

Group Capital Resources and Liquidity

Treasury Management

The Group's treasury function sets financial risk management policies in accordance with policies and procedures that are approved by the Executive Director, and which are also subject to periodic review by the Group's internal audit function. Its treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates on the Group's overall financial position and to minimise the Group's financial risks. The Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost efficient funding to the Group and its companies. It manages the majority of the Group's funding needs, interest rate, foreign currency and credit risk exposures. The Group uses interest rate and foreign currency swaps and forward contracts as appropriate for risk management purposes only, for hedging transactions and for managing its assets and liabilities' exposure to interest rate and foreign exchange rate fluctuations. It is the Group's policy not to enter into derivative transactions for speculative purposes. It is also the Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles.

Cash management and funding

The Group operates a central cash management system for all of its subsidiaries. Its financing is generally derived from operating income of its subsidiaries, which is mainly used to meet funding requirements. The Group regularly and closely monitors its overall cash position and determines when external source of finance is needed.

Foreign currency exposure

The Group operates mobile telecommunications business principally in Hong Kong, with transactions denominated in Hong Kong dollars. It is exposed to other currency movements, primarily in terms of certain trade receivables or payables and bank deposits denominated in United States dollars, Macau Patacas, Renminbi, Euros and British pounds. The Group does not currently undertake any foreign currency hedging.

Credit exposure

The Group's holdings of surplus funds with financial institutions expose the Group to credit risk of counterparties. It controls its credit risk to non-performance by its counterparties through monitoring their share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed.

Capital and Net Cash

As at 30 June 2021, the Group recorded share capital of HK\$1,205 million and total equity of HK\$11,827 million.

As at 30 June 2021, the net cash of the Group was HK\$5,106 million (31 December 2020: HK\$5,251 million), 99% of which was denominated in Hong Kong dollars with remaining in various other currencies.

Charges on Group Assets

As at 30 June 2021 and 31 December 2020, except for all of the shares of a joint venture owned by the Group which were pledged as security in favour of the joint venture partner under a cross share pledge arrangement, no material asset of the Group was under any charge.

Borrowing Facilities Available

The Group had no committed borrowing facilities as at 30 June 2021 (31 December 2020: Nil).

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Contingent Liabilities

As at 30 June 2021, the Group provided performance, financial and other guarantees of HK\$512 million, including the related performance bonds on new and renewed spectrums (31 December 2020: HK\$330 million).

Commitments

As at 30 June 2021, the Group had total capital commitments of property, plant and equipment of HK\$512 million (31 December 2020: HK\$502 million) and telecommunications licences of HK\$1,540 million (31 December 2020: HK\$2,040 million). The decrease in capital commitments referred to the renewal of 900 MHz spectrum band during the period.

The variable licence fee for the 1800 MHz spectrum band with assignment period up to September 2021 is charged on 5% of the network revenue or the Appropriate Fee (as defined in the Unified Carrier Licence), whichever is greater. The net present value of the Appropriate Fee has already been recorded as licence fee liabilities.

Corporate Strategy

The strategy of the Group is to deliver sustainable returns with solid financial fundamentals, so as to enhance long-term total return for all its stakeholders. Please refer to the Chairman's Statement, and Management Discussion and Analysis for discussions and analyses of the performance of the Group and the basis on which the Group generates or preserves value over the longer term and the strategy for delivering the objectives of the Group.

Past Performance and Forward-looking Statements

The performance and the results of operations of the Group contained in this interim report are historical in nature, and past performance is no guarantee for the future results of the Group. Any forward-looking statements and opinions contained in this interim report are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations presented in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this interim report; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise.

Human Resources

As at 30 June 2021, the Group employed 991 (31 December 2020: 990) staff members (full-time and part-time) and on average 972 (1H 2020: 963) staff members during the six months ended 30 June 2021. Staff costs during the six months ended 30 June 2021, including directors' emoluments, totalled HK\$160 million (1H 2020: HK\$165 million).

The Group fully recognises the importance of high-quality human resources in sustaining market leadership. Salary and benefits are kept at competitive levels, while individual performance is rewarded within the general framework of the salary, bonus and incentive system of the Group, which is reviewed annually. Employees are provided with a wide range of benefits that include medical coverage, provident funds and retirement plans, and long-service awards. The Group stresses the importance of staff development and provides training programmes on an ongoing basis. Employees are also encouraged to play an active role in community care activities.

Sustainability

The key sustainability mission of the Group is to create long-term value for all stakeholders by aligning corporate social responsibility and sustainability objectives to the strategic development of its businesses. The Group is committed to contributing to sustainable living by providing connectivity and innovative services to its customers, while building trust with all stakeholders by behaving ethically and responsibly. Its sustainability governance structure encompasses all business divisions of the Group to ensure their operations and practices adhere to the commitment to sustainability.

The Sustainability Committee was established as a Board committee in 2020 to strengthen the corporate governance and reporting framework of the Company along with the Sustainability Working Group, the Governance Working Group and the Cyber Security Working Group to spearhead the sustainability initiatives and activities of the Group. The Sustainability Committee advises the Board and oversees the development and implementation of the corporate social responsibility and sustainability initiatives of the Group, including reviewing related policies and practices as well as assessing and making recommendations on matters pertaining to the sustainability governance, strategies, planning and risk management of the Group.

The overall sustainability approach and priorities of the Group are built on four pillars. These pillars - Environmental, Social, Governance and Sustainable Business Model Innovation - are an enhancement of the previous four pillars identified by the Group in the Sustainability Report contained in the 2020 Annual Report - People, Environment, Business and Community. Under these new pillars, nine goals have been identified with four being prioritised.

Review of Interim Financial Statements

The interim financial statements of the Group for the six months ended 30 June 2021 have been reviewed by the auditor of the Company, PricewaterhouseCoopers, in accordance with International Standard on Review Engagements 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. The independent review report of the auditor will be included in the Interim Report. The interim financial statements of the Group for the six months ended 30 June 2021 has also been reviewed by the Audit Committee of the Company.

Record Date for Interim Dividend and Special Interim Dividend

The record date for the purpose of determining shareholders' entitlement to the interim dividend and the special interim dividend is Wednesday, 25 August 2021. In order to qualify for the interim dividend and the special interim dividend payables on Friday, 3 September 2021, all transfers, accompanied by the relevant share certificates, must be lodged with the Hong Kong Share Registrar of the Company (Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) for registration no later than 4:30 pm on Wednesday, 25 August 2021.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.