

Chairman's Statement

The COVID-19 pandemic has posed unprecedented challenges to individuals and businesses around the world. The business climate of the mobile telecommunications market has inevitably been affected, and travel restrictions and other precautionary measures imposed to control the spread of COVID-19 have resulted in a major reduction in roaming revenue. Against this backdrop, the Group has taken a number of proactive measures to reduce the impact of the pandemic on its business. The Group's operating results for the first half of 2020 have demonstrated resilience in the face of adversity, particularly attributed to its effective cost structure.

Despite a 38% drop in roaming service revenue, the Group's local service revenue increased slightly by 1% over the same period last year. This increase was mainly driven by growing demand for corporate solution offerings, as enterprises are shifting to new modes of operations. The overall service revenue decreased by 7% to HK\$1,664 million for the first half of 2020.

Service EBITDA increased by 2% as the Group's continuous cost improvement exercise further streamlined daily operations and improved operational efficiency. A healthy service EBITDA margin of 33% was recorded for the period.

On a Pre-IFRS 16 basis, the Group's total EBITDA increased by 1% to HK\$559 million for the first six months of the year, while EBIT decreased by 5% to HK\$143 million against the same period last year due to higher depreciation and amortisation.

On a Post-IFRS 16 basis, the Group's total EBITDA and EBIT decreased by 1% and 8% respectively against the same period last year. Profit attributable to shareholders and earnings per share were HK\$146 million and 3.03 HK cents, a 22% decrease compared with HK\$188 million and 3.90 HK cents respectively of the same period last year. The decrease was mainly due to lower interest income as the cash balance has significantly reduced from HK\$9,555 million in the beginning of 2019 to HK\$5,536 million as of 30 June 2020 subsequent to the distribution of HK\$3,855 million special interim dividend and HK\$471 million cash paid for the acquisition of a 24.1% interest in the Group's mobile operation in May 2019. The interest income forgone corresponded to an approximately 0.77 HK cents decrease in earnings per share. Excluding the effect of interest income reduction, profit attributable to shareholders dropped marginally by 3% against the same period last year.

As of 30 June 2020, the total number of customers in Hong Kong and Macau remained steady at approximately 3.3 million (as of 30 June 2019: approximately 3.3 million). The Group continued to focus on enhancing its customer retention programmes during the period, and achieved a stable monthly postpaid churn rate of 1.1% (1H 2019: 1.1%). Local postpaid net ARPU increased by 5% to HK\$150 as a result of a higher contribution from the corporate market.

Dividend

The Board has declared an interim dividend of 2.28 HK cents (2019 interim dividend: 2.93 HK cents) per share for the first half of 2020, payable on Friday, 4 September 2020, to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 26 August 2020, being the record date for determining shareholders' entitlement to the interim dividend. The Board expects the total full year dividend payout to be equivalent to 75% of annual profit attributable to shareholders.

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Outlook

Uncertainties around the evolution of the COVID-19 pandemic will continue to persist, and the near-term business environment is expected to remain extremely challenging. Roaming business is likely to be depressed in the second half, while consumers and corporates become very cautious in their spending. Despite the turmoil and uncertainties posed by the pandemic, demands for automation and business solutions from various sectors impacted by the anti-epidemic measures have accelerated. This has translated into benefits for the Group, as more enterprises have taken up solution offerings from the Group to meet their ever-changing business demands, riding on the recently launched 5G services. The Group will continue to build on its B2B strengths, leveraging its advanced network infrastructure and its close ties with members of the CKHH Group, as well as its collaborative efforts with global partners.

The Group is committed to being a responsible corporate citizen. It fully recognises that investors and stakeholders are placing greater importance than ever on the sustainability practices of businesses. It continues to formulate responsible policies and initiatives to address ESG matters, as part of its determination to generate sustainable value for stakeholders.

While the COVID-19 pandemic remains fluid and rapidly evolving, the Group will remain vigilant and closely monitor its development. It will continue to adopt appropriate measures to safeguard the interest of its employees and business operations, and at the same time maintain its full service commitment to its customers.

To conclude, I would like to thank the Board of Directors and all staff members for their unwavering dedication, their consummate professionalism, and their invaluable contributions to the Group throughout an incredibly challenging period.

FOK Kin Ning, Canning

Chairman

Hong Kong, 28 July 2020