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中信國際電訊集團有限公司

CITIC TELECOM INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 01883)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

CHAIRMAN'S STATEMENT

Dear Shareholders,

Year 2020 was without doubt a year filled with challenges, during which we were concerned with the material impact on the global economic situation brought by the COVID-19 epidemic, while also pleased to witness the spirit of unity, hard work and dedication demonstrated by our staff at all levels in facing such challenges.

The sudden outbreak of COVID-19 in early 2020 dealt a serious blow to the global economy in an unprecedented manner, leaving enterprises with immense difficulties to overcome. Amidst the difficult situation, the top priority of the Group management has been to protect the health of all employees and maintain the stable operation of its telecommunications network platform, as well as the uninterrupted provision of its services. Under the leadership of the management, our staff team advanced the qualitative corporate development in persistent implementation of the new philosophy for development, while addressing the risks and challenges in a composed and robust manner and facilitating effective prevention of the epidemic. The Group was engaged in efforts to continuously improve its service quality, drive scientific research and new product development, strengthen team building, enhance corporate informatisation and financial management, among others, while staying alert to prevent network quality and security risks, legal compliance risks, financial risks and customer risks. The Group reported stability and progress in its overall operations with continuous growth in profit.

I am pleased to present the Group's annual results for 2020.

FINANCIAL RESULTS OF 2020

Profit attributable to equity shareholders for 2020 amounted to HK\$1,023 million (including the valuation loss on investment property for 2020 of HK\$4 million), increasing by 2.1% as compared to HK\$1,002 million (including the valuation gain on

investment property for 2019 of HK\$18 million) for the corresponding period of the previous year. Excluding the effect of investment property valuation, the profit attributable to equity shareholders would have increased by 4.4% as compared to the corresponding period of the previous year. The Group reported HK\$7,978 million in revenue from its telecommunications service operations, representing an approximate 7.9% growth over HK\$7,396 million for the corresponding period of the previous year.

Basic earnings per share for 2020 amounted to HK27.9 cents, representing a 1.5% growth as compared to 2019.

The Board recommended a final dividend of HK16.0 cents per share for 2020. Together with the 2020 interim dividend of HK5.0 cents per share, total dividends per share for 2020 amounted to HK21.0 cents, representing a 5.0% growth over the corresponding period of the previous year.

REVIEW OF OPERATIONS IN 2020

Completed construction of 5G networks in Macau to contribute to its smart city development.

In early 2020, the Group committed its full effort to epidemic prevention and control in the wake of the sudden outbreak of COVID-19, while attaching a great importance to 5G construction, as Companhia de Telecomunicações de Macau, S.A.R.L. (“CTM”) overcame difficulties brought about by the epidemic with a united effort and advanced the construction of 5G network in full swing. In June 2020, the first phase of the 5G NSA network (5G non-standalone network) construction work, comprising the hardware/software upgrade for the core network, billing system upgrade and development of a network management and monitoring system, was completed as scheduled. Full outdoor coverage of the 5G NSA network has been materialised following the construction of base stations, making Macau one of the first cities in Asia to achieve full outdoor coverage of the 5G NSA network. In October 2020, CTM connected its 5G SA (5G standalone network) testbed with the existing networks (LTE and 5G NSA) and provided SA eMBB function. Tests have been completed and the network is now available for business demonstration to external parties and application tests by corporate clients. The 5G SA core commercial network was also under construction at the same time and our 5G SA network deployment had been completed by the end of 2020. We are now working towards the full coverage of Macau by the 5G SA network by June 2021 and will strive for its commercial application as soon as possible.

To seize the strategic opportunities arising from 5G development, the Group has established a 5G work coordination steering group to oversee the Group’s work in 5G development and facilitate connection between the Group’s business segments and other businesses of CITIC Group, so that we could share experiences in business development and strive to foster new synergies.

Enhancing market competitiveness through technological innovation and product R&D.

The Group accelerated the transformation of its business development pattern and focused on building a foundation to underpin the development of digital economy with

5G, Cloud and data centre as the key supporting points, in order to achieve the extension from traditional communication services to information services, which commanded a wider scope and higher value, and to expand the development prospect of information services.

The Group has reported thriving development in its technological innovation and product R&D, comprising in-house research as well as cooperation with third parties. In this regard, some projects have entered the stage of actual application. The AR application developed by CTM on an in-house basis to assist with the swift installation of routers for better users' experience has been much welcomed by users and won the approval of the market. In September 2020, the Group and Hong Kong Applied Science and Technology Research Institute Company Limited announced their jointly developed augmented reality ("AR") solution known as the "DataHOUSE AR Remote Hand Service" remote maintenance service, a solution that employs AR technology to strengthen the transmission and exchange of remote information and unveil a new era in system maintenance and troubleshooting work.

In November 2020, the Group hosted the 2020 annual conference on technological innovation and product R&D under the theme of "drawing conclusions from experience, intensive sharing, proprietary R&D, cooperation in innovation and driving ongoing innovative development of CITIC Telecom Group on all fronts". The conference made conclusions on and shared the Group's work and achievements in technological innovation and product R&D and called for the ongoing qualitative development of the enterprise and improvement of core corporate competitiveness through technological innovation and product R&D, with a view to cementing its foundation for development and strengthening its driving force for future development.

Ongoing improvements in service quality to provide customers with premium services.

Through ongoing learning and training, staff awareness and work standard regarding product quality, the Group's product quality, technological quality, research quality, service and management quality, equipment and network quality and quality in technical assurance have been effectively enhanced, resulting in services of higher quality for our customers.

In connection with the Group's customers service at CTM, a track record of excellent service standards for our retail stores has been maintained for consecutive months in the customer satisfaction poll, with an average of 98% customers giving ratings of "Excellent" and "Very Good". Customers were immensely satisfied with the performance of our colleagues in customer service, who demonstrated professionalism and showed their kindness and sincerity towards customers. All mobile service plans of its users have been upgraded by CTM from 3G to 4G since August 2020, and internet-based telecommunications services have been made available to all mobile users in a historic transition. The Group attaches a great deal of importance to the quality of various segments such as design, engineering, operational maintenance, customer service and emergency response mechanisms, with a special emphasis on enhancing the ability in timely identification of problems and swift problem solving. Meanwhile, in light of the objective of building a "first-rate engineering, technical and R&D team", learning and training has been enhanced to groom young talents and job-specific experts with a platform for improving know-how and skills on the part of our colleagues.

Launching products catered to market demands to enhance the Group's competitiveness.

The Group has persisted in enhancing its servicing ability through network expansion, network upgrade and the optimisation of SD-WAN (software-defined wide-area network) services on a market-oriented basis, as we increased our global SD-WAN gateways to 45 in 2020. Based on market changes, new Points-of-Presence have been established in a number of cities in Mainland China and backbone networks have been upgraded as needed to facilitate capacity expansion for local platforms. The Group was awarded the "SD-WAN Ready Certificate" by China Academy of Information and Communications Technology for its SD-WAN services, becoming one of the first integrated ICT service providers to receive the authoritative SD-WAN certification.

In September 2020, CTM launched the 10Gbps high-speed home broadband internet service, which is currently the only high-speed broadband internet service in Macau that provides customers with the experience of seamless internet connection in a further enhancement of its market competitiveness.

The Group has continued to enhance and enrich the functions and network coverage of its DataMall global mobile trading platform in a bid to enhance business expansion. In this connection, DataMall corporate clients and partners have been secured in nine countries and regions, including Hong Kong, Macau, Taiwan, Singapore, Thailand, Korea, Indonesia, Malaysia and Vietnam. The SoftSIM service, launched by the Group on the back of consolidated mobile resources, has created a new niche for business growth. In 2020, the Group also successfully signed up an enterprise for an Internet of Vehicles project, being the Group's first successful case in Internet of Vehicles. It is expected to further enhance the Group's competitiveness in the mobile value-added services business and provide a foundation for the continuous growth of its mobile services business.

Advancing the construction of CITIC Telecom Tower Data Centre Phase III (B) and the entrance hall renovation work.

The Group overcame the impact of the epidemic and effectively facilitated the construction and development of CITIC Telecom Tower Data Centre. The construction of CITIC Telecom Tower Data Centre Phase III (B) progressed smoothly in 2020 and completion and commissioning is scheduled for June 2021. The ongoing expansion of the Group's data centre will drive the growth of the Group's other telecommunications services (such as virtual private network (VPN) services, Cloud Computing and disaster recovery, among others).

In addition, the Group has commenced renovation work for the entrance hall, façade and glass curtain walls and replacement of elevators at CITIC Telecom Tower to support the Group's future development. Currently, the renovation of the entrance hall is completed. The Group will continue to organise the façade work with meticulous care, with a view to providing a safe and comfortable environment for staff and customers and adding value to the Group's data centre.

Fulfilling tasks in “resource tapping, consumption reduction, cost saving and efficiency enhancement”, “information technology work management” and “gearing ratio management”.

The Group has worked with full effort to roll out key special tasks, such as “resource tapping, consumption reduction, cost saving and efficiency enhancement” and “information technology work management” to enhance the efficiency of corporate operation.

Meanwhile, the Group procured proper risk management in various aspect such as gearing ratio with a coordinated approach to treasury and financial management to reduce the pressure of interest rate hikes associated with bank loans. Our net bank loan repayment of approximately HK\$410 million in 2020 has reduced our financial pressure. Coupled with the downward adjustment of interest rates for bank loans during the year, this has resulted in savings in financial expenses and effective control of financial risks.

The Group completed a major inspection exercise over information security risks and formulated improvement measures, generally enhancing the quality and standard of its informatisation management as a result.

Caring for staff and rewarding the community in fulfilment of corporate social responsibility.

The Group has endeavoured to enhance staff awareness for the collective spirit and strengthen team cohesion and unity by conducting various relevant activities. We have been engaged in ongoing efforts to build a first-rate management team, first-rate engineering, technical and R&D team and first-rate business team, in order to provide staff with a platform on which they can fulfil personal aspirations, pursue career development, realise individual potentials and secure greater happiness.

The Group has been actively undertaking its corporate social responsibility and driving sustainable development by actively participating in various community welfare initiatives, and has achieved solid results in the promotion of environmental protection, community engagement and fulfilment of good practices in employer’s responsibility. As a responsible listed company, we have maintained annual dividend payments to shareholders in a stable manner.

The Group’s work has won the approval and commendation of government authorities and various professional groups. Our soft strengths have been enhanced through our care for employees and the community and our fulfilment of social responsibility.

Enhancing standard of communication with the media and investors.

Investor relations represents a top priority for the Group. We have sought to optimise and improve the quality of our work in investor relations at the organisational and institutional level, publicising our latest business updates in a timely manner through a variety of means and enhancing investors’ understanding of the Group’s developments in relation to 5G, data centre, Greater Bay Area and “Belt and Road” as well as its future development plans, in order to improve the standard of communication with the media and investors and to enhance investors’ confidence in the Group’s development.

OUTLOOK FOR 2021

In 2021, the global economy will continue to be subject to the impact of the epidemic and other developments. The prospect of economic recovery is less than certain, and this will cause certain pressure on the Group's business development. The nation's "14th Five-Year Plan" blueprint has indicated the future direction of the Group's development. The development of "Belt and Road" and Guangdong-Hong Kong-Macao Greater Bay Area will have a stimulus effect on the economic development of Hong Kong and Macau, presenting opportunities for business sectors such as data centre, internet-based communication products, enterprise services and smart city, among others. Given the ever-changing business landscape, we must bring our advantages into full play while clearly understanding the difficulties and gaps present, as we persist in the right direction for development in a level-headed manner and in development through innovation. The Group will continue to pivot on the mobile services business and internet business as the main direction of its development, seeking further growth in the scale and revenue contribution of the mobile services business, further increase in its market share for enterprise services, as well as further consolidation of the leading position of its products. Robust measures will be adopted in a bid to sustain the stable development of our current businesses, while our international services will undergo strategic transformation into mobile and internet-based operations to cement our position in the mobile market and further enhance our development standards as an internet-based telecommunications company.

From a global perspective, the development and application of information technologies relating to the internet, Internet of Things ("IoT"), 5G, artificial intelligence (AI), Cloud Computing, Big Data and others will continue to dominate the scene and offer abundant business opportunities. On the back of its invaluable experience in overcoming hurdles and difficulties, the Group will seek to be adaptive and seize every opportunity for growth, as it endeavours to tap new frontiers amidst changes. The Group will continue to persist in upholding its corporate culture of showing "Wisdom and Integrity for Fostering Prosperity" and promote the value of "unity, cooperation, accommodation and compassion" as its corporate spirit, as it engages a concerted effort to ensure broader prospects in the future.

Ongoing emphasis on epidemic prevention and control and sustained strict adherence to relevant regulations, coping with hazards at source to ensure final victory in the fight against the epidemic.

We will continue to procure proper implementation of anti-epidemic measures to safeguard stable business operations. In compliance with the anti-epidemic requirements of various local governments, we will strictly adhere to our anti-epidemic measures on top of what we achieved in 2020, with a view to ensuring the health of our staff and the normal operation of our businesses.

Active roll-out of 5G network construction and synergy between application R&D and business.

Strategically positioned as a company "enhancing leading position in Macau while expanding to Mainland China and overseas markets", CTM will procure its 5G network construction and business development and strive to roll out 5G commercial application in 2021 to ensure the provision of superior experience in mobile communications services

for customers. CTM will leverage on 5G construction to actively participate in smart city construction of Macau, striving to become a prime operator of smart city. The Group will also embark on business innovation based on private networks constructed with employment of 5G roaming, 5G messaging and 5G end-to-end slicing technologies, in a bid to support the development of corporate and industry applications.

Enhancing technological innovation and product R&D to drive business development.

In connection with the research and development of technologies and new products, the Group will persist in a master strategy of combining in-house R&D with third-party collaboration in order to drive qualitative development through technological innovation. The grooming of talents will remain a strong emphasis, while active external recruitment will also be conducted. Investment in technological innovation and product R&D will be increased, with an emphasis on ensuring such investment will generate sound benefits. We will persist in learning and enhance training to generally improve the professional aptitude of our staff. Awareness for overall developments will be advocated, such that synergy can be more readily generated.

The Group will seek cooperation with third-party research institutes in smart city, AI and Big Data to build an innovative regime and shared R&D ecology underpinned by the sophisticated integration of industry, academia and research, with a view to making positive contributions to smart city development in Macau. Pivoting on latest trends including 5G, IoT, AI, Big Data, Cloud Computing, SDN and Cloud Native, the Group will enhance technological innovation and new product R&D as well as coordination of the R&D resources of various segments to advance business development.

Completion of CITIC Telecom Tower Data Centre Phase III (B) to expand the Group's data centre business.

In 2021, the Group will continue to organise construction work with meticulous care to ensure work quality and safety as it proceeds to complete CITIC Telecom Tower Data Centre Phase III (B) in a move to bolster the Group's data centre business. We will also plan for the development of other floors in close tandem with market demands.

Further improvement of the servicing capability and standard of enterprise services.

We will continue to enhance centralised management over our VPN service and internet access service, while seeking to enlarge our market share for the SD-WAN business by addressing market demands. In connection with the Cloud Computing and information security businesses, we will focus on key products and strive to offer excellent quality. We will safeguard our service quality and the security of our processes by resorting to scientific, regulated and institutionalised methods in further improvement of the servicing capability and standard of our enterprise services.

In the meantime, we will seize the major opportunity for development presented by China's new macro-economic landscape of enhanced internal circulation and dual domestic and international circulation, with a special focus on driving cooperation with advanced technology partners and carrier partners to provide information and communication technology (ICT) services to foreign companies looking to establish their presence in China, especially members of the Global 500, offering assistance in their

digital transformation and providing support to various enterprises for their businesses within China.

Expansion in Southeast Asian market to grow the Southeast Asian Company into a one-stop ICT service provider in the region.

We will execute the plan for the development of the Southeast Asian Company, which include stronger efforts in brand building and the expansion of service categories and business scope. To further leverage the advantageous position of the Southeast Asian Company in the enterprise service market, we will provide enterprise customers with services ranging from voice and mobile services to internet access, cloud service, systems integration and system management services. We will strive to develop into a one-stop ICT service provider in Southeast Asia to generate new driving force for business growth of the Group.

With official signing of the Regional Comprehensive Economic Partnership (RCEP) of Southeast Asia, the region is expected to attract further investments from multinational corporations and global pioneers in technology. Under the contexts of internationalisation and the construction of digital hubs, the two main trends in the new development, enterprise customers' investment in information technology is expected to increase substantially, presenting new opportunities and driving force for our business growth.

Ongoing improvement of quality assurance for informatisation and network platform to enhance customer service standards.

We will continue to place a strong emphasis on quality assurance for our network platforms, as well as on product quality, technological research quality, service and management quality, equipment and network quality and quality in technical assurance. We will conduct specific training on new technologies and know-how, while enhancing staff awareness of responsibility and quality. The Group will operate its business in a customer-centric manner on the basis of its premium network platform. We will enhance our technical capability in the development of application software in ongoing improvement of our customer service standard.

Ongoing staff training to build “three first-rate” teams.

High-calibre staff is crucial for the Group's sound business development. Therefore, efforts must be made to improve the professional aptitude of staff by providing ongoing training in personal integrity, knowledge, skill and competence, such that the expected level of excellence could be matched. All business units should work in accord and cooperate closely with one another to achieve scientific, regulated, systemic and internationalised management, forging a combined strength that would take the Group's business to a new level and contribute to the delivery of first-rate performances, including the formation of “three first-rate” teams (first-rate management team, first-rate engineering, technical and R&D team and first-rate business team).

In 2021, the Group will continue to uphold the principle of viewing development as its primary task, talents as its primary resources and innovation as its primary driving force, as it continues to advance reformation in quality, efficiency and dynamics in a bid to accomplish development with ever-higher quality, efficiency and sustainability. The Group will persist in

the development strategy of expansion to and coverage of the international market from its foundation of the Mainland China market through Hong Kong and Macau as bases and bridges, making proactive moves to complement the development of the Guangdong-Hong Kong-Macao Greater Bay Area and “Belt and Road” in resolute implementation of the new development philosophy and striving for further achievements on the way forward.

I hereby extend my sincere gratitude to every shareholder, investor, business partner and each sector of the community who has consistently shown care and support to us. I would also like to express my appreciation to all our staff who have demonstrated their unity, passion, diligence and dedication offered to our businesses.

Xin Yue Jiang

Chairman

Hong Kong, 4 March 2021

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

(Expressed in Hong Kong dollars)

	<i>Note</i>	2020 \$ million	2019 \$ million
Revenue	3(a)	8,923	9,014
Valuation (loss)/gain on investment property		(4)	18
Other income	4	39	36
Cost of sales and services	5(a)	(5,040)	(4,961)
Depreciation and amortisation	5(b)	(915)	(914)
Staff costs	5(c)	(982)	(1,048)
Other operating expenses		(462)	(555)
		<u>1,559</u>	<u>1,590</u>
Finance costs	5(d)	(296)	(341)
Profit before taxation	5	1,263	1,249
Income tax	6	(224)	(229)
Profit for the year		<u>1,039</u>	<u>1,020</u>
Attributable to:			
Equity shareholders of the Company		1,023	1,002
Non-controlling interests		16	18
Profit for the year		<u>1,039</u>	<u>1,020</u>
Earnings per share (HK cents)	8		
Basic		<u>27.9</u>	<u>27.5</u>
Diluted		<u>27.9</u>	<u>27.4</u>

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 7.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

(Expressed in Hong Kong dollars)

	2020 \$ million	2019 \$ million
Profit for the year	1,039	1,020
Other comprehensive income for the year (after tax and reclassification adjustments)		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of net defined benefit liability	28	35
Deferred tax recognised on the remeasurement of net defined benefit liability	(3)	(4)
	25	31
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation adjustments:		
– exchange differences on translation of financial statements of operations outside Hong Kong	49	(6)
Other comprehensive income for the year	74	25
Total comprehensive income for the year	1,113	1,045
Attributable to:		
Equity shareholders of the Company	1,094	1,027
Non-controlling interests	19	18
Total comprehensive income for the year	1,113	1,045

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

(Expressed in Hong Kong dollars)

	<i>Note</i>	2020 \$ million	2019 \$ million
Non-current assets			
Investment property		639	648
Property, plant and equipment		2,705	2,435
Right-of-use assets		706	695
Intangible assets		1,219	1,385
Goodwill		9,733	9,713
Interest in a joint venture		9	9
Non-current contract assets		31	36
Non-current other receivables and deposits	9	181	112
Deferred tax assets		77	66
		<u>15,300</u>	<u>15,099</u>
Current assets			
Inventories		61	144
Contract costs		7	7
Contract assets		343	474
Trade and other receivables and deposits	9	1,104	1,338
Current tax recoverable		3	14
Cash and bank deposits		1,519	1,313
		<u>3,037</u>	<u>3,290</u>
Current liabilities			
Trade and other payables	10	1,457	1,470
Contract liabilities		176	171
Bank and other borrowings		240	289
Lease liabilities		139	126
Current tax payable		209	207
		<u>2,221</u>	<u>2,263</u>
Net current assets		<u>816</u>	<u>1,027</u>
Total assets less current liabilities		<u>16,116</u>	<u>16,126</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020 (CONTINUED)**

(Expressed in Hong Kong dollars)

	<i>Note</i>	2020 \$ million	2019 \$ million
Non-current liabilities			
Non-current contract liabilities		2	2
Non-current bank and other borrowings		5,628	5,989
Non-current lease liabilities		391	380
Non-current other payables	10	31	37
Net defined benefit retirement obligation		29	60
Deferred tax liabilities		226	233
		<u>6,307</u>	<u>6,701</u>
NET ASSETS		<u><u>9,809</u></u>	<u><u>9,425</u></u>
CAPITAL AND RESERVES			
Share capital		4,646	4,628
Reserves		5,105	4,748
		<u>9,751</u>	<u>9,376</u>
Total equity attributable to equity shareholders of the Company		<u>9,751</u>	<u>9,376</u>
Non-controlling interests		<u>58</u>	<u>49</u>
TOTAL EQUITY		<u><u>9,809</u></u>	<u><u>9,425</u></u>

Notes

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance (Cap.622). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies used in the preparation of the financial statements are consistent with those adopted in the financial statements for the year ended 31 December 2019 except for the adoption of all amendments to HKFRSs that are first effective for accounting periods beginning on or after 1 January 2020 (see note 2).

The financial information relating to the years ended 31 December 2020 and 2019 included in this preliminary announcement of annual results does not constitute the statutory annual consolidated financial statements of CITIC Telecom International Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for those years but is derived from those consolidated financial statements in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622).

The Company has delivered the consolidated financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap.622) and will deliver the consolidated financial statements for the year ended 31 December 2020 in due course.

The Company’s auditor has reported on the consolidated financial statements for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap.622).

2 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or amendment that is not yet effective for the current accounting period.

3 Revenue and segment reporting

(a) Revenue

The Group is principally engaged in the provision of telecommunications services, including mobile services, internet services, international telecommunications services, enterprise solutions and fixed line services, and sales of mobile handsets and equipment.

Revenue represents fees from the provision of telecommunications services and sales of mobile handsets and equipment.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2020 \$ million	2019 \$ million
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines:		
Mobile services	957	1,243
Internet services	1,123	1,065
International telecommunications services	2,481	1,775
Enterprise solutions	3,227	3,088
Fixed line services	190	225
	<hr/>	<hr/>
Fees from the provision of telecommunications services	7,978	7,396
Sales of mobile handsets and equipment	945	1,618
	<hr/>	<hr/>
	<u>8,923</u>	<u>9,014</u>

3 Revenue and segment reporting (continued)

Disaggregation of revenue from external customers by geographical location is disclosed in note 3(b)(iv).

During the years ended 31 December 2020 and 2019, fees from the provision of telecommunications services is substantially recognised over time and sales of mobile handsets and equipment is recognised at a point-in-time.

- (ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

	2020 \$ million	2019 \$ million
Within 1 year	2,074	2,040
Over 1 year	1,129	1,107
	<u>3,203</u>	<u>3,147</u>

The Group will recognise the expected revenue in future when or as the service is performed or the work is completed.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts for products or services such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for products or services that had an original expected duration of one year or less.

3 Revenue and segment reporting (continued)

(b) Segment reporting

In a manner consistent with the way in which information is reported internally to the Group's senior executive management, which has been identified as being the chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has identified only one operating segment, i.e. telecommunications operations.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources, the Group's senior executive management monitors the results, assets and liabilities attributable to the reportable segment on the following bases:

- Segment assets include all assets, with the exception of investment property, interest in a joint venture, deferred tax assets, current tax recoverable, and other corporate assets. Segment liabilities include trade and other payables, contract liabilities, lease liabilities and net defined benefit retirement obligation attributable to the operating activities of the segment.
- Revenue and expenses are allocated to the reportable segment with reference to sales generated by the segment and the expenses incurred by the segment or which otherwise arise from the depreciation or amortisation of assets attributable to the segment.

(ii) Reconciliation of reportable segment profit

	2020 \$ million	2019 \$ million
Profit		
Reportable segment profit	2,499	2,540
Net loss on disposal of property, plant and equipment	(2)	(1)
Gain on surrender of leases	2	-
Net foreign exchange gain/(loss)	12	(15)
Depreciation and amortisation	(915)	(914)
Finance costs	(296)	(341)
Interest income	14	11
Rental income from investment property less direct outgoings	23	24
Valuation (loss)/gain on investment property	(4)	18
Unallocated head office and corporate expenses	(70)	(73)
Consolidated profit before taxation	<u>1,263</u>	<u>1,249</u>

3 Revenue and segment reporting (continued)

(iii) Reconciliations of reportable segment assets and liabilities

	2020 \$ million	2019 \$ million
Assets		
Reportable segment assets	17,535	17,583
Investment property	639	648
Interest in a joint venture	9	9
Deferred tax assets	77	66
Current tax recoverable	3	14
Unallocated head office and corporate assets	74	69
	<hr/>	<hr/>
Consolidated total assets	18,337	18,389
	<hr/> <hr/>	<hr/> <hr/>
Liabilities		
Reportable segment liabilities	2,203	2,210
Bank and other borrowings	240	289
Current tax payable	209	207
Non-current bank and other borrowings	5,628	5,989
Deferred tax liabilities	226	233
Unallocated head office and corporate liabilities	22	36
	<hr/>	<hr/>
Consolidated total liabilities	8,528	8,964
	<hr/> <hr/>	<hr/> <hr/>

3 Revenue and segment reporting (continued)

(iv) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment property, property, plant and equipment, right-of-use assets, intangible assets, goodwill and interest in a joint venture ("specified non-current assets"). The geographical location of revenue is based on the physical location of assets through which the services were provided or the location at which the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of investment property, property, plant and equipment, and right-of-use assets; the location of the operations to which they are allocated, in the case of intangible assets and goodwill; and the location of operation, in the case of interest in a joint venture.

	<i>Revenue from external customers</i>		<i>Specified non-current assets</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>
Hong Kong (place of domicile)	3,825	3,330	1,853	1,800
Mainland China	957	848	585	572
Macau	3,364	4,068	11,853	11,765
Singapore	467	456	501	503
Others	310	312	219	245
	5,098	5,684	13,158	13,085
	8,923	9,014	15,011	14,885

4 Other income

	<i>2020</i>	<i>2019</i>
	<i>\$ million</i>	<i>\$ million</i>
Interest income from bank deposits	7	8
Other interest income	7	3
	14	11
Gross rental income from investment property (note)	25	25
	39	36

Note: The rental income from investment property less direct outgoings of \$2,000,000 (2019: \$1,000,000) for the year ended 31 December 2020 is \$23,000,000 (2019: \$24,000,000).

5 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	2020 \$ million	2019 \$ million
(a) Cost of sales and services		
Cost of provision of telecommunications services	4,111	3,362
Cost of sales of mobile handsets and equipment	929	1,599
	<u>5,040</u>	<u>4,961</u>
(b) Depreciation and amortisation		
Depreciation charge		
– property, plant and equipment	582	561
– right-of-use assets	165	185
Amortisation	168	168
	<u>915</u>	<u>914</u>
(c) Staff costs (including directors' emoluments)		
Contributions to defined contribution retirement plans	55	73
Expenses recognised in respect of defined benefit retirement plan	9	9
	<u>64</u>	<u>82</u>
Total retirement costs	64	82
Equity-settled share-based payment expenses	-	5
Salaries, wages and other benefits (note)	918	961
	<u>982</u>	<u>1,048</u>

Note: For the year ended 31 December 2020, the government grants of \$42,000,000 (2019: Nil) from the employment support schemes by respective local governments have been offset in “staff costs”.

5 Profit before taxation (continued)

	2020 \$ million	2019 \$ million
(d) Finance costs		
Interest on bank and other borrowings	271	305
Interest on lease liabilities	17	16
Other finance charges	9	17
Other interest expense	2	3
	<u>299</u>	<u>341</u>
Less: interest expense capitalised into construction in progress *	(3)	-
	<u>296</u>	<u>341</u>

* The borrowing costs have been capitalised at a rate of 1.8% - 3.4% per annum (2019: Nil).

(e) Other items

Rental charges for leased circuits	921	878
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	68	207
Auditors' remuneration		
– audit services	8	7
– non-audit services	3	3
	11	10
Impairment losses for trade debtors and contract assets	24	14
Net foreign exchange (gain)/loss	(12)	15

6 Income tax

Income tax in the consolidated income statement represents:

	2020 \$ million	2019 \$ million
Current tax		
Hong Kong Profits Tax		
– Provision for the year	93	91
– (Over)/under-provision in respect of prior years	(3)	1
	<u>90</u>	<u>92</u>
Macau Complementary Tax		
– Provision for the year	124	131
– Over-provision in respect of prior years	(1)	(3)
	<u>123</u>	<u>128</u>
Jurisdictions outside Hong Kong and Macau		
– Provision for the year	31	22
– Under-provision in respect of prior years	3	3
	<u>34</u>	<u>25</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(23)</u>	<u>(16)</u>
	<u>224</u>	<u>229</u>

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2019/20 subject to a maximum reduction of \$20,000 for each business (2019: a maximum reduction of \$20,000 was granted for the year of assessment 2018/19 and was taken into account in calculating the provision for 2019).

The provision for Macau Complementary Tax for 2020 is calculated at 12% (2019: 12%) of the estimated assessable profits for the year. Assessable profits of the first Macau Patacas (“MOP”) 600,000 (equivalent to approximately \$582,000) (2019: MOP600,000 (equivalent to approximately \$582,000)) are exempted from Macau Complementary Tax.

Taxation for jurisdictions outside Hong Kong and Macau is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

7 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2020 \$ million	2019 \$ million
Interim dividend declared and paid of HK5.0 cents (2019: HK5.0 cents) per share	183	183
Final dividend proposed after the end of the reporting period of HK16.0 cents (2019: HK15.0 cents) per share	<u>586</u>	<u>549</u>
	<u>769</u>	<u>732</u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2020 \$ million	2019 \$ million
Final dividend in respect of the previous financial year, approved and paid during the year, of HK15.0 cents (2019: HK14.0 cents) per share	<u>550</u>	<u>511</u>

For the final dividend in respect of the year ended 31 December 2019, there was a difference of \$1,000,000 between the final dividend disclosed in 2019 annual report and the amount paid during the year ended 31 December 2020, which represented dividends attributable to shares issued upon exercise of share options before the closing date of register of members.

8 Earnings per share

	2020 \$ million	2019 \$ million
Profit attributable to equity shareholders of the Company	<u>1,023</u>	<u>1,002</u>

The weighted average number of ordinary shares in issue during the year, is calculated as follows:

	<i>Number of shares</i>	
	2020 million	2019 million
Issued ordinary shares as at 1 January	3,659	3,587
Effect of share options exercised	<u>4</u>	<u>51</u>
Weighted average number of ordinary shares (basic) as at 31 December	3,663	3,638
Effect of deemed issue of shares under the Company's share option plan	<u>5</u>	<u>16</u>
Weighted average number of ordinary shares (diluted) as at 31 December	<u>3,668</u>	<u>3,654</u>
Basic earnings per share (HK cents)	<u>27.9</u>	<u>27.5</u>
Diluted earnings per share (HK cents)	<u>27.9</u>	<u>27.4</u>

9 Trade and other receivables and deposits

	2020 \$ million	2019 \$ million
Trade debtors	849	1,090
Less: loss allowance	(37)	(36)
	<u>812</u>	<u>1,054</u>
Other receivables and deposits	473	396
	<u>1,285</u>	<u>1,450</u>
Represented by:		
Non-current portion	181	112
Current portion	1,104	1,338
	<u>1,285</u>	<u>1,450</u>

At the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables and deposits) based on the invoice date and net of loss allowance is as follows:

	2020 \$ million	2019 \$ million
Within 1 year	791	1,003
Over 1 year	21	51
	<u>812</u>	<u>1,054</u>

Credit evaluations are performed on all customers requiring credit over a certain amount. Trade debtors are due within 7 to 180 days from the date of billing. Impairment losses on trade debtors are measured based on the expected credit loss model.

10 Trade and other payables

	2020 \$ million	2019 \$ million
Trade creditors	817	946
Other payables and accruals	671	561
	<u>1,488</u>	<u>1,507</u>

Represented by:

Non-current portion	31	37
Current portion	1,457	1,470
	<u>1,488</u>	<u>1,507</u>

At the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables) based on the invoice date is as follows:

	2020 \$ million	2019 \$ million
Within 1 year	609	716
Over 1 year	208	230
	<u>817</u>	<u>946</u>

FINANCIAL REVIEW

OVERVIEW

Despite the strong global headwinds caused by the outbreak of the novel coronavirus (“COVID-19”), the Group achieved solid financial results for the year ended 31 December 2020 with its proactive and diligent efforts in overcoming the challenges encountered during such difficult times.

Profit for the year ended 31 December 2020 was up 1.9% to HK\$1,039 million when compared to the previous year, profit attributable to equity shareholders of the Company for the year ended 31 December 2020 increased by 2.1% year-on-year to HK\$1,023 million, and basic earnings per share for the year ended 31 December 2020 was up 1.5% year-on-year to HK27.9 cents per share.

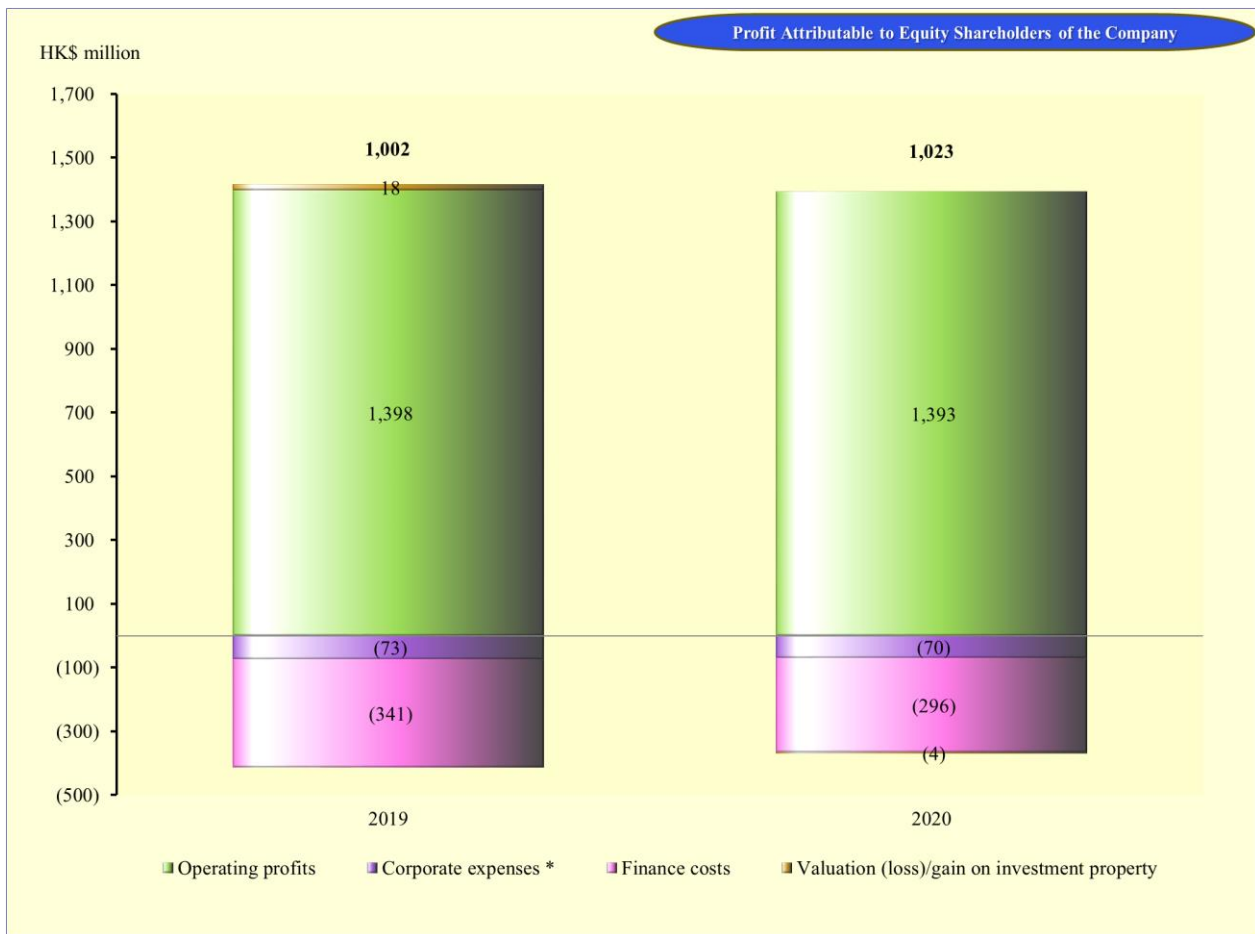
The Group’s total revenue amounted to HK\$8,923 million for 2020. Revenue from telecommunications services increased by 7.9% year-on-year, up from HK\$7,396 million in the previous year to HK\$7,978 million.

Summary of Financial Results

<i>In HK\$ million</i>	Year ended 31 December		Increase / (Decrease)	
	2020	2019		
Revenue from telecommunications services	7,978	7,396	582	7.9%
Sales of mobile handsets and equipment	945	1,618	(673)	(41.6%)
Revenue	8,923	9,014	(91)	(1.0%)
Valuation (loss)/gain on investment property	(4)	18	N/A	N/A
Other income	39	36	3	8.3%
Cost of sales and services	(5,040)	(4,961)	79	1.6%
Depreciation and amortisation	(915)	(914)	1	0.1%
Staff costs	(982)	(1,048)	(66)	(6.3%)
Other operating expenses	(462)	(555)	(93)	(16.8%)
Profit from consolidated activities	1,559	1,590	(31)	(1.9%)
Finance costs	(296)	(341)	(45)	(13.2%)
Income tax	(224)	(229)	(5)	(2.2%)
Profit for the year	1,039	1,020	19	1.9%
Less: Non-controlling interests	(16)	(18)	(2)	(11.1%)
Profit attributable to equity shareholders of the Company	1,023	1,002	21	2.1%
EBITDA*	2,460	2,493	(33)	(1.3%)
Basic earnings per share (HK cent)	27.9	27.5	0.4	1.5%
Dividends per share (HK cent)	21.0	20.0	1.0	5.0%

* EBITDA represents earnings before interest, taxes, depreciation and amortisation.

Profit attributable to equity shareholders of the Company



* Corporate expenses included staff costs for corporate functions, equity-settled share-based payment expenses, listing fee and others.

Profit attributable to equity shareholders of the Company for the year ended 31 December 2020 amounted to HK\$1,023 million, an increase of HK\$21 million or 2.1% when compared to the previous year. Excluding the valuation loss on investment property of HK\$4 million (2019: valuation gain of HK\$18 million), profit attributable to equity shareholders of the Company for the year would amount to HK\$1,027 million (2019: HK\$984 million), representing a year-on-year increase of 4.4% as the Group successfully capitalised its efforts in seizing new business opportunities under the current volatile global business environment.

Revenue by Services

The Group provides services for carriers, corporate clients and individual customers under five major business categories: mobile sales & services, internet services, international telecommunications services, enterprise solutions and fixed line services.

The Group's revenue from telecommunications services for the year ended 31 December 2020 amounted to HK\$7,978 million, which represented a year-on-year increase of 7.9% or HK\$582 million. The increase was mainly contributed by the growth in international telecommunications services revenue of HK\$706 million, growth in enterprise solutions revenue of HK\$139 million, growth in internet services revenue of HK\$58 million, offset partly by the decrease in mobile services revenue and fixed line services revenue of HK\$286 million and HK\$35 million respectively.

The Group's total revenue including revenue from the sales of mobile handsets and equipment amounted to HK\$8,923 million.

Mobile sales & services

Mobile sales & services revenue includes the revenue from sales of mobile handsets and equipment and mobile services revenue. Sales of mobile handsets and equipment mainly consists of the sales of mobile handsets in Macau. Mobile services revenue broadly includes the revenue from mobile local and roaming services and other mobile value-added services.

Mobile services revenue dropped 23.0% to HK\$957 million when compared to the previous year mainly as a result of various lockdown measures ordered by many governments around the world in their respective countries during the year in an attempt to contain the spread of COVID-19 which adversely impacted on the Group's roaming related services revenue.

The overall number of subscribers as at 31 December 2020 was over 720,000, showing a decrease of around 37.2% resulting from the decrease in prepaid customers of around 56.4% to approximately 347,000 (31 December 2019: approximately 796,000) subscribers, mainly driven by the cancellation of inactive prepaid cards in 2020 after the enactment of Macau's Cybersecurity Law which requires the real-name registration for all telecommunications and internet users. The decrease was partly offset by the increase in postpaid subscribers of 6.6% to approximately 373,000 (31 December 2019: approximately 350,000) subscribers. Around 100.0% (31 December 2019: 99.3%) of total mobile subscribers were 4G subscribers.

The Group sustained its leading position in Macau with approximately 44.4% (31 December 2019: 41.0%) market share of the mobile market and around 45.8% (31 December 2019: 41.9%) market share in the 4G subscribers of Macau mobile market as at 31 December 2020.

Internet services

Internet services revenue amounted to HK\$1,123 million for the year which represented a year-on-year increase of 5.4% or HK\$58 million. The increase was mainly due to the increase in revenue from fibre broadband service as a result of around 1.7% increase in the number of broadband users to over 196,200 subscribers when compared to the previous year.

The Group's internet market share and broadband market penetration rate in Macau were estimated at around 97.1% (31 December 2019: 96.9%) and 89.9% (31 December 2019: 88.8%) respectively as at 31 December 2020.

International telecommunications services

International telecommunications services revenue including revenue from voice services, messaging services (including SMS) and “DataMall 自由行” services, increased by 39.8% or HK\$706 million year-on-year.

Voice services revenue increased by HK\$172 million or 17.1% to HK\$1,179 million for the year ended 31 December 2020 over the previous year. Due to increasing demand from corporate messaging delivery, messaging services revenue surged 86.6% or HK\$584 million to HK\$1,258 million when compared to the previous year.

Many governments around the world (including China, Singapore and Japan) had ordered lockdown measures in their corresponding countries in an attempt to contain the spread of COVID-19. This virtually restricted the number of people travelling abroad for business or leisure purposes during 2020. As a result, revenue from “DataMall 自由行” services decreased by HK\$50 million to HK\$44 million when compared to the previous year.

Enterprise solutions

Enterprise solutions revenue increased by 4.5% from HK\$3,088 million in the previous year to HK\$3,227 million for the year ended 31 December 2020. The increase was mainly due to higher project revenue from government, resorts and other enterprises, as well as growth in leased lines revenue in Macau, and encouraging growth in enterprise solutions services in Southeast Asia and Mainland China.

Fixed line services

In line with global trends of declining fixed IDD traffic volumes and the decrease in fixed residential lines, fixed line services revenue was down by 15.6% year-on-year to HK\$190 million for the year ended 31 December 2020.

Results for the year

Profit attributable to equity shareholders of the Company increased by HK\$21 million or 2.1% year-on-year to HK\$1,023 million mainly due to the combined effect of the following factors:

Revenue

The Group's revenue from telecommunications services amounted to HK\$7,978 million, an increase of 7.9% when compared to the previous year. Total revenue including mobile handsets and equipment sales amounted to HK\$8,923 million for the year, representing a year-on-year decrease of 1.0%, as the increase in telecommunications services revenue was offset by the drop in mobile handsets and equipment sales.

Valuation (loss)/gain on investment property

Certain floors of the property held by the Group were leased out to third parties and an affiliate of the Group. These floors were revalued as at 31 December 2020 by the Group's independent surveyors with a valuation loss of HK\$4 million (2019: valuation gain of HK\$18 million).

Cost of sales and services

Cost of sales and services includes cost of provision of telecommunications services and cost of sales of mobile handsets and equipment. Consistent with the increase in telecommunications services revenue, cost of sales and services increased by HK\$79 million or 1.6% to HK\$5,040 million when compared to the previous year.

Depreciation and amortisation

Depreciation and amortisation expenses totalled HK\$915 million for the year ended 31 December 2020, an increase of HK\$1 million when compared to the previous year.

Staff costs

Staff costs decreased year-on-year by 6.3% or HK\$66 million to HK\$982 million mainly due to the decrease in payments to defined contribution retirement plans and equity-settled share-based payment expenses totaling HK\$23 million, together with various government wages subsidies amounting to HK\$42 million (2019: Nil) received or receivable during the year.

Other operating expenses

The Group successfully stepped up its efforts in implementing greater cost saving measures which resulted in a drop of 16.8% or HK\$93 million in other operating expenses to HK\$462 million when compared to the previous year.

Finance costs

Finance costs decreased by 13.2% or HK\$45 million when compared to the previous year mainly resulted from the repayment of bank loans at the end of 2019 and during the year, and the decrease in general bank's borrowing rates during the year. The effective variable interest rate for the Group decreased from 3.0% p.a. as at 31 December 2019 to 1.5% p.a. as at 31 December 2020.

Income tax

Income tax for the year amounted to HK\$224 million, a reduction of HK\$5 million when compared to the previous year. Excluding finance costs, over or under-provision of taxes and any origination and reversal of temporary differences in relation to prior years, the effective tax rates for the years ended 31 December 2020 and 2019 were 14.6% and 14.1% respectively.

Earnings and Dividends per share

Both basic EPS and diluted EPS amounted to approximately HK27.9 cents for the year ended 31 December 2020, which represents an increase of 1.5% and 1.8% respectively when compared to the previous year.

The Company's Board of Directors have resolved to recommend to shareholders the payment of final dividend of HK16.0 cents per share. Together with the interim dividend of HK5.0 cents per ordinary share which was paid in September 2020, total dividends per share for the year ended 31 December 2020 will increase 5.0% year-on-year to HK21.0 cents.

Cash flows

<i>In HK\$ million</i>	Year ended 31 December		Increase / (Decrease)	
	2020	2019		
Source of cash:				
Cash inflows from business operations	2,542	2,417	125	5.2%
Other cash inflows	28	196	(168)	(85.7%)
Sub-total	2,570	2,613	(43)	(1.6%)
Use of cash:				
Net capital expenditure*	(787)	(480)	307	64.0%
Dividends paid to equity shareholders and non-controlling interests	(743)	(703)	40	5.7%
Capital and interest elements of lease rentals paid	(164)	(180)	(16)	(8.9%)
Payment of borrowing costs	(280)	(317)	(37)	(11.7%)
Net cash outflows from borrowings	(407)	(665)	(258)	(38.8%)
Sub-total	(2,381)	(2,345)	36	1.5%
Net increase in cash and cash equivalents	189	268	(79)	(29.5%)

* Included in the amounts are payments for purchase of property, plant and equipment in respect of current year additions and prior years unsettled purchases, and proceeds from the sale of property, plant and equipment.

The Group generated HK\$2,542 million cash inflow from its operations, with the use of cash mainly comprised of capital expenditure, net borrowings and repayments, lease payments and dividends distributions. In total, the Group recorded a net cash inflow of HK\$189 million for the year ended 31 December 2020.

Capital expenditure

The Group's total capital expenditure for the year ended 31 December 2020 amounted to HK\$844 million. During the year, HK\$427 million was invested in 5G, HK\$114 million of fitting-out costs was incurred for the Group's data centres' expansion and the remainder of the capital expenditure were mainly for network systems upgrade and expansion.

Capital commitments

As at 31 December 2020, the Group had outstanding capital commitments of HK\$301 million, mainly for 5G development, data centre development, system upgrades, construction costs of networks, and other telecommunications equipment which had yet to be delivered to the Group. Of these commitments, HK\$121 million was outstanding contractual capital commitments and HK\$180 million was capital commitments authorised but for which contracts had yet to be entered into.

TREASURY POLICY AND FINANCIAL RISK MANAGEMENT

General

Managing financial risks to which the Group exposed is one of the primary responsibilities of the Group's treasury function. To balance the high degree of financial control and cash management efficiency, each business unit within the Group is responsible for its own cash management which is closely monitored by the headquarters. In addition, the decision of financing activities is centralised at head office level.

1. Debt and leverage

As the Group's net debt decreased to HK\$4,349 million, the net gearing ratio decreased from 35% as at 31 December 2019 to 31% as at 31 December 2020.

As at 31 December 2020, total debt and net debt of the Group were as follows:

<i>In HK\$ million equivalents</i>	Denomination							Total
	HKD	USD	SGD	MOP	RMB	EUR	Others	
Total debt	1,707	3,639	425	97	-	-	-	5,868
Less: Cash and bank deposits	<u>(453)</u>	<u>(361)</u>	<u>(93)</u>	<u>(197)</u>	<u>(274)</u>	<u>(47)</u>	<u>(94)</u>	(1,519)
Net debt/ (cash)	<u>1,254</u>	<u>3,278</u>	<u>332</u>	<u>(100)</u>	<u>(274)</u>	<u>(47)</u>	<u>(94)</u>	<u>4,349</u>

As at 31 December 2020 and 2019, the Group's net gearing ratio was as follows:

<i>In HK\$ million</i>	31 December 2020	31 December 2019
Total debt	5,868	6,278
Less: Cash and bank deposits	<u>(1,519)</u>	<u>(1,313)</u>
Net debt	4,349	4,965
Total equity attributable to equity shareholders of the Company	<u>9,751</u>	<u>9,376</u>
Total capital	<u>14,100</u>	<u>14,341</u>
Net gearing ratio	<u>31%</u>	<u>35%</u>

As at 31 December 2020, the total debt amounted to HK\$5,868 million, of which HK\$240 million will be matured in the coming year, against cash and bank deposits of HK\$1,519 million.

The maturity profile of the Group's total debt as at 31 December 2020 was as follows:

<i>In HK\$ million</i>	2021	2022	2023	2024	2025	Total
Bank and other borrowings	240	449	569	1,114	-	2,372
US\$450 million 6.1% guaranteed bonds	-	-	-	-	3,496	3,496
	<u>240</u>	<u>449</u>	<u>569</u>	<u>1,114</u>	<u>3,496</u>	<u>5,868</u>

The Group's total debt decreased to HK\$5,868 million which was mainly due to the early repayment of bank loans amounted to HK\$549 million during the year, which was partly offset by certain new bank loans drawn down for 5G development in Macau and the business growth in Singapore.

Available sources of financing

The Group aims to maintain the cash balance and undrawn banking facilities at a reasonable level to meet the debt repayments and capital expenditure requirement in the coming year.

The Group's cash balance as at 31 December 2020 was more than sufficient to cover the repayments of outstanding amount of total debt of HK\$240 million in the coming year and contractual capital commitments of HK\$121 million as at 31 December 2020.

As at 31 December 2020, the Group had available trading facilities of HK\$496 million. The amount of HK\$87 million was utilised as guarantees for performance to customers / the Macau Government and costs payable to telecoms operators and others.

The utilised facilities of approximately HK\$11 million were required to be secured by pledged deposits as at 31 December 2020.

As at 31 December 2020, the type of facilities of the Group was summarised as follows:

<i>In HK\$ million</i>	Total available facilities	Amount utilised	Amount unutilised
Bank and other borrowings			
- Committed facilities:			
Term loans	2,575	2,284	291
- Uncommitted facilities:			
Short-term facilities	474	21	453
	3,049	2,305	744
Guaranteed bonds - Committed facility			
US\$450 million 6.1% guaranteed bonds	3,510	3,510	-
Trading facilities - Uncommitted facilities			
	496	87	409
Total	<u>7,055</u>	<u>5,902</u>	<u>1,153</u>

2. Liquidity risk management

Each business unit within the Group is responsible for its own cash management, including predetermined short term investment of its cash surpluses. The raising of loans to cover its expected cash demand must be approved by the finance committee or the board of the Company. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

To minimise refinancing risk, the Group arranged long-term borrowings from the capital market, and term loans with repayment by instalment to meet the funding needs. This ensures that the Group can apply a prudent liquidity risk management approach.

Cash flow is well-planned and reviewed regularly by the management of the Group, so that the Group can meet its funding needs. The strong cash flows from the Group's operating activities enable the Group to meet its liquidity requirements in the short and longer term.

3. Loan covenants

Committed banking facilities contain certain covenants, undertaking, financial covenants, change in control clause and/or events of default provisions, which are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants or in any case of an event of default, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2020 and 2019, the Group was in compliance with the relevant requirements.

4. Contingent liabilities

As at 31 December 2020 and 2019, the Group had no significant contingent liabilities.

5. Performance bonds, guarantees and pledged assets

As at 31 December 2020 and 2019, performance bonds and other guarantees of the Group were as follows:

<i>In HK\$ million</i>	31 December 2020	31 December 2019
Performance bonds provided to the Macau		
Government and other customers	83	93
Other guarantees	<u>4</u>	<u>5</u>
Total	<u>87</u>	<u>98</u>

As at 31 December 2020, bank deposits of HK\$9 million (2019: bank deposits of HK\$9 million and right-of-use assets of HK\$1 million) were pledged to secure parts of the facilities of the Group.

On 5 March 2013, CITIC Telecom International Finance Limited, a wholly-owned subsidiary of the Company, issued US\$450 million (approximately HK\$3,510 million) guaranteed bonds with a maturity of twelve years due on 5 March 2025 (the “Guaranteed Bonds”) and the Guaranteed Bonds bore interest at 6.1% per annum. The Guaranteed Bonds were unconditionally and irrevocably guaranteed by the Company.

As at 31 December 2020, the Company issued guarantees of HK\$672 million (2019: HK\$811 million) for its subsidiaries in respect of the various forms of facility lines from financial institutions.

Certain property, plant and equipment of Companhia de Telecomunicações de Macau, S.A.R.L. are designated for the provision of basic infrastructure of public telecommunications services. They may need to be shared with other licensed telecommunications operators or the Macau Government with fair compensation, or, upon termination of the concession agreement, assigned in favour of the Macau Government.

6. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group manages its interest rate risk exposures in accordance with defined policies and regular review to achieve a balance between minimising the Group's overall cost of fund and managing significant interest rate movements, as well as having regard to the floating/fixed rate mix appropriate to its current business portfolio.

Interest rate risk is managed by fixed rate borrowing or through use of interest rate swap, if necessary. As at 31 December 2020, approximately 61.7% (2019: approximately 58.0%) of the Group's borrowings were linked to fixed interest rates. During the year, the Group did not enter into any interest rate swap arrangement.

Average borrowing rates

As at 31 December 2020 and 2019, the average borrowing rates, after the inclusion of amortisation of transaction costs, were as follows:

	31 December 2020	31 December 2019
Borrowing rates for fixed rate borrowings	5.9%	5.9%
Borrowing rates for variable rate borrowings	1.5%	3.0%
Average borrowing rates	4.2%	4.7%

7. Foreign currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The major places of operating companies within the Group are located in Hong Kong and Macau, whose functional currency is either Hong Kong dollars or Macau Patacas.

A substantial portion of the Group's revenue and cost of sales and services are denominated in United States dollars, Macau Patacas, Hong Kong dollars, Renminbi and Singapore dollars. The majority of the Group's current assets, current liabilities and transactions are denominated in United States dollars, Macau Patacas, Hong Kong dollars, Renminbi and Singapore dollars. As the Hong Kong dollars is linked to the United States dollars and the Macau Patacas is pegged to the Hong Kong dollars, it will not pose significant foreign currency risk between Hong Kong dollars, United States dollars and Macau Patacas to the Group. Although management considers that the Group's exposure to foreign currency risk is not material, it will continue to monitor closely all possible exchange rate risks and implement hedging arrangement to mitigate risk from any significant fluctuation in foreign exchange rates if necessary.

8. Credit risk

The Group's credit risk is primarily attributable to trade debtors and contract assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are due within 7 to 180 days from the date of billing. Loss allowances for trade debtors and contract assets are measured based on the expected credit loss model.

The Group has certain concentration risk in respect of trade debtors and contract assets due from the Group's five largest customers who accounted for approximately 23.2% and 35.3% of the Group's total trade debtors and contract assets as at 31 December 2020 and 2019 respectively. The credit risk exposure to the balances of trade debtors and contract assets has been and will continue to be monitored by the Group on an ongoing basis.

9. Counterparty risk

The Group's exposure to credit risk arising from cash and bank deposits is limited because the Group mainly deals with the companies engaged in financing activities which have good credit ratings with prestigious credit ratings companies (such as Moody's Investors Service, Standard & Poor's and Fitch Group), or the note-issuing banks in Hong Kong, Macau and Mainland China, or its group companies. As at 31 December 2020, the Group has maintained a cash balance of HK\$1,482 million (2019: HK\$1,285 million) in the above-mentioned entities, representing approximately 97.6% (2019: approximately 97.9%) of the total cash and bank deposits of the Group. To achieve a balance between maintaining the flexibility of the Group's operations and minimising the exposure to credit risk arising from cash and bank deposits, the Group has a pre-defined policy and regular review on the rest of the cash portfolio. It is considered that the Group is exposed to a low credit risk in this respect.

SUSTAINABILITY REPORT

Corporate social responsibility is inseparable with the Group's corporate strategy and business philosophy. The Group adheres to the sustainability vision of "People and Community" as the foundation of our principle, and is committed to integrating the vision into our daily operations, in the view of driving sustained and continued business growth.

We endeavour to advance in various sustainability aspects. It is our ambition to co-create a sustainable business environment and underpin win-win situations for the Group, its shareholders, customers, employees, business partners, and the community.

The Group engages with a diverse range of stakeholders through various means to collect their expectations on the Group's strategy and performance. At the same time, we actively convey our sustainability vision to stakeholders, so as to gain their continued support.

The provision of high-quality and reliable services to customers underlies the core value of the Group. We charge ourselves with the mission of providing premium products and services to customers in a stable and uninterrupted manner, while leveraging our inherent strengths to serve the community in different ways. To respond to our customer needs and stay ahead of the industry, the Group has accelerated its technological innovation and product research and development (R&D) works on different emerging services.

The Group upholds a high standard of business ethics and personal conduct of its employees. There are a series of mechanism to govern our employees to ensure them strictly complying with the Code of Conduct and related policies. There are training sessions of anti-corruption and awareness-raising activities covering different levels of our employees. These serve as continuous reminders to our employees on awareness of integrity behavior and anti-corruption as well as to strengthen overall corporate governance.

It is crucial for the Group to protect intellectual property in the process of products and services innovation. Moreover, it is our responsibility of protecting customer data privacy. We make earnest efforts to protect personal information and abide by relevant laws and regulations in our operating countries. Under the Group's Code of Conduct, we must ensure that our procurement and tendering process allows for open and fair competition, and is in line with public interest and accountability. To ongoing promote the concept of "green supply chain", the Group is committed to select products and services in the most cost-effective and environmentally-friendly way.

A professional team composed of excellent employees is the cornerstone of the Group's continued business success. As at the end of December 2020, our total number of employees was 2,507.

The Group is an equal opportunity employer and adheres to non-discriminatory employment practices and procedures in recognising and respecting individuals' rights. The Group strictly complies with applicable laws regarding equal opportunities and anti-discrimination.

As the coronavirus pandemic was spread in 2020 globally, the Group attaches great importance to the prevention and control of the epidemic, and effectively protects the health of employees and their families. Under the leadership of our Chairman, we formulated a series of measures and work arrangements and regularly reviewed the effectiveness in order to safeguard our employees' health and safety. On the other hand, the Group continues to put

great emphasis on employees' work-life balance as well as their mental and physical wellbeing.

The Group believes that employees are our most precious assets and we are committed to providing them all kinds of training and development programmes. Moreover, the Group places considerable emphasis on continuous professional training of each Board member and senior management personnel.

The Group always takes into account of the environmental protection. The Group is committed to conduct business in an environmentally responsible manner and support to reduce greenhouse gas emissions. The Group's impact on the environment is mainly concerned with energy consumption and waste generation by its offices, data centres and other network operations, as well as the associated greenhouse gas emissions. The "CITIC Telecom Green Policy" has been established to provide clear guide to our environmental management for promoting business sustainability.

Despite the pandemic situation, the Group continues to commit to community services, supporting the underprivileged through voluntary service and donation, and leveraging its expertise to promote social development. The Group strives to leverage our expertise and resources in communication and information technology to enhance the quality of life by promoting development of smart city and 5G Technology. The Group places great emphasis on nurturing our younger generation through activities to unleash potentials of teenagers such that they could become future leaders of our society.

The Group is honoured to receive awards and commendations again from multiple organisations, in recognition for our contributions to the society during the year.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The board of directors of the Company (the "Board") believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. At CITIC Telecom, we attach importance to our people, our code of conduct, and our corporate policies and standards, which together form the basis of our corporate governance practices. We respect the laws, rules and regulations of each country and area in which we operate, and we strive to ensure for our people a healthy and safe working environment which is our paramount concern. We endeavour to contribute to the sustainable development of the Company, with particular focus on our accountability to shareholders and stakeholders. A full description of the Company's corporate governance will be set out in the section of "Corporate Governance" contained in the 2020 annual report.

The Company has fully complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year of 2020.

The Audit Committee of the Board, consisting of three independent non-executive directors and a non-executive director, has reviewed the 2020 financial statements with management and the external auditors and recommended its adoption by the Board.

DIVIDEND AND CLOSURE OF REGISTER

The Directors have resolved to recommend to shareholders the payment of a final dividend of HK16.0 cents (2019: HK15.0 cents) per share, which together with the interim dividend of HK5.0 cents (2019: HK5.0 cents) per share already paid makes a total dividend of HK21.0 cents (2019: HK20.0 cents) per share for the year ended 31 December 2020.

The proposed final dividend of HK16.0 cents per share, the payment of which is subject to approval of the shareholders at the forthcoming annual general meeting (the “AGM”) of the Company to be held on Friday, 14 May 2021, is to be payable on Friday, 4 June 2021 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 25 May 2021.

The Register of Members of the Company will be closed from Tuesday, 11 May 2021 to Friday, 14 May 2021 (both days inclusive) for the purpose of ascertaining shareholders’ entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company’s Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 10 May 2021. In addition, the Register of Members of the Company will be closed from Friday, 21 May 2021 to Tuesday, 25 May 2021 (both days inclusive) for the purpose of ascertaining shareholders’ entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company’s Share Registrar, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Thursday, 20 May 2021. During such periods, no share transfer will be effected.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the year ended 31 December 2020 and the Company has not redeemed any of its shares during the year ended 31 December 2020.

FORWARD LOOKING STATEMENTS

This announcement contains certain forward looking statements with respect to the financial condition, results of operations and business of the Group. These forward looking statements represent the Company’s current expectations, beliefs, assumptions or projections concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Forward looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ, in some instances materially, from those expressed, implied or anticipated in any forward looking statement or assessment of risk.

ANNUAL REPORT AND FURTHER INFORMATION

A copy of the announcement will be found on the Company's website (www.citictel.com) and the website of the Stock Exchange (www.hkexnews.hk). The full Annual Report will be made available on the websites of the Company and the Stock Exchange around 30 March 2021.

By Order of the Board
CITIC Telecom International Holdings Limited
Xin Yue Jiang
Chairman

Hong Kong, 4 March 2021

As at the date of this announcement, the following persons are directors of the Company:

<i>Executive Directors:</i>	<i>Non-executive Directors:</i>	<i>Independent Non-executive Directors:</i>
Xin Yue Jiang (Chairman)	Wang Guoquan	Liu Li Qing
Cai Dawei	Liu Jifu	Zuo Xunsheng
Li Bing Chi, Esmond	Fei Yiping	Lam Yiu Kin