequentially, there can be no assurance that these risks or changes in these conditions will not materially and adversely affect the financial condition and results of operations of the Group.

Highly Competitive Markets

Telecommunications industry is very competitive. In the highly competitive market, the Group experiences significant competition in the markets in which it operates. Introduction of new services, aggressive pricing and tariff plans, customer acquisition and retention strategies adopted by existing market players or new market entrants, frequent introductions of new or innovative products and services which require the Group to respond to quickly, as well as continued shifting of consumer behaviours from offline to online could increase pricing pressure and uncertainties, and may impact the Group's customer acquisition and retention costs, rate of customer growth, retention prospects as well as market share. These factors may reduce the service revenue as well as increase the costs of the Group, which could adversely affect the financial performance and growth prospects of the Group.

Rapid Technological Changes

The Group faces increased competition from technological advancement of the telecommunications industry. Disruptive alternate telecommunications technologies being developed, or to be developed by existing competitors or new market entrants could intensify competition. Development and application of new technology involves time, substantial costs and risks. In the event if the Group fails to develop, or obtain timely access to new technology and equipment, it may lead to risks for its business and market position, and hence impairment of obsolete assets. These factors could adversely affect the financial condition and results of operations of the Group.

* The Group completed the sale of its entire interests in a subsidiary which engages in the mobile telecommunications business in Macau on 12 January 2026.

Widespread Health Epidemic or Other Outbreaks or Natural Disasters

The Group's business could be materially and adversely affected by the outbreak of a widespread health epidemic, such as COVID-19, swine flu, avian influenza, severe acute respiratory syndrome, Ebola and Zika; natural disasters, such as earthquakes, snowstorms, storm surges, floods, fires, drought and other extreme weather events and other effects of climate change; or other events, such as wars, acts of terrorism, environmental accidents, power shortages or communication interruptions. The occurrence of a disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments or adverse social and economical events could materially disrupt the Group's industry and the Group's business and operations, and have a material adverse effect on the Group's business, financial condition and results of operations. The Group's business could be impacted in a number of ways, including:

- reductions or volatility in consumer demand for the Group's products due to illness, or other travel restrictions, economic hardship, or retail closures, which may impact the Group's revenue and market share;
- significant volatility in financial markets (including interest rate) and commodities market and measures adopted by governments and central banks, which may limit the Group's access to funds, lead to shortages of cash or increase the cost of raising such funds; and
- an adverse impact on the Group's ability to engage in new, or consummate pending, strategic transactions on the agreed terms and timetable or at all.

These impacts have threatened and could continue to threaten the Group's facilities and transport of the Group's products, cause disruption of operational activities, environmental harm, loss of life, injuries and impact the wellbeing of the Group's employees, and could have a material adverse effect on the Group's results of operations, cash flows and financial condition.

Network Performance

Certain elements of the Group's networks, such as switching and data platforms, are critical functions for the 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 mobile telecommunications services of the Group. There can be no assurance that 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 wish to continue their relationships, strategic alliances, 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, developing and upgrading its mobile networks and growing its customer base in Hong Kong. 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;
- local sustainability disclosure standards in Hong Kong to be developed to align with the International Sustainability Standards Board standards; and
- environmental, safety, employee and consumer protection laws, rules and regulations.

There can be no assurance that the local 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 in the future.

The Group is permitted to provide telecommunications services and operate networks under licences granted by regulatory authorities in which it operates. These licences have historically been issued for fixed terms and subsequently renewed. There can be no assurance, however, that any application for the renewal of one or more of these licences will be successful and granted on equivalent or satisfactory terms.

In addition, the Group may not be granted licences for spectrum bands enabling new mobile technologies that may be developed in the future and will likely face competition for any such licences. 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 fines, penalties, suspension or other sanctions including, ultimately, revocation of the licences. Decisions by regulators with respect to the granting, amendment or renewal of licences to the Group or other parties (such as 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), or changes to the process of or the conditions or criteria to, obtaining or maintaining the licences necessary for the operations of the Group, could result in the Group facing unforeseeable competition and/or could materially and adversely affect the financial condition and results of operations of the Group.

Labour Force

Employees play an important role to build a thriving business for the Group. A decrease in the labour participation rate, exodus, contributing to drop in domestic population of young professional and others, or natural decrease in the local markets could cause labour shortage, which may induce recruitment difficulties. There can be no assurance that the uncertainty of talent supply in Hong Kong will not materially and adversely affect the financial condition and results of operations of the Group.

Accounting

The International Accounting Standards Board, which issued the IFRS Accounting Standards, has issued and 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 Accounting Standards 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 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 interpretation and judgement of the Group and that any subsequent actions mandated by the regulatory authorities will not have a material adverse effect on the financial condition and results of operations of the Group.

Climate Change

Scientific evidence has shown that the Earth's temperature is rising due to an increase in greenhouse gases. This has already created, and will continue to create a number of negative effects to the environment including loss of sea ice, rise in sea levels, and more frequent and severe weather events.

Changes in climate could disrupt supply chains, interrupt business operations, and cause financial and physical damage. Alternation in weather patterns and extreme weather events such as with typhoons and rainfall may cause damage to the assets and business of the Group, and may pose increased risk for the stakeholders of the Group such as employees, customers and suppliers living and working in the impacted areas. Governments are pursuing a transition towards low carbon economies, and are introducing legislation to restrict emissions and incentivise environmental protective measures.

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 assets and business of the Group. This in turn, could have a material adverse effect 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 or other restrictions 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 or restriction is imposed in any jurisdictions where the Group operates, it may need to cease operations and suffer losses in that regard. If any business partners or suppliers of the Group is impacted by sanctions or restrictions, provision of goods, services or support by them may be disrupted or discontinued, which may affect the Group's ability to continue to operate. 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 business, operations and reputation of the Group. 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 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 people. These attacks may be committed by company employees or external parties operating in any geography that include jurisdictions where law enforcement measures to address such threats are absent or ineffective. Furthermore, these attacks may even be launched by or 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 cyber attacks.

Any 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 loss of business. The costs required to remedy a major cyber attack on the Group could include expensive incentives to certain customers and business partners, increased expenditures on cyber security measures and the use of alternative resources. The Group may also suffer a loss of revenue owing to business disruptions and claims from regulators and other third parties. The potential costs associated with these attacks could exceed the insurance coverage that the Group maintains. In addition, a compromise of security or leakage of data, such as personal data and technical and trade information, could result in third party and regulatory claims or investigations. Any of these occurrences could damage the Group's reputation, erode customer and investor confidence, and have a material adverse effect on the financial condition and results of operations of the Group.

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 intensify. 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 performance 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, the 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.