

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 2022, the Group recorded share capital of HK\$1,205 million and total equity of HK\$10,468 million.

As at 30 June 2022, the net cash of the Group was HK\$3,759 million (31 December 2021: HK\$3,975 million), 99% of which was denominated in Hong Kong dollars with remaining in various other currencies. The reduction in net cash balance was mainly due to the settlement of the 2021 final dividend and the capital expenditure in relation to the network expansion.

Charges on Group Assets

As at 30 June 2022 and 31 December 2021, 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 has no committed borrowing facilities as at 30 June 2022 (31 December 2021: Nil).

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Contingent Liabilities

As at 30 June 2022, the Group provided performance, financial and other guarantees of HK\$1,222 million, including the related performance bonds on new and renewed spectrums (31 December 2021: HK\$1,117 million).

Commitments

As at 30 June 2022, the Group had total capital commitments on property, plant and equipment of HK\$118 million (31 December 2021: HK\$269 million) and telecommunications licences of HK\$114 million (31 December 2021: HK\$252 million). The decrease in capital commitments on telecommunications licences was due to investment in the 700 MHz band spectrum.

Corporate Strategy

The principle objective of the Group is to enhance long-term total return for all its stakeholders. To achieve this objective, the Group focuses on achieving recurring and sustainable earnings, cash flow and dividend growth without compromising the financial strength and stability of the Group. The Group executes disciplined management of revenue growth, margin and costs, capital and investments to return ratio targets, earnings and cash flow accretive merger and acquisition activities, as well as organic growth in sectors or geographies where the Group has management experience and resources. The Chairman's Statement, and Management Discussion and Analysis contained in this interim report include 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. The Group is focusing on sustainability and delivering business solutions that support its growth and development. Further information on the sustainability initiatives of the Group and its key relationships with stakeholders can be found in the sustainability report contained in the 2021 annual report of the Company.

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 does not guarantee 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 discussed in such forward-looking statements and opinions. The Group, its Directors, employees or 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 or turn out to be incorrect.

Human Resources

As at 30 June 2022, the Group employed 1,125 (31 December 2021: 1,045) staff members (full-time and part-time) and on average 1,065 (1H 2021: 972) staff members during the six months ended 30 June 2022. Staff costs during the six months ended June 2022, including directors' emoluments, totalled HK\$167 million (1H 2021: HK\$160 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 its 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 engaging in responsible and ethical business actions that build trust with all its stakeholders. The Group's sustainability governance structure provides a solid foundation for developing and delivering its commitment to sustainability. It is embedded at all levels of the Group, including the Board, the Sustainability Committee, the Audit Committee, the Sustainability Working Group, the Governance Working Group and the Cyber Security Working Group as well as the sustainability functions embedded across the businesses.

The overall sustainability approach and priorities of the Group are built on four pillars - Environmental, Social, Governance and Sustainable Business Model and Innovation. Under these pillars, nine goals form the foundational approach of the sustainability strategy of the Group with four goals as the priority focus areas for 2021 and 2022.

Review of Interim Financial Statements

The interim financial statements of the Group for the six months ended 30 June 2022 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 is set out on page 19 of this interim report. The interim financial statements of the Group for the six months ended 30 June 2022 have also been reviewed by the Audit Committee of the Company.

Record Date for Interim Dividend

The record date for determining the entitlement of shareholders to the interim dividend is Wednesday, 24 August 2022. In order to qualify for the interim dividend payable on Friday, 2 September 2022, 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, 24 August 2022.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.