

Chairman's Statement

The COVID-19 pandemic has continued to bring significant upheaval to the way of life and businesses. Sluggish economic recovery and persistent travel restrictions have led to unprecedented operational uncertainties throughout the first half of 2021.

Total EBITDA of the Group decreased by HK\$31 million or 4% to HK\$747 million in the first six months of 2021 as revenue from roaming slashed by HK\$94 million or 43% compared with the same period last year, and HK\$20 million or 14% compared with the second half of 2020. Despite the impact of travel restrictions on the roaming business of the Group, local service revenue reported a 4% or HK\$60 million steady growth compared with the same period last year. This growth demonstrated the ability of the Group to maintain its market competitiveness, capturing new opportunities and expanding the distribution network under a challenging operating environment, as well as delivering the best network services to its customers. In particular, the surging demand for corporate solutions gave rise to an encouraging 58% growth compared with the first six months of 2020.

Excluding the impact from lower roaming margin, total EBITDA of the Group improved by 6% compared with the same period last year. Although higher network costs are incurred for the 5G technology investment and network coverage expansion, the Group has generated a healthy service EBITDA margin of 44% for the first half of 2021.

Total EBIT of the Group decreased by HK\$55 million or 37% to HK\$92 million compared with the same period last year mainly due to lower roaming margin mentioned above, as well as the launch of the 5G network during 2020 resulted in a 4% increase in depreciation and amortisation. Excluding the impact of the lower roaming margin, total EBIT of the Group improved by 217% compared with the same period last year.

Profit attributable to shareholders and earnings per share were HK\$31 million and 0.64 HK cents, a 79% decrease compared with HK\$146 million and 3.03 HK cents respectively for the same period last year. The decrease was mainly driven by a HK\$58 million reduction in net interest income as the bank deposit rates dropped significantly from an average of 2.40% for the first half of 2020 to approximately 0.34% for the first half of 2021, coupled with a HK\$310 million decrease in the net cash balance from the beginning of 2020 subsequent to the settlement of 5G investment and spectrum spending in the first half of 2021.

As of 30 June 2021, the total number of customers in Hong Kong and Macau dropped by 2% to approximately 3.2 million (as of 30 June 2020: approximately 3.3 million) mainly due to a decrease in prepaid customers in Macau, partially offset by strong growth in Hong Kong prepaid customers following the successful launch of SoSIM in November 2020. The monthly postpaid churn rate remained stable at 1.1% (1H 2020: 1.1%). Local postpaid net ARPU increased by 7% to HK\$160 mainly due to higher contributions from the corporate segment as well as uplift from 5G services upgrades.

Dividend

The Board declared an interim dividend of 2.28 HK cents (2020 interim dividend: 2.28 HK cents) per share for the six months ended 30 June 2021, in line with the same period last year. The Board is of the view that 2021 is a transitional year, there will be progressive improvement in operational performance and commercial momentum in the future. The Board expects to keep the same level of dividend payout similar to that of 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.

The Board also declared a one-off special interim dividend of 19.80 HK cents (1H 2020: Nil) per share for the first half of 2021. Coupling with the interim dividend, the total dividends amount to 22.08 HK cents per share for the first six months of 2021.

The aforementioned interim dividend and one-off special interim dividend will be payable on Friday, 3 September 2021, to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 25 August 2021, being the record date for determining shareholders' entitlement to the interim dividend and special interim dividend.

Outlook

Looking ahead into the second half of the year, the Group will continue to pursue its journey in building the best 5G network in Hong Kong along with the deployment and enhancement of the mobile coverage, and at the same time expanding the distribution network.

Nevertheless, the uncertainties surrounding roaming recovery and higher network costs incurred for building the best network in Hong Kong could be a short-term challenge. In light of the steady growth of service revenue on a local basis during the first half of 2021, together with the better mobile network and distribution network, the Board is confident that the Group is on track to drive a solid local operating performance in the outlook for the full year. Hence, the Group targets to deliver dividend similar to that of 2020 in addition to the special interim dividend declared in the first half of 2021.

The Group maintains a healthy financial position with a total cash-in-hand of HK\$5,106 million as of 30 June 2021. Total dividends of 22.08 HK cents per share or HK\$1,064 million for the first half of 2021 have taken into account of the forthcoming capital expenditure, and spectrum payment of an approximately HK\$2 billion for the next two years. The operation is expected to generate a strong cash flow from post-pandemic recovery along with the return of roaming business. The Group will review the cash position and may consider the payment of special dividend again next year.

The Group is planning to acquire more spectrum during the upcoming auction at the end of 2021. Despite network-related costs are likely to increase, these new spectrum assets together with advanced mobile technologies will enable the Group to bolster the high-speed data network capacity and support a growing range of innovative 5G applications; thereby redefining mobile communications in the 5G smart digital era.

Beyond operational and financial performance, the Group fully recognises the social and environmental impacts resulting from its business activities and strives to contribute positively to the needs and expectations of its customers as well as the evolving trends on sustainability. To this end, the Group has further enhanced its sustainability strategy and developed priority goals to create long-lasting value for stakeholders.

I would like to thank the Board and all staff members for their utmost dedication, professionalism and contributions to the Group throughout an exceptionally difficult period.

FOK Kin Ning, Canning
Chairman

Hong Kong, 27 July 2021