

Management Discussion and Analysis

Financial Performance Summary

	1H 2024 HK\$ million	1H 2023 HK\$ million	Change
Revenue	2,058	2,328	-12%
Net customer service revenue	1,760	1,793	-2%
• Local service revenue	1,452	1,558	-7%
• Roaming service revenue	308	235	+31%
Hardware and other product revenue	298	535	-44%
Net customer service margin	1,521	1,516	-
<i>Net customer service margin %</i>	86%	85%	+1% point
Standalone hardware and other product sales margin	2	12	-83%
Total margin	1,523	1,528	-
- CACs	(208)	(221)	+6%
- Less: Bundled sales revenue	116	138	-16%
CACs (net of hardware and other product revenue)	(92)	(83)	-11%
Operating expenses	(731)	(749)	+2%
<i>Operating expenses as a % of net customer service margin</i>	48%	49%	+1% point
Share of EBITDA of a joint venture	28	31	-10%
EBITDA⁽¹⁾	728	727	-
Service EBITDA ⁽¹⁾	726	715	+2%
<i>Service EBITDA⁽¹⁾ margin %</i>	41%	40%	+1% point
CAPEX (excluding telecommunications licences)	(166)	(163)	-2%
EBITDA ⁽¹⁾ less CAPEX	562	564	-
Depreciation and amortisation ⁽³⁾	(758)	(762)	+1%
LBIT⁽²⁾	(30)	(35)	+14%
Service LBIT ⁽²⁾	(32)	(47)	+32%
Net interest and other finance income ⁽³⁾	52	46	+13%
Profit before taxation	22	11	+100%
Taxation ⁽³⁾	(34)	(30)	-13%
Loss attributable to shareholders	(12)	(19)	+37%

Notes:

- (1) EBITDA represents the EBITDA of the Company and subsidiary companies as well as the Group's share of the EBITDA of a joint venture. EBITDA is defined as earnings before net interest and other finance income, taxation, depreciation and amortisation. Information concerning EBITDA has been included in the Group's financial information and is used by many industries and investors as one measure of gross cash flow generation. The Group considers EBITDA to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA is not a measure of cash liquidity or financial performance under IFRS Accounting Standards and the EBITDA measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA should not necessarily be construed as an alternative to cash flows or results from operations as determined in accordance with IFRS Accounting Standards.
- (2) (LBIT)/EBIT represents the (LBIT)/EBIT of the Company and subsidiary companies as well as the Group's share of the EBIT of a joint venture. (LBIT)/EBIT is defined as losses or earnings before net interest and other finance income and taxation. Information concerning (LBIT)/EBIT has been included in the Group's financial information and is used by many industries and investors as one measure of results from operations. The Group considers (LBIT)/EBIT to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. (LBIT)/EBIT is not a measure of financial performance under IFRS Accounting Standards and the (LBIT)/EBIT measures used by the Group may not be comparable to other similarly titled measures of other companies. (LBIT)/EBIT should not necessarily be construed as an alternative to results from operations as determined in accordance with IFRS Accounting Standards.
- (3) Depreciation and amortisation, net interest and other finance income and taxation include the Group's share of joint venture's respective items.

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Review of Financial Results

The Group's service revenue slightly dropped by 2% to HK\$1,760 million (1H 2023: HK\$1,793 million) during the first half of 2024. Strong outbound tourism supported solid growth in the Group's roaming service revenue which increased considerably by HK\$73 million or 31% year-on-year to HK\$308 million in the first half of 2024, offset by decrease in local service revenue due to changes in consumer spending behaviour.

The Group's total revenue for the first six months of 2024 decreased by HK\$270 million or 12% to HK\$2,058 million compared to the same period last year (1H 2023: HK\$2,328 million), as the growth in roaming service revenue was offset by low-margin hardware revenue as a result of prudent market sentiment and prolonged mobile phone replacement cycle. Total margin remained stable at HK\$1,523 million, mainly driven by favourable margin mix.

Operating expenses decreased by HK\$18 million or 2% to HK\$731 million (1H 2023: HK\$749 million), primarily from effective cost saving initiatives.

EBITDA maintained at HK\$728 million in the first six months of 2024, primarily driven by lower operating expenses as aforesaid, which was partially offset by higher CACs.

LBIT of HK\$30 million slightly improved by HK\$5 million or 14% compared to the same period last year, mainly attributable to the lower depreciation and amortisation expenses. With the continued high interest rate environment, the Group's bank interest income increased by 11% to HK\$93 million in the first half of 2024, resulting in an increase in net interest income of HK\$6 million for the first six months of 2024 compared to the same period last year.

Loss attributable to shareholders and loss per share narrowed to HK\$12 million (1H 2023: HK\$19 million) and 0.25 HK cents (1H 2023: 0.39 HK cents) respectively, both a 37% improvement compared to the same period last year, primarily driven by the decrease in the Group's depreciation and amortisation expenses, together with the increase in bank interest income resulting from high interest rate environment as aforementioned.

Key Performance Indicators

	1H 2024	1H 2023	Change
Number of postpaid customers ('000)	1,444	1,467	-2%
Number of prepaid customers ('000)	2,827	1,940	+46%
Total customers ('000)	4,271	3,407	+25%
Postpaid customers to total customer base (%)	34%	43%	-9% points
Postpaid customers' contribution to net customer service revenue (%)	83%	88%	-5% points
Monthly churn rate of postpaid customers (%)	1.0%	0.9%	-0.1% point
Postpaid gross ARPU (HK\$)	184	197	-7%
Postpaid net ARPU (HK\$)	168	180	-7%
Postpaid net AMPU (HK\$)	148	154	-4%

During the first half of 2024, the customer base of the Group continued to grow and reached approximately 4.3 million as at 30 June 2024, a 25% increase compared to approximately 3.4 million for the same period last year. The substantial increase was primarily attributable to an increase in the prepaid customer base including SoSIM customers. The Group's 5G penetration rate rose 13% points to 51% compared to the same period last year, evidencing positive traction in 5G service subscriptions. The monthly churn rate of postpaid customers increased marginally to 1.0% (1H 2023: 0.9%), mainly due to movements related to corporate customers. With the Group's effective customer value management initiatives and retention programmes, the churn rate of postpaid customers in the mass market remained stable.

Net Interest and Other Finance Income

Net interest and other finance income (with share of a joint venture) was HK\$52 million in the first half of 2024 (1H 2023: HK\$46 million). The improvement was primarily due to a 11% increase in bank interest income under the environment of high deposit interest rate from an average of 4.60% in the first half of 2023 to an average of 5.03% in the first half of 2024.

The Group continued to maintain a healthy financial position with cash and bank balances of HK\$3,630 million as of 30 June 2024 (31 December 2023: HK\$3,684 million).

Capital Expenditure

Capital expenditure on property, plant and equipment, which accounted for 9% (1H 2023: 9%) of the service revenue of the Group, increased by 2% to HK\$166 million. The Group continues to improve operating efficiency and remains disciplined on reducing cost by examining its projects with care and discretion to ensure that resources are adequately utilised to meet operational and technological demands.

Summary of Spectrum Investment					
as of 30 June 2024					
Spectrum band	Bandwidth	Year of expiry	Spectrum band	Bandwidth	Year of expiry
Hong Kong			Macau		
700 MHz	20 MHz	2037	900 MHz	10 MHz	2025
900 MHz	10 MHz	2026	1800 MHz	20 MHz	2028
900 MHz	10 MHz	2036	2100 MHz	10 MHz	2025
1800 MHz	30 MHz	2036			
2100 MHz	29.6 MHz	2031			
2300 MHz	30 MHz	2027			
2600 MHz	20 MHz ⁽¹⁾⁽²⁾	2028 ⁽²⁾			
2600 MHz	10 MHz ⁽¹⁾	2039			
3300 MHz	30 MHz	2034			
3500 MHz	40 MHz	2035			

Notes:

(1) The spectrum band was shared under a 50/50 joint venture - Genius Brand Limited.

(2) One of the 10 MHz spectrums in the 2600 MHz spectrum band was transferred from another joint venture partner to the joint venture with the assignment period from March 2024 to March 2028. Upon the expiry of such assignment of spectrum in March 2028, the same joint venture partner will transfer another 10 MHz spectrum in the 2600 MHz spectrum band to the joint venture with the assignment period from March 2028 to March 2039.