中信國際電訊

CITIC TELECOM INTERNATIONAL

STOCK CODE :1883

ANNUAL REPORT 2020

ABOUT US

CITIC Telecom International Holdings Limited (the "Company", and together with its subsidiaries the "Group") was established in 1997 in Hong Kong and was listed on The Stock Exchange of Hong Kong Limited on 3 April 2007. It is an internet-oriented telecommunications enterprise providing comprehensive services.

The Company's services cover international telecommunications services, providing mobile international roaming, international voice, international messaging, international data and international value-added telecommunications services, etc. to global carriers (including mobile operators, fixed line operators, virtual network operators, internet operators and OTT operators). The Company is one of the largest telecommunications hubs in Asia Pacific, with "DataMall 自由行", the world's first mobile trading platform and SIMN as our self-developed products. The Company owns the whole CITIC Telecom Tower (with a floor area of approximately 340,000 sq. ft.) and has established two large-scale data centres in Hong Kong.

The Company's wholly-owned subsidiary, Acclivis Technologies and Solutions Pte. Ltd. ("Acclivis"), is based in Singapore with businesses in Malaysia, Indonesia and Thailand, etc. As one of the leading IT services providers in the region, Acclivis is the trusted advisor to government and enterprise to deliver digital transformation projects and smart solutions that harness our end-to-end ICT capabilities, with focus on Cloud solutions, managed services and enterprise connectivity. It also owns the reputable internet service brand "Pacific Internet" in Singapore, Thailand and Malaysia and has established data centres and Cloud computing centres across key cities in Southeast Asia.

Through its wholly-owned subsidiary, CITIC Telecom International CPC Limited ("CPC"), the Group provides one-stop ICT solutions to multinational and business enterprises, including private network solutions, EPL, SD-WAN, Internet access, Cloud computing, Information security, Cloud data centre and a series of value-added services, etc. CPC is one of the most trusted partners of leading multinational and business enterprises in the Asia-Pacific region. CPC has gained a foothold in the Mainland China market through its subsidiary, China Enterprise ICT Solutions Limited ("CEC"), providing comprehensive ICT services for sizable multinational and business enterprises in Mainland China. CEC possesses various nationwide licenses in value-added telecommunications services in Mainland China, including nationwide Ethernet VPN, and has established Cloud data centres in various cities such as Beijing, Shanghai and Guangzhou.

The Group holds 99% equity interest in Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM"). CTM is one of the leading integrated telecommunications services providers in Macau, and is the only full telecommunications services provider in Macau (including mobile, internet, fixed line, data centre, enterprise ICT and international telecommunications services), as well as the major smart city operator of "Digital Macau". As a market leader, it has long provided quality telecommunications and ICT services to the residents, government and enterprises of Macau, and plays an important role in the ongoing development of Macau.

"Wisdom and Integrity for Fostering Prosperity" is the core value of the Group. As at 31 December 2020, the Group has established branch organisations in 21 countries and regions. The number of staff reached above 2,500, with network covering more than 130 countries and regions, connecting to over 600 operators globally, and serving over 3,000 MNCs and 40,000 local enterprises. The Group has R&D teams in various cities including Hong Kong, Macau, Zhuhai, Chengdu, etc. The Group has a number of ISO quality and network security accreditations, and we have been recognised as the best employer and green enterprise for years.

CITIC Group Corporation, a large multinational conglomerate headquartered in China, is the ultimate holding company of the Company.

MISSION

- Rooted in Mainland China, taking Hong Kong and Macau as the base and connection, providing communications and ICT services with global coverage.
- Customer-oriented, with an acute observation of their needs, continuing to generate new value for our customers.
- Market-oriented and innovative, continuing to increase the Company's competitiveness.
- With value creation as our goal, providing sustainable return for our shareholders.

VISION

To become an internet-oriented telecommunications company; enabling connections anytime and anywhere, among people, among things, and among each other; enhancing the driving force for the advancement of society, development of enterprises and a higher quality of life.

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MILESTONES 2020

MARCH

JANUARY

APRIL

JUNE

AUGUST

vmware CLOUD VERIFIED

MILESTONES 2020

JANUARY

- Won the title of the "2019 Best Infrastructure and Public Utilities Stock Company" at the "4th Golden Hong Kong Stocks Awards"
- CITIC Telecom International CPC Limited ("CPC") won the award of "Outstanding ICT Solution Provider 2019" at "Quamnet Outstanding Enterprise Awards 2019" held by Quamnet
- China Enterprise ICT Solutions Limited ("CEC") and TutorABC have been successfully selected as one of the "Cloud + X" TOP Solution Showcases by the Chinese Software Developer Network (CSDN)
- CEC won the "Distinguished Cloud-Network Convergence Solution in China 2019" by CCW Media, China Computerworld and New Finance World
- Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") set up a 5G application experience zone in the "Science and Technology Expo – Technology Make A Better Life"

FEBRUARY

- Launched the Single IMSI Multiple Number (SIMN) P2A SMS service, subscriber can use the secondary number to perform two-way SMS authentication requirement for cross-border mobile application and banking services
- Acclivis Technologies and Solutions Pte. Ltd. ("Acclivis") launched Acclivis Intelligent Visitor Management Solution, a smart healthcare solution to help digitize the healthcare in Singapore

MARCH

- CEC won the "Influential Brand of Cloud-Network Convergence Service 2019" by "CIWEEK" of Chinese Academy of Sciences, Chinese Academy of Social Sciences' Center for Informatization Study, eNet and VZKOO, etc.
- CTM developed and launched a new application to the Macao Meteorological and Geophysical Bureau (SMG), using container technology and CTM Cloud Service to improve the real-time nature of meteorological information processing, system real-time scalability and user experience

APRIL

- Signed Strategic Cooperation Framework Agreement with a China operator
- CTM introduced 5G High-speed video content streaming and High-definition video call service experience zone in retail outlets promoting the advantages of 5G services

MAY

- CPC was listed in Gartner's "Market Guide for Backup as a Service" as one of the key BaaS hosters in China, the Middle East & Africa, Japan, and the rest of APAC
- CTM produced a series of special episodes for 5G. Based on the 5G technology description and through different story contexts, the public can be informed of the changes brought by 5G and the scenes behind it

JUNE

- Awarded the "Network & Resources Cooperation Award" by a China operator
- Enabling MVAS platform to support 5G roaming service features in Greater China region
- CEC received the "Certificate of Enterprise Credit Grade" by the China Association of Communications Enterprises and China National Credit Information Service Co., Ltd., and was graded "AAA"
- CEC won the "Best Financial Digital Innovation Service Provider" by Asia Pacific Bank Digital Innovation Summit 2020
- CEC's Data Science professionals based in Chengdu won the First Prize in the "Tianchi Big Data Competition – Smart Logistics Strategy" organised by Alibaba Group
- CEC received the "Guangdong Provincial Integrity Companies For Years 2012–2019" certificate issued by the Guangdong Provincial Enterprise Confederation and Guangdong Provincial Association of Entrepreneurs
- CTM completed 5G first stage network build with full outdoor coverage in Macau

AUGUST

- Launched the "Auto-Signature" feature for China A2P SMS
- CPC won "The Distinguished Cloud-Network Convergence Solution Service Provider" award at "SME Partner Awards of Excellence 2020" by Hong Kong Economic Journal
- CPC obtained VMware Cloud Verified badge, which indicates that CPC offers its customers consistent infrastructure and operations through a complete set of software-defined services for networking, storage and compute
- Expanded our internet services offering and coverage in Southeast Asia with the launch of our "Pacific Internet" brand in Malaysia

MILESTONES 2020

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

MILESTONES 2020

SEPTEMBER

- CPC and Hong Kong Applied Science and Technology Research Institute Company Limited (ASTRI) announced the launch of "DataHOUSE™ AR Remote Hand Service", which is a jointly developed Augmented Reality (AR) solution designed to transform field engineers' operations and maintenance processes
- CEC received the "SD-WAN Ready" Certificate by SNAI Industry Alliance
- CEC was honorary listed in "China New Infrastructure Enterprise 2020-Data Center" by Frost & Sullivan
- CEC received the "Best Innovative Enterprise" award by the judging panel of the 9th China Finance Summit 2020
- CEC received "2020 Best Network Ecosystem Practice Partner" award by a business partner
- Acclivis was awarded the "2020 IBM Singapore Innovation Award" by IBM in Singapore

OCTOBER

- With our Cloud Network Convergence Solution, CPC won the "Best SME Partners (Cloud-Network Convergence Solution Provider)" award at "EDIGEST Best SME Award 2020" by Economic Digest
- CPC received "The Distinguished Salesperson Award (DSA)" from Hong Kong Management Association. It is the 17th consecutive year that CPC has won the award
- CTM demonstrated the innovative 5G applications in the "25th Macao International Trade and Investment Fair" (MIF), including 5G Virtual Reality/Augmented Reality education, 5G reading kiosk, smart cloud meeting system and Virtual Reality entertainment applications

NOVEMBER

- Won "The 18th International Customer Relationship Excellence Awards" from Asia Pacific Customer Service Consortium. Winning categories are:
  - CEC – "Customer Service Manager of the Year 2020 (Network Communications – Service Center)"
  - CPC – "Customer Service Professional of the Year 2020 (Network Communications – Service Center)"
- With our CeOne-CONNECT Hybrid SD-WAN service, CEC won the "Best Innovative Product (Solution) of China IT Services 2020" award and was listed in "Top 100 Innovative Technology and Solution of China IT Services 2020" by China ITSS Media

DECEMBER

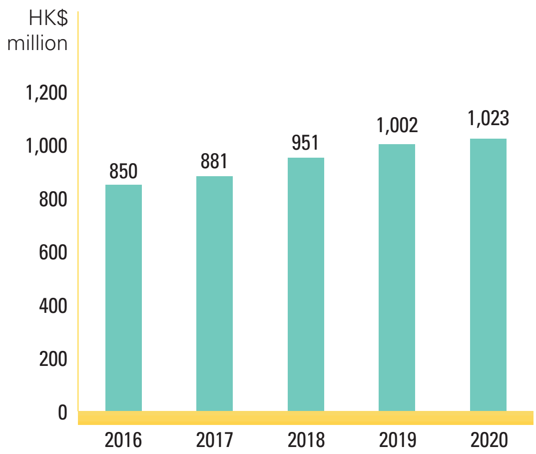
- Ranked in one of the list of "Top 100 Hong Kong-Listed Companies" at the "8th Hong Kong Listed-Companies Awards"
- With our "DataHOUSE™ AR Remote Hand Service", CPC won the "Digital Transformation Project of the Year" at the Asia Communication Awards 2020 by Total Telecom
- CEC received the "Best Innovative Enterprise of the Year 2020" award by China SD-WAN Summit
- CEC received the "Integrated Innovative Solutions of New Infrastructure Award in China ICT Industry of Year 2020" by China Communications Industry Association Data Center Committee and IDCC Event Committee
- With our Cloud-Network Convergence Data Center Solution, CEC received the "Best Product Technology Solution of Year 2020" award by Communications Weekly
- CTM was the first operator to introduce real time payment and Top-up service for Macau Alipay

WE CONNECT THE PEOPLE

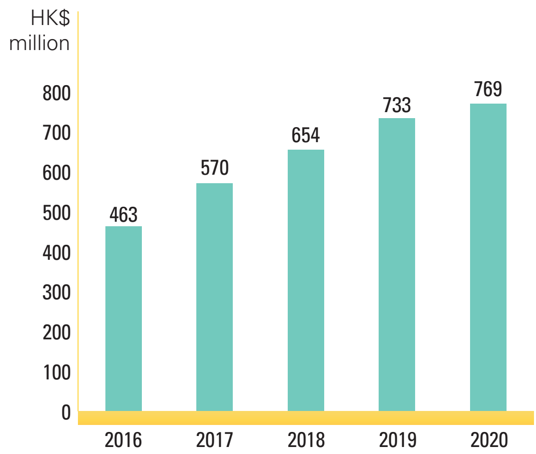
FINANCIAL HIGHLIGHTS

- Profit attributable to equity shareholders of the Company for the year 2020 amounted to HK$1,023 million, a year-on-year increase of 2.1%.
- Dividends per share for the year 2020 totaled HK21.0 cents, a year-on-year increase of 5.0%.
- The Group's net debt as at 31 December 2020 was HK$4,349 million, a decrease of 12.4% when compared to last year.

Profit Attributable to Equity Shareholders of the Company



Dividends Payable to Equity Shareholders of the Company Attributable to the Year



Note: The dividends payable to equity shareholders of the Company for the year ended 31 December 2020 includes final dividend payable based on the number of shares in issue as at 31 December 2020 which may differ from the number of shares at the closing date of the register of members.

FINANCIAL HIGHLIGHTS

In HK$ million	2020	2019	
Revenue			
Revenue from telecommunications services	**7,978**	7,396	Increase 7.9%
Sales of mobile handsets and equipment	**945**	1,618	Decrease 41.6%
	8,923	9,014	Decrease 1.0%
Profit attributable to equity shareholders of the Company	**1,023**	1,002	Increase 2.1%
EBITDA[1]	**2,460**	2,493	Decrease 1.3%
Earnings per share (HK cents)			
Basic	**27.9**	27.5	Increase 1.5%
Diluted	**27.9**	27.4	Increase 1.8%
Dividends per share (HK cents)			
Interim dividend	**5.0**	5.0	Same level as last year
Final dividend	**16.0**	15.0	Increase 6.7%
	21.0	20.0	Increase 5.0%
Total assets	**18,337**	18,389	Decrease 0.3%
Total equity attributable to equity shareholders of the Company	**9,751**	9,376	Increase 4.0%
Total debt[2]	**5,868**	6,278	Decrease 6.5%
Less: Cash and bank deposits	**(1,519)**	(1,313)	Increase 15.7%
Net debt	**4,349**	4,965	Decrease 12.4%
Net gearing ratio[3]	**31%**	35%	Decrease 4.0%

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

2 Total debt includes current and non-current bank and other borrowings.

3 $$\text{Net gearing ratio} = \frac{\text{Net debt}}{\text{Total capital}} \times 100\%$$

Total capital = Total equity attributable to equity shareholders of the Company + Net debt

WE CONNECT EACH OTHER

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

CHAIRMAN'S STATEMENT

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.

CHAIRMAN'S STATEMENT

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.

CHAIRMAN'S STATEMENT

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.

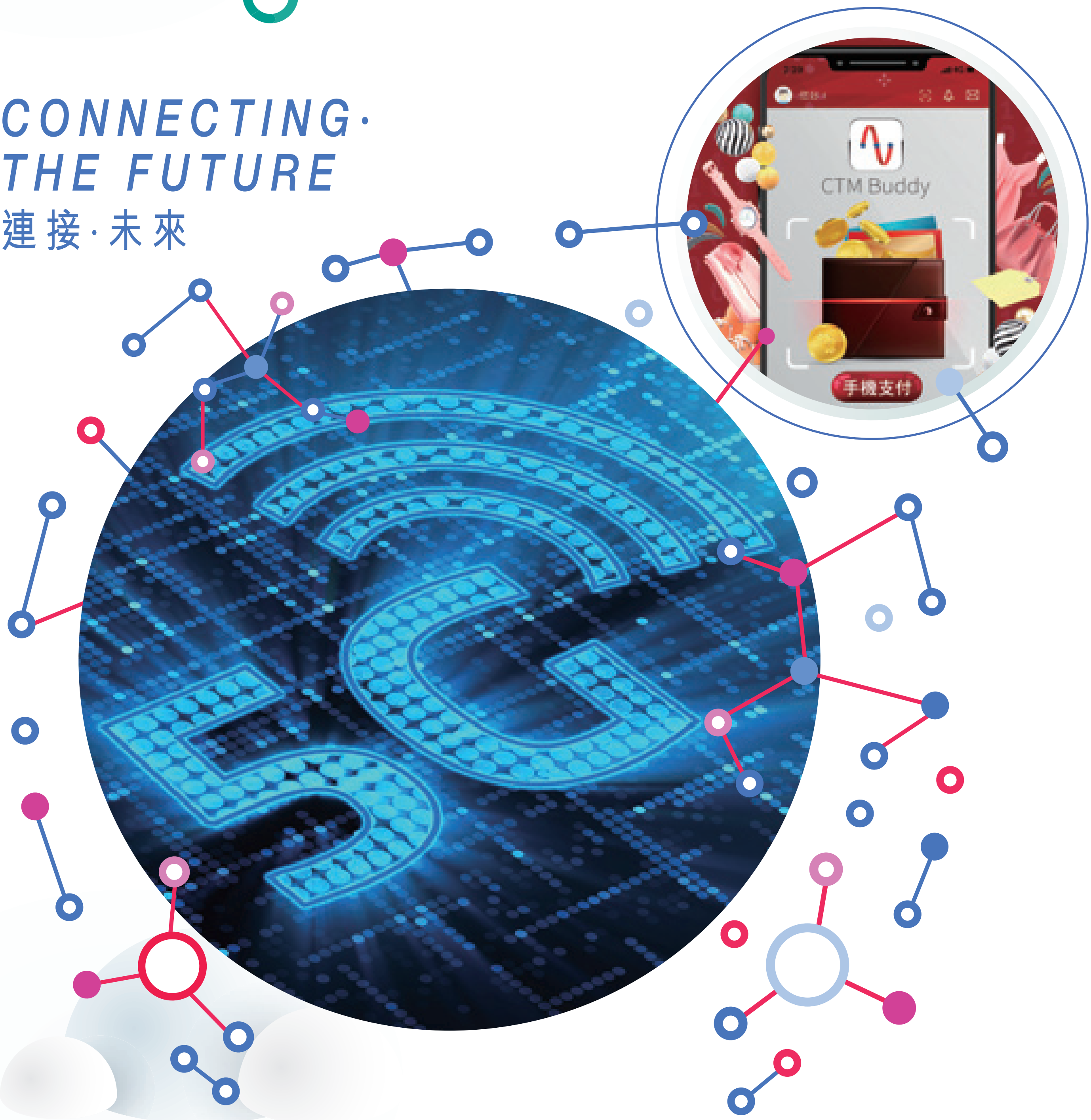
Xin Yue Jiang
Chairman
Hong Kong, 4 March 2021


WE CONNECT
THE WORLD

BUSINESS REVIEW

MOBILE SALES & SERVICES

CONNECTING· THE FUTURE
連接·未來



BUSINESS REVIEW

In 2020, our mobile sales and services faced challenges brought by the COVID-19 pandemic. The Group overcame various difficulties in its diligent effort towards business expansion facilitated through carefully planned coordination and meticulous arrangements in equipment delivery, staff deployment and project work scheduling, as it maintained its leading position in Macau's mobile market. Full outdoor 5G coverage for Macau was completed with the simultaneous commencement of 5G roaming tests to ensure full preparation for the official launch of 5G services, which will bring us closer to the materialisation of the "Digital Macau" vision.

Sustained leading position in Macau's mobile market

As at the end of December 2020, Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") stayed firmly at the top of Macau's mobile market with a 44.4% overall market share, underpinned by sound growth in its IoT business. Meanwhile, in an active bid to fulfill the requirements under Macau's Cybersecurity Law, CTM successfully completed registration of all prepaid-card customers, close to 350,000 in number, before the stipulated timeline.

CTM continued to expand in the international roaming market. With its 4G roaming services currently covering 210 countries and regions and agreements for concessionary data roaming rates with more than 355 overseas carriers, it has maintained its advantage as an industry leader.

Full outdoor 5G coverage accomplished as planned to prepare for official launch of 5G services

As a market leader, CTM was actively engaged in rolling out its 5G network construction, as it introduced 5G products and developed smart city applications in collaboration with its partners to ensure full preparation for the launch of 5G services ahead of its peers.

CTM completed full outdoor 5G coverage in June 2020 to achieve an iconic milestone in the construction and development of 5G networks in Macau.

To support future development of its 5G services, CTM had completed 5G roaming tests with 30 overseas network carriers (covering 18 countries/regions) as at the end of December 2020.

Driving industrial applications of 5G in swift fulfilment of the "Digital Macau" vision

To fully leverage its 5G capabilities and assist in Macau's smart city development, CTM entered into letters of intent for cooperation in 5G and smart city with leading enterprises in 9 important sectors of Macau in June 2020, pledging joint efforts to drive the implementation and development of smart applications. Meanwhile, CTM vigorously strengthened the development of its content business and launched numerous content applications in 2020, such as movies, sports and reading apps etc.

In an ongoing effort to allow the general public to understand more about 5G, as well as to provide an opportunity for the public to gain first-hand experience of 5G applications, CTM set up 5G experience zones at several major conferences and exhibitions and at CTM retail shops to showcase a number of interactive applications of 5G technologies. It also invited different groups in the community to visit and briefed them on the functional features and prospective applications of 5G. CTM will actively and conscientiously continue to complement the Macau SAR Government in connection with the working arrangements relating to the issuance of 5G license and the concession assets.

Development of mobile international roaming service held back by COVID-19

On the back of its technological strengths and extensive experience, the Group remained in a leading position in terms of the provision of platforms and operating services for the mobile and roaming services of mobile carriers. Nevertheless, the volume of the Group's mobile service declined in tandem with the significant reduction in international roaming activities, as global tourism was dealt a heavy blow by the lockdown measures and travel restrictions implemented in many countries and regions to counter the COVID-19 pandemic. With nations across the globe starting to carry out COVID-19 vaccination, the Group holds out cautious optimism for the rebound of the tourism industry and recovery of the mobile service business in 2021.

BUSINESS REVIEW

INTERNET SERVICES

Assured top ranking in market share for broadband services

As at the end of 2020, CTM maintained its top-ranking in broadband services with a 97.1% market share. It also reported a residential fibre broadband penetration rate of over 94.7%. As a consequence of the pandemic, corporate customers across different sectors were diligently engaged in the development of online businesses, while the demand for content services from personal customers was also growing, resulting in increasing market demand for high-speed optical broadband services which was in turn driving business growth and broadband upgrades to increase the speed of internet connection. In response to the market trend, CTM launched the 10Gbps high-speed optical broadband service in October 2020 to meet the needs of customers with higher demands.

Sound growth for entertainment video information content service

As the TVB Anywhere service had proved to be massively popular with customers, CTM increased the number of live channels from 11 to 33 and launched new functions, such as drama previews, to enhance the appeal of its content service. HMVOD, an entertainment video content service launched by CTM in March 2020 providing more than 7,000 hours of domestic and foreign movies, has increased the penetration rate of content service and has driven business growth.

BUSINESS REVIEW

Enhancing Macau's outgoing network connectivity to address the challenge of massive internet access requirements

The COVID-19 pandemic had resulted in massive requirements for internet access. To address the challenge, CTM provided quality broadband services to the Macau community by leveraging its inherent advantages in network and technical resources. In August 2020, CTM commenced operation of the first cross-border, large bandwidth dense wavelength division multiplexing (DWDM) transmission system in Macau in association with its partners, which would enhance Macau's competitiveness and facilitate the further integration of Macau citizens into the Guangdong-Hong Kong-Macao Greater Bay Area by substantially increasing the bandwidth capacity for communication between Macau and the Mainland and Hong Kong. CTM will seek close cooperation with different companies in the Greater Bay Area to enhance the infrastructure network connectivity of the Greater Bay Area and facilitate regional inter-connection in information flow.

Development of online commercial cities in further fulfilment of "Digital Macau"

To complement the development of "Digital Macau", CTM officially upgraded its points reward platform into an online commercial platform in July 2020. Backed by its enormous customer base, CTM joined forces with local enterprises to introduce promotional offers targeted at Macau citizens, in a bid to enhance customer loyalty by increasing the value of CTM reward points, while attracting partners to become advertising clients of CTM.

Stable revenue growth for data centre business and smooth progress for CITIC Telecom Tower Data Centre expansion project

The Group reported stable growth in its data centre business in 2020. The tenants of Phase III (A) of CITIC Telecom Tower Data Centre had successfully moved in, while the construction of Phase III (B) is on schedule and will be able to meet greater demand upon completion. In view of the growing demand for cloud connectivity, the Group has enhanced its product capability by introducing more options for global cloud connection services. In the meantime, the Group introduced a new service support system for the data centre business, to improve customer service standards.

CITIC Telecom International CPC Limited ("CPC"), a subsidiary of the Group, has 9 Cloud Computing solutions which have been developed to complement our 18 Cloud Services Centres in a cross-regional Cloud Computing service network, covering Greater China, Singapore, Japan, North America, Europe and South Africa. The services are supported by two security operation centres and regional professional service teams to provide customers with round-the-clock information security management in response to rapidly growing market demands.

BUSINESS REVIEW

INTERNATIONAL TELECOMMUNICATIONS SERVICES

BUSINESS REVIEW

The Group is committed to providing optimal connection to its customers such as telecommunications carriers, enterprises and individuals through vigorous development of the corporate information service platform, global mobile trading service platform and cross-border mobile communication service platform.

Robust growth in enterprise messaging business

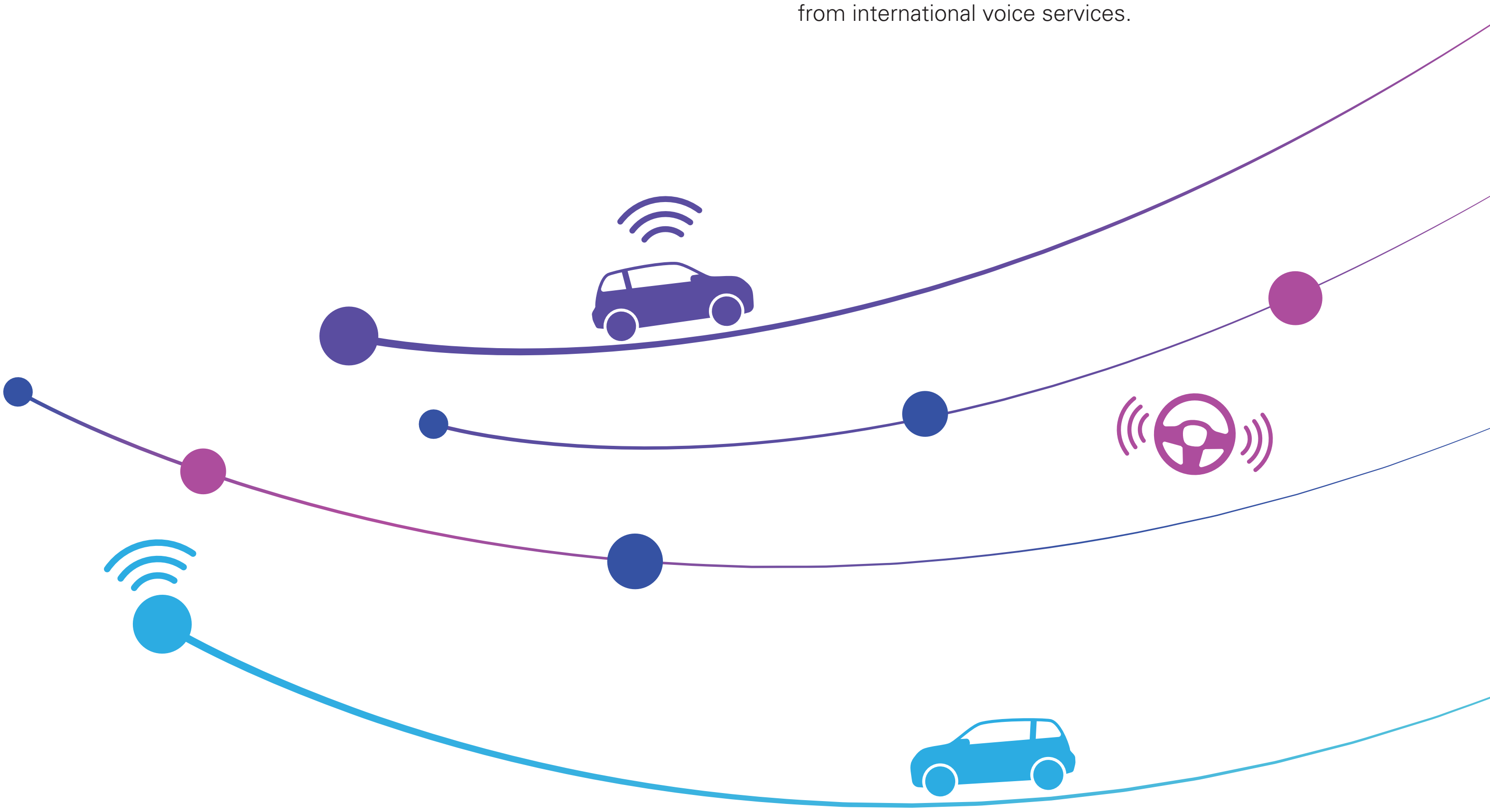
The global trend of digital transformation has driven up the demand of enterprise messaging. More and more enterprises have been resorting to secure, reliable and efficient SMS services for enhanced information exchange with clients and seek to implement security management and control for mobile applications or web portal visits through secondary identity verification, such as one-time passwords (OTP) delivered through SMS. As a regional leader in such services, the Group's enterprise messaging service business has sustained robust growth for consecutive years, making considerable financial contributions to the Group.

Ongoing upgrade of "DataMall 自由行" global mobile trading platform and new breakthrough in Internet of Vehicles

The COVID-19 pandemic has hindered the development of the data service business as many countries and regions have been forced to implement lockdown measures or travel restrictions. The Group adjusted its business development strategy in a timely manner and expedited the implementation of technology upgrades and business model upgrades for its "DataMall 自由行" global mobile trading platform to support 5G, eSIM, IoT and even broader application scenarios, in a bid to further extend the scope of our IoT service at a faster pace and attract more potential partners to join us in a collective effort in preparation for post-pandemic economic recovery. The Group reported new breakthrough in the market for Internet of Vehicles services as it signed up a renowned automobile company for the provision of a customised platform and related services to the client. Trial operation has commenced after the client's acceptance of delivery following testing and inspection procedures.

Revenue growth for international voice business

In 2020, the Group consolidate the scale of its international voice business, as it made proactive adjustments to cater to the change in market's traffic volume for voice services in a bid to provide stable and reliable voice services to customer around the world. During the period, we reported growth in the revenue from international voice services.



BUSINESS REVIEW

ENTERPRISE SOLUTIONS

Through its relevant subsidiaries, the Group provides global, regional and local enterprise services to a range of corporate customers and smart city solutions to government clients, as it continues to expand its ICT services from "CT" (Communication Technology) to the "IT+CT" (Information Technology + Communication Technology) sector.

CPC engaged in full effort in development of enterprise service market to cater to changes in market

CPC, the Group's subsidiary, overcame the impact of the pandemic and vigorously explored the enterprise service market with enhanced efficiency and capacity after efforts to streamline its management system and enhance its sales service team. In the wake of the COVID-19 pandemic, enterprises rapidly scale their digital

BUSINESS REVIEW

efforts to new normal business mode by adopting remote office and Cloud Computing to mitigate businesses' impact. With the aid of comprehensive IT and CT support, services such as online healthcare, online education and online business became the key to reshaping productivity and operations across various sectors. While playing a crucial role, such digital ecosystems have surged the demand for network and information security services. As an enterprise trusted ICT solution partner, the Group has launched a range of remote office service suite, delivered through a swift process to address customers' business requirements.

CPC continued to extend the business coverage of TrueCONNECT™, its virtual private network service, which currently covers more than 130 countries globally with close to 150 PoPs. In tandem with the development of its SD-WAN service, CPC has also been expanding the gateway coverage of its SD-WAN. As at the end of December 2020, 45 gateway nodes were deployed worldwide, including 30 in Greater China covering major commercial regions and the Greater Bay Area, other 6 of them covering major ASEAN countries.

Innovation Never Stops. CPC consistently enriched its service offering to the market, including a diverse range of solutions in collaboration with a number of leading technology partners while actively enhancing product and service competitiveness. To address different market needs, the Group rolled out several new services such as: SmartCLOUD™ DaaS Lite Virtual Desktop-as-a-Service managed solution, TrustCSI™ MSS brand new service platform, DataHOUSE™ AR Remote Hand data centre remote maintenance service and SmartCLOUD™ Object Storage service.

Regional corporate service in Southeast Asia further strengthened as business scale continued to expand

In 2020, the Group continued to drive the development of its ICT business in Southeast Asia with vigorous efforts in accordance with the "R-R-L" (Recurring, Regional and Large-scale) strategy. During the year, our Southeast Asian subsidiary secured large-scale digitalisation projects from a number of private and public institutions in Singapore, Thailand and Malaysia, while the Group's telecommunications services under the brand of "Pacific Internet" further expanded its offerings to Malaysia. Coupled with revenue from its management and maintenance services, this has contributed to ongoing growth in the Group's monthly recurring revenue (MRR) from ICT business in Southeast Asia.

To help different sectors of the community to fight against the pandemic, our Southeast Asia subsidiary, Acclivis Technologies and Solutions Pte. Ltd. ("Acclivis"), launched a smart healthcare solution powered by artificial intelligence, machine learning and video analytics to help hospitals improve their visitor management, crowd control and patient case. In 2020, Acclivis received the 2020 IBM Singapore Innovation Award in recognition of its achievements in providing Cloud Computing and data analysis solutions to the Land Transport Authority of Singapore in connection with the construction and management of smart city electronic payment infrastructure facilities.

Increasing penetration of CTM cloud services and sound growth of enterprise services

Given the normalisation of the pandemic, the transition to smart operations has become a more urgent task than ever for all industries. In this connection, CTM's cloud services have achieved further penetration with the provision of functions such as e-teaching, smart retail, e-payment, smart health monitor for travelers and smart government affairs, among others.

CTM launched the cyber information security protection centre in July 2020 to help customers assess and enhance their cyber security standard to ensure compliance Macau's Cyber Security Law, and was awarded contracts for cyber information security monitoring services which provided a new niche for business growth. In 2020, CTM reported sound growth in its enterprise service business after securing a number of contracts for large-scale projects of the government and private sectors.

BUSINESS REVIEW

FIXED LINE SERVICES

Slowdown in decline of fixed line voice business

As at the end of 2020, the Group's revenue from fixed line services in Macau decreased by 15.6%, reflecting mainly the decrease in fixed residential lines in line with the general global trend for this business.

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

	Year ended 31 December			
In HK$ million	**2020**	2019	**Increase/(Decrease)**	
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 cents)	**27.9**	27.5	0.4	1.5%
Dividends per share (HK cents)	**21.0**	20.0	1.0	5.0%

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

FINANCIAL REVIEW

Profit Attributable to Equity Shareholders of the Company

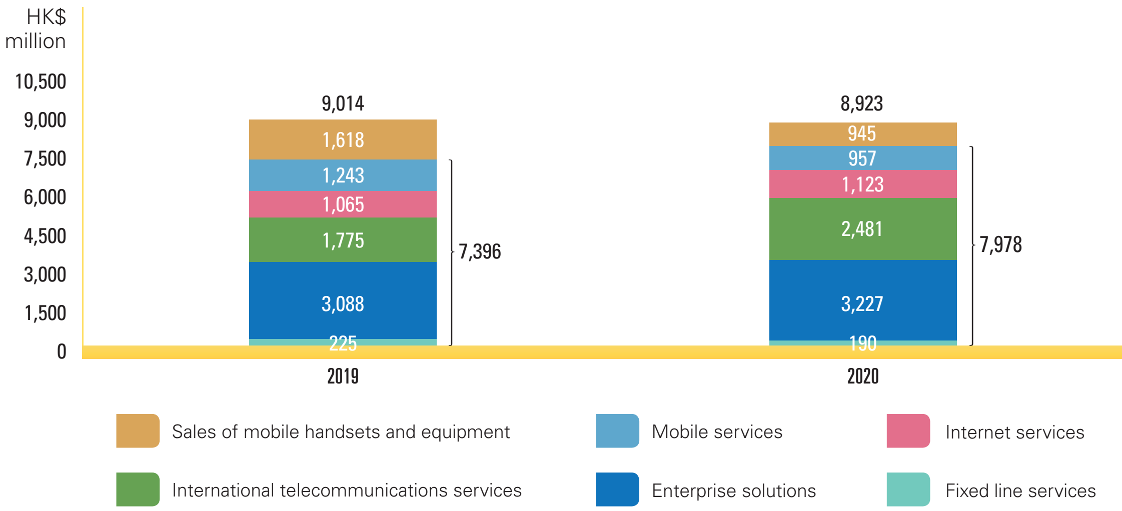
Profit attributable to equity shareholders of the Company for the year ended 31 December 2020 amounted to HK$1,023 million, an increase of HK$21 million or 2.1% when compared to the previous year. Excluding the valuation loss on investment property of HK$4 million (2019: valuation gain of HK$18 million), 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.

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

FINANCIAL REVIEW

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.

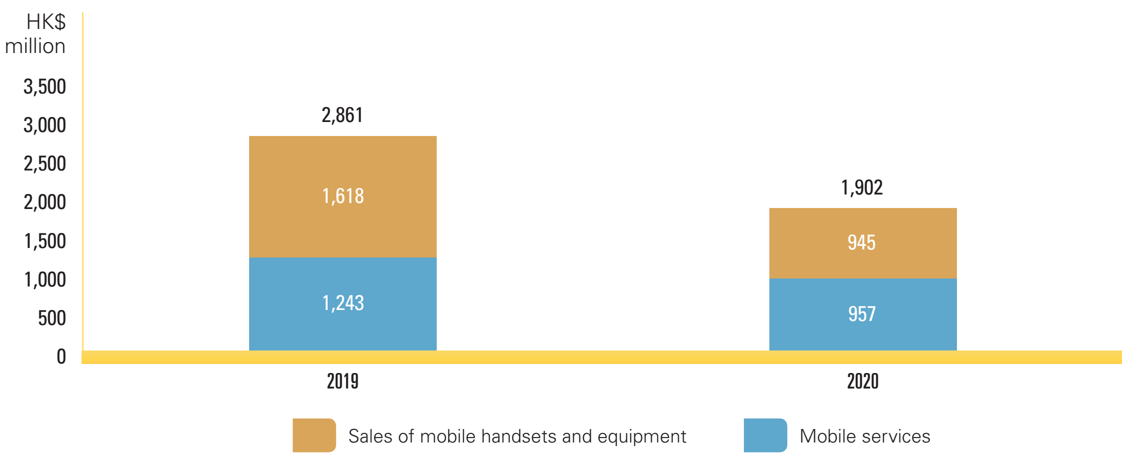


The Group's revenue from telecommunications services for the year ended 31 December 2020 amounted to HK$7,978 million, which represented a year-on-year increase of 7.9% or HK$582 million. The increase was mainly contributed by the growth in international telecommunications services revenue of HK$706 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.



FINANCIAL REVIEW

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.

FINANCIAL REVIEW

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

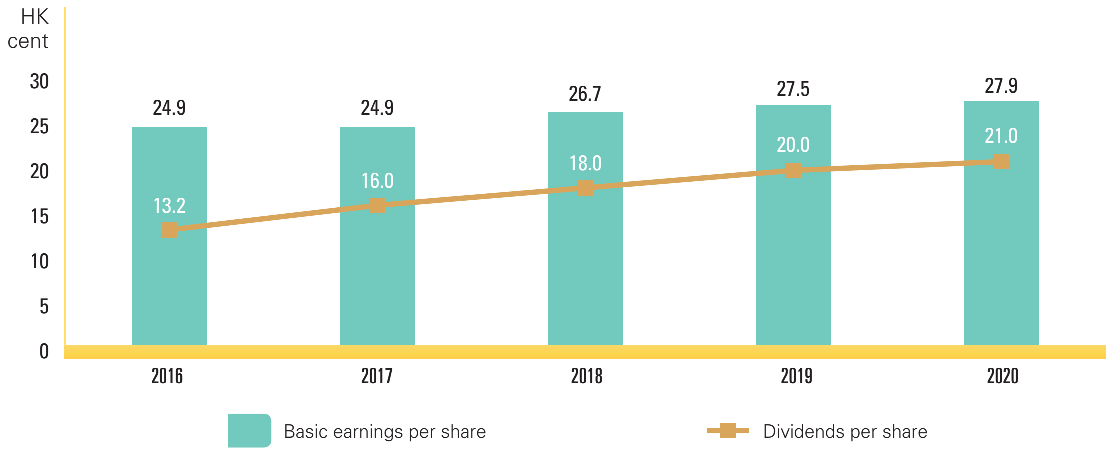
Income tax for the year amounted to HK$224 million, a reduction of HK$5 million when compared to the previous year. Excluding finance costs, over or under-provision of taxes and any origination and reversal of temporary differences in relation to prior years, the effective tax rates for the years ended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

FINANCIAL REVIEW

Earnings and Dividends per share

Both basic and diluted earnings per share 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

In HK$ million	Year ended 31 December 2020	2019	Increase/(Decrease)	
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.

FINANCIAL REVIEW

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.

RISK MANAGEMENT

In accordance with the Board's instruction, the Group has established a risk management system covering all the business segments to monitor, assess and manage various risks in the Group's business activities.

The risk management system of the Group comprises "Four Levels" and "Three Lines of Defence" based on the corporate governance structure. The "Four Levels" are the (i) board of directors, (ii) corporate management, (iii) function management and business units of the Group, and (iv) responsible positions under function management and business units. The "Three Lines of Defence" are the (i) first line of defence comprising function management and business units of the Group, (ii) second line of defence comprising the risk management functions of the Group, and (iii) third line of defence comprising the internal audit functions of the Group.

Financial Risk

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:

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

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

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

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.

RISK MANAGEMENT

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

In HK$ million	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**
	240	**449**	**569**	**1,114**	**3,496**	**5,868**

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:

In HK$ million	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	**7,055**	**5,902**	**1,153**

RISK MANAGEMENT

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:

In HK$ million	**31 December 2020**	31 December 2019
Performance bonds provided to the Macau Government and other customers	**83**	93
Other guarantees	**4**	5
Total	**87**	98

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. ("CTM") 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.

RISK MANAGEMENT

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.

RISK MANAGEMENT

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.

Economic Environment

The Group's primary facilities and operations are located in Hong Kong and Macau and the majority of its revenue is derived from Hong Kong, Macau and Mainland China respectively. The Group's results of operations and financial condition therefore depend on the economies of Hong Kong, Macau and Mainland China. The economies of Hong Kong and Macau are significantly affected by the developments in Mainland China and the Asia-Pacific region. Mainland China's economy may experience negative growth, and other regional economies may also deteriorate. Any reduction in telephone calls into and out of Mainland China as a result of diminishing business activities and, to a lesser extent, reduced international travel resulting in a decline in the provision of roaming services, have had and may continue to have a negative impact on the Group's results of operations and financial condition. As tourism and gaming industries are the backbone of Macau's economy, the setback in those industries may have negative impact on the mobile services performance of CTM.

The Group also has significant operations across the Asia-Pacific region. However, these regions have also been adversely affected by the global economic slowdown and any continued slowdown may have an adverse effect on the Group's existing operations, and planned expansion, in these regions.

Operational risk

The Group provides interoperable interconnections, mobile VAS and data services that are critical to the operations of its customers. The Group's system architecture is integral to its ability to process a high volume of transactions in a timely and effective manner. CTM provides mobile, fixed line and broadband services that are dependent on the performance of its network.

The Group may experience failures or interruptions of its systems and services, or other problems in connection with its operations as a result of, amongst others:

- damage to or failure of its computer software or hardware or its infrastructure and connections;
- data processing errors by its systems;
- computer viruses or software defects;
- physical or electronic break-ins, sabotage, vandalism and similar events; and
- the failure to adapt to rapid technological changes in the telecoms industry.

If the Group cannot adequately ensure the ability of its network services to perform consistently at a high level or otherwise fails to meet its customers' expectations:

- it may experience damage to its reputation, which may adversely affect its ability to attract or retain customers for its existing services, and may also make it more difficult for the Group to market its existing or future services;
- it may be subject to significant damages or customer liability claims, under its contracts or otherwise, including the requirement to pay penalties relating to service level requirements in its contracts;
- it may, in the case of CTM, be subject to penalties imposed by the Macau regulators;
- its operating expenses or capital expenditures may increase as a result of corrective efforts that it must perform;
- its customers may reduce their use of its services; or
- one or more of its significant contracts may be terminated early, or may not be renewed.

These or other consequences would adversely affect the Group's revenues and performance.

Security or privacy breaches

The Group's systems may be vulnerable to physical break-ins, computer viruses, attacks by computer hackers or similar disruptive problems. If unauthorised users gain access to the Group's databases, they may be able to embezzle, publish, delete or modify sensitive information that is stored or transmitted on the Group's networks and which the Group is required by its contracts to keep confidential. A security or privacy breach could result in an interruption of service or a reduced quality of service.

Confidential internal information to the Group may also be disclosed to unauthorised personnel who may use such information in a manner adverse to the interests of the Group. The Group may therefore be required to make significant expenditures in connection with corresponding corrective or preventive measures. In addition, a security or privacy breach may harm the Group's reputation and cause its customers to reduce their use of such services, which could harm the Group's revenues and business prospects. In relation to privacy protection, we face changes in expectations from government and industry groups on issues including data availability and use, compliance with international frameworks such as the General Data Protection Regulation ("GDPR") and data breach reporting. The sanctions for breaching the GDPR are significantly higher than the previous regime, which could result in a substantial fine in the event of a breach.

In addition, the Group's revenue may be adversely affected by un-captured usage, in the event that the Group's systems are "hacked" into, resulting in transmissions that may not be detected by its billing system. Further, the increase in traffic as a result of such unauthorised "hacking" may slow or overload the Group's transmission networks, thereby adversely affecting the overall quality of services which the Group provides to its paying customers.

Competitive Markets

The Group operates in highly competitive markets. Failure to compete in terms of product specifications, service quality, reliability or price may have an adverse impact on the Group.

– Increasing liberalisation of the telecoms industry in Hong Kong and China may continue to attract new local and foreign entrants and broaden the variety of telecoms services available in the market, thereby increasing the overall level of competition in the industry.

– The telecoms market in Macau is in the process of liberalisation. Moreover, the Macau Government will issue 5G network operating licence, but the 5G network operating licences may also be granted to other territory's mobile network operators. It is expected that competition may increase from both existing and new market players. Increased competition may have an adverse effect on the operating performance of CTM and hence affect the value of the business.

RISK MANAGEMENT

– Rapid changes in technology and business models to cope with the technology development from other telecommunications services providers may increase competition and render the Group's current technologies, products or services obsolete or cause the Group to lose market share.

– Rapid development of new technologies, new services and products, and new business models, including Over-the-top products such as instant voice and messaging services, may have a material adverse effect on our business, financial condition and results of operations.

Intensification of competition might result in lower product prices, narrower profit margins as well as loss of market share for the Group.

Other External Risks and Uncertainties

1. Impact of laws and regulations

The Group faces local business risks in different countries and regions. Such risks might have significant impacts on the financial condition, operations and business prospects of the Group in the relevant markets. The investments of the Group in countries and regions across the world might at present or in future be affected by changes in local, national or international political, social, legal, tax, regulatory and environmental requirements from time to time. In addition, new government policies or measures, if introducing changes in fiscal, tax, regulatory, environmental or other aspects that may affect competitiveness, could result in an additional or unforeseen increase in operating expenses and capital expenditures, produce risks to the overall return on investments of the Group, and delay or impede its business operations and hence adversely affect revenues and profits.

2. Impact of new accounting standards

The Hong Kong Institute of Certified Public Accountants ("HKICPA") issues new and revised Hong Kong Financial Reporting Standards ("HKFRSs") from time to time. As the accounting standards continue to evolve, HKICPA might further issue new and revised HKFRSs in the future. The new accounting policies, if required to be adopted by the Group, could have a significant impact on its financial condition and results of operations.

3. Natural disasters or events and terrorism

The integrity of the Group's data centres and infrastructure, in particular in relation to the Group's PoPs, submarine cable connections, international private lease lines, local lease lines, switches or other circuits connecting the Group with its customers, are important to the Group's provision of services. The Group may not have sufficient backup systems or facilities to allow it to receive, process and/or transmit data in the event of a loss of, or damage to, any of its data centres or infrastructure. Such loss or damage may be caused by power loss, natural disasters such as fires, earthquakes, severe storms, heavy rainfall, floods and typhoons, network software flaws, vandalism, telecoms failures such as transmission cable disruptions or other similar events that could adversely affect its customers' ability to access the Group's hub. In the event of such loss or damage, the Group may be required to make significant expenditures to repair or replace a data centre and/or its other infrastructure. Any interruption to the Group's operations due to the loss of, or damage to, a data centre and/or its other infrastructure could harm the Group's reputation and cause its customers to reduce their use of the Group's services, which could harm the Group's revenues and business prospects.

The novel coronavirus (COVID-19) outbreak challenges the public health and economy significantly. It will increase the risk of continued economic contraction. Without doubt, the current spread will present challenges to the Group's business or operations in the Asia Pacific region. It may result in reducing the use of the Group's services by customers.

The entire Group is committed to constantly improving its risk monitoring and management mechanism in order to promote risk identification and assessment at all levels; strengthen risk assessment and monitoring of major projects and key businesses; and manage counterparty credit risks. The Group stays fully informed of the operations, financial condition and major business progresses of its subsidiaries through off-site monitoring, on-site inspections and other means to assess the risks that may arise. Through risk reports on weaknesses and potential risks, the Group supervises and implements risk management and control measures to improve its comprehensive risk management practices and initiatives across the Group.

FIVE YEAR SUMMARY

	As at 31 December				
	2016 HK$ million	2017 HK$ million	2018 HK$ million	2019 HK$ million	**2020 HK$ million**
Assets and liabilities					
Investment property	635	686	629	648	**639**
Property, plant and equipment	2,554	2,626	2,767	2,435	**2,705**
Right-of-use assets	–	–	–	695	**706**
Intangible assets	1,879	1,722	1,554	1,385	**1,219**
Goodwill	9,597	9,729	9,718	9,713	**9,733**
Interest in a joint venture	7	6	9	9	**9**
Non-current contract assets	–	–	41	36	**31**
Non-current other receivables and deposits	199	208	120	112	**181**
Deferred tax assets	86	81	68	66	**77**
Net current assets	1,243	1,289	912	1,027	**816**
Net defined benefit retirement obligation	(113)	(68)	(99)	(60)	**(29)**
Deferred tax liabilities	(249)	(245)	(248)	(233)	**(226)**
Other non-current liabilities	(7,938)	(7,604)	(6,575)	(6,408)	**(6,052)**
NET ASSETS	7,900	8,430	8,896	9,425	**9,809**
Capital and reserves					
Share capital	4,263	4,280	4,403	4,628	**4,646**
Reserves	3,608	4,116	4,452	4,748	**5,105**
Total equity attributable to equity shareholders of the Company	7,871	8,396	8,855	9,376	**9,751**
Non-controlling interests	29	34	41	49	**58**
TOTAL EQUITY	7,900	8,430	8,896	9,425	**9,809**
Net debt					
Total debt[1]	7,901	7,826	6,857	6,278	**5,868**
Less: Cash and bank deposits	(1,459)	(1,636)	(1,049)	(1,313)	**(1,519)**
NET DEBT	6,442	6,190	5,808	4,965	**4,349**

	For the year ended 31 December				
	2016 HK$ million	2017 HK$ million	2018 HK$ million	2019 HK$ million	**2020 HK$ million**
Results					
Revenue	7,699	7,451	9,464	9,014	**8,923**
Profit before taxation	1,028	1,061	1,141	1,249	**1,263**
Income tax	(165)	(165)	(173)	(229)	**(224)**
Profit for the year	863	896	968	1,020	**1,039**
Attributable to:					
Equity shareholders of the Company	850	881	951	1,002	**1,023**
Non-controlling interests	13	15	17	18	**16**
Profit for the year	863	896	968	1,020	**1,039**
Basic earnings per share (HK cents)	24.9	24.9	26.7	27.5	**27.9**
Diluted earnings per share (HK cents)	24.7	24.8	26.7	27.4	**27.9**
Dividends per share					
Interim dividend (HK cents)	2.85	3.00	4.00	5.00	**5.00**
Final dividend (HK cents)	10.35	13.00	14.00	15.00	**16.00**
Total dividends per share (HK cents)	13.20	16.00	18.00	20.00	**21.00**

1 Total debt includes current and non-current bank and other borrowings.

CORPORATE GOVERNANCE

Key Corporate Governance Performance Overview

CORPORATE GOVERNANCE

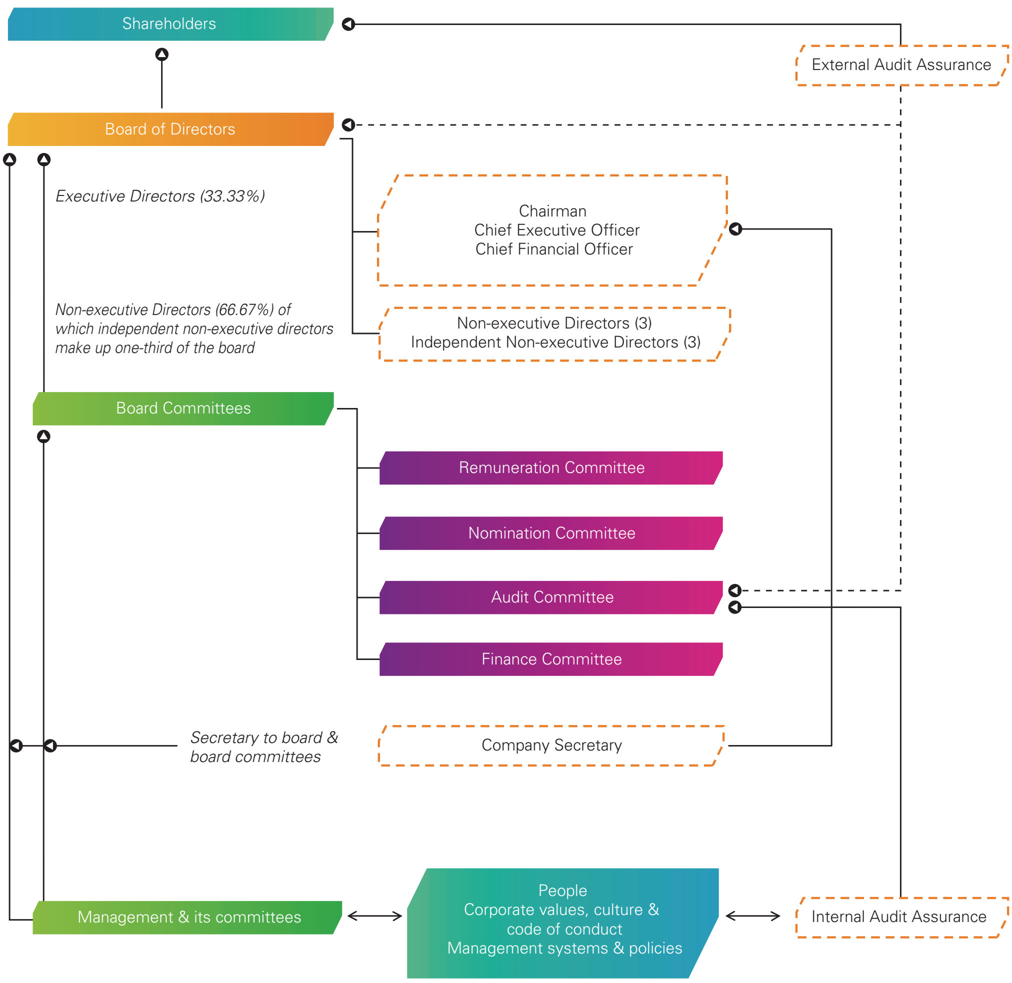
Corporate Governance Practices

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.

This report describes how the Company has applied its corporate governance practices to its everyday activities. The Company has fully complied with the applicable code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year of 2020.

Looking ahead, we will keep our governance practices under continual review to ensure their consistent application and will continue to improve our practices having regard to the latest developments.

Corporate Governance Structure



CORPORATE GOVERNANCE

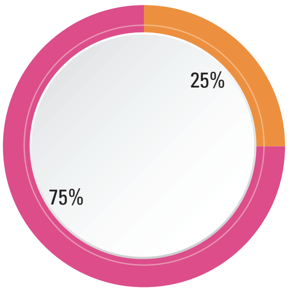
Board of Directors

Key features of our Board

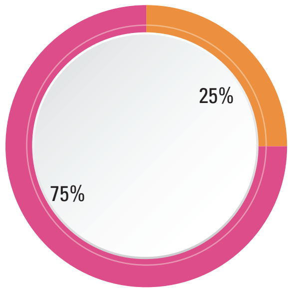
Independence

The Company emphasises on independence and objectivity of the Board and all committees. The Board consists of three executive directors, three non-executive directors and three independent non-executive directors. With the services of all Board members, the Board would have a prudential oversight on the Company's businesses and developments.

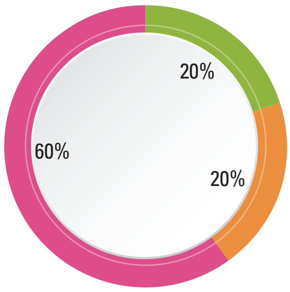
Audit Committee



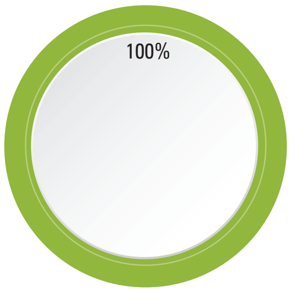
Remuneration Committee



Nomination Committee



Finance Committee

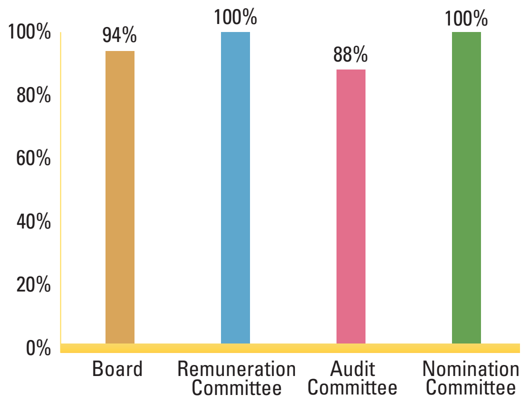


Executive director Non-executive director Independent non-executive director

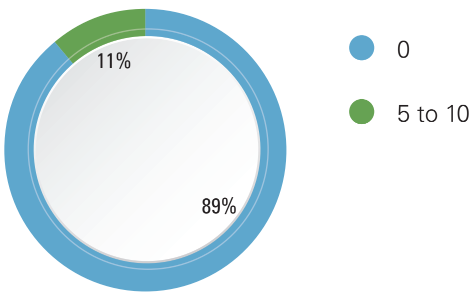
Commitment

The Company attaches importance to the level of directors' commitment to the Company and the Board. Each director has actively participated in the Board and committees' meetings with a high attendance rate. The majority of the directors hold no other directorship at other listed companies outside the CITIC Group. It enables the directors to devote sufficient time to the Company and closely monitor the Company's businesses.

Attendance Rate at Meetings



Directors' Other Directorships at Other Listed Companies Outside the CITIC Group



CORPORATE GOVERNANCE

Attendance at Meetings

The following table summarises directors' attendance at Board and committees' meetings and general meeting held in 2020:

✔ Attended ✘ Absent – Not Applicable

	Meetings Held/Attended				
	BOARD (Total: 4)	**REMUNERATION COMMITTEE** (Total: 1)	**AUDIT COMMITTEE** (Total: 2)	**NOMINATION COMMITTEE** (Total: 1)	**GENERAL MEETING (Note 2)** (Total: 1)
Executive Directors					
Mr. Xin Yue Jiang – *Chairman*	✔✔✔✔	–	– –	✔	✔
Mr. Cai Dawei – *Chief Executive Officer*	✔✔✔✔	–	– –	–	✔
Mr. Esmond Li Bing Chi – *Chief Financial Officer*	✔✔✔✔	–	✔✔ Note 1	–	✔
Non-executive Directors					
Mr. Liu Zhengjun	✔✔✘✔	–	– –	–	✔
Mr. Liu Jifu	✔✔✔✔	✔	– –	✔	✔
Mr. Fei Yiping	✔✔✘✔	–	✔✘	–	✔
Independent Non-executive Directors					
Mr. Liu Li Qing	✔✔✔✔	✔	✔✔	✔	✔
Mr. Zuo Xunsheng	✔✔✔✔	✔	✔✔	✔	✔
Mr. Lam Yiu Kin	✔✔✔✔	✔	✔✔	✔	✔

Notes:

1. Mr. Esmond Li Bing Chi also attended the audit committee meetings as the Chief Financial Officer of the Company.

2. The Company's external auditor also attended the annual general meeting of the Company held on 13 May 2020 (the "2020 AGM").

CORPORATE GOVERNANCE

Overall Accountability

Members of the Board are individually and collectively accountable to the shareholders for the success and sustainable development of the Company. The Board provides direction and approval in relation to matters concerning the Company's business strategies, policies and plans whilst the day-to-day business operations are delegated to the executive management. The Board is accountable to the shareholders and in discharging its corporate accountability, every director of the Company is required to pursue excellence in the interests of the Company's shareholders and fulfill his fiduciary duties by applying the required level of skill, care and diligence to a standard in accordance with the statutory requirements.

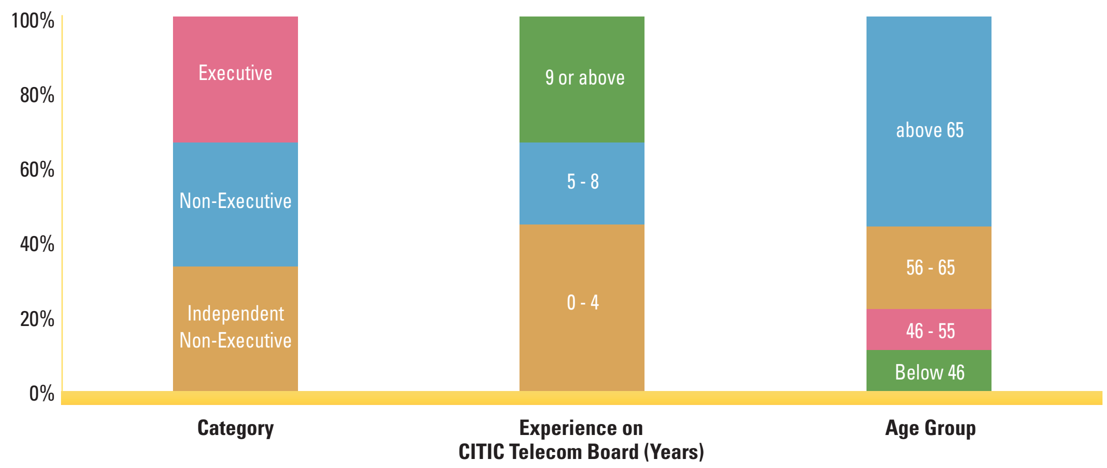
During the year, the Board has performed a self-evaluation of its performance and reviewed the contribution required from a director to perform his responsibilities. The Board is of the view that all directors have given sufficient time and attention to the Group's affairs and the Board operates effectively as a whole.

Board Composition, Diversity and Balance

The Company believes that diversity in all aspects, including experience and expertise, provides the Company with a high level of corporate governance and penetrating insights into the Company's businesses and industry. The Company continues to promote and support diversity and balance within the Board and the Group. The balance of skills, experience and diversity of perspectives of the Board members are beneficial to the Company's businesses.

The Board currently comprises three executive directors and six non-executive directors of whom three are independent as defined in the Listing Rules. The directors are of diverse academic background in the areas of telecommunications, engineering, accounting, economics, business administration and management. Brief biographical particulars of the directors are set out on pages 66 to 68 of this Annual Report. The Company believes that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business.

Board Diversity Statistics



Independent non-executive directors constitute one-third and non-executive directors constitute more than half of the Board. The Company has received from each independent non-executive director a confirmation of his independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules (the "Independence Guidelines") and considers that all independent non-executive directors are independent.

CORPORATE GOVERNANCE

Each director has entered into an appointment letter with the Company. Under the Articles of Association of the Company, any director appointed by the Board either to fill a casual vacancy or as an additional director is subject to re-election at the next general meeting of the Company. Also, one-third of the directors for the time being, or, if their number is not a multiple of three, then the number nearest to one-third, must retire from office at each annual general meeting ("AGM"). Thus, every director, including the non-executive directors, shall be subject to retirement by rotation at least once every three years. These directors are eligible for re-election. Their re-election is subject to a vote of the shareholders and separate resolutions are proposed for the election of each director.

During the year of 2020, Dr. Lin Zhenhui resigned as an executive director and Chief Executive Officer of the Company with effect from 28 February 2020, and Mr. Cai Dawei was appointed in his stead. Thus, in accordance with the Articles of Association of the Company, Mr. Cai was re-elected as director at the 2020 AGM.

In addition, Mr. Liu Zhengjun resigned as a non-executive director of the Company with effect from 4 March 2021 and Mr. Wang Guoquan was appointed in his stead.

As Mr. Wang Guoquan was appointed by the Board as a director of the Company subsequent to the 2020 AGM, in accordance with the Articles of Association of the Company, he will hold office only until the forthcoming AGM of the Company (the "2021 AGM") and will be eligible for re-election at the 2021 AGM.

Mr. Liu Li Qing, an independent non-executive director of the Company since March 2007, has served the Company for more than nine years, and will retire by rotation and, being eligible, has offered himself for re-election at the 2021 AGM. The Nomination Committee considered that his long service will not affect his exercise of independent judgment and was satisfied that he has the required character, integrity and experience to continue fulfilling the role of an independent non-executive director. Taking into consideration the above and Mr. Liu's confirmation of his independence in accordance with the Independence Guidelines, the Board is of the view that Mr. Liu remains independent notwithstanding the length of his service and should be re-elected at the 2021 AGM. In accordance with the Code, the re-election of Mr. Liu will be subject to a separate resolution to be approved at the 2021 AGM.

Roles of the Board

- Determines the overall strategies of the Company
- Monitors the performance of delegated Board Committees
- Sets strategic vision and long-term goals
- Reviews the management performance
- Oversees risks and internal controls of the Group

CORPORATE GOVERNANCE

Board Responsibilities and Delegation

The Board collectively determines the overall strategies of the Company, monitors performance and the related risks and internal controls in pursuit of the strategic objectives of the Group. Day-to-day management of the Group is delegated to the executive directors or the officer in charge of each division and function who is required to report back to the Board. Functions reserved to the Board and those delegated to management are reviewed periodically. All Board members have separate and independent access to the senior management, and are provided with full and timely information about the conduct of the business and development of the Group, including reports and recommendations on significant matters. All Board members are provided with monthly management updates of the business operations of the Group. Should separate independent professional advice be considered necessary by the directors, independent professional services would be made available to the directors upon request.

The Board has delegated some of its functions to the Board committees, details of which are set out below. Matters specifically reserved for the Board include approval of financial statements, dividend policy, significant changes in accounting policies, material contracts, changes to appointments such as company secretary and external auditor, terms of reference of Board committees, as well as major corporate policies.

To implement the strategies and plans approved by the Board, executive directors and senior management meet on a regular basis to review the performance of the Group and make financial and operational decisions. In addition, a Risk Management Committee, comprising the executive directors and senior management, meets regularly to discuss the risk management of the Group. A Capex Review Board is also set up in which the Chief Executive Officer and the Chief Financial Officer of the Company review the capital investments proposed by the management to ensure that the proposed investments are in the best interests of the Group both commercially and strategically.

The Company has arranged directors and officers liability and company reimbursement insurances for its directors and officers.

Details of the responsibilities, membership, attendance and activities during the year of each Board committee are set out on pages 46 to 56 of this Annual Report.

Board Meetings and Attendance

The Board meets regularly to review the financial and operating performance of the Group and to discuss future strategy. Four regular Board meetings were held in 2020. At the Board meetings, the Board reviewed significant matters including, inter alia, the Group's annual and interim financial statements, annual budget, proposals for final and interim dividends, annual report and interim report and the risk management report. At least 14 days' notice is given to all directors for all regular Board meetings and all directors are given the opportunity to include matters for discussion in the agenda. The agenda and Board papers for each meeting are sent to all directors more than 3 days in advance of every regular Board meeting. All minutes of the Board meetings are kept by the company secretary of the Company and are available to all directors for inspection.

The attendance record of each director at the Board meetings in 2020 is set out in the table on page 47 of this Annual Report.

Chairman and Chief Executive Officer

Mr. Xin Yue Jiang serves as the Chairman of the Company. Dr. Lin Zhenhui resigned as the Chief Executive Officer of the Company and Mr. Cai Dawei was appointed in his stead with effect from 28 February 2020. The Chairman and Chief Executive Officer have segregated defined responsibilities whereby the Chairman is primarily responsible for leadership and effective functioning of the Board, ensuring all key and appropriate issues are addressed by the Board in a timely manner, as well as providing strategic direction of the Group, and also take primary responsibility for ensuring good corporate governance practices and procedures are established. The Chief Executive Officer is responsible for the day-to-day management of the Group and the effective implementation of corporate strategy and policies. Their respective roles and responsibilities are set out in writing, which have been approved and adopted by the Board.

Directors' Continuing Professional Development Programme

Each newly appointed director is provided with necessary induction and information to ensure that he has a proper understanding of the Group's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

Directors' training is an ongoing process. During the year, directors are provided with monthly updates on the Group's performance, position and prospects to enable the Board as a whole and each director to discharge their duties. In addition, all directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year, the Company has also organised two briefing sessions conducted by Messrs. PricewaterhouseCoopers and Ernst & Young respectively for the directors of the Company. The Company also updates directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices. The training and continuous professional development of directors and senior management during the year has been reviewed by the Board.

According to the records of the directors' participation in the continuous professional development programme kept by the Company, a summary of training received by the directors during the year is as follows:

Directors	Type of continuous professional development programme
Executive Directors	
Mr. Xin Yue Jiang	A, B, C
Dr. Lin Zhenhui (resigned with effect from 28 February 2020)	C
Mr. Cai Dawei (appointed with effect from 28 February 2020)	A, B, C
Mr. Esmond Li Bing Chi	A, B, C
Non-executive Directors	
Mr. Liu Zhengjun	A, B, C
Mr. Liu Jifu	A, B, C
Mr. Fei Yiping	A, B, C
Independent Non-executive Directors	
Mr. Liu Li Qing	A, B, C
Mr. Zuo Xunsheng	A, B, C
Mr. Lam Yiu Kin	A, B, C

Notes:

A: attending expert briefings, seminars, webinars and/or accessing to the web-based learning resources

B: reading materials and updates relating to the latest development of the Listing Rules, other applicable regulatory requirements, business environment and economic trends and developments, etc.

C: reading monthly updates on the Group's performance, position and prospects

CORPORATE GOVERNANCE

Board Committees

Board Committees	Composition	Members
Remuneration Committee ("RC")	• Four members: All NEDs • Three out of four members, including the RC Chairman, are INEDs	• Mr. Liu Li Qing *(Chairman)* • Mr. Liu Jifu • Mr. Zuo Xunsheng • Mr. Lam Yiu Kin
Audit Committee ("AC")	• Four members: All NEDs • Three out of four members, including the AC Chairman, are INEDs	• Mr. Lam Yiu Kin *(Chairman)* • Mr. Fei Yiping • Mr. Liu Li Qing • Mr. Zuo Xunsheng
Nomination Committee	• Five members • Three out of five members are INEDs	• Mr. Xin Yue Jiang *(Chairman)* • Mr. Liu Jifu • Mr. Liu Li Qing • Mr. Zuo Xunsheng • Mr. Lam Yiu Kin
Finance Committee	• Three members	• Mr. Xin Yue Jiang • Mr. Cai Dawei • Mr. Esmond Li Bing Chi

Abbreviations: NED – Non-executive director
INED – Independent non-executive director

The Board has appointed a number of committees to discharge the Board functions. Sufficient resources are provided to enable the Board committees to undertake their specific roles. The respective role, responsibilities and activities of each Board committee are set out below:

Remuneration Committee

The principal role of the Remuneration Committee is to determine and review the remuneration packages of individual executive directors and senior management, including salaries, bonuses, share options and other plans, etc. The Remuneration Committee reviews and approves the management's remuneration proposals with reference to the Board's corporate goals and objectives and considers salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group, so as to align management incentives with shareholders' interests.

The committee currently comprises three independent non-executive directors and a non-executive director. The Chairman of the committee is Mr. Liu Li Qing, an independent non-executive director. The company secretary of the Company serves as the secretary of the committee. Minutes for the meetings are sent to the committee members within a reasonable time after the meetings. The full terms of reference are available on the Company's website (www.citictel.com) and the Stock Exchange's website.

CORPORATE GOVERNANCE

The composition of the Remuneration Committee during the year as well as the meeting attendance of the committee members are as follows:

Membership and Attendance	
Members	**Attendance/ Number of Meeting**
Independent Non-executive Directors	
Mr. Liu Li Qing – *Chairman*	1/1
Mr. Zuo Xunsheng	1/1
Mr. Lam Yiu Kin	1/1
Non-executive Director	
Mr. Liu Jifu	1/1

One meeting was held during the year. The Remuneration Committee has reviewed the remuneration policies and approved, inter alia, the salaries and bonuses of the general staff. No director took part in any discussion about his own remuneration. The Remuneration Committee has communicated with the Chairman of the Company about proposals relating to the remuneration packages of the general staff.

Details of the Company's remuneration policies are set out in the Sustainability Report on page 99 of this Annual Report, and directors' emoluments and retirement benefits are disclosed on pages 163 to 164 and pages 187 to 191 of this Annual Report. Share options granted under the Company's share option plan are disclosed on pages 80 to 82 and pages 192 to 194 of this Annual Report.

The remuneration paid to the directors of the Company, by name, for the year ended 31 December 2020 is set out in note 7 to the financial statements. The remuneration paid to the senior management, by band, for the year ended 31 December 2020 is set out below:

Remuneration of senior management other than directors during the year ended 31 December 2020

Total Remuneration Bands – Year 2020	Number of Executives
HK$3,000,000 and below	3
HK$3,000,001 – HK$6,000,000	1

Audit Committee

The Audit Committee reviews financial information of the Group, monitors the effectiveness of the external audit and oversees the appointment, remuneration and terms of engagement of the Company's external auditor, as well as their independence. The Audit Committee is also responsible for reviewing the financial reporting process and the systems of risk management and internal controls, including the internal audit function as well as arrangements for concerns raised by the staff on financial reporting and other matters. The Board also delegated certain corporate governance functions to the Audit Committee, including, inter alia, the review and monitoring of the Company's policies and practices on compliance with legal and regulatory requirement, the code of conduct of the Company and the Company's policies and practices on corporate governance and its compliance with the Code and disclosures in the Corporate Governance Report, etc. The terms of reference setting out the committee's authority and its role and responsibilities are available on the Company's website (www.citictel.com) and the Stock Exchange's website.

The Audit Committee currently consists of a non-executive director and three independent non-executive directors having the relevant professional qualifications and expertise. The Chairman of the committee is Mr. Lam Yiu Kin, an independent non-executive director. The company secretary of the Company acts as secretary of the committee. Sufficient resources are made available to the committee when independent legal or professional advice is required.

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The Audit Committee meets at least twice a year. The Chief Financial Officer and the external and internal auditors attend the meetings, take part in the discussions and answer questions from the committee members. By invitation of the Audit Committee, other directors and senior executives may also attend the meetings.

The Audit Committee held two meetings in 2020. The agenda and accompanying committee papers were sent to the committee members more than 3 days prior to each meeting.

The Audit Committee discussed with the management and the external auditor on the key audit matters summarised below and procedures performed by the external auditor. Please refer to pages 122 to 124 of this Annual Report for details of procedures performed by the external auditor.

Key Audit Matters	How did the Audit Committee address the matters
Impairment assessment of goodwill	The Audit Committee considered the methodology, estimates and assumptions used in assessing the impairment of goodwill. The Audit Committee was satisfied that the methodology, estimates and assumptions adopted were considered appropriate.
Revenue recognition	The Audit Committee considered the implemented policies and internal controls in connection with the Group's revenue cycles and was satisfied that adequate internal controls are in place to ensure the accuracy, existence and completeness of the Group's revenue recognition. The Audit Committee was satisfied that the key internal controls were operating effectively throughout 2020.

The company secretary of the Company prepared full minutes of the Audit Committee meetings with details of discussions and decisions reached. The draft and final versions of minutes were sent to all committee members within a reasonable time after each meeting.

The composition of the Audit Committee during the year as well as the meeting attendance of the committee members are as follows:

Membership and Attendance

Members	Attendance/ Number of Meetings
Independent Non-executive Directors	
Mr. Lam Yiu Kin – *Chairman*	2/2
Mr. Liu Li Qing	2/2
Mr. Zuo Xunsheng	2/2
Non-executive Director	
Mr. Fei Yiping	1/2

CORPORATE GOVERNANCE

During 2020, the Audit Committee has considered, inter alia, the external auditors' proposed audit fees; discussed with the external auditors their independence and the nature and scope of the audit; reviewed the interim and annual financial statements of the Group, particularly judgmental areas, before submission to the Board; reviewed the risk management and internal control system and the internal audit plan, findings and management's response; reviewed the Group's adherence to the code provisions in the Code; reviewed the risk management report and the amendments to the whistle-blowing policy before submitting to the Board for approval. The Audit Committee reviewed the Group's Sustainability Report to ensure compliance with regulatory requirements. The Audit Committee recommended the Board to adopt the interim and annual financial statements for 2020. The Audit Committee has also performed the corporate governance duties as set out in its terms of reference.

Nomination Committee

The Nomination Committee is authorised by the Board to determine the policy for the nomination of directors, to set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship. The Nomination Committee is also responsible for reviewing the structure, size and diversity of the Board. The full terms of reference are available on the Company's website (www.citictel.com) and the Stock Exchange's website.

The board diversity policy of the Company sets out the approach to achieve diversity in the Board which will include and make good use of the differences in skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of service and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and all Board appointments will be based on merit, having due regard to the overall effective functioning of the Board as a whole. The ultimate decision will be based on merit against objective criteria and with due regard for the benefits of diversity on the Board. The Company believes that diversity can strengthen the performance of the Board, promote effective decision-making and better corporate governance and monitoring. The Nomination Committee also monitors the implementation of this policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under this policy.

The committee currently comprises five members, a majority of whom are independent non-executive directors and is chaired by the Chairman of the Board. The company secretary of the Company serves as secretary of the Nomination Committee. Minutes for the meetings are sent to the Nomination Committee members within a reasonable time after the meetings.

One meeting was held and a resolution in writing was passed in 2020. The composition of the Nomination Committee during the year as well as the meeting attendance of the committee members are as follows:

Membership and Attendance

Members	**Attendance/ Number of Meeting**
Executive Director	
Mr. Xin Yue Jiang – *Chairman*	1/1
Non-executive Director	
Mr. Liu Jifu	1/1
Independent Non-executive Directors	
Mr. Liu Li Qing	1/1
Mr. Zuo Xunsheng	1/1
Mr. Lam Yiu Kin	1/1

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In 2020, the Nomination Committee reviewed the director nomination policy. The Nomination Committee has also assessed the independence of independent non-executive directors and made recommendations to the Board on the re-election of the directors retiring at the 2020 AGM. The recommendations were made after considering the composition of the Board, the director nomination policy and the board diversity policy of the Company, with due regard to the overall effective function of the Board as a whole. The relevant members of the Nomination Committee abstained from voting when his own nomination was being considered. The Nomination Committee also reviewed the composition of the management of the Group during the year. It also reviewed the structure, size and diversity of the Board and discussed the measurable objectives, including knowledge, appropriate professional qualifications, relevant business background and experience, skills, related management expertise and agreed that these measurable objectives were achieved for the diversity on the Board which contributed to the corporate strategy and the business development of the Company.

Finance Committee

The Finance Committee is delegated the powers of the Board to establish or renew financial and credit facilities and undertake financial and credit transactions such as loans, deposits, commercial papers, bills of exchange and foreign exchange, etc.

The Finance Committee currently comprises three executive directors, namely, Mr. Xin Yue Jiang, Mr. Cai Dawei and Mr. Esmond Li Bing Chi. In 2020, a few resolutions in writing were passed by the Finance Committee to approve the opening or closure of bank accounts and the financial transactions of the Company such as acceptance of banking facilities.

Accountability and Audit

Financial Reporting

The Board recognises the importance of integrity of financial information and acknowledges its responsibility for preparing financial statements that give a true and fair view of the financial position of the Group and of its financial performance and cash flows in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance"). In presenting the financial information, as well as price-sensitive announcements and other financial disclosures as required by regulations, the Board endeavours to present in a timely manner to shareholders and other stakeholders a balanced and understandable assessment of the Group's performance, position and prospects. Accordingly, appropriate accounting policies are selected and applied consistently, and judgments and estimates made by the management for financial reporting purpose are prudent and reasonable. Prior to the adoption of the financial statements and the related accounting policies, the relevant financial information is discussed between the external auditor and the management, and then submitted to the Audit Committee for review.

The Board considers that the adoption of relevant amendments to financial reporting standards that became effective during the year has not had a significant impact on the Group's financial statements, details of which are disclosed in notes 1(a) and 1(c) to the financial statements.

The responsibilities of the external auditor with respect to the financial statements for the year ended 31 December 2020 are set out in the Independent Auditor's Report on pages 121 to 127 of this Annual Report.

External Auditors and their Remuneration

The external auditors provide an objective assessment of the financial information presented by the management, and is considered one of the essential elements to ensure effective corporate governance. Since 2019, PricewaterhouseCoopers ("PwC"), Certified Public Accountants and Registered Public Interest Entity Auditor, has been engaged as the Company's external auditor. Their independence and audit process are reviewed and monitored by the Audit Committee which considers the scope of the audit work, audit fees, non-audit services as well as their appointment and retention.

During the year, the fees charged by PwC for the audit of the Company and its subsidiaries amounted to approximately HK$6,000,000. In addition, approximately HK$3,000,000 was charged by PwC for non-audit services. The non-audit services mainly consist of taxation services, interim review, advisory and other professional services. The fees charged by other auditors of the Group for audit services and non-audit services during the year amounted to approximately HK$2,000,000 and less than HK$1,000,000 respectively.

Risk Management and Internal Control

Risk management and internal control are essential parts of corporate governance. The Board has overall responsibility for maintaining an adequate system of risk management and internal control and reviewing its effectiveness, while management ensures sufficient and effective operational controls over the key business processes are properly implemented with regular reviews and updates.

The risk management and internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material misstatement or loss, and management rather than elimination of risks associated with its business activities.

Risk management and internal control system features

The risk management and internal control system of the Group is established along the core concepts of Enterprise Risk Management – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and the Basic Standard for Enterprise Internal Control jointly issued by ministries and commissions (Ministry of Finance, China Securities Regulatory Commission, National Audit Office, China Banking Regulatory Commission and China Insurance Regulatory Commission) in 2008 as well as the relevant guidelines and government policies.

Group's risk management facilitates business development and operation of the Group by setting the appropriate risk appetite, maintaining an optimal risk level and most importantly, proactively managing risks. Business units across the Group embrace the Enterprise Risk Management framework that underpins their day-to-day business activities. The framework provides a simple and effective management process to identify and review risks across all business units of the organisation, and prioritise resources to manage those risks that arise.

Management process for significant risks

The Group takes proactive measures to identify, evaluate and manage significant risks arising from its recurrent and growth businesses and from the constantly changing business environment. Various risk management strategies have been established by management to identify, assess and mitigate risks, including in the areas of strategy, market, finance, legal and operation risks.

The Group established "Risk Management Policy" which provides guidance and procedures to business units and corporate departments of the Group for implementing risk management and internal control practices. All risks are ranked and their treatment is determined by a combination of likelihood and consequence, which takes account of risk appetite level. Each risk is evaluated by the likelihood of the identified risk and the consequences of the risk events taking into consideration the control measures in place. Business units establish their own arrangements for implementing a risk management process complied with the Risk Management Policy and capture identified risks in risk registers which are reviewed regularly.

Overall business risks of the Group are reviewed and assessed regularly. Management is required to submit a written report on the risk review exercised to the Audit Committee half-yearly. Besides, report on the effectiveness of the Group's risk management and internal control system will be submitted annually.

CORPORATE GOVERNANCE

Moreover, an early risk flagging mechanism is established which enables the Group to proactively identify and assess emerging risks and broad areas of changes, emanating from both internal and external factors, and act on them in a timely manner. Risk owners have to flag and report immediately to the corresponding risk oversight parties when a potential risk is perceived and significant impact is expected in any business areas.

The Group's significant risks can be found in the "Risk Management" section on pages 36 to 42 of this Annual Report.

The major risk factors assessed by the Group are listed as follows:

Risk factors	Impacts to the Group	Risk Mitigation Measures
Competitive market conditions	Rapid changes in telecommunications technology are lowering barriers to entry and increasing the level of competition in the industry. The effect of increasingly competitive market conditions, including any decline in the Group's revenue and margins of our products and services, may adversely impact on the Group's financial condition and results of operations.	• Striving to promote the development and transition from existing services into new services with new technology. • Providing new services to customers by partnering with industry leaders. • Monitoring the market conditions proactively to facilitate the Group's business strategies, as well as new business developments.
Major regulatory changes	Regulatory or policy changes (e.g. open telecommunication market, price cut, tariff reduction, privacy policy, etc.) may directly impact our strategy and business model as well as increase complexity, and may continue to adversely affect the Group's profitability and financial conditions.	• Developing and maintaining relationships with relevant regulatory stakeholders and policy makers proactively, in an effort to minimise potential adverse effects of policy and regulatory decisions. • Establishing clear, transparent and timely communications with our stakeholders (including customers, government and regulators) about our company and corporate strategy, and seeking to understand their views and maintain good relationships.
Cyber security	With the advent of information technology and its increased application, the frequency and intensity of cyber-attacks are on the rise. The Group's critical information assets are exposed to threats, damage or unauthorized access in the digital world. Any system breakdown or breach in security may have adverse impact on the integrity, accuracy and confidentiality of data and information about the Group and our customers.	• Reviewing and updating the security controls on our network continually, especially in times of global ransomware and other cyber-crime events. • Providing training in relation to data security and privacy awareness for all employees. • Conducting regular cyber security drills across the organisation to test the level of staff compliance and vigilance.

CORPORATE GOVERNANCE

Risk factors	Impacts to the Group	Risk Mitigation Measures
Business resilience	There are multiple threats to Group's ability to ensure resilience and continuity of key processes, system and people, including extreme weather events, natural disasters, terrorist attacks, etc. These events could harm the Group's revenue and prospects.	• Maintaining business capabilities, strategies, and plans in place which seek to prevent, respond to and recover from disruptions of critical network/service. • Partnering with our external vendors to deliver improved management of our technology asset lifecycles and resilience.
Interest rate risk	The Group is exposed to interest rate risk through the impact of rate changes on interest from long term borrowings. The Group may be affected by changes in the prevailing interest rates of the global credit market. Any increase in interest rate in connection with the currencies the Group borrows will increase the Group's finance costs and may adversely affect the Group's financial condition and results of operations.	• Performing regular review to achieve a balance between minimising the Group's overall cost of fund and managing large interest rate movements, as well as having regard to the floating/fixed rate mix appropriate to its current business portfolio.
Novel coronavirus (COVID-19) outbreak	The outbreak will threaten the health of our employees and customers, and may impact the customers in reducing the use of Group's services.	• Carrying out preventive measures (e.g. regular disinfection, wearing preventive equipment, etc.) to safeguard the health of our staff and customers. • Leveraging the Group's disaster recovery services and remote access solutions to help enterprise customers fight against the coronavirus, which is both aligned with our corporate social responsibility and to cultivate customer's habit on using these services.

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Monitoring the effectiveness of risk management and internal control system

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks that the Group is willing to take in achieving its strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management system. The Audit Committee supports the Board in monitoring the Group's risk exposures, the design and operating effectiveness of the underlying risk management system.

During the year, the Audit Committee assessed the effectiveness of the risk management and internal control system on behalf of the Board. The main internal control reviews were as follows:

– The management assessed and considered the adequacy of the resources, qualifications and experience of employees in the internal audit, risk management, accounting and financial reporting functions, as well as the sufficiency of training sessions and related budgets.

– The management regularly assessed the risks and internal controls with reference to the five components of the COSO Enterprise Risk Management – Integrated Framework. The result of the review has been summarised and reported to the Audit committee and the Board.

– The Audit Committee regularly reviewed the internal audit findings and opinions on the effectiveness of the Group's risk management and internal control system and reports to the Board on such reviews.

The Board and the management will establish sufficient and effective management and controls through the risk management and internal control framework of the Group, which will ensure compliance with the Listing Rules and other legal or regulatory requirements of the jurisdictions in which the Group operates, in order to improve the risk management and internal control system.

Internal Audit

The Group has continued to engage the Internal Audit Department of CITIC Pacific Limited to perform internal audits for the Group. The Internal Audit Department performs independent internal audit reviews for business units and functions in the Group on a systematic and ongoing basis. The frequency of review of individual business units or functions is determined after an assessment of the risks involved. The Audit Committee endorses the internal audit plan annually. The Internal Audit Department has unrestricted access to all parts of the business and direct access to any level of management including the Chairman of the Company and the Chairman of the Audit Committee as it considers necessary. It submits regular reports for the Audit Committee's review in accordance with the approved internal audit plan. Concerns which have been reported by the Internal Audit Department are responded by management by taking appropriate remedial actions. During the year, the internal audit of a major subsidiary of the Group was completed on a co-sourcing basis with a leading professional accounting firm to increase the internal audit value.

CORPORATE GOVERNANCE

Business Ethics

Code of conduct

To ensure the highest standard of integrity in our business, the Group adopted a code of conduct defining the ethical standards expected of all employees as well as non-discriminatory employment practices. Briefings on the code of conduct are held regularly for new employees during orientation sessions. The code of conduct can be accessed through the Company's intranet. The Audit Committee receives reports on the execution of the code of conduct and its compliance at least once a year.

Whistle-blowing policy

The Group considers the whistle-blowing channels as a useful means of identifying possible misconduct or fraud risks of a particular operation or function by encouraging employees to raise concerns in good faith. The Company has established a whistle-blowing policy setting out principles and procedures for guiding the directors and employees of the Group in reporting cases of fraud, corruption or misconduct in a fair and proper manner and will review the policy from time to time.

According to the whistle-blowing policy, concerns can be raised via email or by post to the Head of Internal Control and Compliance Department; or in writing to the Chairman of the Company or the Chairman of the Audit Committee. All allegations received shall be registered and will be evaluated to determine the credibility, materiality and verifiability. To this end, the allegation will be evaluated to determine whether there is a legitimate basis to warrant an investigation. The Head of Internal Control and Compliance Department will handle the investigation and directly report to the Chairman of the Company. Those who have conflict of interest will not be included.

Inside Information/Price-Sensitive Information

With respect to the procedures and internal controls for the handling and dissemination of inside information/price-sensitive information, the Company is aware of its obligations under Part XIVA of the Securities and Futures Ordinance and the Listing Rules and has established the inside information/price-sensitive information disclosure policy with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. All directors confirmed that they have complied with the required standard set out in the Model Code throughout 2020. The interests held by individual directors in the Company's securities at 31 December 2020 are set out in the Directors' Report on page 81 and page 83 of this Annual Report.

Good Employment Practices

In Hong Kong, the Company has followed the guide to good employment practices issued by the Employers' Federation of Hong Kong to ensure legally compliant, non-discriminatory and professional employment practices are implemented.

CORPORATE GOVERNANCE

Communication with shareholders

The Company considers effective communication with shareholders essential to enable them to have a clear assessment of the Group's performance as well as accountability of the Board. Major means of communication with shareholders of the Company are as follows:

Information Disclosure on Corporate Website

The Company endeavours to disclose all material information about the Group to all interested parties as widely and timely as possible. The Company maintains a corporate website at www.citictel.com where important information about the Group's activities and corporate matters such as annual reports and interim reports to shareholders, announcements, business development and operations, corporate governance practices and other information is available for review by shareholders and other stakeholders.

During 2020, the Company has issued announcements in respect of, inter alia, some connected transactions which can be viewed on the Company's website (www.citictel.com).

Dividend Policy

Subject to the availability of the Company's cash and distributable reserves, the Group's investment requirements, and the Group's cashflow and working capital requirements, the directors currently intend to declare and recommend dividends which would amount to not less than 30% of the net profit, if any, from ordinary activities for the financial year ended.

General Meetings with Shareholders

The Company's AGM provides a useful platform for direct communication between the Board and shareholders. Separate resolutions are proposed on each substantially separate issue at the general meetings.

Voting by Poll

Resolutions put to vote at the general meetings of the Company (other than on procedural and administrative matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Stock Exchange and the Company respectively on the same day as the poll.

Investor Relations

The Company recognises its responsibility to explain its activities to those with a legitimate interest and to respond to their questions. Investors are received and visited at appropriate times to explain the Group's business. In addition, questions received from the general public and individual shareholders are answered promptly. In all cases great care is taken to ensure that price-sensitive information is not disclosed selectively. When announcements are made through the Stock Exchange, the same information will be made available on the Company's website (www.citictel.com).

CORPORATE GOVERNANCE

Shareholders' Rights

Set out below is a summary of certain rights of the shareholders of the Company as required to be disclosed pursuant to the mandatory disclosure requirement under the Code:

Convening of general meeting

Shareholder(s) representing at least 5% of the total voting rights of all shareholders having a right to vote at general meetings can make a request to call a general meeting pursuant to Section 566 of the Companies Ordinance.

The request –

(a) must state the general nature of the business to be dealt with at the meeting;

(b) may include the text of a resolution that may properly be moved and is intended to be moved at the meeting;

(c) may consist of several documents in like form;

(d) may be sent in hard copy form or in electronic form to the company secretary of the Company at the Company's registered office (25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong) or via email at contact@citictel.com; and

(e) must be authenticated by the person or persons making it.

Pursuant to Section 567 of the Companies Ordinance, directors must call a general meeting within 21 days after the date on which they become subject to the requirement and the meeting so called must be held on a date not more than 28 days after the date of the notice convening the meeting. If the directors do not do so, the shareholders who requested the meeting, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a general meeting pursuant to Section 568 of the Companies Ordinance, but the meeting must be called for a date not more than 3 months after the date on which the directors become subject to the requirement to call a general meeting.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows:

The Company Secretary
CITIC Telecom International Holdings Limited
25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong
Email: contact@citictel.com
Tel No. : +852 2377 8888
Fax No. : +852 2918 4838

The company secretary of the Company shall forward the shareholders' enquiries and concerns to the Board and/or relevant Board committees of the Company, where appropriate, to answer the shareholders' questions.

CORPORATE GOVERNANCE

Procedures for putting forward proposals at general meetings by shareholders

- Circulating a resolution for an AGM

  Shareholder(s) can make a request to circulate a resolution for an AGM pursuant to Section 615 of the Companies Ordinance if they –

  (a) represent at least 2.5% of the total voting rights of all shareholders who have a right to vote on the resolution at the AGM to which the request relates; or

  (b) at least 50 shareholders who have a right to vote on the resolution at the AGM to which the request relates.

  The request –

  (a) may be sent in hard copy form or in electronic form to the company secretary of the Company at the Company's registered office (25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong) or via email at contact@citictel.com;

  (b) must identify the resolution of which notice is to be given;

  (c) must be authenticated by the person or persons making it; and

  (d) must be received by the Company not later than 6 weeks before the AGM to which the request relates or if later, the time at which notice is given of that AGM.

- Circulating a statement at an AGM or at a general meeting

  Shareholder(s) can pursuant to Section 580 of the Companies Ordinance request the Company to circulate, to shareholders entitled to receive notice of a general meeting, a statement of not more than 1,000 words with respect to a matter mentioned in a proposed resolution to be dealt with at that meeting or other business to be dealt with at that meeting, if such shareholder(s):

  (a) represent at least 2.5% of the total voting rights of all shareholders who have a relevant right to vote; or

  (b) at least 50 shareholders who have a relevant right to vote (as defined in section 580(4) of the Companies Ordinance).

  The request –

  (a) may be sent in hard copy form or in electronic form to the company secretary of the Company at the Company's registered office (25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong) or via email at contact@citictel.com;

  (b) must identify the statement to be circulated;

  (c) must be authenticated by the person or persons making it; and

  (d) must be received by the Company at least 7 days before the meeting to which it relates.

- Proposing a candidate for election as a Director

  Article 108 of the Company's Articles of Association provides that no person (other than a retiring director) shall, unless recommended by the Board for election, be eligible for election to the office of director at any general meeting, unless a shareholder shall have given a notice in writing of the intention to propose that person for election as a director and a notice in writing by that person of his willingness to be elected shall have been given to the Company in the period commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than 7 days prior to the date of such meeting, provided that such period shall be at least 7 days. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules.

Constitutional Documents

There are no changes in the constitutional documents of the Company in 2020.

Non-Competition Undertaking

CITIC Limited has executed a deed of non-competition dated 21 March 2007 (the "Non-competition Undertaking") in favour of the Company, details of which are set out in the prospectus of the Company, mainly to the effect that at any time during which the shares of the Company are listed on the Stock Exchange and CITIC Limited and/or its associates are regarded as a controlling shareholder of the Company under the Listing Rules, (i) CITIC Limited will not engage and will procure its subsidiaries not to engage in the provisions of telecommunications hub-based service (the "Restricted Activity") globally or in any other business that may compete with the Restricted Activity, and (ii) in the event that any opportunity is made available to CITIC Limited to invest in any independent third party's business engaging in the Restricted Activity, CITIC Limited will use its best efforts to procure that such investment opportunity is offered to the Group and the Group shall have a first right of refusal.

CITIC Limited has reviewed its business and businesses of its subsidiaries and advised that their businesses do not compete with the Restricted Activity and that during the year, there was no opportunity made available to CITIC Limited to invest in any independent third party which was engaged in the Restricted Activity. CITIC Limited has given a written confirmation to the Company that it had fully complied with the terms of the Non-competition Undertaking. The independent non-executive directors of the Company have reviewed the confirmation and concluded that CITIC Limited has made the compliance.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

#^ **Mr. Xin Yue Jiang**, aged 72, has been appointed as the Chairman of the Company from 19 March 2009. He joined the Company in January 2008 as executive director and Vice Chairman of the Board. Mr. Xin is also the Chairman of Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") and CITIC Telecom International CPC Limited ("CPC"), both being subsidiaries of the Company. Mr. Xin graduated from China Naval Aeronautic Engineering Institute and Central University of Finance and Economics and obtained a Master degree in Economics and Management from the Graduate School of Chinese Academy of Social Sciences. After serving a substantial period of time in the government of the People's Republic of China (the "PRC") in which Mr. Xin was involved in the administration of science, technology information and economics, Mr. Xin joined in succession various major conglomerates as senior management, researcher or chief engineer. When Mr. Xin was with China Netcom (Hong Kong) Operations Limited, he held the position of Senior Vice President and Senior Consultant. Mr. Xin had also participated in the planning, implementation and management of many different important state projects. Mr. Xin thus possesses extensive knowledge and experience in science and technology information, business operation and management, and capital market operation. Since 1985, Mr. Xin has joined many different overseas studies and visits, and gained many valuable experiences in promoting co-operation with overseas enterprises, technology exchange, product research and development, and product marketing. Mr. Xin has long participated in the study and research of corporate governance and corporate culture, in particular the characteristics of Western economy and the corporate governance practices adopted by overseas enterprises, and has made significant achievement in that regard.

^ **Mr. Cai Dawei**, aged 44, has been an executive director and the Chief Executive Officer of the Company since 28 February 2020. He is also the Vice Chairman of CPC and China Enterprise ICT Solutions Limited ("CEC", a subsidiary of the Company) and Corporate Representative of the Company in the board of CTM. Mr. Cai joined the Company in August 2009. He was a member of Corporate Management as from July 2015 and was appointed as the Vice President of the Company in December 2016, responsible for various aspects of businesses, including Business Operation, Business and Management Information System, Data Centre Business Development and Property Management, etc. He was also a director of CTM for the period from June 2013 to January 2019, participating profoundly in the management and innovative development of CTM. In January 2019, Mr. Cai joined the team of North American Region of the Company and has been appointed as the President of the Region since May 2019. Mr. Cai obtained a Bachelor degree in Telecom Engineering from Beijing University of Posts and Telecommunications in 1998, and received a Master degree in Business Administration from the University of International Business and Economics in 2005. Prior to joining the Company, Mr. Cai held various positions within China Telecommunications Corporation and China Netcom Corporation during 1998 to 2009, and he was Vice President of China Netcom (Hong Kong) Operations Limited. To date, Mr. Cai has over 22 years' practical experience in the field of telecommunications, and has a deep understanding and achievement in business operation and management, communication and information technology development, new business expansion and network operation management.

^ **Mr. Li Bing Chi, Esmond**, aged 59, has been an executive director and the Chief Financial Officer of the Company since 6 August 2019. He is also a director of CTM, a director and the Chief Executive Officer of CPC and a director and President of CEC. Mr. Li joined CITIC Pacific Limited (now known as CITIC Limited, a company listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), being the controlling shareholder of the Company and a subsidiary of CITIC Group Corporation ("CITIC Group", the ultimate holding company of the Company)) as Vice President, Telecom Project Development in 2001. Mr. Li worked as chief financial officer of CPC from 2004 to August 2019 and was transferred to the Group in 2007 when CPC was acquired by the Group. Mr. Li is a fellow member of the Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants ("HKICPA"), and he was a certified public accountant in the State of Washington, United States of America and a member of the American Institute of Certified Public Accountants in the United States of America. He obtained a Professional Diploma in Accountancy from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) and a Master of Business Administration from the University of Warwick in the United Kingdom. Prior to joining CITIC Limited, Mr. Li was with Netalone.com Limited, the Cable & Wireless HKT group and Ernst & Young. Mr. Li has over 36 years of extensive experience in the finance and accounting field.

DIRECTORS AND SENIOR MANAGEMENT

Non-Executive Directors

Mr. Wang Guoquan, aged 48, has been a director of the Company since 4 March 2021. Mr. Wang is currently the Vice President of CITIC Group, and concurrently serves as the Vice President of CITIC Limited and CITIC Corporation Limited (a subsidiary of CITIC Group), and Chairman of the Board and a non-executive director of Asia Satellite Telecommunications Holdings Limited. Mr. Wang obtained an executive master degree of business administration (EMBA) from Business School, Renmin University of China. Mr. Wang had successively served as the Deputy General Manager and the General Manager of China Telecom Hebei branch and the General Manager of the marketing department of China Telecommunications Corporation. He became the Vice President of China Telecommunications Corporation since December 2018. Then, he was the Executive Vice President of China Telecom Corporation Limited ("China Telecom", a company listed on the Stock Exchange) from March 2019 and an Executive Director of China Telecom from August 2019, both until December 2020. From May 2017 to August 2019, he was a Director of Besttone Holding Co., Ltd. (listed on the Shanghai Stock Exchange in the PRC). Mr. Wang has extensive experience in management and the telecommunications industry.

Δ# **Mr. Liu Jifu**, aged 77, has been a director of the Company since November 2010. He is also the Chairman of the Supervisory Board of CTM. Mr. Liu is a director of CITIC Pacific Limited ("CITIC Pacific", a controlling shareholder of the Company), CITIC Hong Kong (Holdings) Limited ("CITIC HK") and CITIC International Financial Holdings Limited (all of these three companies are subsidiaries of CITIC Group). Mr. Liu previously served as an executive director of CITIC Limited. He was with the Financial and Economics Research Institute in the Chinese Academy of Social Sciences, an executive director of China Everbright Group Limited, and the Chairman of China Everbright Travel Inc and China PINGHE Import & Export Co., Ltd.

* **Mr. Fei Yiping**, aged 57, has been a director of the Company since June 2016. He is also a director and the chief financial officer of CITIC Pacific, a director and the chief financial officer of CITIC HK, a Vice Chairman and President of CITIC Pacific China Holdings Limited (a subsidiary of CITIC Pacific), a non-executive director of Frontier Services Group Limited (a company listed on the Stock Exchange) since 24 March 2020, an executive director and general manager of Rainbow Wisdom Investments Limited (a subsidiary of CITIC Group), a director of Dah Chong Hong Holdings Limited (a fellow subsidiary of the Company whose shares are withdrawn from listing on the Stock Exchange on 10 January 2020), a director of CTM, and also a director of certain member companies of CITIC Pacific involved in special steel, property, energy and medical and a director of certain member companies of CITIC Limited involved in iron ore mining, property and its interests in McDonald's mainland China and Hong Kong businesses (including, inter alia, Grand Foods Holdings Limited), and also the Chairman of the Audit, Compliance and Risk Management Committee of Grand Foods Holdings Limited. Mr. Fei was also a non-executive director of the Company during the period from January 2010 to February 2013. Mr. Fei is a graduate from Beijing Science and Technology University and received a Master in Business Administration from the University of Edinburgh in the United Kingdom. Mr. Fei is a FCPA of CPA Australia. He has over 24 years experience in accounting and financial management. He has been with CITIC Group since 1991. Between 2001 and 2008, Mr. Fei first acted as treasurer and director of CitiSteel USA, Inc. and then as vice president of CITIC USA Holdings, Inc. and chief representative of CITIC Group in New York. When he returned to China in 2008, he became deputy director-general of the finance department of CITIC Group.

Independent Non-Executive Directors

*Δ# **Mr. Liu Li Qing**, aged 80, joined the Company as an independent non-executive director in March 2007. Mr. Liu, a senior economist, graduated from Management Engineering in Beijing University of Posts and Telecommunications in 1963. Mr. Liu served as a Vice Minister of Ministry of Posts and Telecommunications during the period from 1996 to 1998 and the Head of State Post Bureau from March 1998 to April 2003. After 2003, Mr. Liu also served as the Deputy Director of the Committee for Economic Affairs of the Tenth National Committee of the Chinese People's Political Consultative Conference, the Chairman of Sino-French Life Insurance Co., Ltd., the Vice Chairman of China Optimization Society of Capital Construction, the Honorary President of China Institute of Communications, as well as the Chairman and Honorary Chairman of China Association of Communications Enterprises. Mr. Liu is now the Senior Consultant of China Association of Communications Enterprises.

DIRECTORS AND SENIOR MANAGEMENT

*∆# **Mr. Zuo Xunsheng**, aged 70, joined the Company as an independent non-executive director in April 2014. He obtained an EMBA degree from Guanghua School of Management of Peking University in 2004. From July 1993 to October 1997, Mr. Zuo served as the Director of the former Bureau of Telecommunications of Jinan City, Shandong Province. From October 1997 to May 2000, he served as the Director of the former Posts and Telecommunications Bureau of Shandong Province. He was the President of the former Shandong Telecommunications Company from May 2000 to April 2002.

Mr. Zuo served as the Vice President of China Network Communications Group Corporation from April 2002 to May 2008. He was the Senior Vice President of China Netcom Group Corporation (Hong Kong) Limited ("CNC HK") since July 2004; Chief Operating Officer of CNC HK since December 2005; an Executive Director and Chief Executive Officer of CNC HK from May 2006 to October 2008 and Chairman of CNC HK from May 2008 to October 2008. From October 2008 to March 2011, Mr. Zuo was the Vice Chairman and Vice President of China United Network Communications Group Company Limited; Director and Senior Vice President of China United Network Communications Corporation Limited; and Director of China United Network Communications Limited (listed on the Shanghai Stock Exchange in the PRC). Mr. Zuo also served as an Executive Director of China Unicom (Hong Kong) Limited (listed on the Stock Exchange) from October 2008 to March 2011.

In addition, Mr. Zuo served as a Non-Executive Director and Deputy Chairman of PCCW Limited (listed on the Stock Exchange) from July 2007 to November 2011. Mr. Zuo is well experienced in telecommunications operations and has rich management experience.

*∆# **Mr. Lam Yiu Kin**, aged 66, joined the Company as an independent non-executive director in June 2017. Mr. Lam is a fellow member of each of the Association of Chartered Certified Accountants, the Institute of Chartered Accountants in England and Wales, the Chartered Accountants of Australia and New Zealand, and HKICPA. He graduated from The Hong Kong Polytechnic University with a higher diploma in Accountancy in 1975. He was conferred an Honorary Fellow of The Hong Kong Polytechnic University in 2002.

Mr. Lam has over 45 years of extensive experience in accounting, auditing and business consulting. Mr. Lam was previously a member of the Listing Committee and the Financial Reporting Advisory Panel of the Stock Exchange from 1997 to 2003, a committee member of HKICPA from 1994 to 2009, and a partner of PricewaterhouseCoopers from 1993 to 2013. Mr. Lam was an adjunct professor in the School of Accounting and Finance of The Hong Kong Polytechnic University from 2008 to 2016.

Mr. Lam is currently an independent non-executive director of each of (i) Global Digital Creations Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange; (ii) Spring Asset Management Limited as the manager of Spring Real Estate Investment Trust which is listed on the Main Board of the Stock Exchange; (iii) Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd., a company listed on the Main Board of the Stock Exchange and listed on the STAR Market of the Shanghai Stock Exchange on 19 June 2020; (iv) Shougang Concord Century Holdings Limited, a company listed on the Main Board of the Stock Exchange; (v) COSCO SHIPPING Ports Limited, a company listed on the Main Board of the Stock Exchange; (vi) Nine Dragons Paper (Holdings) Limited, a company listed on the Main Board of the Stock Exchange; (vii) WWPKG Holdings Company Limited, a company listed on the Growth Enterprise Market of the Stock Exchange; (viii) Bestway Global Holding Inc., a company listed on the Main Board of the Stock Exchange; and (ix) Topsports International Holdings Limited, a company listed on the Main Board of the Stock Exchange. Mr. Lam was an independent non-executive director of Vital Innovations Holdings Limited, a company listed on the Main Board of the Stock Exchange, until 31 October 2020.

* Member of the Audit Committee
∆ Member of the Remuneration Committee
Member of the Nomination Committee
^ Member of the Finance Committee

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Poon Fuk Hei, aged 55, is the Executive Vice President of the Company, Chief Executive Officer ("CEO") and Chairman of the Executive Committee of CTM. Mr. Poon joined CTM in 1987, who became the CEO of CTM in 2007 and has been playing a pivotal role for the sustainable development of CTM.

Mr. Poon is committed to innovation and the development of "Digital Macau", under Mr. Poon's leadership, CTM has been consolidating the leading position in the local telecoms arena in a rapidly changing market. With visionary insight, Mr. Poon has ushered the changeover of the 3 core networks, enabling Macau to keep abreast of the global technology trend, laying a solid foundation for Macau in the construction of a smart city.

Mr. Poon values talents, he has been cultivating batches of outstanding talents for the telecom industry in Macau. Under the open-minded leadership of Mr. Poon, the CTM team develops sustainably, giving a strong vitality for the development of Macau's telecom industry.

Mr. Cheung Yuet Pun, aged 48, is the Vice President of the Company. He joined the Company in February 2002 and was responsible in areas such as product marketing, development and management and was appointed to be the Chief Technology Officer of the head office in 2008. Mr. Cheung obtained a Bachelor of Science degree of Electrical Engineering from Queen's University at Kingston, Canada in 1995 and also completed the Master of Science (MSc) in Financial Analysis and the Executive Diploma in Management at the Hong Kong University of Science and Technology in 2010 and 2006 respectively. From his professional certification aspect, he was granted the Professional Engineer License of Ontario, Canada since 1999. Mr. Cheung previously held various positions within Nortel Networks Corporation during 1996 to 2002, responsible for software design, technical support, and sales and marketing. To date, Mr. Cheung has about 25 years of operational experience in the telecoms industry.

He is the Vice Chairman of Communications Association of Hong Kong (CAHK), the Consultative and Advisory Panel (CAP) member of Hong Kong Internet Registration Corporation Limited (HKIRC) and a member of the Telecommunications Regulatory Affairs Advisory Committee (TRAAC) and the Radio Spectrum and Technical Standards Advisory Committee (SSAC) of Office of the Communications Authority (OFCA). He has also been appointed as the Incu-App, Incu-Tech, and Science and Technology Entrepreneur Programme (STEP) admission panel member for Hong Kong Science & Technology Parks Corporation (HKSTPC) to foster technology and innovation advancement in Hong Kong. He was also a member in the Steering Committee of i3 Forum, which comprised fixed and mobile operators representing a combined retail base in excess of two billion customers in over 100 countries. Previously, he was a committee member of the Cyberport IncuTrain Centre Vetting Committee.

Mr. Wong Ching Wa, aged 46, is the Vice President of the Company. Mr. Wong joined the Company in January 2008 as director of China business department and was responsible for China market and business development of the head office. Mr. Wong is a director of CEC. Mr. Wong obtained a Bachelor degree of Telecom Engineering Management from Beijing Information Technology College in 1996 and a Master degree of Engineering Management from Sichuan University in 2002. Mr. Wong previously held management positions in different telecoms and technology companies in the PRC. Before joining the Company, he was the General Manager of operations management department of China Netcom (Hong Kong) Operations Limited. To date, Mr. Wong has more than 24 years experience in the telecoms industry.

DIRECTORS' REPORT

The directors have pleasure in submitting their Annual Report together with the audited financial statements for the year ended 31 December 2020.

PRINCIPAL PLACE OF BUSINESS

CITIC Telecom International Holdings Limited (the "Company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 25/F, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 14 to the financial statements. A fair review of the business of the Company and further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, important events affecting the Group occurred since the end of the financial year 2020, if any, and indication of likely future developments of the Group's business, can be found in the Chairman's Statement, the Business Review, the Financial Review and the Risk Management set out on pages 12 to 17, pages 20 to 28, pages 29 to 35 and pages 36 to 42 of this Annual Report respectively. This discussion forms part of this Directors' Report.

The environmental, employees, customers and suppliers matters and compliance with relevant laws and regulations that have a significant impact on the Company can be found in the Risk Management, the Corporate Governance and the Sustainability Report as set out on pages 36 to 42, pages 44 to 65 and pages 89 to 120 of this Annual Report respectively.

DIVIDENDS

The directors declared an interim dividend of HK5.0 cents (2019: HK5.0 cents) per share in respect of the year ended 31 December 2020 which was paid on 24 September 2020. The directors recommended, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 14 May 2021 (the "Annual General Meeting"), the payment of a final dividend of HK16.0 cents (2019: HK15.0 cents) per share in respect of the year ended 31 December 2020 payable on 4 June 2021 to shareholders on the Register of Members at the close of business on 25 May 2021.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	4.6%	
Five largest customers in aggregate	16.0%	
The largest supplier		16.3%
Five largest suppliers in aggregate		50.1%

So far as the directors of the Company are aware, the directors of the Company, their close associates or any shareholder of the Company (which to the knowledge of the directors of the Company own more than 5% of the Company's total number of issued shares) do not have any interest in these major customers and suppliers during the year.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$889,000 (2019: HK$1,317,000).

DIRECTORS

The directors of the Company who held office during the year ended 31 December 2020 and up to the date of this report were:

Mr. Xin Yue Jiang
Mr. Cai Dawei (appointed with effect from 28 February 2020)
Dr. Lin Zhenhui (resigned with effect from 28 February 2020)
Mr. Esmond Li Bing Chi
Mr. Wang Guoquan (appointed with effect from 4 March 2021)
Mr. Liu Zhengjun (resigned with effect from 4 March 2021)
Mr. Liu Jifu
Mr. Fei Yiping
Mr. Liu Li Qing
Mr. Zuo Xunsheng
Mr. Lam Yiu Kin

Mr. Wang Guoquan was appointed by the Board as a director of the Company subsequent to the last annual general meeting of the Company. Thus, in accordance with Article 95 of the Articles of Association of the Company, he shall hold office only until the Annual General Meeting and shall then be eligible for re-election.

In addition, pursuant to Article 104(A) of the Articles of Association of the Company, Messrs. Fei Yiping, Liu Li Qing and Zuo Xunsheng shall retire by rotation in the Annual General Meeting. All, being eligible, offer themselves for re-election. Mr. Liu Li Qing, an independent non-executive director since March 2007, has served the Company for more than nine years. Pursuant to the Corporate Governance Code of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), his re-election will be subject to a separate resolution to be approved at the Annual General Meeting.

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31 December 2020 or during the period from 1 January 2021 to the date of this Report are available on the Company's website at www.citictel.com.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2020, there were no service contracts which were not determinable by the employer within one year without payment of compensation (other than statutory compensation) between any company in the Group and any director of the Company proposed for re-election at the Annual General Meeting.

INDEMNITY OF DIRECTORS

The Company's Articles of Association provides that every director of the Company is entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto so far as its provisions are not avoided by the Hong Kong Companies Ordinance. In this respect, the Company has arranged directors and officers liability and company reimbursement insurances for its directors and officers.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT

CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions conducted in the financial year ended 31 December 2020 are disclosed in accordance with the Listing Rules on the Stock Exchange as follows:

1. On 5 August 2016, China Enterprise ICT Solutions Limited ("CEC", a non-wholly owned subsidiary of the Company and in which CITIC Group Corporation ("CITIC Group"), being the ultimate controlling shareholder of the Company, holds 45.09% equity interest) and CITIC Networks Co., Limited ("CITIC Networks") entered into the telecoms services agreement (the "Telecoms Services Agreement"), pursuant to which CEC shall engage CITIC Networks as service provider for the provision of various telecoms services (the "Telecoms Services"), such as leasing of circuits and racks for data networking, to CEC for a term of three years from 7 August 2016 to 6 August 2019 (both days inclusive).

   As the Telecoms Services Agreement expired on 6 August 2019, CITIC Networks and CEC entered into the supplemental agreement on 7 August 2019 (the "Supplemental Agreement"), pursuant to which CEC shall continue to engage CITIC Networks as service provider for the provision of the Telecoms Services to CEC for a further term of three years from 7 August 2019 to 6 August 2022 (both days inclusive).

   An estimated basic monthly service fee of approximately RMB2.40 million (equivalent to approximately HK$2.74 million), subject to adjustment based on actual usage, shall be payable to CITIC Networks by CEC and it shall be settled monthly.

   The annual caps for the transactions under the Supplemental Agreement are set out below:

	For the financial year ended 31 December 2020	For the financial year ending 31 December 2021	For the period from 1 January 2022 to 6 August 2022
RMB (in million)	46.37	53.33	35.77
Approximately equivalent to HK$ (in million)	52.86	60.80	40.78

   CITIC Networks is a non-wholly owned subsidiary of CITIC Group, and, therefore, is a connected person of the Company.

   The aggregate service fees paid by CEC to CITIC Networks under the Supplemental Agreement for the year ended 31 December 2020 was approximately RMB20,020,000.

DIRECTORS' REPORT

2. On 17 February 2017, CEC and 廣東盈通網絡投資有限公司 (Guangdong Eastern Fibernet Investment Company Limited) ("Guangdong Eastern Fibernet") entered into a services agreement (the "2017 SDH Services Agreement"), pursuant to which CEC shall engage Guangdong Eastern Fibernet as service provider for the provision of Synchronous Digital Hierarchy ("SDH", a kind of telecommunications technology for signal transmission) circuit services, such as leasing of circuits and racks for data networking (the "SDH Services") to CEC for a term of three years from 19 February 2017 to 18 February 2020.

   For each service order under the 2017 SDH Services Agreement, the service fee shall include (i) a one-off set-up fee; and (ii) a monthly service fee, the amount of which will depend on the location and bandwidth of the SDH circuits provided by Guangdong Eastern Fibernet based on the business needs of CEC.

   An estimated total basic monthly service fee of approximately RMB603,000 (equivalent to approximately HK$675,000), subject to adjustment based on actual usage, shall be payable to Guangdong Eastern Fibernet by CEC on a monthly prepayment basis.

   The service fees payable by CEC to Guangdong Eastern Fibernet under the 2017 SDH Services Agreement is subject to the annual cap of RMB2,410,000 (equivalent to approximately HK$2,700,000) for the period from 1 January 2020 to 18 February 2020.

   As the 2017 SDH Services Agreement expired on 18 February 2020, CEC entered into a services agreement (the "2020 SDH Services Agreement") with Guangdong Eastern Fibernet on 18 February 2020, pursuant to which CEC shall continue to engage Guangdong Eastern Fibernet as service provider for the provision of the SDH Services for a further term of three years from 19 February 2020 to 18 February 2023.

   For each service order under the 2020 SDH Services Agreement, Guangdong Eastern Fibernet will charge CEC service fee which shall include (i) a one-off set-up fee of RMB2,000 (equivalent to approximately HK$2,240); and (ii) a monthly service fee, the amount of which will depend on the location, technology, bandwidth and distance of the SDH circuits provided by Guangdong Eastern Fibernet based on the business needs of CEC and it shall be settled on a monthly prepayment basis.

   The service fees payable by CEC to Guangdong Eastern Fibernet under the 2020 SDH Services Agreement are subject to the annual caps set out below:

	For the period from 19 February to 31 December 2020	**For the financial years ending 31 December 2021**	**2022**	**For the period from 1 January to 18 February 2023**
RMB (in million)	11.87	16.50	19.80	3.25
Approximately equivalent to HK$ (in million)	13.29	18.48	22.18	3.64

   Guangdong Eastern Fibernet is an associate of CITIC Group since a subsidiary of CITIC Group is interested in more than 30% equity interest in Guangdong Eastern Fibernet, and, therefore, is a connected person of the Company.

   The aggregate service fees paid by CEC to Guangdong Eastern Fibernet under (i) the 2017 SDH Services Agreement for the period from 1 January 2020 to 18 February 2020; and (ii) the 2020 SDH Services Agreement for the period from 19 February 2020 to 31 December 2020 were approximately RMB1,250,000 and RMB8,100,000 respectively.

DIRECTORS' REPORT

3. On 31 May 2018, Neostar Investment Limited ("Neostar", a wholly-owned subsidiary of the Company) as the landlord and Dah Chong Hong Holdings Limited ("DCH") as the tenant had entered into a tenancy agreement (the "DCH Tenancy Agreement") in respect of the whole of 7th floor to 11th floor of CITIC Telecom Tower situated at 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong ("CITIC Telecom Tower") for a term of three years commencing from 1 June 2018 and expiring on 31 May 2021 (both days inclusive).

   The monthly rental is approximately HK$1,178,000 (exclusive of government rent, rates and management charges and other outgoings) and monthly management charges is approximately HK$192,000.

   DCH is a subsidiary of CITIC Limited, the controlling shareholder of the Company, and, therefore, is a connected person of the Company.

   The annual caps (including the aggregate rentals, the management charges and other outgoings) payable by DCH to the Group under the DCH Tenancy Agreement are set out below:

	For the year ended 31 December 2020	**For the period from 1 January 2021 to 31 May 2021**
HK$ (in million)	20.1	9.0

   The aggregate amounts (including the aggregate rentals, the management charges and other outgoings) paid by DCH under the DCH Tenancy Agreement for the year ended 31 December 2020 was approximately HK$16,600,000.

4. On 11 June 2018, the Company has entered into a framework agreement (the "Framework Agreement") with CITIC Group for a term commencing from 11 June 2018 and ending on 31 May 2021 (both days inclusive), which set out, inter alia, the basis upon which the Company and its subsidiaries (the "Group") would provide the following services to CITIC Group, its subsidiaries and associates (excluding the Group) (collectively the "CITIC Group Members") from time to time in its ordinary and usual course of business:

   a) *Internet Data Centre Services (the "Data Centre Services")*

      The Group provides the leasing of equipment and facilities services in relation to internet data centres to the CITIC Group Members to fulfill their data centre business needs in Hong Kong, Macau, mainland China and overseas.

      The Data Centre Services are generally provided on the basis of the Group's standard service order form, which has incorporated the general terms and conditions of service of the relevant members of the Group. Subject to the guidelines and terms and conditions set out in the Framework Agreement, the terms and conditions of such standard service order form may be modified to cater for specific requirements of some customers, when necessary.

      The key service terms such as the minimum commitment period, the minimum number of equipment and facilities under subscription and the unit service charges will be set out in the individual service order form. The service charges usually include (i) a one-off set-up charge per equipment/facility, normally payable in full upon provision of service; and (ii) a monthly rental charge, comprising a fixed recurring charge and a variable charge (if any) which is determined based on the number of committed and additional equipment/facility and power consumption.

DIRECTORS' REPORT

The annual caps for the provision of the Data Centre Services contemplated under the Framework Agreement are set out below:

	For the year ended 31 December 2020	For the period from 1 January 2021 to 31 May 2021
HK$ (in million)	53.1	30.9

The aggregate service fees paid by the CITIC Group Members for the year ended 31 December 2020 in relation to the Data Centre Services under the Framework Agreement was approximately HK$12,500,000.

b) *Virtual Private Network Services (the "VPN Services")*

The Group provides the VPN Services by applying the multi-protocol label switching (MPLS) network. The virtual private network is a private network to connect geographically separated offices of an organisation with different classes-of-service, creating one cohesive network, for transmission of voice, video and data applications with guaranteed quality-of-service.

The VPN Services are generally provided on the basis of the Group's standard service order form, which has incorporated the general terms and conditions of service of the relevant members of the Group. Subject to the guidelines and terms and conditions set out in the Framework Agreement, the terms and conditions of such standard service order form may be modified to cater for specific requirements of some customers, when necessary.

The key service terms such as the minimum commitment period, bandwidth and location of services will be set out in the individual service order form. The service charges usually include (i) a one-off set-up charge, normally payable in full upon provision of service; and (ii) a fixed recurring monthly service charge during the service term, which is determined with reference to the subscribed bandwidth, locations, class of services and the requisite support services for provision of the VPN Services.

The annual caps for the provision of the VPN Services contemplated under the Framework Agreement are set out below:

	For the year ended 31 December 2020	For the period from 1 January 2021 to 31 May 2021
HK$ (in million)	67.7	39.5

The aggregate service fees paid by the CITIC Group Members for the year ended 31 December 2020 in relation to the VPN Services under the Framework Agreement was approximately HK$23,400,000.

c) *The Internet Access Services*

The Group provides the high-availability, high-speed Metro Ethernet/broadband local loop circuits, and related network services, which enable access to the internet among customers' designated locations, servers in the data centres, and Cloud computing platforms (the "Internet Access Services").

The Internet Access Services are generally provided on the basis of the Group's standard service order form, which has incorporated the general terms and conditions of service of the relevant members of the Group. Subject to the guidelines and terms and conditions set out in the Framework Agreement, the terms and conditions of such standard service order form may be modified to cater for specific requirements of some customers, when necessary.

DIRECTORS' REPORT

The key service terms such as the minimum commitment period, bandwidth and location of services will be set out in the individual service order form. The service charges usually include (i) a one-off set-up charge, normally payable in full upon provision of service; and (ii) a fixed recurring monthly service charge during the service term, which is determined with reference to the subscribed bandwidth, locations, interface of connection and the requisite application services for provision of the Internet Access Services.

The annual caps for the provision of the Internet Access Services contemplated under the Framework Agreement are set out below:

	For the year ended 31 December 2020	For the period from 1 January 2021 to 31 May 2021
HK$ (in million)	24.2	14.1

The aggregate service fees paid by the CITIC Group Members for the year ended 31 December 2020 in relation to the Internet Access Services under the Framework Agreement was approximately HK$7,300,000.

5. On 19 September 2018, CITIC Telecom International Limited ("CTI", a wholly-owned subsidiary of the Company) as the tenant and Tendo Limited ("Tendo") as the landlord entered into the main premises tenancy agreement (the "Main Premises Tenancy Agreement") in relation to the leasing of the main premises (the "Main Premises") comprising the whole of the 5th floor, a portion of the ground floor, a portion of the 3rd floor podium, a portion of the roof floor, and an area for cable duct and trunking at Ap Lei Chau Building located at No.111 Lee Nam Road, Ap Lei Chau, Hong Kong. The term is three years commencing from 20 September 2018 and expiring on 19 September 2021 (both days inclusive), with an aggregate monthly rental of approximately HK$822,000. CTI shall also pay its share of management charges in respect of the Main Premises, being approximately HK$76,000 per month, subject to revision. CTI shall also be responsible for the payment of its own utility charges, government rates and government rent in respect of the Main Premises during the term of the Main Premises Tenancy Agreement.

   Pursuant to a main premises renewal option agreement dated 21 August 2015 entered into between CTI and Tendo, upon expiration of the Main Premises Tenancy Agreement on 19 September 2021, CTI shall have the option to renew the lease of the Main Premises for a further term commencing from 20 September 2021 to 19 September 2024 subject to the terms thereof. In the event that CTI shall have duly exercised its option to renew for a further term, the Main Premises Tenancy Agreement will be renewed at a new rent to be mutually agreed by the parties.

   Tendo is a wholly-owned subsidiary of CITIC Limited, and, therefore, is a connected person of the Company.

   The maximum amounts (including the rentals, the management charges, other charges and other outgoings such as rentals for car parking spaces to be leased by Tendo to CTI from time to time) payable by CTI to Tendo under the Main Premises Tenancy Agreement are set out below:

	For the year ended 31 December 2020	For the period from 1 January 2021 to 19 September 2021
HK$ (in million)	11.5	8.5

   The aggregate amounts paid by CTI to Tendo under the Main Premises Tenancy Agreement for the year ended 31 December 2020 was approximately HK$10,900,000.

DIRECTORS' REPORT

6. The Group, through ComNet Investment Limited ("ComNet Investment", a wholly-owned subsidiary of the Company) and Neostar, has ownership over the entire CITIC Telecom Tower.

   On 23 October 2018, ComNet Investment, Neostar and Hang Luen Chong Property Management Company, Limited ("Hang Luen Chong") had entered into a management services agreement (the "2018 Management Services Agreement"), pursuant to which Hang Luen Chong shall provide general property management services, chilled water supply, air-conditioning supply and other relevant services in respect of CITIC Telecom Tower to the Group (the "Management Services") for a term from 28 October 2018 to 31 December 2020 (both days inclusive), provided that any one of the parties may terminate the 2018 Management Services Agreement with or without cause by giving to the other parties a 3 months' prior notice in writing at any time during the term of the 2018 Management Services Agreement.

   Under the 2018 Management Services Agreement, the general management fees payable by the Group for CITIC Telecom Tower are approximately HK$715,000 per month. The chilled water charges payable by the Group for CITIC Telecom Tower are based on the actual volume of chilled water used and are estimated to be approximately HK$138,000 per month. The air-conditioning charges for supply during normal office hours payable by the Group for CITIC Telecom Tower are approximately HK$188,000 per month. The air-conditioning charges for supply after normal office hours payable to Hang Luen Chong are based on the actual usage and are estimated to be approximately HK$5,000 per month.

   The annual cap for the provision of the Management Services under the 2018 Management Services Agreement was HK$16,000,000 for the year ended 31 December 2020.

   As the 2018 Management Services Agreement expired on 31 December 2020, ComNet Investment, Neostar and Hang Luen Chong had entered into a new management services agreement (the "2020 Management Services Agreement") on 23 December 2020, pursuant to which Hang Luen Chong will continue to provide the Management Services for a term of three years from 1 January 2021 to 31 December 2023 (both days inclusive), provided that any one of the parties may terminate the 2020 Management Services Agreement with or without cause by giving to the other parties a 3 months' prior notice in writing at any time during the term of the 2020 Management Services Agreement.

   Under the 2020 Management Services Agreement, the general management fees payable by the Group for CITIC Telecom Tower are approximately HK$745,000 per month. The chilled water charges payable by the Group for CITIC Telecom Tower are still based on the actual volume of chilled water used and are estimated to be approximately HK$150,000 per month. The air-conditioning charges for supply during normal office hours payable by the Group for CITIC Telecom Tower are approximately HK$191,000 per month. The air-conditioning charges for supply after normal office hours payable to Hang Luen Chong are still based on the actual usage and are estimated to be approximately HK$3,000 per month.

   Besides, the service charges for exclusive use of certain common areas of CITIC Telecom Tower are estimated to be approximately HK$24,000 per month.

   The annual caps for the provision of the Management Services under the 2020 Management Services Agreement are set out below:

	For the years ending 31 December		
	2021	**2022**	**2023**
HK$ (in million)	14.0	15.0	17.0

   Hang Luen Chong is a wholly-owned subsidiary of CITIC Limited, and, therefore, is a connected person of the Company.

   The aggregate amount paid to Hang Luen Chong under the 2018 Management Services Agreement for the year ended 31 December 2020 was approximately HK$12,900,000.

DIRECTORS' REPORT

7. On 19 June 2019, China Enterprise Netcom Corporation Limited ("CEC-HK", a wholly-owned subsidiary of the Company) and CITIC Telecom International CPC Limited ("CPC", a wholly-owned subsidiary of the Company) entered into a service agreement with CEC (the "Service Agreement"), pursuant to which CEC-HK and CPC shall engage CEC as service provider for the provision of technical and support services in the People's Republic of China (the "PRC") to the customers of CEC-HK and CPC to facilitate the provision of value-added telecoms services to these customers for a term of three years from 24 June 2019 to 23 June 2022 (both days inclusive). CEC is also responsible for arranging, operating and maintaining all necessary technical and support services in the PRC to service the customers of CEC-HK and CPC.

   A service fee shall be payable to CEC charged on the basis of cost plus a prevailing market rate (such prevailing market rate may vary depending on the nature and/or extent of the services required by CEC-HK and CPC) in providing such services to the customers of CEC-HK and CPC. The service fee payable to CEC shall be settled monthly.

   The service fees payable by the Group to CEC under the Service Agreement are subject to the annual caps set out below:

	For the financial year ended 31 December 2020	**For the financial year ending 31 December 2021**	**For the period from 1 January 2022 to 23 June 2022**
RMB (in million)	217.90	250.60	144.10
Approximately equivalent to HK$ (in million)	254.94	293.20	168.60

   The aggregate service fees paid by CEC-HK and CPC to CEC under the Service Agreement for the year ended 31 December 2020 was approximately RMB50,160,000.

8. On 12 December 2019, CPC and CEC entered into a funding support agreement (the "Funding Support Agreement"), pursuant to which CPC shall make available funding support of not more than RMB65 million to CEC if and when a shortage of funds arises in the operation of the Cloud computing data centre established by CEC in Shanghai, the PRC and in the possible expansion of CEC's businesses at any time during the period commencing from 12 December 2019 and ending on 11 December 2022. CPC shall provide funds by way of shareholder's loans and the interest rate shall be equivalent to the RMB benchmark interest rates for loans of financial institutions as announced by the People's Bank of China for the same period. The funding support to be provided by CPC to CEC during the term of the Funding Support Agreement shall not at any time exceed RMB65 million (equivalent to approximately HK$72 million).

   The maximum amount of funding support to be provided by CPC to CEC for each of the financial year ended 31 December 2020, the financial year ending 31 December 2021 and the period from 1 January 2022 to 11 December 2022 is RMB65 million.

   As CITIC Group holds 45.09% equity interest in CEC, CEC is an associate of CITIC Group, and, therefore, a connected person of the Company.

   Throughout the year of 2020, the maximum balance of the funds advanced by CPC to CEC under the Funding Support Agreement was RMB65 million.

DIRECTORS' REPORT

Review of the Continuing Connected Transactions:

The independent non-executive directors of the Company have reviewed the aforesaid continuing connected transactions conducted in the year ended 31 December 2020 and confirmed that the transactions had been entered into

- in the ordinary and usual course of business of the Group;
- on normal commercial terms or better; and
- in accordance with the relevant agreements on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*" and with reference to Practice Note 740 "*Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Group on pages 72 to 78 of this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Related Party Transactions:

Details of material related party transactions undertaken in the normal course of business are provided under note 30 to the financial statements. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules, except for those described in the section of "Continuing Connected Transactions", in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

DIRECTORS' REPORT

SHARE OPTION PLAN

The Company adopted a share option plan (the "Plan") on 17 May 2007. The Plan was valid and effective till 16 May 2017. The major terms of the Plan are as follows:

1. The purpose of the Plan is to attract and retain the best quality personnel for the development of the Company's businesses; to provide additional incentives to Employees (as defined here below); and to promote the long term financial success of the Company by aligning the interests of grantees to shareholders.

2. The grantees of the Plan are any person employed by the Company or any of its subsidiaries and any person who is an officer or director (whether executive or non-executive) of the Company or any of its subsidiaries (the "Employees") as the Board may, in its absolute discretion, select.

3. The total number of shares of the Company (the "Shares") issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each grantee must not exceed 1% of the Shares in issue. Where any further grant of options to a grantee would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be subject to separate approval by the shareholders of the Company in general meeting.

4. The exercise period of any option granted under the Plan must not be more than ten years commencing on the date of grant.

5. The acceptance of an offer of the grant of the options must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee.

6. The subscription price determined by the Board will not be less than the higher of (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; and (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

As approved at the annual general meeting held on 25 April 2014, the mandate limit is refreshed so that taking into account the overriding limit of the Plan, the total number of Shares which may be issued upon the exercise of all options to be granted under the Plan, together with all outstanding options granted and yet to be exercised under the Plan, shall not exceed 333,505,276 Shares, being 10% of the number of Shares in issue as at the date of approval of the refreshment of the mandate limit.

Particulars of the outstanding share options granted under the Plan and their movements during the year ended 31 December 2020 are as follows:

Date of grant	**Number of share options**	**Exercise period**	**Exercise price per share** HK$
24 March 2015	43,756,250	24 March 2016 to 23 March 2021	2.612
24 March 2015	43,756,250	24 March 2017 to 23 March 2022	2.612
24 March 2017	45,339,500	24 March 2018 to 23 March 2023	2.45
24 March 2017	45,339,500	24 March 2019 to 23 March 2024	2.45

The above outstanding options granted and accepted under the Plan can be exercised in whole or in part within 5 years from the date of commencement of the exercise period. No options were granted nor cancelled during the year ended 31 December 2020.

DIRECTORS' REPORT

A summary of the movements of the share options during the year ended 31 December 2020 is as follows:

A. Directors of the Company

Name of director	Date of grant	Exercise period	Number of share options: Balance as at 1.1.2020	Exercised during the year ended 31.12.2020	Lapsed during the year ended 31.12.2020	Balance as at 31.12.2020	Percentage to the number of issued shares %
Xin Yue Jiang	24.3.2015	24.3.2016 – 23.3.2021	1,787,500	–	–	1,787,500	
	24.3.2015	24.3.2017 – 23.3.2022	1,787,500	–	–	1,787,500	
	24.3.2017	24.3.2018 – 23.3.2023	1,787,500	–	–	1,787,500	
	24.3.2017	24.3.2019 – 23.3.2024	1,787,500	–	–	1,787,500	
						7,150,000	0.195
Lin Zhenhui	24.3.2015	24.3.2016 – 23.3.2021	1,322,000	N/A	–	N/A	
(Note 1)	24.3.2015	24.3.2017 – 23.3.2022	1,000,000	N/A	–	N/A	
	24.3.2017	24.3.2018 – 23.3.2023	1,573,000	N/A	–	N/A	
						N/A	N/A
Esmond Li Bing Chi	24.3.2015	24.3.2017 – 23.3.2022	726,000	–	–	726,000	
						726,000	0.020
Liu Jifu	24.3.2015	24.3.2017 – 23.3.2022	1,000,000	–	–	1,000,000	
	24.3.2017	24.3.2019 – 23.3.2024	1,000,000	–	–	1,000,000	
						2,000,000	0.055
Fei Yiping	24.3.2017	24.3.2018 – 23.3.2023	500,000	–	–	500,000	
	24.3.2017	24.3.2019 – 23.3.2024	500,000	–	–	500,000	
						1,000,000	0.027

DIRECTORS' REPORT

B. Employees of the Company working under continuous contracts (as defined in the Employment Ordinance), other than the Directors

Date of grant	Exercise period	Number of share options: Balance as at 1.1.2020	Exercised during the year ended 31.12.2020 *(Note 2)*	Lapsed during the year ended 31.12.2020 *(Note 3)*	Balance as at 31.12.2020
24.3.2015	24.3.2016 – 23.3.2021	8,347,567 *(Note 4)*	511,500	259,500	7,576,567
24.3.2015	24.3.2017 – 23.3.2022	11,849,750 *(Note 4)*	246,000	270,000	11,333,750
24.3.2017	24.3.2018 – 23.3.2023	11,322,500 *(Note 4)*	294,000	173,000	10,855,500
24.3.2017	24.3.2019 – 23.3.2024	15,709,000 *(Note 4)*	430,500	340,000	14,938,500

C. Others *(Note 5)*

Date of grant	Exercise period	Number of share options: Balance as at 1.1.2020	Exercised during the year ended 31.12.2020 *(Note 6)*	Lapsed during the year ended 31.12.2020 *(Note 3)*	Balance as at 31.12.2020
24.3.2015	24.3.2016 – 23.3.2021	676,000 *(Note 4)*	1,322,000 *(Note 1)*	23,000	653,000
24.3.2015	24.3.2017 – 23.3.2022	800,000 *(Note 4)*	1,000,000 *(Note 1)*	23,000	777,000
24.3.2017	24.3.2018 – 23.3.2023	671,500 *(Note 4)*	1,573,000 *(Note 1)*	21,000	650,500
24.3.2017	24.3.2019 – 23.3.2024	736,500 *(Note 4)*	–	71,000	665,500

Notes:

1. Dr. Lin Zhenhui resigned as an executive director of the Company with effect from 28 February 2020. His remaining share options (i.e. 2,322,000 share options granted on 24 March 2015; and 1,573,000 share options granted on 24 March 2017) were then reclassified to section C "Others".

2. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$2.75.

3. These are in respect of options granted to some employees under continuous contracts who have subsequently resigned. Such options have lapsed during the year ended 31 December 2020.

4. Some share options were reclassified from section B "Employees of the Company working under continuous contracts" to section C "Others" due to the resignation/retirement/death of the relevant staff in 2019.

5. These are in respect of options granted to i) some employees under continuous contracts who subsequently resigned/retired/passed away before 1 January 2020; and ii) a former director of the Company.

6. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$2.79.

DIRECTORS' INTERESTS IN SECURITIES

The interests of the directors of the Company in shares of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as at 31 December 2020 as recorded in the register required to be kept under section 352 of the SFO were as follows:

1. Shares in the Company and Associated Corporations

	Number of shares (Personal interests)	Percentage to the number of issued shares %
CITIC Telecom International Holdings Limited		
Esmond Li Bing Chi	112,500	0.003
CITIC Limited, an associated corporation		
Liu Jifu	840,000	0.003

2. Share Options in the Company

The interests of the directors of the Company in the share options (being regarded as unlisted physically settled equity derivatives) of the Company are stated in detail in the preceding section of "Share Option Plan".

Save as disclosed above, as at 31 December 2020, none of the directors of the Company had nor were they taken to or deemed to have, under Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

Save as disclosed above, at no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party or parties to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2020, the interests of the substantial shareholders, other than the directors of the Company or their respective associates, in the shares of the Company as recorded in the register of interests in shares and short positions required to be kept under section 336 of the SFO were as follows:

Name	**Number of shares of the Company**	**Percentage to the number of issued shares** %
CITIC Group	2,129,345,175	58.11
CITIC Polaris Limited	2,129,345,175	58.11
CITIC Glory Limited	2,129,345,175	58.11
CITIC Limited	2,129,345,175	58.11
CITIC Corporation Limited	2,129,345,175	58.11
CITIC Investment (HK) Limited	2,129,345,175	58.11
Silver Log Holdings Ltd.	2,129,345,175	58.11
CITIC Pacific Limited ("CITIC Pacific")	2,129,345,175	58.11
Crown Base International Limited	2,129,345,175	58.11
Effectual Holdings Corp.	2,129,345,175	58.11
CITIC Pacific Communications Limited	2,129,345,175	58.11
Douro Holdings Inc.	2,129,345,175	58.11
Ferretti Holdings Corp.	2,129,345,175	58.11
Ease Action Investments Corp.	2,129,345,175	58.11
Peganin Corp.	2,129,345,175	58.11
Richtone Enterprises Inc.	2,129,345,175	58.11

CITIC Group is the direct holding company of CITIC Polaris Limited and CITIC Glory Limited, which in turn hold CITIC Limited. CITIC Limited is the direct holding company of CITIC Corporation Limited and CITIC Pacific. CITIC Corporation Limited is the direct holding company of CITIC Investment (HK) Limited, which in turn holds Silver Log Holdings Ltd.. CITIC Pacific is the direct holding company of Crown Base International Limited, which is the direct holding company of Effectual Holdings Corp.. Effectual Holdings Corp. in turn holds CITIC Pacific Communications Limited, which is then the direct holding company of Douro Holdings Inc.. Douro Holdings Inc. is the direct holding company of Ferretti Holdings Corp. and Peganin Corp.. Ferretti Holdings Corp. is the direct holding company of Ease Action Investments Corp. and Peganin Corp. is the direct holding company of Richtone Enterprises Inc.. Accordingly, the interests of CITIC Group in the Company and the interests in the Company of all its direct and indirect subsidiaries as described above duplicate each other.

On 18 December 2012, CITIC Investment (HK) Limited entered into an agreement (the "Sale and Purchase Agreement") with, inter alia, CITIC Limited for acquiring 444,500,000 shares of the Company by acquiring the entire issued share capital of Silver Log Holdings Ltd. and on 21 February 2013, Ease Action Investments Corp., Richtone Enterprises Inc. and Silver Log Holdings Ltd. entered into a management rights agreement (the "Management Rights Agreement") to regulate their relationship with each other in respect of their shareholdings in the Company. The Sale and Purchase Agreement and the Management Rights Agreement constitute agreements under section 317 of the SFO. For the purposes of the duty of disclosure, in the case of an agreement to which section 317 applies, each party to the agreement is deemed to be interested in any shares comprised in the relevant share capital in which any other party to the agreement is interested apart from the agreement.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

The Company and the controlling shareholders of the Company have entered into the following contracts of significance which were subsisting during the year ended 31 December 2020:

1. Deed of non-competition dated 21 March 2007 executed by CITIC Limited in favour of the Company, mainly to the effect that at any time during which the shares of the Company are listed on the Stock Exchange and CITIC Limited and/or its associates are regarded as a controlling shareholder of the Company under the Listing Rules, (i) CITIC Limited will not engage and will procure its subsidiaries not to engage in the provisions of telecommunications hub-based service (the "Restricted Activity") globally or in any other business that may compete with the Restricted Activity, and (ii) in the event that any opportunity is made available to CITIC Limited to invest in any independent third party's business engaging in the Restricted Activity, CITIC Limited will use its best efforts to procure that such investment opportunity is offered to the Group and the Group shall have a first right of refusal.

2. Deed of Indemnity dated 21 March 2007 given by CITIC Limited in favour of the Company (and its subsidiaries), pursuant to which CITIC Limited will keep the Company and its subsidiaries indemnified against any taxation falling on it resulting from or by reference to any revenue, income, profits or gains granted, earned, accrued, received or made on the listing date of the Company or any event, transaction, act or omission occurring or deemed to occur on or before the listing date of the Company.

3. Administrative services agreement dated 20 August 2014 (the "Administrative Services Agreement") entered into between the Company and CITIC Pacific, a controlling shareholder of the Company, pursuant to which CITIC Pacific and the Company will share the company secretarial services and the internal audit services with retrospective effect from 1 July 2014. The amount payable by the Company to CITIC Pacific for the services received shall be determined on costs basis with payment terms to be agreed between the parties from time to time. The Administrative Services Agreement may be terminated if CITIC Limited, the immediate holding company of CITIC Pacific, shall hold less than 30% of the shares of the Company and is terminable by giving a six months' prior notice in writing by either party. Messrs. Liu Jifu and Fei Yiping are directors of CITIC Pacific and Mr. Fei Yiping is also the chief financial officer of CITIC Pacific. Therefore, both of them have indirect interests in the Administrative Services Agreement. A copy of the Administrative Services Agreement will be available for inspection at the Annual General Meeting.

Apart from the above and the transactions as mentioned in the section of "Continuing Connected Transactions", none of the Company or any of its subsidiaries has entered into any other contract of significance with the Company's controlling shareholders or their subsidiaries which were subsisting during the year ended 31 December 2020.

EQUITY-LINKED AGREEMENTS

Save for the share option plan of the Company as set out above in the section of "Share Option Plan", no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year, or subsisted at the end of the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this report, the Company has maintained the amount of public float as required under the Listing Rules.

DIRECTORS' REPORT

BORROWINGS AND ISSUE OF GUARANTEED BONDS

On 5 March 2013, CITIC Telecom International Finance Limited ("CITIC Finance"), a wholly-owned subsidiary of the Company, issued US$450 million 6.1% guaranteed bonds due 2025 (the "Bonds") to professional investors pursuant to a subscription agreement made between the Company (as guarantor), CITIC Finance and CITIC Securities Corporate Finance (HK) Limited, Deutsche Bank AG, Singapore Branch, Standard Chartered Bank and UBS AG, Hong Kong Branch on 26 February 2013 for financing part of the consideration paid by the Company in respect of the acquisition of 79% interest in Companhia de Telecomunicações de Macau, S.A.R.L. The Bonds are listed on the Stock Exchange on 6 March 2013. All of the Bonds remained outstanding as at 31 December 2020.

Particulars of borrowings of the Group as at 31 December 2020 are set out in note 22 to the financial statements.

SHARE CAPITAL

During the year ended 31 December 2020, a total of 5,377,000 shares of the Company were issued upon the exercise of share options granted under the Plan as mentioned in the section of "Share Option Plan".

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.

CONFIRMATION OF INDEPENDENCE

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to the independence guidelines under the Listing Rules and that the Company still considers such directors to be independent.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 43 of this Annual Report.

PROPERTY

Particulars of the property held for investment of the Group are shown on page 209 of this Annual Report.

RETIREMENT SCHEMES

The Group operates a defined benefit retirement plan and several defined contribution retirement plans. Particulars of the retirement schemes are set out in note 24 to the financial statements.

AUDITOR

Messrs. PricewaterhouseCoopers ("PwC") retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PwC as auditor of the Company is to be proposed at the Annual General Meeting.

By Order of the Board
Xin Yue Jiang
Chairman

Hong Kong, 4 March 2021

FORWARD LOOKING STATEMENTS

This Annual Report 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.

None of the Company, the directors, employees or agents assumes (a) any obligation to correct or update any forward looking statements or opinions contained in this Annual Report; and (b) any liability arising from any forward looking statements or opinions that do not materialise or otherwise prove to be incorrect.

Our Sustainability Core Values

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.

SUSTAINABILITY REPORT

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.

Sustainability Governance Structure

The Group believes maintaining a robust corporate governance system which contributing to the long-term success of our organisation. Apart from determining the overall strategy and direction, the Board oversees and evaluates on material issues and ongoing progress of our sustainable development. Training on corporate sustainable development is regularly scheduled for the Board members, as required. The Audit Committee is responsible for reviewing the Group's Sustainability Report to ensure compliance with regulatory requirements.

As guided by the Group, subsidiaries conduct respective reviews on their sustainability performance regularly and report their progress to the Group annually.

Communication with Stakeholders

The Group values opinions from stakeholders and constantly 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 support along our journey to long-term development.

Key stakeholders	**Means of communication**
Shareholders and investors	Group annual reports and announcements General meetings Investors' meetings Roadshows Group website Surveys
Customers	Regular visits and interviews Customers satisfaction surveys Collection and analysis of customer service benchmarks
Staff	Staff forum Staff training and development programmes Performance management system Internal communications Staff suggestion box Surveys
Suppliers and partners	Establishment of supplier and business partner management system Advocacy of green supply chain management and signing of environmental agreements with suppliers Performance evaluation Tenders and other regular meetings Surveys
Non-governmental organisations, community groups, media	Community welfare activities News releases, press conferences and presentations Regular meetings

SUSTAINABILITY REPORT

Materiality Analysis

The Group has conducted materiality analysis to prioritise important environmental, social and governance (ESG) topics to the Group and stakeholders. This year, the Group has identified Customer data privacy as a new material issue in view of its rising importance within the industry, enhancing the foundation for the Group's performance management and reporting. The list of material issues – validated by management – is presented in the materiality matrix.

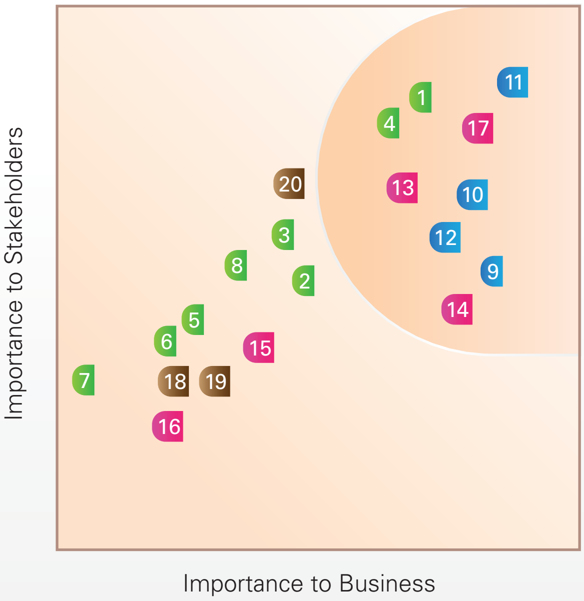
Step 1: Identification of ESG topics relevant to the Group's business
Identify industry-relevant ESG topics through peer benchmarking

Step 2: Materiality analysis
Invite different stakeholders to evaluate the importance of the identified ESG topics, and analyses result via scientific approaches

Step 3: Management validation
CITIC Telecom's management review and endorse the result of materiality analysis

Step 4: Material confirmation
Develop the final list of material topics, and prioritise for reporting in response to stakeholder concerns

2020 CITIC Telecom Materiality Matrix:



List of ESG Topics:

Environment	**1 Energy**
	2 Greenhouse gas emissions
	3 Air emissions
	4 Waste
	5 Water
	6 Materials
	7 Biodiversity
	8 Climate Change
Employment and Labour Practices	**9 Employee retention**
	10 Occupational health and safety
	11 Training and development
	12 Diversity and equal opportunities
Operational Practices	**13 Service and product innovation**
	14 Customer data privacy
	15 Responsible advertising and promotion
	16 Supply chain management
	17 Anti-corruption
Community Participation	18 Community investment
	19 Human rights protection
	20 Access to communications

Responsible Operational Management

As a company with global vision, the Group is dedicated to becoming an internet-oriented telecommunications enterprise that enables connections anytime and anywhere among people and among things. We achieve this through developing premium telecommunications and data transmission services with wisdom and diligence, as motivated by the core belief of "Wisdom and Integrity for Fostering Prosperity". At the same time, we uphold our business integrity and high corporate standards. Uniting with other corporates and stakeholders, we are committed to shaping a better future for all.

Premium Products and Services

As one of the largest multinational telecommunications hubs in Asia-Pacific, the Group believes that quality is the lifeblood of an enterprise. Thus we strive to provide telecommunications and ICT products and services of premium quality to our customers.

The Group has established a set of key customer-service indicators and evaluated results through internal testing and user experience trials. We conduct monthly customer visits to ensure the high quality of our product and service delivered. We also regularly track the performance level of various services, as the basis of relevant business unit to pursue continuous improvement.

The Group's subsidiary in Macau has set up a quality management committee and a dedicated quality assurance department to monitor and analyse the service performance of our customer hotline, retail stores, installation and maintenance services, and internet service quality. It helps ensuring that our service performance is meeting customer expectations and making progressive improvements.

Customer Support during the Pandemic

The Group strives to provide comprehensive customer service and support during the pandemic, including various service plans proposed since the beginning of the year to support customers on creating efficient work-from-home environment through high-quality and stable network connection. Besides, our subsidiary in Macau has maintained 24-hour operation of customer service hotline, strengthened protection kits for frontline staff and offered extension of customers' service payments. These measures are aimed at assuring our frontline staff providing ongoing premium products and services to customers even during the pandemic.

Besides, the Group's customer service team has implemented standard procedures to handle customer complaints. Through investigations and timely rectifications, customers' concerns are properly addressed and improvement plans are suggested to avoid similar incidents in the future. During the year, the Group has received a total of 694 complaints regarding our products and services.

The Group's subsidiary has obtained multiple recognitions for its quality management system, including ISO 9001 Quality Management System and ISO 20000 IT Service Management System certifications, demonstrating its ability to uphold service quality at international standards.

The Group's performance in maintaining product and service quality has continued to gain recognition from the industry:

- Our subsidiary was received the "International Customer Relationship Excellence Awards" by Asia Pacific Customer Service Consortium for thirteen consecutive years
- Our subsidiary was awarded the "Outstanding ICT Solution Provider 2019" by Quamnet
- Our subsidiary was awarded the "Best Financial Digital Innovation Service Provider" of Asia Pacific Bank Digital Innovation Summit 2020
- Our subsidiary at Singapore won the "2020 IBM Singapore Innovation Award" presented by IBM Singapore

SUSTAINABILITY REPORT

Product and Service Innovation

Facing people's thriving demand for innovative data transmission and telecommunications services, the Group has continued to promote research and development (R&D) in various emerging services, including mobile telecommunications, internet, internet of things (IoT) and integrated ICT services, and launched solutions to enhance user experiences and capture market opportunities.

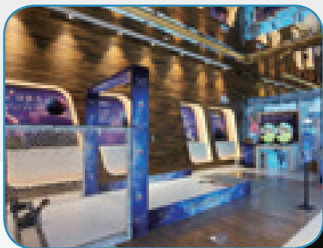
The Group has formulated the policy of the Technology Innovation Committee since August 2009 to support its technological innovation and product development. The Group organised the Innovation and R&D Conference 2020 on 18th November, where the Group and its subsidiaries conducted case sharing and discussions via video clips, scenario illustration, live demonstration of high-tech products and WeChat interactive Q&As. This helps fostering cross-functional sharing and knowledge exchange to promote product and service innovation.

Development of 5G Network & Innovative Products and Services

The Group strives to drive the development of 5G as a mainstay network to bring revolutionary changes in our means of communications and innovative development of various industries, serving as a cornerstone for the future smart city.

Being a prime operator of smart city, the Group's Macau subsidiary introduced 5G high-speed video content streaming and high-definition video call service experience zone in its retail outlets. Our professionally trained 5G service ambassadors are stationed at each of the stores to promote the upcoming 5G services to customers, and customers can experience in person the superiority and applications of 5G services. Besides, it also produced a series of special videos to introduce 5G applications through different stories to let the public know more about the changes that 5G could bring.

During the year, the Group's Macau subsidiary has completed its first stage of 5G network infrastructure, comprising the hardware/software upgrade for the core network, and development of a network management system, making Macau one of the first cities in Asia to provide outdoor 5G coverage. It also conducted 5G service testing in different districts to ensure the overall customer experience upon the launch of its 5G services. The full 5G coverage in Macau will be completed in 2021, furthering innovative development for all.



Joint development of DataHOUSE™ Augmented Reality (AR) Remote Hand Service Operation and Maintenance Solution

The Group's subsidiary and the Hong Kong Applied Science and Technology Research Institute Company Limited (ASTRI) have jointly introduced an AR solution designed to enable remote maintenance service in this year. Branded as the DataHOUSE™ AR Remote Hand Service, it provides field engineers of telecommunications industry with a heads-up display for remote visualization in real time as they install, maintain or troubleshoot equipment. Field engineers are able to communicate with back-end support teams with real-time intelligence, troubleshooting logs, graphics and encrypted data from systems, boosting productivity by up to 50%. This service not only takes the latest AR technology to the next level to satisfy our customers' thriving demand for our data centre operations, but also brings those benefits to a wide range of industries.

This solution enables field engineers around the world to overcome challenges of multiple languages and skillsets in multi-technology environments; as well as to manage installation and maintenance issues with higher efficiency and cost-effectiveness, improving customer satisfaction. It also reduces engineers' and customers' travel time and cost by enabling on-site engineers and remote support team to share the same view at the same time.

DataHOUSE™ AR Remote Hand Service has already been adopted in our data centres in China, ready to bring system maintenance and troubleshooting into a new era.

High Standards of Business Ethics

It is the belief of the Group that a high standard of business ethics and corporate integrity is important to creating long-term value. In addition to strictly abiding by all laws in our operating countries relating to anti-bribery, fraud and extortions, the Group has established its Code of Conduct and a series of policies relating to business ethics and personal conducts, including the Measures for Executive's Integrity and Treatment of Violations. The measures strictly prohibit our Board members and employees from engaging in conflicts of interest, bribery, insider dealing or receiving illegal gifts and commission. A declaration system is also established to avoid conflict of interest.

The Group's Audit Committee is responsible for reviewing and monitoring the implementation of the Code of Conduct. The Committee collects compliance report at least once a year to ensure business ethics and corporate integrity are effectively practised across our operations.

The Group has also set up our management structure on anti-money laundering and the Anti-money Laundering Managing Practices, which clearly describes roles and responsibilities, reporting channels, as well as the handling procedures in case of any violations. The above regulations and policies have clearly conveyed our insistence on ethics and integrity standards upon our staff members.

To raise the Board members' and employees' awareness on business ethics and enhance understanding of relevant laws and regulations, the Group regularly holds training activities for our senior management, middle management, first-line management and general staff. This year we held seminars on corporate integrity and anti-money laundering, provided introduction of the Group's Code of Conduct at new employee induction training and also regularly reminded all employees of the Group's Code of Conduct to reiterate our stringent expectations on employees' ethics. Around 240 hours of anti-corruption training were provided to Board members and employees during the year.

SUSTAINABILITY REPORT

The Group has established a designated whistleblowing policy. In case of suspected bribery, corruption, misconduct or violations against the Group's Code of Conduct, employees can file anonymous complaints to Head of Internal Control & Compliance department, the Group's Chairman or Audit Committee's Chairman via e-mail, postal mail or in written form. Information of whistle-blower will be kept confidential, and the Group will not tolerate any form of retaliation, including discrimination, harassment, intimidation, punishment, or solicitation. All received complaints are recorded and evaluated by Head of Internal Control & Compliance department to determine the need for further investigation, and results will then be reported to the Group's Chairman. The Audit Committee of the Group will review and monitor the whistleblowing policy and mechanism to ensure its effectiveness.

To know more about our compliance and risk assessment processes, please refer to the Risk Management of the Annual Report (pages 36 to 42).

Protection of Intellectual Property Rights

It is crucial for the Group to protect intellectual property in the process of products and services innovation. We have been proactively safeguarding and protecting the intellectual property for the Group, customers and business partners.

The Intellectual Property Rights Protection Policy of the Group has clearly stated our practices on maintaining and protecting intellectual properties. We require written license agreement from our employees when using any intellectual properties, including trademarks and logos. We also provide introduction of Copyright Ordinance and emphasise importance of compliance during new employee induction training.

Protection of Customer Data Privacy

It is the responsibility of the Group to protect customer data privacy and personal information security. We make earnest efforts to protect personal information and abide by relevant laws and regulations in our operating countries. We have established and updated our privacy protection guidelines and procedures from time to time.

As stipulated in our Information Security Policy, only necessary personal data will be collected and with lawful and fair means. We also clearly stated our rights to access, overwrite and delete customer information. We will do our utmost to prevent unauthorised use of the information including with the aid of security software such as Data Loss Prevention (DLP) and Endpoint Detection & Response (EDR) systems. We will also minimise the risk of information leakage by ensuring proper treatment and destruction of documents and devices that contain personal information after use.

We regularly organise staff training or talks relating to information security and privacy protection to enhance vigilance towards information protection. During the year, the Group has provided 1,165 hours of related training to employees, including training on General Data Protection Regulation (GDPR) compliance guideline, and personal data privacy and security.

The Group's subsidiary has engaged a third party for an information security audit to ensure the effectiveness of our system security control. The subsidiary has not only obtained ISO/IEC 27001 Safety Management System certification, it is also the first infrastructure-as-a-service (IaaS) provider in Hong Kong to receive ISO/IEC 27017 accreditation for its cloud service safety.

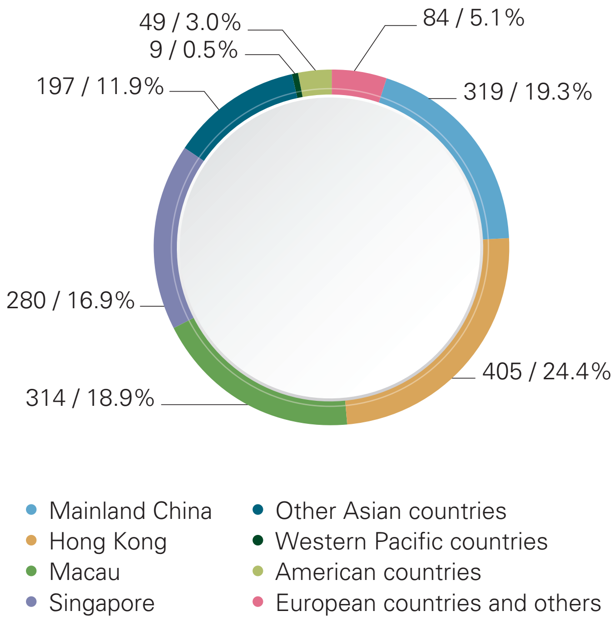
Besides, our subsidiary in Macau has set up a designated department for corporate information security under the IT Department, in response to the newly-enacted Cybersecurity Law (Law No.13/2019) in Macau SAR. It has also appointed data protection officers at different business units, to ensure the effectiveness and compliance of our data handling processes.

SUSTAINABILITY REPORT

Sustainable Supply Chain Management

As a multinational corporation, the Group has presence in different countries and regions around the world. We hope to make good use of our growing influence to promote an ethical and sustainable supply chain.

Number and geographical distribution of suppliers engaged in 2020



We have clearly stated in the Group's Code of Conduct that our procurement team has to comply with professional standards and anti-corruption policies, and ensure open and fair competition in our procurement and tendering process. Monitoring and management measures are also implemented by the procurement team to prevent any bribery, fraudulent practice or misconduct behaviour. The Group also included anti-corruption related terms in supplier contract, prohibiting any forms of corruption and conflict of interest. For suppliers violated the contract terms, their contracts will be revoked.

The Group has formulated the Supplier Management Procedures to standardise the process of supplier selection, review, evaluation and management in order to ensure the Group with high-quality products and services provided by the supplier. The procedures also foster effective management and control of potential risks throughout the supply chain.

To promote a green supply chain, the Group is committed to selecting products and services in the most cost-effective and environmentally-friendly way. We put factors such as sustainability, environmental protection, energy efficiency and emission reduction into consideration to select suppliers with excellent sustainability performance. We also convey our determination in environmental protection through sending suppliers sustainability questionnaires and signing environmental partnership agreements.

Support to Telecommunications Industry Development

Thriving technology trends on cloud computing, big data, artificial intelligence and AR/VR, as well as enterprise digital transformation and smart city are bringing huge opportunities for the industry's development. It is essential in the telecommunications industry to keep pace with the times in order to grasp its potential.

The Group continued to provide active support to different international and local industry events and associations, such as Communications Association of Hong Kong; and has forged strategic partnerships among industry practitioners, such as The Greater Bay Area 5G Industry Alliance and Macao Cross-Border E-Commerce Industry Association, to join hands in co-creating a brighter future for the telecommunications industry.

SUSTAINABILITY REPORT

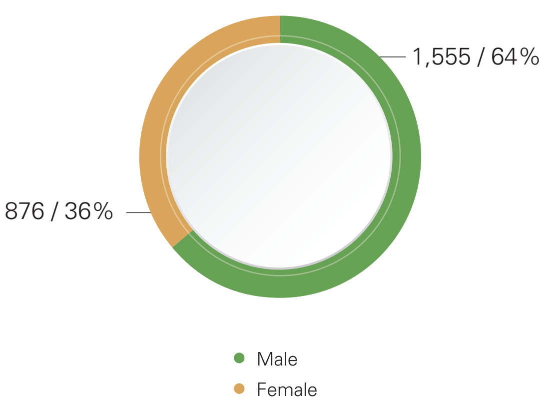
Building a Strong "CITIC Telecom Team"

A professional team composed of excellent employees is the cornerstone of the Group's continued business success. The Group is committed to adopting a multipronged talent management approach comprising "selection, nurture, engagement, management and retention" to make earnest efforts in building a resilient CITIC Telecom Team with global vision.

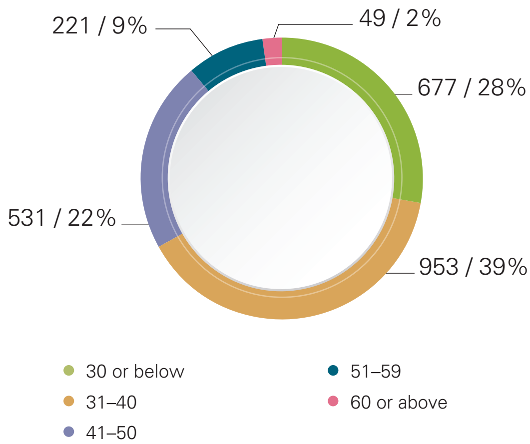
Team Composition

	2020	2019
Hong Kong	**527**	532
Mainland China	**660**	666
Macau	**1,007**	1,043
Singapore	**125**	128
Other Asian countries	**96**	113
American countries	**16**	20
European countries and others	**76**	78
Number of employees	**2,507**	2,580

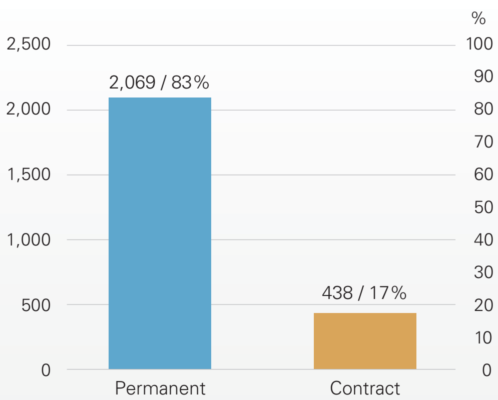
Employee distribution by gender[(1)]



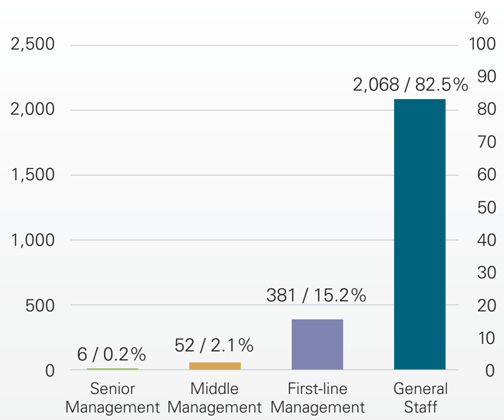
Employee distribution by age[(1)]



Employee distribution by employment contract



Employee distribution by employment type



(1) As personal data privacy is protected by the General Data Protection Regulation (GDPR) and relevant regulations in the United Kingdom, the statistics of our European and British employees are not included in employee distribution breakdown by gender and by age.

SUSTAINABILITY REPORT

Equal Opportunities

Being a responsible employer, the Group strictly complies with applicable laws regarding equal opportunities and anti-discrimination. It upholds the principle of equality and non-discrimination in recruitment, promotion and career development processes. Regardless of individuals' family status, race, gender, disability or other legally protected grounds, we provide employees and job applicants with equal opportunities and eliminate any form of discrimination or unfair treatment.

We introduce the Group's philosophy of equal opportunities to new employees during orientation. Our subsidiary also regularly invites speakers from the Equal Opportunity Commission to provide training for nurturing a culture of equality at workplace.

Employee Retention

In attracting and retaining telecommunications talent to expand our team, the Group recruits talent from various channels, such as online recruitment platforms, staff referral programme, and campus recruitment. We also strive to provide employees with comprehensive training and career development opportunities, regularly review and enhance remuneration and benefits scheme as well as actively listen to employees' opinions to increase their job satisfaction and employee engagement. During the year, the Group's total number of employee turnover was 339 (13.5%), which is lower than that in 2019.

To enhance the sense of belonging in the workplace, our headquarters recognised outstanding employees by presenting Best Manager and Best Employee awards every year based on their annual performance appraisal and overall contribution. We also set up the Long Service Award to express our gratitude to contribution made by long-serving employees.

Remuneration and Benefits

The Group's remuneration policy is guided by the meritocracy principle, which links employee remuneration with personal performance and contribution, thereby encouraging employees to achieve excellent performance. We evaluate the remuneration and benefits scheme annually and make proper adjustments according to business needs.

The Group offers employee benefits, including medical schemes and holidays, in accordance with employment laws and market requirements in our operating regions. Our employees of Hong Kong headquarters also enjoy dental service, retirement plans, shuttle bus services, lunch arrangements, gifts for childbirth, and shopping discounts.

During the year, the Group was bestowed with the top recognition as the Best All-round MPF Employer by the Mandatory Provident Fund Authority. The Group also received the Good MPF Employer, e-Contribution Award and Support for MPF Management Award in recognition of our continuous efforts in optimising retirement benefits for employees.

SUSTAINABILITY REPORT

Open and Two-way Communication

The Group believes that open communication is essential for building trust with employees and enhancing their sense of accomplishment at work. The Group continues to collect feedback and suggestions from employees via intranet communication channel, suggestion boxes at each office floor and regular employee seminar in Hong Kong headquarters.

During the year, we hosted the Employee Seminar 2020 and invited employee representatives from different departments to express their opinions in various areas including company strategy, business innovation, team building, and management. Besides, the Group encourages employees to voice out any concerns to their respective supervisors or managers at all levels, or directly to the Group's management team. Members of the management team will follow up and respond to employees' concerns on behalf of the Board and transfer complaints into opportunities for constructive dialogue.

The Group respects employees' right to collective bargaining and maintains effective communication with the labour unions in accordance with applicable laws in our operating regions. Yet, laws relating to collective bargaining do not apply to our Hong Kong headquarters.

Occupational Health and Safety

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.

We fight the COVID-19 Virus Together

Under the leadership of our Chairman, we formulated a series of measures and work arrangements to cope with the outbreak and safeguard our employees' health and safety.

In the early stages of the pandemic, we set up the Epidemic Prevention and Control Leading Group; followed by regular meetings to formulate prevention and control measures and monitor their effectiveness. We also demonstrated our great attention on the health and safety of employees through the setup of outbreak reporting mechanism, work-from-home arrangement, staggered work patterns and flexible working hours, continuous strengthening of disinfection and cleaning in our offices, as well as the distribution of anti-epidemic hygiene kits and one-time special anti-epidemic subsidies to employees.

Our Hong Kong headquarters held a briefing session on reviewing the epidemic prevention and control work during the year and shared related videos in the session. We also invited medical professional to explain the symptoms, complication and sequelae of COVID-19, and prevention and treatment via a webinar. To relieve stress caused by the long battle against the pandemic, we invited expert to host an online seminar titled "Control Emotions and Fight against the Epidemic for Happy Living" to promote positive emotions and reduce the pandemic's impact on employees' physical and mental health.

On the other hand, the Group continues to adopt regular safety measures, including the Health and Safety Policy, a series of Safety Guidelines at Work, as well as the provision of personal protective equipment. We abide by all applicable occupational health and safety laws and regulations to maintain a healthy and safe working environment for employees. We organise regular occupational safety and health certificate training courses, safety talks, fire drills, and distributed health and safety-related information. It helps our employees equiping them with the necessary knowledge and skills to protect personal safety and strengthen their awareness of occupation health and safety.

During the year, the Group has no fatal incident at work and 589.5 lost days due to work injuries were recorded.

Work-life Balance

The Group attaches equal importance to employees' physical and mental health and work-life balance. The Group regularly organises a wide range of recreational activities for employees, including leisure trips, employee and family hiking events, to add spices to their lives beyond work and ease work stress. Moreover, the Group also supports various kinds of outdoor sports activities, ball game competitions and sports events within the industry for employees to establish team spirit and to promote the importance of physical exercise.

Unfortunately due to the pandemic, the Group's outings, outdoor sports activities and ball games were suspended in the year. Instead, the Group offered diverse interest classes and online talks to share fitness or nutrition tips and promote the importance of a healthy lifestyle.

The Group is committed to creating a family-friendly workplace. The Group's subsidiary has set up a nursery room in designated office area in response to the needs of working mothers, so as to create an inclusive workplace and family culture.

On 24 December 2020, the Group's headquarters held a Christmas lucky draw to fill the holidays with joy and happiness, and to thank our employees for their contributions to the Group, making these special moments even more memorable.

The Group has paid continuous effort in creating a pleasant workplace for employees and has gained wide recognition and support from the society. Apart from our subsidiary of Macau being recognised as "Family-Friendly Employers", "Considerate and Creative Family-Friendly Employer" and "Support Breast Feeding Employer" by the Women's General Association of Macau, we also received the following awards this year:

好僱主約章 GOOD EMPLOYER CHARTER 2020

「友」「家」好僱主 FAMILY-FRIENDLY GOOD EMPLOYER 2020

Good Employer Charter 2020 and Family-friendly Good Employer

Awarding organisation: Labour Department

HAPPY 開心企業 COMPANY 5years+

Happy Company 2020 and Happy Company 5+

Awarding organisations: Hong Kong Productivity Council and Promoting Happiness Index Foundation

SUSTAINABILITY REPORT

Training and Development

The Group spares no effort in supporting the professional and personal growth of employees. We regularly conduct employee performance appraisal to identify career development and promotion opportunities for outstanding employees. Driven by the goal of "optimisation of professional performance, motivation of staff's potentials, and revitalisation of learning culture". We continuously invest time and resources to organise internal and external training and development programmes for employees even under the pandemic. This definitely strengthens technical and business skillsets of our employees for promoting upcoming business development of the Group.

To keep employees abreast of the latest technology trends, the Group offered timely training according to market trends such as big data, blockchain technologies and artificial intelligence in this year. The Group's subsidiary also established a Sales Institute in May to offer advanced cloud and security certification courses, sales training and other training sessions to improve employees' technical and soft skills. The Group also encourages and subsidises employees to participate in external training in pursuit of constant enhancement and improvement in work performance.

Internship schemes

The Group organises management and technical trainee programmes on a regular basis to build a pool of potential leadership talent and technical professionals that could help drive business development. Our management trainee programme aims to nurture versatile management talents, through on-the-job training, project case involvement and technical and soft skills training sessions. Meanwhile, our technical trainee programme focuses on cultivating the next generation of telecommunications professionals via specialised and technical training.

The Group's Macau subsidiary has initiated the Fighting with Pandemic Internship Programme

The Group's Macau subsidiary has initiated the Fighting with Pandemic Internship Programme which provided students with three-month internship opportunities in various departments including network operations, retail sales, customer service and corporate communications. The programme paired each intern with an experienced colleague for one-on-one professional training to further cultivate the telecommunications industry's talent.

Training for middle management

In addition, the Group is determined to promote people with management potentials to develop comprehensive succession plan. Our subsidiary has tailored the personal development programmes for middle managers, which includes classroom training, project case study, external and internal mentoring. we organised virtual training for 15 middle managers to enhance their team spirit and leadership during the year. The programme leveraged the company's actual business pain-points as case studies to let managers grasp the key to promoting the organisation's development.

Continuous professional development of the Board and senior management

The Group places considerable emphasis on continuous professional training of each Board member and senior management personnel as being the Group's leaders. We organised training on the facilitation of the integrated development of the Greater Bay Area and China's national plan on green development during the year. Besides, we supported them to participate in external industry seminars and international conferences to further enhance their industry and professional knowledge.

The Group felt honoured to be recognised by the Employees Retraining Board as "Manpower Developer" under the ERB Manpower Developer Award Scheme; its subsidiary has also been awarded the "Best in Succession Planning" by the Hong Kong Management Association, to recognise our remarkable contribution and achievement in employee training and development.

Caring for the Environment

With sustainability as the cornerstone of our development, the Group is committed to operating in an environmentally-responsible way. Given that our major energy consumption, waste generation, and greenhouse gas emissions come from our offices, data centres and other network operations, the Group continues to formulate and update our environmental policies, so as to promote and improve the sustainability of our business operations.

Construction and Operation of Green Data Centres

Data centre operation is one of the Group's core businesses. We prioritise energy saving and emission reduction in telecom chamber construction and systems procurement. We also implement a variety of green measures in our daily operations in alignment with the latest trend for green data centre.

"CITIC Telecom Green Policy"

- Set, monitor and review regularly on our environmental targets; take every reasonable and practicable measure to continually improve our environmental performance
- Ensure the best use of resources and reduce waste by implementing 4Rs Environmental Management Model incorporating Reduce, Recycle, Reuse and Replace disposable materials
- Comply with all relevant environmental legislations and ensure all staff behave accordingly
- Communicate our environmental policy and performance to all stakeholders
- Raise environmental awareness of our staff to encourage concern for environmental protection through promotion and training programme

SUSTAINABILITY REPORT

Telecom chamber construction and facilities planning

We have adopted a multi-pronged approach to enhance energy efficiencies of the telecom chambers and related systems. Air-conditioning systems and cabinet power supply systems are the major sources of our energy consumption. The Group is committed to using high energy-efficient systems and components for ongoing reduction in energy consumption.

Air-conditioning system and components	Adopt advanced computer room air-conditioning (CRAC) system with EC Fan and Smart Control to consistently monitor the data centre's temperature and humidity and automatically regulate the cooling system's operation
	Purchase air-conditioning system with excellent heat dissipation capabilities
Cabinet power supply system	Employ uninterruptible power source (UPS) systems and power distributor cabinets that are compliant with environmental requirements set out by ISO 14006 Eco-design, European Union (EU), the Restriction of Hazardous Substances Directive (RoHS), and the Waste Electrical and Electronic Equipment Directive (WEEE)

While designing and planning the data centre in CITIC Telecom Tower, we also utilised high energy-efficient hardware and equipment:

	Hardware	**Energy-Efficient Features**
Telecom chambers planning	Platform design	Utilise cold/hot air convection to reduce the mixing of cold/hot airflow
	Air-dampers	High-efficiency air-dampers controlling air inflow to prevent outdoor humidity affecting indoor room temperature
	Lighting	Use energy-saving LED lights
Cabinet design	Floor panels	Retrofit air-grille floor panels in front of heat-releasing cabinets to increase cold airflow
	Containment doors & blanking plates	Install containment doors and blanking plates between cabinets to reduce mixing of cold/hot airflow and wear-out
Air-conditioning	Chilled water supply temperature regulation	Adjust chilled water supply temperature based on the cooling requirements corresponding to the overall power consumption of the cabinets
	Spray system for the air-conditioning units	Utilise water mist evaporation to reduce energy demand for cooling

SUSTAINABILITY REPORT

Energy Saving Initiative of the Macau Subsidiary

Our subsidiary in Macau adopted chiller plant with oil-free compressor and magnetic bearings, reducing energy consumption by 20%. In addition, a mist cooling system was installed to improve Coefficient of Performance (COP) of the chiller, which could reduce energy consumption further by 5%. Through these measures, we strive to improve energy efficiency of our hardware, and hence reduce greenhouse gas emissions in the long run.

Energy-saving measures in daily operation

To further integrate energy-saving into the daily operation of data centres, the Group has introduced green planning in its management system and has been optimising the operating systems of data centres to cut unnecessary energy consumption.

Real-time Monitoring System in Data Centres

The real-time monitoring system provides a holistic user interface for the management of data centres. It shows operating status of various mechanical and electrical systems, allowing us to obtain operating data for analysis and timely adjust interactions among mechanical and electrical systems. This allows us to monitor the overall load condition and hence maximise our operation efficiency.

The system can also extract external information such as real-time weather information and forecasts for the nearby area, allowing our operation staff to make prompt adjustments to the air-conditioning units. With this in place, we could maintain a stable humidity and temperature environment for the data centre operations in the most effective way.

The system is also equipped with a risk alert and management system to avoid unnecessary electricity wastage. The early warning signal of abnormal operation from the system could help us prevent and mitigate equipment failure.

SUSTAINABILITY REPORT

To closely monitor the energy consumption of data centres, we leverage the Meter Online service provided by CLP. Once abnormal consumption is identified, our department-in-charge will take remediation actions immediately and carry out incident investigations to avoid further wastage. Meanwhile, we will provide our customers with their monthly consumption data through our electricity bill management system, such that they can have better planning for energy-saving initiatives.

The Group will continue to explore and optimise our energy performance and include more energy-saving designs and elements in the future expansion of our data centres. By setting environmental targets, we plan to further accelerate our progress on energy conservation and environmental protection.

Climate Change Mitigation

Under a changing climate, the Group's global and diversified business will inevitably be affected to different extents. Given our operations in Hong Kong and Macau suffer from typhoons from time to time, the Group has relocated our network facilities or installed protective equipment such that they could still operate smoothly under extreme weather events. During such occasions, our employees have also guarded their posts well so as to minimise the disruptions that natural disaster brought.

In order to better understand the impacts and risks that climate change brings to our business, the Group has commissioned a third-party consultant to conduct a formal climate risk analysis this year. Preliminary results show that physical risks including strong winds, cyclones and floods may affect the Group's operations, due to their geographic location. In addition, the telecommunications industry is affected by local government policies and industry advocacies in line with the Paris Agreement. Among them, the mainland China is actively promoting the upgrade of energy-efficient equipment within the telecommunications industry. We have also observed various advocacies relating to the development of green data centres in the market. We believe increasing attention will be given to the industry's environmental performance in the future. We will take initiatives to cope with the possible impacts due to climate change after the risk analysis.

Community Disaster Preparedness and Relief

The Group has formulated mechanisms to minimise the potential damage to our business and operations brought about by typhoons. As soon as we are aware of the approaching typhoon, the contingency plan is activated with appropriate precautionary measures adopted immediately, including deploying mobile power generation equipment in various Remote Line Units (RLUs), adding water gates in RLUs located in low-lying districts, firming cell sites and hoisting capacity of backup powers to minimise the disruption to our telecommunications services.

Meanwhile, we closely monitor our network performance and standby for any prompt assistance needed. After the typhoon, we continue to support our customers by conducting maintenance and repairing works, and restoring telecommunications services for those in flooded areas once power supply is resumed.

In the coming year, the Group will conduct the in-depth risk analysis to further enhance our management mechanisms and related measures. At the same time, the Group will continue to take eager actions on improving our energy performance so as to enhance climate resilience in the long run.

Green Initiatives in Daily Office Operations

Adhering to the CITIC Telecom Green Policy, the Group consistently implements various measures that encourage employees to conserve resources and reduce wastage to promote green operations.

Living up to the 4R environmental principle, we monitor our office energy, paper and water consumption regularly to identify further rooms for wastage avoidance. The Hong Kong headquarters is currently setting targets to drive progress on waste reduction; meanwhile, the Group's subsidiary has successfully accredited its environmental management system against the ISO 14001 standard which helps to closely implement, monitor and improve its environmental performance.

In addition, we have set up a Green Corner on the Company intranet, where environmental information is disseminated to all employees regularly. It helps to promote environmental awareness among our employees and nurture green habits that will benefit the overall environmental performance of the Group.

SUSTAINABILITY REPORT

Energy Saving

- Use energy-saving LED bulbs in the office area
- Give priority to energy-efficient products and technologies when replacing old appliances and equipment
- Adopt chiller plant with oil-free compressor and magnetic bearings to reduce the energy consumption of air-conditioning
- Support and participate in energy saving events, including the Earth Hour 2020 lights off event organised by WWF

Paper Conservation

- Encourage employees to print on both sides
- Place recycling boxes next to photocopying machines to encourage recycling
- Digitalise internal and external communication
- Introduce automised systems to replace paper workflow
- Provide digital services including e-statement and online services

Water Conservation

- Install automatic sensor faucets
- Promote water conservation by sending email memos and posting reminders at pantries

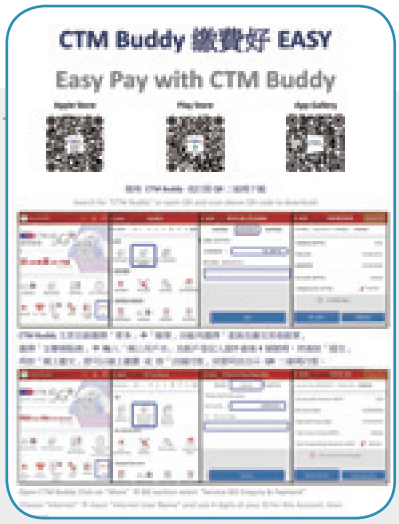
Waste Recycling

- Set up recycling bins in conspicuous locations in the office to encourage recycling
- Set up guidelines on the proper disposal of regulated electrical equipment (REE) according to the Producer Responsibility Scheme on Waste Electrical and Electronic Equipment (WRPS): to collect REE for handling by authorised recyclers and retain official recycling certificate for record
- Participate in Toner & Ink Cartridges Recycling & Reuse Programme organised by Friends of the Earth (HK) to ensure proper handling of toner and ink cartridges for the Hong Kong headquarters

SUSTAINABILITY REPORT

Electronic Bills and eService Portal of our Macau Subsidiary

The Group's subsidiary in Macau has launched several digital platforms, including CTM Buddy mobile app, CTM.net Online Portal, CTM Wechat OA for customers to check bills and settle payment. We encourage customers to adopt SMS bill notification, so as to promote a paperless customer experience and reduce paper consumption.



Environmental Performance Data[2]

Use of Resources	Units	2020	2019	Difference
Energy consumption				
Electricity	kWh	**58,285,393**	54,178,176	7.6%[3]
Petrol	litres	**97,305**	126,308	-23.0%
Diesel	litres	**7,954**	9,128	-12.9%
Intensity of energy consumption	GJ/million HKD revenue from telecommunications services	**26.8**	27.0	-0.7%
Water consumption				
Water consumption	m^3	**20,246**	20,669	-2.0%
Intensity of water consumption	m^3/million HKD revenue from telecommunications services	**2.5**	2.8	-10.7%

Waste Recycling	Units	2020	2019	Difference
Non-hazardous waste recycling				
Paper	kg	**1,478**	1,621	-8.8%
Hazardous waste recycling				
Computer, communications and electrical appliances	pc	**25,490**	32,468	-21.5%
Industrial batteries	pc	**416**	311	33.8%
Toner and ink cartridges	pc	**117**	58	101.7%[4]

(2) As the numbers for each indicator in 2019 and 2020 have been rounded, the actual year-to-year percentage change might be slightly different from that of the percentage of the numbers illustrated.

(3) Electricity consumption of data centres located in Hong Kong and the mainland China increased due to business growth.

(4) In 2020, our Macau subsidiary enhanced the collection channel in recycling of toner and ink cartridges, thus the recycling amount increased.

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Greenhouse Gas (GHG) Emissions[5]	Units	2020	2019	Difference
Scope 1: Direct GHG emissions	tonnes of CO_2-equivalent	**500.15**	981.8	-49.1%[6]
Scope 2: Energy indirect GHG emissions	tonnes of CO_2-equivalent	**40,125.1**	40,190.7	-0.2%
Scope 3: Other indirect GHG emissions	tonnes of CO_2-equivalent	**192.2**	259.5	-25.9%
Total GHG emissions	tonnes of CO_2-equivalent	**40,817.6**	41,432.0	-1.5%
Intensity of GHG emissions	tonnes of CO_2-equivalent/ million HKD revenue from telecommunications services	**5.1**	5.6	-8.9%

Environmental Activities

During the year, the Group participated in various environmental protection activities and continued to support initiatives advocated by environmental organisations, promoting environmental awareness to employees and the general public.

Our subsidiary in Macau supported a number of environmental activities related to energy-saving, including the 2020 Macau Energy Saving Week Light-off One Hour organised by Macau GDSE, which promoted energy-saving culture and low-carbon lifestyle. Besides, it also fully supported the promotion of "Construction Materials Waste Management Regime" organised by DSPA, as well as the Macau Water Run 2020. The Group hopes to call on all sectors of the society to treasure our natural resources.

The Group's subsidiary participated in the Green Community Partner Programme 2020 organised by World Green Organization, where a DIY hand sanitiser workshop and sanitisation of beneficiaries' homes were held. On one hand, the programme has encouraged our employees to practise a low-carbon lifestyle, and on the other hand, it has educated them on how to live a green life while combating the pandemic.

[5] The Group's greenhouse gas emissions were calculated in accordance with ISO 14064 International Standard for GHG Emissions Inventories and Verification and adopted carbon emission factors applicable to the Group's four major operating regions, namely Hong Kong, Mainland China, Macau and Singapore.

[6] Consumption of mobile fuels and fire suppressant reduced in 2020, thus Scope 1 direct GHG emissions reduced significantly as compared to 2019.

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In order to raise the environmental awareness of our employees, the Group's subsidiary participated in various environmental activities that are related to festival celebrations. These include Lai See Packets Reuse and Recycling Programme, CNY Containers Recycling Drive and Green Mid-Autumn Festival 2020 Campaign, encouraging employees to recycle packaging of festive gifts boxes and avoid wastage. The Group's subsidiary also took part in the Hong Kong Green Day 2020 organised by the Green Council, By signing the Green Pledge, the subsidiary provided support to promote the Green Day and encourage employees on environmental protection.

Environmental Awards and Certifications

We have implemented various effective environmental protection measures and were again recognised by the industry. The Group's subsidiary was awarded with the Green Office and Eco-Healthy Workplace labels by the World Green Organization, which commend companies for their significant achievement in terms of green initiatives in different areas.

Green Office Awards Labelling Scheme

ECO-Healthy WORKPLACE

Caring and Support for the Community

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 community development. Our CITIC Telecom International Volunteer Service Team actively engages in community services to help the people in need. In 2020, the team has contributed 2,224.5 hours in voluntary service while the Group has made charitable donations over HK$0.88 million.

Combating the Pandemic

The pandemic has brought unforeseen challenges to the community. To help fight the pandemic together with the society and protect the health of the grassroots in particular, the Group actively participated in anti-epidemic supplies donation through the Chinese YMCA of Hong Kong.

In order to provide stable telecommunications support for front-line workers fighting the pandemic, our Macau subsidiary has enhanced the monitoring of communication facilities in various important locations, including hospitals, quarantine centres, immigration control points, and public services departments. They have also installed video communication equipment and introduced network security in quarantine centres and hospitals, allowing patients and medical staff to stay connected with their families even in isolation, which has provided strong emotional support for their battle. Temporary Wi-Fi hotspots have also been installed at all immigration control points to enable more convenient completion of the online health declaration before entering the border, enhancing screening efficiencies with the use of telecommunications technologies.

SME Support Programme to Aid SMEs Sail through Hardships

In view of the operational pressure that the pandemic has brought to SMEs, the Group's Macau subsidiary has rolled out a SME Support Programme that includes a complimentary online sales platform and CTM Cloud service for SMEs in need, involving resources that cost over MOP 2 million. Through this programme, the Group hopes to help SMEs sustain businesses and seize opportunities amidst the pandemic crisis, and fight the hardships together.

Leveraging Our Strengths to Support Community Development

Upholding the principle of rewarding the society and serving the community, the Group not only encourages employees to participate in community services, but also strives to leverage our expertise and resources in communication and information technology to enhance the quality of life.

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Promoting Development of "Digital Macau" and 5G Technology

Promoting the infrastructure development of "Digital Macau" has always been a major task of our subsidiary in Macau. We continue to devote resources in the building of network infrastructure in Macau as well as the introduction of edge-cutting technologies that enhance the network quality. Furthermore, we are exploring to increase the application of smart technology in our services.

In 2020, the Group's Macau subsidiary has brought the general public to the experience of 5G through various channels, including exhibition and school tours. A 5G application competition was also introduced to popularise and inspire applications of 5G in daily lives.

Looking forward, the Group will continue to explore the possibilities and the latest applications of 5G . We will cooperate with more stakeholders to promote smart technologies in different industries and daily living, with the ultimate goal of fueling the development of "Digital Macau".

Outreach Healthcare E-medical Record Solution

This year the Group's Macau subsidiary worked with FAOM Medical Clinics, a non-profit medical centre, to develop a one stop Outreach Healthcare E-medical Record Solution. The application is a tailor-made digital system which allows frontline personnel to access healthcare record and information through a cloud platform. It greatly enhanced the efficiency of medical consultation, and has become the first healthcare record system that was approved by eSignTrust certification in Macau.

SUSTAINABILITY REPORT

Supporting Youth Development

The Group places great emphasis on nurturing our younger generation such that they could become future leaders of our society. Therefore, the Group has been cooperating with different schools and youth groups to organise a wide range of activities that unleash potentials of teenagers, broaden their horizons and develop their talents in all aspects.

In times of the pandemic, we continued to stay in touch with different schools. By holding online sharing sessions, site visits and tours, we introduced students to the actual operations of the telecommunications industry and consolidated their understanding of the latest developments within the industry.

Our subsidiary in Macau cooperated with the local government and jointly launched an internship programme with the Labour Affairs Bureau. The programme allowed fresh graduates to enhance their professional skills with actual work experience, and provided them with opportunities to enrich themselves to become future talents of the smart city of Macau despite uncertainty in the current labour market.

To encourage students with outstanding academic performance, the Group introduced scholarships for various universities, including the CTM Scholarship, to provide financial support for students in need. The Group's Singapore subsidiary also continued to offer CITIC Telecom Scholarship at the Singapore Polytechnic, which provided financial aid particularly for students majoring in environmental studies, allowing them to focus on their study and research and contribute to the environmental protection fields in the future.

Popularisation of telecommunications services

The Group is committed to enhancing communication and promoting a harmonious community through telecommunications services that connects the underprivileged with varying needs to the society.

Fixed and Mobile Peng On Tung Tele-assistance Service

Since 2009, the Group's Macau subsidiary has been the service supporting unit of Peng On Tung tele-assistance service, providing fixed line and network services for the Peng On Tung Centre. They provide 24-hour emergency assistance and care to elderly living alone and other people in need, so as to safeguard their personal safety.

Special Offers for Senior Citizens and the Disabled

To connect the elderly and the disabled with the society, our Macau subsidiary has been providing constant concessions to Senior Citizens Card and Disability Proof holders. We provide special appointment and delivery service for them so that they can purchase and enjoy our services with ease.

We have also introduced the CTM Telecom Service Caring Plan to offer the disabled with discounts on our mobile and fibre broadband services, encouraging them to explore the world through the internet.

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In addition, the Macau subsidiary also provided various kinds of telecommunications support to government departments, school operators and community organisations, including:

- Cooperation with the Social Welfare Bureau (IAS) of Macau to provide free CTM Wi-Fi hotspots at 9 frontline service units of IAS and 56 centres of various social services, providing free Wi-Fi to people who cannot afford or live in remote areas
- Sponsoring of the Smart Campus Programme to provide 25 local schools with dedicated internet access, which providing benefit to students and children from advanced digital learning
- Offering of free internet and fixed-line services for Chong Ling Hin Elderly Canteen to help them lower the operation costs, in which the savings will be used to provide free meals for elderly with hearing impairment

Through the popularisation of telecommunications services, the Group offers more timely and diversified services to its users, the underprivileged, and people in different community segments.

50222 Hiker SMS Tracking Service

The Group continues to serve its community mission through telecommunications services. Together with other major mobile operators in Hong Kong, the Group continues to provide full support to the 50222 Hiker SMS Tracking Service. The service is a SMS-based life-saving tool, where hikers can report their tracks by sending free SMS to "50222" as marked on posts along the country trail. In case rescue is needed, the Hong Kong Government's emergency services can pinpoint the locations more effectively and accurately by referring to the latest track number sent by the hiker.

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Awards and Commendations

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

- The Group has received "10 Years Plus Caring Company" from the Hong Kong Council of Social Service, commending our contribution in caring for employees, community and environment
- The Group and its subsidiary were once again awarded the Social Capital Builder Award by the Community Investment and Inclusion Fund of the Labour and Welfare Bureau, for our effort in cross-industry collaboration and in building social capital for Hong Kong
- The Group was awarded the Y-Care CSR Scheme New Corporate Partner by the Chinese YMCA of Hong Kong, in recognition of our effort in caring for the underprivileged and promoting social inclusion
- The Group's Macau subsidiary was awarded the Excellent Corporate Volunteer Team by the Macau Volunteer Association, in recognition of our active participation and contribution to the local community

Environmental, Social and Governance Reporting Guide

Compliance with Reporting Standards

This Sustainability Report is prepared in accordance with the ESG Reporting Guide issued by The Stock Exchange of Hong Kong Limited. All "comply or explain" provisions, and appropriate key performance indicators under "recommended disclosures" are selected for disclosure. We also adhere to the four reporting principles set out in the Guide when defining our content, namely materiality, quantitative, balance and consistency.

Reporting and Data Scope

This report covers the sustainability performance and measures of the Group's headquarters and its subsidiaries for the reporting period of 1 January 2020 to 31 December 2020. Unless otherwise specified, the scope of environmental data disclosure covers operations of our three major business units (i.e. headquarters, CTM and CPC) in four major operating locations, namely Hong Kong, Mainland China, Macau and Singapore (which collectively accounts for over 90% of revenue from telecommunications services).

SUSTAINABILITY REPORT

Content Index

Key aspects	General disclosures and KPIs		Section/statement	Referencing page number
A. Environment				
Aspect A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Caring for the Environment The Group is not aware of any material non-compliance with relevant laws and regulations that have a significant impact on the Group during the reporting period.	Pages 103-110
	KPI A1.1	The types of emissions and respective emissions data.	Given the Group does not generate a significant amount of emissions during operation, this topic was regarded non-material in the materiality analysis, and thus such data is not disclosed.	Not applicable
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Caring for the Environment	Page 109
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Caring for the Environment	Page 108
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Caring for the Environment	Page 108
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	Caring for the Environment	Pages 103-110
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Caring for the Environment	Pages 103, 106-110

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Key aspects	General disclosures and KPIs		Section/statement	Referencing page number
Aspect A2: Use of resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Caring for the Environment	Page 103
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Caring for the Environment	Page 108
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Caring for the Environment	Page 108
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Caring for the Environment	Pages 103-110
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	The Group does not have any issue in sourcing water that is fit for purpose.	Not applicable
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Given the Group's operations do not involve significant amount of packaging materials, this topic was regarded non-material in the materiality analysis, and thus such data is not disclosed.	Not applicable
Aspect A3: The environment and natural resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Caring for the Environment	Page 103
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Caring for the Environment	Pages 103-108
Aspect A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Caring for the Environment	Page 106
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Caring for the Environment	Page 106

SUSTAINABILITY REPORT

Key aspects	General disclosures and KPIs		Section/statement	Referencing page number
B. Social				
Employment and labour practices				
Aspect B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Responsible Operational Management, Building a Strong "CITIC Telecom Team" The Group is not aware of any material non-compliance with relevant employment laws and regulations that have a significant impact on the Group during the reporting period.	Pages 98-101
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Building a Strong "CITIC Telecom Team"	Page 98
Aspect B2: Health and safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Building a Strong "CITIC Telecom Team" The Group is not aware of any material non-compliance with relevant laws and regulations that have a significant impact on the Group during the reporting period.	Pages 100-101
	KPI B2.1	Number and rate of work-related fatalities.	Building a Strong "CITIC Telecom Team"	Page 101
	KPI B2.2	Lost days due to work injury.	Building a Strong "CITIC Telecom Team"	Page 101
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Building a Strong "CITIC Telecom Team"	Pages 100-101
Aspect B3: Development and training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Building a Strong "CITIC Telecom Team"	Pages 102-103
Aspect B4: Labour standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Building a Strong "CITIC Telecom Team" The Group is not aware of any non-compliance with relevant laws and regulations on preventing child or forced labour.	Page 99

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Key aspects	General disclosures and KPIs		Section/statement	Referencing page number
Operating practices				
Aspect B5: Supply chain management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Responsible Operational Management	Page 97
	KPI B5.1	Number of suppliers by geographical region.	Responsible Operational Management	Page 97
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Responsible Operational Management	Page 97
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Responsible Operational Management	Page 97
Aspect B6: Product responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Responsible Operational Management The Group is not aware of any material non- compliance with relevant laws and regulations on product responsibility that have a significant impact on the Group during the reporting period.	Pages 93-96
	KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Responsible Operational Management	Page 93
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Responsible Operational Management	Page 96

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Key aspects	General disclosures and KPIs		Section/statement	Referencing page number
Aspect B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Responsible Operational Management	Pages 95-96
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	The Group is not aware of any material non-compliance with relevant laws and regulations on anti-corruption that have a significant impact on the Group during the reporting period.	Not applicable
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Responsible Operational Management	Pages 95-96
Aspect B8: Community investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Caring and Support for the Community	Pages 111-114
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Caring and Support for the Community	Pages 111-114
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Caring and Support for the Community	Page 111

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

Independent Auditor's Report to the members of CITIC Telecom International Holdings Limited
(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of CITIC Telecom International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 128 to 208, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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INDEPENDENT AUDITOR'S REPORT

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of goodwill

- Revenue recognition

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill	
Refer to note 13 to the consolidated financial statements. As at 31 December 2020, the carrying value of the Group's goodwill amounting to HK$9,733 million was allocated to cash generating units ("CGUs") comprising of: (i) Telecoms business – Macau, (ii) Enterprise solutions (outside Macau), and (iii) Other telecommunications services. Goodwill is subject to management's impairment assessments annually and when there is an indication of impairment. In carrying out the impairment assessments, the recoverable amount of each CGU was determined by management based on value-in-use calculation using cash flow projections. Significant judgments are required by management to estimate the future cash flows of the Group's CGUs and to determine the key assumptions, including the services revenue growth rates and long term growth rates used in the cash flow projections, and the discount rates applied to bring the future cash flows back to their present values. Management concluded that there was no impairment in respect of the goodwill based on the results of their impairment assessments.	Our procedures in relation to the management's impairment assessments of goodwill included: • Evaluating the reasonableness of management's identification of CGUs based on our understanding of the Group's business; • Assessing the methodology applied by management in the preparation of the discounted cashflow forecasts with reference to the requirements of the prevailing accounting standards; • Evaluating the discounted cashflow forecasts prepared by management, including the reasonableness of the key assumptions used, by taking into account our understanding, experience and knowledge of the telecommunications sector and the Group's future business plans, and assessing the reasonableness of the discount rates; • Comparing the revenue, cost of sales and services and other operating expenses included in discounted cashflow forecasts prepared in the prior year with the current year's performance and making enquiries to management as to the reasons for any significant variation identified to assess management's historical estimation accuracy; and • Performing sensitivity analyses on the key assumptions where we flexed the long term growth rates and the discount rates as these are the key assumptions against which the value-in-use calculations are most sensitive to. Based on available evidence and our work performed, we found the assumptions and estimates used in the goodwill impairment assessments by management to be supportable.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition	
Refer to note 3 to the consolidated financial statements. The Group recognised revenue of HK$4,751 million from the provision of mobile services, internet services, international telecommunications services and fixed line services during the year ended 31 December 2020. We considered revenue recognition a key audit matter as significant effort was spent in auditing revenue recognised by the Group based on information generated from the telecommunications systems. These systems were complex, processed large volume of transactions with a large combination of different products sold and services provided and there were regular changes in price during the year.	Our procedures performed in addressing the risk of material misstatement in revenue recognition in relation to the use of complex IT systems included: • Obtaining an understanding and evaluating the design, implementation and operating effectiveness of the key internal controls over the capturing, processing and recording of revenue; • Testing the IT environment in which billing, rating and other relevant supporting systems reside; and • Testing, on a sample basis, the revenue transactions by tracing the transactions from the telecommunications systems to supporting documents, such as customer contracts, underlying invoices and settlement, where applicable. Based on available evidence and our work performed, we found the revenue recognised with the use of complex IT systems to be supportable.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheng Lap Yam.

PricewaterhouseCoopers
Certified Public Accountants

4 March 2021

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	Note	**2020** **$ million**	2019 $ million
Revenue	3(a)	**8,923**	9,014
Valuation (loss)/gain on investment property	10(a)	**(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)
		1,559	1,590
Finance costs	5(d)	**(296)**	(341)
Profit before taxation	5	**1,263**	1,249
Income tax	6(a)	**(224)**	(229)
Profit for the year		**1,039**	1,020
Attributable to:			
Equity shareholders of the Company		**1,023**	1,002
Non-controlling interests		**16**	18
Profit for the year		**1,039**	1,020
Earnings per share (HK cents)	9		
Basic		**27.9**	27.5
Diluted		**27.9**	27.4

The notes on pages 133 to 208 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 26(b).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 $ million	2019 $ million
Profit for the year		**1,039**	1,020
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit liability	24(a)(v)	**28**	35
Deferred tax recognised on the remeasurement of net defined benefit liability	6(c)	**(3)**	(4)
		25	31
Items that may be reclassified subsequently to profit or loss:			
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

The notes on pages 133 to 208 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

(Expressed in Hong Kong dollars)

	Note	**2020 $ million**	2019 $ million
Non-current assets			
Investment property	10	**639**	648
Property, plant and equipment	10	**2,705**	2,435
Right-of-use assets	11	**706**	695
Intangible assets	12	**1,219**	1,385
Goodwill	13	**9,733**	9,713
Interest in a joint venture	15	**9**	9
Non-current contract assets	18(a)	**31**	36
Non-current other receivables and deposits	19	**181**	112
Deferred tax assets	6(c)	**77**	66
		15,300	15,099
Current assets			
Inventories	16	**61**	144
Contract costs	17	**7**	7
Contract assets	18(a)	**343**	474
Trade and other receivables and deposits	19	**1,104**	1,338
Current tax recoverable	6(b)	**3**	14
Cash and bank deposits	20(a)	**1,519**	1,313
		3,037	3,290
Current liabilities			
Trade and other payables	21	**1,457**	1,470
Contract liabilities	18(b)	**176**	171
Bank and other borrowings	22	**240**	289
Lease liabilities	23	**139**	126
Current tax payable	6(b)	**209**	207
		2,221	2,263
Net current assets		**816**	1,027
Total assets less current liabilities		**16,116**	16,126
Non-current liabilities			
Non-current contract liabilities	18(b)	**2**	2
Non-current bank and other borrowings	22	**5,628**	5,989
Non-current lease liabilities	23	**391**	380
Non-current other payables	21	**31**	37
Net defined benefit retirement obligation	24(a)	**29**	60
Deferred tax liabilities	6(c)	**226**	233
		6,307	6,701
NET ASSETS		**9,809**	9,425
CAPITAL AND RESERVES			
Share capital	26(c)	**4,646**	4,628
Reserves		**5,105**	4,748
Total equity attributable to equity shareholders of the Company		**9,751**	9,376
Non-controlling interests		**58**	49
TOTAL EQUITY		**9,809**	9,425

Approved and authorised for issue by the board of directors on 4 March 2021.

Xin Yue Jiang
Director

Cai Dawei
Director

The notes on pages 133 to 208 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company							
		Share capital $ million	Capital reserve $ million	Property revaluation reserve $ million	Exchange reserve $ million	Retained profits $ million	Total $ million	Non-controlling interests $ million	Total equity $ million
Balance as at 1 January 2019		4,402	80	53	(26)	4,347	8,856	40	8,896
Changes in equity for 2019:									
Profit for the year		–	–	–	–	1,002	1,002	18	1,020
Other comprehensive income for the year		–	–	–	(6)	31	25	–	25
Total comprehensive income for the year		–	–	–	(6)	1,033	1,027	18	1,045
Dividend paid to non-controlling interests		–	–	–	–	–	–	(9)	(9)
Shares issued under share option plan	25(b)(ii)	226	(44)	–	–	–	182	–	182
Equity-settled share-based transactions	5(c)	–	5	–	–	–	5	–	5
Dividends approved in respect of the previous financial year	26(b)(ii)	–	–	–	–	(511)	(511)	–	(511)
Release upon lapse of share options	25(b)(ii)	–	(1)	–	–	1	–	–	–
Dividends declared in respect of the current financial year	26(b)(i)	–	–	–	–	(183)	(183)	–	(183)
		226	(40)	–	–	(693)	(507)	(9)	(516)
Balance as at 31 December 2019		4,628	40	53	(32)	4,687	9,376	49	9,425
Balance as at 1 January 2020		**4,628**	**40**	**53**	**(32)**	**4,687**	**9,376**	**49**	**9,425**
Changes in equity for 2020:									
Profit for the year		**–**	**–**	**–**	**–**	**1,023**	**1,023**	**16**	**1,039**
Other comprehensive income for the year		**–**	**–**	**–**	**46**	**25**	**71**	**3**	**74**
Total comprehensive income for the year		**–**	**–**	**–**	**46**	**1,048**	**1,094**	**19**	**1,113**
Dividend paid to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**(10)**	**(10)**
Shares issued under share option plan	25(b)(ii)	**18**	**(4)**	**–**	**–**	**–**	**14**	**–**	**14**
Dividends approved in respect of the previous financial year	26(b)(ii)	**–**	**–**	**–**	**–**	**(550)**	**(550)**	**–**	**(550)**
Release upon lapse of share options	25(b)(ii)	**–**	**(1)**	**–**	**–**	**1**	**–**	**–**	**–**
Dividends declared in respect of the current financial year	26(b)(i)	**–**	**–**	**–**	**–**	**(183)**	**(183)**	**–**	**(183)**
		18	**(5)**	**–**	**–**	**(732)**	**(719)**	**(10)**	**(729)**
Balance as at 31 December 2020		**4,646**	**35**	**53**	**14**	**5,003**	**9,751**	**58**	**9,809**

The notes on pages 133 to 208 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 $ million	2019 $ million
Operating activities			
Cash generated from operations	20(d)	**2,780**	2,630
Tax paid:			
– Hong Kong Profits Tax paid		**(89)**	(77)
– Macau Complementary Tax paid		**(129)**	(121)
– Tax paid for jurisdictions outside Hong Kong and Macau		**(25)**	(17)
Tax refunded:			
– Hong Kong Profits Tax refunded		**5**	2
Net cash generated from operating activities		**2,542**	2,417
Investing activities			
Payment for the purchase of property, plant and equipment		**(788)**	(482)
Proceeds from the sale of property, plant and equipment		**1**	2
Decrease in pledged deposits		**–**	3
Interest received		**14**	11
Net cash used in investing activities		**(773)**	(466)
Financing activities			
Proceeds from new bank and other borrowings	20(e)	**493**	2,436
Proceeds from new shares issued under share option plan		**14**	182
Payment for transaction costs on bank borrowings	20(e)	**(1)**	(13)
Repayment of bank and other borrowings	20(e)	**(900)**	(3,101)
Other borrowing costs paid	20(e)	**(279)**	(304)
Capital element of lease rentals paid	20(e)	**(147)**	(164)
Interest element of lease rentals paid	20(e)	**(17)**	(16)
Dividends paid to equity shareholders of the Company		**(733)**	(694)
Dividend paid to non-controlling interests		**(10)**	(9)
Net cash used in financing activities		**(1,580)**	(1,683)
Net increase in cash and cash equivalents		**189**	268
Cash and cash equivalents as at 1 January		**1,304**	1,038
Effect of foreign exchange rate changes		**17**	(2)
Cash and cash equivalents as at 31 December	20(a)	**1,510**	1,304

The notes on pages 133 to 208 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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. 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. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise CITIC Telecom International Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") and the Group's interest in a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except that investment property (see note 1(g)) is stated at its fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) 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.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Business combination, subsidiaries and non-controlling interests

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see note 1(m)(ii)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(m)(ii)).

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Joint ventures

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(m)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the joint venture (after applying the expected credit loss ("ECL") model to such other long-term interests where applicable (see note 1(m)(i)).

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(m)(ii)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(x)(iv).

An item of investment property is transferred to land and buildings held for own use or property held by a leasee as a right-of-use asset when there is a change in use evidenced by commencement of owner-occupation, the fair value at the date of transfer becomes the deemed cost for subsequent accounting as land and buildings held for own use or right-of-use asset, if applicable.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(m)(ii)).

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is initially recognised in the consolidated statement of financial position at cost less impairment losses (see note 1(m)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, an appropriate proportion of production overheads and borrowing costs (see note 1(z)).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

No depreciation is provided in respect of construction in progress. Upon completion and commissioning for operation, depreciation will be provided at the appropriate rates specified below.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Freehold land is not depreciated.

– Buildings situated on freehold land are depreciated over their estimated useful lives, being no more than 50 years after the date of completion.

– The Group's interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the buildings' estimated useful lives, being no more than 50 years after the date of completion.

– Telecommunications equipment is depreciated over 2 to 20 years.

– Other assets are depreciated over 2 to 5 years.

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment (continued)

If an item of land and buildings held for own use or property held by a leasee as a right-of-use asset is transferred to investment property due to its use has changed, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(i) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(m)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Trade names/trademarks	15–27 years
– Customer relationships	4–17 years
– Computer software	3 years

Both the useful lives and method of amortisation are reviewed annually.

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily IT-equipment and small items of office equipment. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leased assets (continued)

(i) As a lessee (continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. Lease liabilities include the net present value of the following lease payments:

– fixed payments (including in-substance fixed payments), less any lease incentives receivable;

– variable lease payments that are based on an index or a rate;

– amounts expected to be payable by the lessee under residual value guarantees;

– the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

– payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Lease payments are allocated between principal and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 1(m)(ii)).

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leased assets (continued)

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(x)(iv).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 1(j)(i), then the Group classifies the sub-lease as an operating lease.

(k) Financial assets

The Group classifies its financial assets as to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated income statement.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

(m) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for ECLs on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables and deposits); and

– contract assets as defined in HKFRS 15 (see note 1(p)).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and deposits and contract assets: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group applies the HKFRS 9 simplified approach where loss allowances for trade debtors and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is over 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 1(x)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than property carried at revalued amounts);

– right-of-use assets;

– intangible assets;

– goodwill;

– interest in a joint venture; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(n) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the first-in-first-out cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 1(n)), property, plant and equipment (see note 1(h)) or intangible assets (see note 1(i)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 1(x).

(p) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(x)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 1(m)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(q)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(x)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(q)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

As a practical expedient under HKFRS 15, an entity need not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised goods or service to a customer and when the customer pays for that goods or service will be one year or less.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Trade and other receivables and deposits

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(p)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(m)(i)).

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 1(m)(i).

(s) Trade and other payables

Trade and other payables are initially recognised at fair value, and are subsequently stated at amortised cost using the effective interest method.

(t) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(z)).

(u) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits (continued)

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss and allocated by nature as part of "staff costs", "other operating expenses" or "finance costs". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality government bonds that have maturity dates approximating the terms of the Group's obligations.

When the benefits of a plan are changed, or when a plan is curtailed, current service cost for the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised.

Remeasurements arising from the defined benefit retirement plan are recognised in other comprehensive income. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group or the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(w) Provisions, contingent liabilities and onerous contracts

(i) Provision and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services, or as other income when it arises from the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from telecommunications services

Revenue from telecommunications services is recognised over time on the basis of units of traffic processed and/or contracted fees for telecommunications services that have been provided and based on the relative fair value of the services rendered.

(ii) Sale of mobile handsets and equipment

Revenue is recognised when the customer takes possession of and accepts the goods. If the goods are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(iii) Revenue from business solution projects

When the outcome of a project can be reasonably measured, project revenue is recognised progressively over time by measuring the progress towards complete satisfaction of a performance obligation, by reference to surveys of performance completed to date or milestones reached.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the project cannot be reasonably measured, project revenue is recognised only to the extent of project costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in note 1(w)(ii).

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue and other income (continued)

(iv) Rental income from investment properties

Rental income receivable from investment properties is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(y) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars ("HKD") at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations, are translated into HKD at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(z) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(aa) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(ac) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE FINANCIAL STATEMENTS

2 CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES

Notes 10(c), 13, 24, and 27 contain information about the assumptions and their risk factors relating to valuation of investment property, goodwill impairment, defined benefit retirement obligation and financial instruments. Other significant sources of estimation uncertainty are as follows:

(a) Impairment

In considering the impairment losses that may be required for certain non-financial assets of the Group, the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of its fair value less costs of disposal and value in use. It is difficult to precisely estimate fair value because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as revenue and operating costs.

The impairment provisions for trade debtors and contract assets are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the customer's credit worthiness and past collection history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see note 27(a).

An increase or decrease in the above impairment losses would affect the net profit in current and future years.

(b) Business solution projects

As explained in note 1(x)(iii), revenue from business solution projects are recognised over time. Such revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the business solution activities undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached, the related contract assets disclosed in note 18(a) do not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total costs or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(c) Depreciation and amortisation

Property, plant and equipment, right-of-use assets and intangible assets are depreciated and amortised on a straight-line basis over its estimated useful lives. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimation. Changes in technology or changes in the intended use of these assets may cause the estimated period of use or value of these assets to change.

2 CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(d) Income tax

The Group is subject to income tax in various jurisdictions. Significant judgement is required in determining the worldwide provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and requires significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the financial results in future years.

(e) Determining the lease term and discount rate

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not be terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

In determining the discount rate, the Group is required to exercise considerable judgement taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and the effective date of the modification.

NOTES TO THE FINANCIAL STATEMENTS

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:

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

Notes:

(i) Mobile services broadly include mobile local and roaming services, other mobile value-added services and others.

(ii) Internet services broadly include internet access services, data centre services and others.

(iii) International telecommunications services broadly include voice services, messaging services and "DataMall 自由行" services.

(iv) Enterprise solutions broadly include enterprise solutions services, virtual private network services, sales of related products and others.

(v) Fixed line services broadly include domestic and international fixed telephony services and others.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (continued)

(i) Disaggregation of revenue (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
	3,203	3,147

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(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	**1,263**	1,249

(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
Consolidated total assets	**18,337**	18,389
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
Consolidated total liabilities	**8,528**	8,964

NOTES TO THE FINANCIAL STATEMENTS

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) 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.

	Revenue from external customers		**Specified non-current assets**	
	2020 $ million	2019 $ million	**2020 $ million**	2019 $ million
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

	2020 $ million	2019 $ million
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).

NOTES TO THE FINANCIAL STATEMENTS

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
		5,040	4,961
(b)	**Depreciation and amortisation**		
	Depreciation charge		
	– property, plant and equipment (note 10(a))	**582**	561
	– right-of-use assets (note 11)	**165**	185
	Amortisation (note 12)	**168**	168
		915	914
(c)	**Staff costs (including directors' emoluments (note 7))**		
	Contributions to defined contribution retirement plans	**55**	73
	Expenses recognised in respect of defined benefit retirement plan (note 24(a)(v))	**9**	9
	Total retirement costs	**64**	82
	Equity-settled share-based payment expenses (note 25(b)(iii))	**–**	5
	Salaries, wages and other benefits (note)	**918**	961
		982	1,048

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".

NOTES TO THE FINANCIAL STATEMENTS

5 PROFIT BEFORE TAXATION (CONTINUED)

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

		2020 $ million	2019 $ million
(d)	**Finance costs**		
	Interest on bank and other borrowings	271	305
	Interest on lease liabilities (note 11)	17	16
	Other finance charges	9	17
	Other interest expense (note 24(a)(v))	2	3
		299	341
	Less: interest expense capitalised into construction in progress*	(3)	–
		296	341

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

		2020 $ million	2019 $ million
(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 (note 11)	68	207
	Auditors' remuneration		
	– audit services	8	7
	– non-audit services	3	3
		11	10
	Impairment losses for trade debtors and contract assets (note 27(a))	24	14
	Net loss on disposal of property, plant and equipment	2	1
	Gain on surrender of leases	(2)	–
	Net foreign exchange (gain)/loss	(12)	15

NOTES TO THE FINANCIAL STATEMENTS

6 INCOME TAX

(a) 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
	90	92
Macau Complementary Tax		
– Provision for the year	**124**	131
– Over-provision in respect of prior years	**(1)**	(3)
	123	128
Jurisdictions outside Hong Kong and Macau		
– Provision for the year	**31**	22
– Under-provision in respect of prior years	**3**	3
	34	25
Deferred tax		
Origination and reversal of temporary differences (note 6(c))	**(23)**	(16)
	224	229

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.

6 INCOME TAX (CONTINUED)

(a) Income tax in the consolidated income statement represents: (continued)

Reconciliation between actual tax expense and accounting profit at applicable tax rates:

	2020 $ million	2019 $ million
Profit before taxation	**1,263**	1,249
Notional tax on profit before taxation, calculated at the rates applicable to profits in the cities or countries concerned	**173**	168
Tax effect of non-deductible expenses	**68**	82
Tax effect of non-taxable income	**(18)**	(34)
Tax effect of unused tax losses not recognised	**5**	9
Tax effect of temporary differences previously not recognised and recognition of previous unused tax losses	**(3)**	4
(Over)/under-provision in respect of prior years	**(1)**	1
Others	**–**	(1)
Actual tax expense	**224**	229

(b) Current taxation in the consolidated statement of financial position represents:

	2020 $ million	2019 $ million
Current tax recoverable	**(3)**	(14)
Current tax payable	**209**	207
	206	193

NOTES TO THE FINANCIAL STATEMENTS

6 INCOME TAX (CONTINUED)

(c) Deferred tax assets and liabilities recognised:

The components of deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Intangible assets arising from business combination $ million	Depreciation allowances in excess of the related depreciation $ million	Defined benefit retirement obligation $ million	Future benefits of tax losses $ million	Others $ million	Total $ million
Deferred tax arising from:						
As at 1 January 2019	188	96	(12)	(97)	4	179
(Credited)/charged to profit or loss (note 6(a))	(19)	5	1	(2)	(1)	(16)
Charged to reserves	–	–	4	–	–	4
As at 31 December 2019	169	101	(7)	(99)	3	167
As at 1 January 2020	**169**	**101**	**(7)**	**(99)**	**3**	**167**
(Credited)/charged to profit or loss (note 6(a))	**(21)**	**12**	**–**	**(5)**	**(9)**	**(23)**
Charged to reserves	**–**	**–**	**3**	**–**	**–**	**3**
Exchange adjustments	**1**	**1**	**–**	**–**	**–**	**2**
As at 31 December 2020	**149**	**114**	**(4)**	**(104)**	**(6)**	**149**

Reconciliation to the consolidated statement of financial position

	2020 $ million	2019 $ million
Net deferred tax assets recognised in the consolidated statement of financial position	**(77)**	(66)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**226**	233
	149	167

(d) Deferred tax assets not recognised

In accordance with the accounting policies set out in note 1(v), the Group has not recognised deferred tax assets in respect of unused tax losses of $105,000,000 (2019: $93,000,000) as at 31 December 2020 as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities. $57,000,000 (2019: $55,000,000) of the tax losses do not expire under the current tax legislation, and $48,000,000 (2019: $38,000,000) of the tax losses will expire after 1 to 20 years.

NOTES TO THE FINANCIAL STATEMENTS

7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance (Cap. 622) and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

	2020							
	Directors' fees $ million	Basic salaries and allowances $ million	Discretionary bonuses $ million	Benefits in kind $ million	Retirement scheme contributions $ million	Sub-total $ million	Share-based payments $ million	Total $ million
Executive directors								
Xin Yue Jiang#	–	4.56	–	0.22	–	4.78	–	4.78
Cai Dawei (appointed on 28 February 2020)#	–	2.20	–	0.05	0.02	2.27	–	2.27
Lin Zhenhui (resigned on 28 February 2020)	–	0.94	0.30	0.01	–	1.25	–	1.25
Li Bing Chi, Esmond#	–	2.62	–	0.06	0.12	2.80	–	2.80
Non-executive directors								
Liu Zhengjun*	–	–	–	–	–	–	–	–
Liu Jifu	–	–	–	–	–	–	–	–
Fei Yiping	–	–	–	–	–	–	–	–
Independent non-executive directors								
Liu Li Qing	0.34	–	–	–	–	0.34	–	0.34
Zuo Xunsheng	0.34	–	–	–	–	0.34	–	0.34
Lam Yiu Kin	0.34	–	–	–	–	0.34	–	0.34
Total	1.02	10.32	0.30	0.34	0.14	12.12	–	12.12

The unpaid portion of existing executive directors' performance related bonuses for 2020 will be determined based on an evaluation to be conducted and finalised in 2021. Such emoluments, when finalised, will be disclosed on an individual name basis in the consolidated financial statements for the year ending 31 December 2021.

* With effect from 4 March 2021, Mr. Liu Zhengjun resigned as a non-executive director of the Company and Mr. Wang Guoquan was appointed as a non-executive director in his stead.

NOTES TO THE FINANCIAL STATEMENTS

7 DIRECTORS' EMOLUMENTS (CONTINUED)

	2019							
	Directors' fees $ million	Basic salaries and allowances $ million	Discretionary bonuses $ million	Benefits in kind $ million	Retirement scheme contributions $ million	Sub-total $ million	Share-based payments $ million	Total $ million
Executive directors								
Xin Yue Jiang	–	4.41	4.54	0.14	–	9.09	0.13	9.22
Lin Zhenhui	–	4.29	4.08	0.07	0.02	8.46	0.11	8.57
Luo Ning (resigned on 27 May 2019)	–	–	–	–	–	–	–	–
Li Bing Chi, Esmond (appointed on 6 August 2019)	–	1.02	2.86	0.02	0.05	3.95	–	3.95
Chan Tin Wai, David (resigned on 6 August 2019)	–	1.80	–	0.07	0.01	1.88	0.10	1.98
Non-executive directors								
Liu Zhengjun (appointed on 14 August 2019)	–	–	–	–	–	–	–	–
Liu Jifu	–	–	–	–	–	–	0.07	0.07
Fei Yiping	–	–	–	–	–	–	0.04	0.04
Independent non-executive directors								
Liu Li Qing	0.34	–	–	–	–	0.34	0.01	0.35
Zuo Xunsheng	0.34	–	–	–	–	0.34	0.01	0.35
Lam Yiu Kin	0.34	–	–	–	–	0.34	–	0.34
Total	1.02	11.52	11.48	0.30	0.08	24.40	0.47	24.87

The above tables included emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary, and emoluments paid or receivable in respect of director's other services in connection with the managements of the affairs of the Company or its subsidiary undertaking during the period of his/her being as a director. The above emoluments are included in staff costs as presented in note 5(c).

A number of the Company's directors were granted share options of the Company. Details of the share option plans are set out in note 25.

The discretionary bonuses of the Group were determined and approved by the Company's remuneration committee with reference to the performance of the Group and the respective directors.

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Company to any of the directors as an inducement to join or upon joining the Company or as compensation for loss of office, and none of the directors has waived or agreed to waive any emoluments.

During the years ended 31 December 2020 and 2019, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable, no consideration was provided to or receivable by third parties for making available directors' services, and there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities.

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the years ended 31 December 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2019: two) director whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other four (2019: three) individuals are as follows:

	2020 $ million	2019 $ million
Salaries and other emoluments	**10.85**	9.99
Discretionary bonuses	**6.08**	14.02
Share-based payments	**–**	0.13
Retirement scheme contributions	**0.53**	0.59
	17.46	24.73

The emoluments of the four (2019: three) individuals with the highest emoluments are within the following bands:

	2020 Number of individuals	2019 Number of individuals
$		
3,500,001 – 4,000,000	**2**	–
4,500,001 – 5,000,000	**1**	–
5,000,001 – 5,500,000	**1**	–
5,500,001 – 6,000,000	**–**	1
6,000,001 – 6,500,000	**–**	1
12,500,001 – 13,000,000	**–**	1

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Company to any of the highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office.

9 EARNINGS PER SHARE

	2020 $ million	2019 $ million
Profit attributable to equity shareholders of the Company	**1,023**	1,002

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

	Number of shares 2020 million	2019 million
Issued ordinary shares as at 1 January	**3,659**	3,587
Effect of share options exercised	**4**	51
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	**5**	16
Weighted average number of ordinary shares (diluted) as at 31 December	**3,668**	3,654
Basic earnings per share (HK cents)	**27.9**	27.5
Diluted earnings per share (HK cents)	**27.9**	27.4

NOTES TO THE FINANCIAL STATEMENTS

10 INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Land and buildings held for own use $ million	Telecommu-nications equipment $ million	Other assets (note (e)) $ million	Construction in progress $ million	Sub-total $ million	Investment property (notes (c) and (d)) $ million	Total $ million
Cost or valuation:							
As at 1 January 2019	309	4,743	401	163	5,616	630	6,246
Additions	15	106	28	297	446	–	446
Disposals	–	(114)	(8)	–	(122)	–	(122)
Reclassification	–	280	27	(307)	–	–	–
Fair value adjustment	–	–	–	–	–	18	18
Exchange adjustments	(1)	(29)	(1)	–	(31)	–	(31)
As at 31 December 2019	323	4,986	447	153	5,909	648	6,557
Representing:							
Cost	323	4,986	447	153	5,909	–	5,909
Valuation – 2019	–	–	–	–	–	648	648
	323	4,986	447	153	5,909	648	6,557
As at 1 January 2020	**323**	**4,986**	**447**	**153**	**5,909**	**648**	**6,557**
Additions	**–**	**100**	**12**	**732**	**844**	**–**	**844**
Disposals	**–**	**(261)**	**(25)**	**–**	**(286)**	**–**	**(286)**
Reclassification	**–**	**225**	**9**	**(234)**	**–**	**–**	**–**
Transfer from investment property to land and buildings held for own use	**2**	**–**	**–**	**–**	**2**	**(2)**	**–**
Transfer from investment property to right-of-use assets (note 11)	**–**	**–**	**–**	**–**	**–**	**(3)**	**(3)**
Fair value adjustment	**–**	**–**	**–**	**–**	**–**	**(4)**	**(4)**
Exchange adjustments	**2**	**27**	**6**	**–**	**35**	**–**	**35**
As at 31 December 2020	**327**	**5,077**	**449**	**651**	**6,504**	**639**	**7,143**
Representing:							
Cost	**327**	**5,077**	**449**	**651**	**6,504**	**–**	**6,504**
Valuation – 2020	**–**	**–**	**–**	**–**	**–**	**639**	**639**
	327	**5,077**	**449**	**651**	**6,504**	**639**	**7,143**
Accumulated depreciation:							
As at 1 January 2019	57	2,742	262	–	3,061	–	3,061
Charge for the year (note 5(b))	10	511	40	–	561	–	561
Written back on disposals	–	(111)	(8)	–	(119)	–	(119)
Exchange adjustments	–	(28)	(1)	–	(29)	–	(29)
As at 31 December 2019	67	3,114	293	–	3,474	–	3,474
As at 1 January 2020	**67**	**3,114**	**293**	**–**	**3,474**	**–**	**3,474**
Charge for the year (note 5(b))	**10**	**530**	**42**	**–**	**582**	**–**	**582**
Written back on disposals	**–**	**(258)**	**(25)**	**–**	**(283)**	**–**	**(283)**
Exchange adjustments	**–**	**23**	**3**	**–**	**26**	**–**	**26**
As at 31 December 2020	**77**	**3,409**	**313**	**–**	**3,799**	**–**	**3,799**
Net book value:							
As at 31 December 2020	**250**	**1,668**	**136**	**651**	**2,705**	**639**	**3,344**
As at 31 December 2019	256	1,872	154	153	2,435	648	3,083

NOTES TO THE FINANCIAL STATEMENTS

10 INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Transfers

During the year ended 31 December 2020, due to the change of use, part of the Group's investment property was transferred to land and buildings held for own use (which is included in property, plant and equipment) and ownership interests in leasehold land held for own use (which is included in right-of-use assets).

As a result, the fair value of $2,000,000 and $3,000,000 at the date of transfer became the deemed costs of land and buildings held for own use and ownership interests in leasehold land held for own use respectively for subsequent accounting.

(c) Fair value measurement of investment property

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment property measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value as at 31 December 2020 $ million	**Fair value measurements as at 31 December 2020 categorised into**		
		Level 1 $ million	**Level 2 $ million**	**Level 3 $ million**
Recurring fair value measurement				
Investment property:				
– Industrial – Hong Kong	**639**	**–**	**–**	**639**

	Fair value as at 31 December 2019 $ million	Fair value measurements as at 31 December 2019 categorised into		
		Level 1 $ million	Level 2 $ million	Level 3 $ million
Recurring fair value measurement				
Investment property:				
– Industrial – Hong Kong	648	–	–	648

NOTES TO THE FINANCIAL STATEMENTS

10 INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Fair value measurement of investment property (continued)

(i) Fair value hierarchy (continued)

During the year ended 31 December 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The Group's investment property was revalued as at 31 December 2020. The valuation was carried out by an independent firm of surveyors, Centaline Surveyors Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

(ii) Information about Level 3 fair value measurements

	Valuation technique	**Major unobservable input**	**Input amount**	**Relationship of unobservable inputs to fair value**
Investment property Industrial – Hong Kong	Direct comparison approach	Market unit rate	$3,680 per square foot (2019: $3,687 per square foot)	The higher the market unit rate, the higher the fair value

The fair value of investment property located in Hong Kong is determined by using direct comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for timing factors, size, quality and location of the investment property.

The movement during the year in the balance of the Level 3 fair value measurement is as follows:

	2020 $ million	2019 $ million
Investment property – Industrial – Hong Kong:		
As at 1 January	**648**	630
Transfer to land and buildings held for own use (note 10(a))	**(2)**	–
Transfer to ownership interests in leasehold land held for own use (note 11)	**(3)**	–
Fair value adjustment (note 10(a))	**(4)**	18
As at 31 December	**639**	648

Fair value adjustment of investment property is recognised in the line item "valuation (loss)/gain on investment property" on the face of the consolidated income statement.

The fair value adjustment recognised in profit or loss for the year arise from the investment property held during the reporting period.

10 INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Investment property

The Group leases out investment property under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods are as follows:

	2020 **$ million**	2019 $ million
Within 1 year	**13**	24
After 1 year but within 2 years	**–**	13
	13	37

(e) Other assets include electronic data processing equipment, furniture and fixtures, motor vehicles, leasehold improvements and office equipment.

(f) Certain property, plant and equipment of Companhia de Telecomunicações de Macau S.A.R.L. (“CTM”) 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.

NOTES TO THE FINANCIAL STATEMENTS

11 RIGHT-OF-USE ASSETS

	Ownership interests in leasehold land held for own use (note (i)) $ million	Other properties leased for own use (note (ii)) $ million	Other assets (note (iii)) $ million	Total $ million
Cost:				
As at 1 January 2019	229	570	32	831
Additions	–	53	17	70
Exchange adjustments	–	2	(1)	1
As at 31 December 2019	229	625	48	902
As at 1 January 2020	**229**	**625**	**48**	**902**
Additions	**–**	**182**	**–**	**182**
Surrenders	**–**	**(60)**	**–**	**(60)**
Transfer from investment property (note 10(a))	**3**	**–**	**–**	**3**
Exchange adjustments	**–**	**25**	**1**	**26**
As at 31 December 2020	**232**	**772**	**49**	**1,053**
Accumulated depreciation:				
As at 1 January 2019	20	–	2	22
Charge for the year (note 5(b))	8	157	20	185
As at 31 December 2019	28	157	22	207
As at 1 January 2020	**28**	**157**	**22**	**207**
Charge for the year (note 5(b))	**8**	**140**	**17**	**165**
Surrenders	**–**	**(31)**	**–**	**(31)**
Exchange adjustments	**–**	**6**	**–**	**6**
As at 31 December 2020	**36**	**272**	**39**	**347**
Net book value:				
As at 31 December 2020	**196**	**500**	**10**	**706**
As at 31 December 2019	201	468	26	695

NOTES TO THE FINANCIAL STATEMENTS

11 RIGHT-OF-USE ASSETS (CONTINUED)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 **$ million**	2019 $ million
Depreciation charge	**165**	185
Interest on lease liabilities (note 5(d))	**17**	16
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019 (note 5(e))	**68**	207
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**–**	1

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 20(f) and 23, respectively.

(i) Ownership interests in leasehold land held for own use

The Group holds an industrial building in Hong Kong. The Group is the registered owner of this property interest, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire this property interests from its previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its offices, retail stores, cell sites and data centres through tenancy agreements. The leases typically run for an initial period of over 1 to 7 years, with the exception of three rental contracts which have been entered into for the period of 15 years.

Some leases include an option to renew the lease for an additional period after the end of the non-cancellable lease term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised (discounted)		**Potential future lease payments under extension options not included in lease liabilities (undiscounted)**	
	2020 **$ million**	2019 $ million	**2020** **$ million**	2019 $ million
Data centre – Hong Kong	**–**	–	**30**	30
Offices – outside Hong Kong	**–**	–	**18**	–
	–	–	**48**	30

NOTES TO THE FINANCIAL STATEMENTS

11 RIGHT-OF-USE ASSETS (CONTINUED)

(iii) Other assets

Other assets include leased circuits and equipment under leases expiring from over 1 to 5 years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

12 INTANGIBLE ASSETS

	Customer relationships $ million	Trade names/ trademarks $ million	IRU of tele-communications capacity $ million	Computer software $ million	Total $ million
Cost:					
As at 1 January 2019	1,637	805	1	24	2,467
Write-off	–	–	(1)	–	(1)
Exchange adjustments	(1)	–	–	–	(1)
As at 31 December 2019	1,636	805	–	24	2,465
As at 1 January 2020	**1,636**	**805**	**–**	**24**	**2,465**
Exchange adjustments	**2**	**1**	**–**	**–**	**3**
As at 31 December 2020	**1,638**	**806**	**–**	**24**	**2,468**
Accumulated amortisation:					
As at 1 January 2019	722	172	1	18	913
Charge for the year (note 5(b))	134	31	–	3	168
Write-off	–	–	(1)	–	(1)
As at 31 December 2019	856	203	–	21	1,080
As at 1 January 2020	**856**	**203**	**–**	**21**	**1,080**
Charge for the year (note 5(b))	**133**	**32**	**–**	**3**	**168**
Exchange adjustments	**1**	**–**	**–**	**–**	**1**
As at 31 December 2020	**990**	**235**	**–**	**24**	**1,249**
Net book value:					
As at 31 December 2020	**648**	**571**	**–**	**–**	**1,219**
As at 31 December 2019	780	602	–	3	1,385

NOTES TO THE FINANCIAL STATEMENTS

13 GOODWILL

	2020 $ million	2019 $ million
Cost and carrying amount:		
As at 1 January	**9,713**	9,718
Exchange adjustments	**20**	(5)
As at 31 December	**9,733**	9,713

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units identified as follows:

	2020 $ million	2019 $ million
Telecoms business – Macau	**8,891**	8,890
Enterprise solutions (outside Macau)	**258**	244
Other telecommunications services	**584**	579
	9,733	9,713

The recoverable amounts of the cash-generating units are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three-year period. For the subsequent two years of the model, data from the financial budgets is extrapolated generally using simplified assumptions such as macro-economic and industry assumptions. Cash flows after the first five-year period are extrapolated generally using expected annual long-term growth rates, in order to calculate the terminal value.

Key assumptions used for the value-in-use calculations are as follows:

	2020	2019
Services revenue growth rates	**1.9%–5.2%**	1.0%–5.2%
Long term growth rates	**3.0%**	3.0%
Discount rates	**7.7%–10.2%**	7.6%–9.5%

The average services revenue growth rates and long term growth rates used for the respective cash-generating units are based on past performance and management's expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the respective cash-generating units. Any adverse change in the key assumptions could reduce the recoverable amount below carrying amount.

A reasonable possible change in the above assumptions would not result in impairment and as such disclosure of sensitivity analysis is not considered as necessary.

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES

(a) The following list contains only the particulars of principal subsidiaries of the Group:

Name of company	Place of incorporation/ operation	Particulars of issued and fully paid-up capital	Proportion of ownership interest		Principal activity
			Held by the Company	Held by subsidiaries	
Acclivis Technologies and Solutions Pte. Ltd.	Republic of Singapore	Singaporean Dollars ("SGD") 16,500,000*	–	100%	Provision of telecommunications services
China Enterprise ICT Solutions Limited ("CEC")	The People's Republic of China	Renminbi ("RMB") 84,620,000	–	49% (note (i))	Provision of value-added telecommunications services
China Enterprise Netcom Corporation Limited	Hong Kong	HK$100*	–	100%	Provision of telecommunications and technology services
CITIC Telecom CPC Estonia OÜ	Republic of Estonia	Euro ("EUR") 20,001*	–	100%	Provision of telecommunications services
CITIC Telecom CPC Netherlands B.V.	Netherlands	EUR131,056.71*	–	100%	Provision of wired telecommunications services and investment holding
CITIC Telecom CPC Poland Sp.zo.o.	Republic of Poland	Polish Zloty 55,000*	–	100%	Provision of telecommunications services
CITIC Telecom International CPC Limited	Hong Kong	HK$402,712,186*	–	100%	Provision of telecommunications services
CITIC Telecom International CPC Japan Limited	Japan	Japanese Yen ("JPY") 10,000,000*	–	100%	Provision of telecommunications services
CITIC Telecom International CPC (Malaysia) Sdn. Bhd.	Malaysia	Malaysian Ringgit ("MYR") 500,000*	–	100%	Provision of telecommunications services
CITIC Telecom International CPC (Singapore) Pte. Ltd.	Republic of Singapore	SGD2,000,000*	–	100%	Provision of telecommunications services
CITIC Telecom International (Data) Limited	Hong Kong	HK$2*	–	100%	Provision of data and other telecommunications services
CITIC Telecom International (Japan) Ltd.	Japan	JPY10,000,000*	–	100%	Provision of telecommunications services

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES (CONTINUED)

(a) The following list contains only the particulars of principal subsidiaries of the Group: (continued)

Name of company	Place of incorporation/ operation	Particulars of issued and fully paid-up capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Principal activity
CITIC Telecom International Limited	Hong Kong	HK$2*	100%	–	Provision of telecommunications services
CITIC Telecom International (SEA) Pte. Ltd.	Republic of Singapore	SGD8,000,002*	–	100%	Provision of telecommunications services
CITIC Telecom (UK) Limited	United Kingdom	Pound Sterling 2*	–	100%	Provision of telecommunications services
ComNet Investment Limited	Hong Kong	HK$2*	–	100%	Property and equipment holding, and investment holding
ComNet Telecom (Canada) Ltd.	Canada	Canadian Dollars 101**	–	100%	Provision of telecommunications services
ComNet Telecom (HK) Limited	Hong Kong	HK$2*	–	100%	Provision of telecommunications services
Pacific ComNet (M) Sdn. Bhd. (formerly known as "ComNet Telecom (M) Sdn. Bhd.")	Malaysia	MYR700,000*	–	100%	Provision of telecommunications services
ComNet Telecom International Limited	Hong Kong	HK$2*	–	100%	Provision of telecommunications services
Companhia de Telecomunicações de Macau, S.A.R.L.	Macau	MOP 150,000,000*	99%	–	Provision of telecommunications services
Neostar Investment Limited	Hong Kong	HK$2*	–	100%	Property holding
Pacific Internet (S) Pte. Ltd.	Republic of Singapore	SGD500,000*	–	100%	Provision of telecommunications services
Pacific Internet (Thailand) Limited	Thailand	Baht 188,176,100*	–	100%	Provision of telecommunications services
中信電訊(上海)科技有限公司	The People's Republic of China	RMB26,600,000	100%	–	Provision of telecommunications services

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES (CONTINUED)

(a) The following list contains only the particulars of principal subsidiaries of the Group: (continued)

Notes:

(i) The Group has consolidated the results of CEC as the Group is exposed and has rights to variable returns from its involvement with CEC and has the ability to affect those returns through its power over CEC.

* Represents ordinary shares.

** 100 Class A preference shares and 1 common share – the rights of which are set out in the Articles of ComNet Telecom (Canada) Ltd. respectively.

(b) The Group had no subsidiaries which have material non-controlling interests for the years ended 31 December 2020 and 2019.

15 INTEREST IN A JOINT VENTURE

As at 31 December 2020, the Group's 85% equity interest in a joint venture of $9,000,000 (2019: $9,000,000) comprised an investee company.

The principal activity of this investee company is investment holding and has a wholly-owned subsidiary which is principally engaged in the provision of telecommunications services.

The equity interest in this company is accounted for as a joint venture in the consolidated financial statements under the equity method as the Group and the other shareholder of this investee company share joint control over the entity and have rights to the net assets of the entity.

NOTES TO THE FINANCIAL STATEMENTS

16 INVENTORIES

Inventories in the consolidated statement of financial position mainly comprise mobile handsets and equipment and business solutions projects' parts.

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2020 $ million	2019 $ million
Carrying amount of inventories sold	**1,412**	1,928
Write down of inventories	**–**	1
	1,412	1,929

17 CONTRACT COSTS

Contract costs capitalised as at 31 December 2020 relate to the incremental sales commissions paid to employees or agents whose selling activities resulted in customers entering into contracts for the provision of telecommunications services. Contract costs are recognised as part of "costs of sales and services" in the consolidated income statement in the period in which revenue from the related contracts is recognised. The amount of capitalised costs recognised in profit or loss during the year was $7,000,000 (2019: $4,000,000). There was no impairment in relation to the capitalised costs during the year (2019: Nil).

The Group applies the practical expedient in paragraph 94 of HKFRS 15 and recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less from the initial recognition of the asset.

NOTES TO THE FINANCIAL STATEMENTS

18 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2020 $ million	2019 $ million
Arising from international telecommunications services	**145**	264
Arising from sales of mobile handsets and equipment bundled with services	**133**	149
Arising from business solution projects	**96**	97
	374	510
Represented by:		
Non-current portion	**31**	36
Current portion	**343**	474
	374	510
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "trade and other receivables and deposits" (note 19)	**812**	1,054

The carrying amount of contract assets is considered to be the same as its fair value.

Typical payment terms which impact on the amount of contract assets recognised are as follows:

– International telecommunications services

The Group provides international telecommunications services to telecommunications operators. The Group and certain telecommunications operators enter into contracts with minimum commitments on either transaction amount or unit of traffic to be processed and contract term would usually last for over three months. Such contracts involve large amount of transactions and both parties are required to verify and reconcile the transactions details received from the counter party against their own records. Once the verification and reconciliation work have been completed, the Group will issue an invoice to the telecommunications operator. The Group's right to the consideration is generally unconditional upon the completion of verification and reconciliation work from both parties as well as the issuance of invoice.

– Sales of mobile handsets and equipment bundled with services

The Group offers packages to the customer which include the bundle sales of mobile handsets and equipment and provision of services. In this situation, the Group offers a discount that allows the customer to buy mobile handsets and equipment and pay the cash selling price over contract period after delivery, which is normally over twelve months. The mobile handsets and equipment are delivered to the customer at the inception of the contract and the Group recognises transaction price allocated to the mobile handsets and equipment as revenue. The portion of revenue recognised in excess of cash receipt at the inception of the contract represents a consideration for mobile handsets and equipment transferred which has not yet been due and paid by the customer and will be received by installment over the contract period. The Group's right to the consideration is conditional on the provision of service over the contract period.

– Business solution projects

Business solution project is one of the businesses of enterprise solutions. The Group's business solution projects include payment schedules which require stage payments over the project period once milestones are reached. This gives rise to contract assets when the revenue recognised on the project exceeds the amount of the payment made by customer.

NOTES TO THE FINANCIAL STATEMENTS

18 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	2020 $ million	2019 $ million
Billings in advance of performance		
– Business solution projects	**36**	25
– Other telecommunications services	**142**	148
	178	173
Represented by:		
Non-current portion	**2**	2
Current portion	**176**	171
	178	173

The carrying amount of contract liabilities is considered to be the same as its fair value.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

– Business solution projects

The Group's business solution projects include payment schedules which require advance payments from customers for the projects. This gives rise to contract liabilities when the amount of the payment made by customer exceeds the revenue recognised on the project.

– Other telecommunications services

The Group's telecommunications services normally include payment schedules which require advance payments from customers for the services. This gives rises to contract liabilities until revenue recognised on the services are provided.

Revenue which was included in the contract liabilities balance at the beginning of the year amounting to $166,000,000 (2019: $148,000,000), was recognised during the year ended 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

19 TRADE AND OTHER RECEIVABLES AND DEPOSITS

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

The carrying amount of trade and other receivables and deposits is considered to be the same as its fair value.

As at 31 December 2020 and 2019, included in other receivables and deposits were the following:

(i) prepayment of $32,000,000 (2019: $39,000,000) for certain telecommunications services. Such costs are deferred and amortised on a straight-line basis over the underlying service period of 15 years; and

(ii) an advance payment paid to the ultimate holding company for the acquisition of the remaining equity interest in a subsidiary of RMB62,000,000 (equivalent to approximately $74,000,000) (2019: RMB62,000,000 (equivalent to approximately $69,000,000)).

Ageing analysis

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
	812	1,054

Trade debtors are due within 7 to 180 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade debtors are set out in note 27(a).

NOTES TO THE FINANCIAL STATEMENTS

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2020 $ million	2019 $ million
Cash at bank and in hand	**1,234**	1,059
Time deposits with banks	**285**	254
Cash and bank deposits in the consolidated statement of financial position (note (b))	**1,519**	1,313
Less: pledged deposits (note (c))	**(9)**	(9)
Cash and cash equivalents in the consolidated cash flow statement	**1,510**	1,304

The carrying amount of cash and bank deposits is considered to be the same as its fair value.

(b) Included in cash and bank deposits were $235,000,000 (2019: $91,000,000) placed in financial institutions in Mainland China and the remittance of these funds out of Mainland China is subject to exchange restrictions imposed by the Government of the People's Republic of China (the "PRC Government").

(c) As at 31 December 2020, bank deposits of $9,000,000 (2019: $9,000,000) were pledged to secure parts of the banking facilities of the Group.

(d) Reconciliation of profit before taxation to cash generated from operations:

	Note	2020 $ million	2019 $ million
Profit before taxation		**1,263**	1,249
Adjustments for:			
Depreciation and amortisation	5(b)	**915**	914
Valuation loss/(gain) on investment property	10(a)	**4**	(18)
Net loss on disposal of property, plant and equipment	5(e)	**2**	1
Gain on surrender of leases	5(e)	**(2)**	–
Finance costs	5(d)	**296**	341
Interest income	4	**(14)**	(11)
Equity-settled share-based payment expenses	5(c)	**–**	5
Foreign exchange loss		**3**	4
		2,467	2,485
Changes in working capital:			
Decrease/(increase) in inventories		**83**	(49)
Increase in contract costs		**–**	(1)
Decrease in trade and other receivables and deposits		**164**	30
Decrease in contract assets		**136**	62
(Decrease)/increase in trade and other payables		**(71)**	94
Increase in contract liabilities		**5**	16
Decrease in net defined benefit retirement obligation		**(4)**	(7)
Cash generated from operations		**2,780**	2,630

NOTES TO THE FINANCIAL STATEMENTS

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(e) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank and other borrowings $ million (Note 22)	Lease liabilities $ million (Note 23)	Total $ million
As at 1 January 2020	**6,278**	**506**	**6,784**
Changes from financing cash flows:			
Proceeds from new bank and other borrowings	**493**	**–**	**493**
Repayment of bank and other borrowings	**(900)**	**–**	**(900)**
Payment for transaction costs on bank borrowings	**(1)**	**–**	**(1)**
Capital element of lease rentals paid	**–**	**(147)**	**(147)**
Interest element of lease rentals paid	**–**	**(17)**	**(17)**
Other borrowing costs paid	**(279)**	**–**	**(279)**
Total changes from financing cash flows	**(687)**	**(164)**	**(851)**
Exchange adjustments	**(3)**	**20**	**17**
Other changes:			
Increase in lease liabilities from entering into new leases during the year	**–**	**182**	**182**
Surrenders	**–**	**(31)**	**(31)**
Interest on lease liabilities (note 5(d))	**–**	**17**	**17**
Interest expenses and other finance charges	**280**	**–**	**280**
Total other changes	**280**	**168**	**448**
As at 31 December 2020	**5,868**	**530**	**6,398**

NOTES TO THE FINANCIAL STATEMENTS

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(e) Reconciliation of liabilities arising from financing activities (continued)

	Bank and other borrowings $ million (Note 22)	Lease liabilities $ million (Note 23)	Total $ million
As at 1 January 2019	6,858	599	7,457
Changes from financing cash flows:			
Proceeds from new bank and other borrowings	2,436	–	2,436
Repayment of bank and other borrowings	(3,101)	–	(3,101)
Payment for transaction costs on bank borrowings	(13)	–	(13)
Capital element of lease rentals paid	–	(164)	(164)
Interest element of lease rentals paid	–	(16)	(16)
Other borrowing costs paid	(304)	–	(304)
Total changes from financing cash flows	(982)	(180)	(1,162)
Exchange adjustments	1	1	2
Other changes:			
Interest in lease liabilities from entering into new leases during the year	–	70	70
Interest on lease liabilities (note 5(d))	–	16	16
Interest expenses and other finance charges	322	–	322
Other non-cash items	79	–	79
Total other changes	401	86	487
As at 31 December 2019	6,278	506	6,784

NOTES TO THE FINANCIAL STATEMENTS

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(f) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2020 $ million	2019 $ million
Within operating cash flows	**68**	208
Within financing cash flows	**164**	180
	232	388

These above amounts relate to lease rentals paid.

21 TRADE AND OTHER PAYABLES

	2020 $ million	2019 $ million
Trade creditors	**817**	946
Other payables and accruals	**671**	561
	1,488	1,507
Represented by:		
Non-current portion	**31**	37
Current portion	**1,457**	1,470
	1,488	1,507

The carrying amount of trade and other payables is considered to be the same as its fair value.

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
	817	946

NOTES TO THE FINANCIAL STATEMENTS

22 BANK AND OTHER BORROWINGS

	2020 $ million	2019 $ million
Bank loans	**2,299**	2,705
Guaranteed bonds at 6.1% due 2025 (note (b))	**3,496**	3,493
Other borrowings	**73**	80
	5,868	6,278

At the end of the reporting period, bank and other borrowings were unsecured and repayable as follows:

	2020 $ million	2019 $ million
Within 1 year or on demand	**240**	289
After 1 year but within 2 years	**449**	969
After 2 years but within 5 years	**5,179**	1,527
After 5 years	**–**	3,493
	5,628	5,989
	5,868	6,278

All of the non-current bank and other borrowings are carried at amortised cost. None of the non-current bank and other borrowings is expected to be settled within one year.

(a) Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position and financial performance ratios, as 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.

(b) On 5 March 2013, a wholly-owned subsidiary of the Company issued US$450,000,000 (equivalent to approximately $3,510,000,000) bonds with a maturity of twelve years due on 5 March 2025 (the "Guaranteed Bonds"). The Guaranteed Bonds were unconditionally and irrevocably guaranteed by the Company.

The Guaranteed Bonds were issued at 100% of the aggregate principal amount, denominated in USD and bore interest at 6.1% per annum payable semi-annually in arrears. The Guaranteed Bonds would become repayable on demand in case of an event of default.

NOTES TO THE FINANCIAL STATEMENTS

23 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2020		2019	
	Present value of the lease payments $ million	**Total lease payments $ million**	Present value of the lease payments $ million	Total lease payments $ million
Within 1 year	**139**	**159**	126	142
After 1 year but within 2 years	**110**	**116**	84	93
After 2 years but within 5 years	**119**	**140**	100	126
After 5 years	**162**	**178**	196	217
	391	**434**	380	436
	530	**593**	506	578
Less: total future interest expenses		**(63)**		(72)
Present value of lease liabilities		**530**		506

Except for lease covenants mainly related to the maintenance and use of the leased assets that are commonly found in lease arrangements, there are no other covenants or restrictions imposed by the lease agreements. The leased assets may not be used as security for borrowing purposes.

24 EMPLOYEE RETIREMENT BENEFITS

(a) Defined benefit retirement plan

A subsidiary of the Company, CTM, makes contributions to a defined benefit retirement plan, CTM Staff Provident Fund (the "Fund"). The Fund was established on 1 January 2003. The Fund is registered with Autoridade Monetária de Macau ("AMCM") and is under the management of Macau Pension Fund Management Co. Ltd.. The members of the Fund are all the employees who were members of the original staff provident fund. No new members joined the Fund after 1 May 2002. The members are required to make contributions to the Fund at 5% of their relevant income. CTM is required to make contributions to the Fund in accordance with an independent actuary's recommendation based on periodic actuarial valuations. CTM is also obliged to make any extraordinary contributions which may be deemed necessary by Macau Pension Fund Management Co. Ltd. when there are insufficient assets in the Fund to meet the liabilities of the Fund or when such insufficiency is anticipated. Upon retirement or resignation, each member is entitled to receive a lump sum payment calculated on the basis of a multiplying factor ranging from 0.6 to 2 times the final monthly salary and the number of service year that the member has served with CTM.

The latest independent actuarial valuation of the Fund was as at 31 December 2020 and was prepared by qualified staff of Willis Towers Watson, who are members of the Society of Actuaries of the United States of America, using the projected unit credit method. The actuarial valuation indicates that CTM's obligation under the Fund is 92% (2019: 84%) covered by the plan assets held by the trustees as at 31 December 2020. The Fund exposes the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk, and market (investment) risk.

(i) The amounts recognised in the consolidated statement of financial position are as follows:

	2020 **$ million**	2019 $ million
Present value of plan obligations	**346**	378
Fair value of plan assets	**(317)**	(318)
	29	60

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay $11,000,000 in contributions to the Fund in 2021.

NOTES TO THE FINANCIAL STATEMENTS

24 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(a) Defined benefit retirement plan (continued)

(ii) Plan assets consist of the following:

	2020 $ million	2019 $ million
Cash and money market	**12**	20
Bonds		
– Government bonds	**59**	65
– Corporate bonds	**80**	72
	139	137
Equity securities		
– Asia	**15**	27
– North America	**119**	104
– Europe	**29**	28
– Other areas	**3**	2
	166	161
	317	318

All of the equity securities and bonds have quoted prices in active markets. The bonds have a credit rating of A- to AAA.

At the end of each reporting period, a study is performed by the Fund's asset manager in which the consequences of the strategic investment policies are analysed. The strategic investment policy of the Fund can be summarised as follows:

– a strategic assets mix comprising 50% equity securities, 45% bonds and 5% other investments;

– interest rate risk is managed by duration limitation; and

– foreign currency risk is managed by allocation guideline.

NOTES TO THE FINANCIAL STATEMENTS

24 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(a) Defined benefit retirement plan (continued)

(iii) Movements in the present value of the defined benefit obligation

	2020 $ million	2019 $ million
As at 1 January	**378**	388
Remeasurements:		
– Experience adjustments	**(9)**	4
– Actuarial losses arising from changes in financial assumptions	**–**	2
	(9)	6
Benefits paid by the Fund	**(47)**	(41)
Employees' contributions	**4**	4
Current service cost	**9**	9
Interest cost	**11**	12
As at 31 December	**346**	378

The weighted average duration of the defined benefit obligation is 5 years (2019: 6 years).

(iv) Movements in plan assets

	2020 $ million	2019 $ million
As at 1 January	**318**	289
Employer's and employees' contributions paid to the Fund	**18**	21
Benefits paid by the Fund	**(47)**	(41)
Administrative expenses	**(1)**	(1)
Interest income	**9**	9
Return on plan assets, excluding interest income	**19**	41
Exchange adjustments	**1**	–
As at 31 December	**317**	318

NOTES TO THE FINANCIAL STATEMENTS

24 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(a) Defined benefit retirement plan (continued)

(v) Amounts recognised in the consolidated income statement and consolidated statement of comprehensive income are as follows:

	2020 $ million	2019 $ million
Current service cost	**9**	9
Net interest on net defined benefit liability	**2**	3
Administrative expenses	**1**	1
Total amounts recognised in profit or loss	**12**	13
Actuarial (gains)/losses	**(9)**	6
Return on plan assets, excluding interest income	**(19)**	(41)
Total amounts recognised in other comprehensive income	**(28)**	(35)
Net defined benefit gain	**(16)**	(22)

The current service cost and the net interest on net defined benefit liability are recognised in the following line items in the consolidated income statement:

	2020 $ million	2019 $ million
Staff costs (note 5(c))	**9**	9
Other operating expenses	**1**	1
Finance costs (note 5(d))	**2**	3
	12	13

NOTES TO THE FINANCIAL STATEMENTS

24 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(a) Defined benefit retirement plan (continued)

(vi) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	2020	2019
Discount rate	**3.0%**	3.0%
Future salary growth	**3.0%**	3.0%

The below analysis shows how the defined benefit obligation as at 31 December 2020 would have increased/(decreased) as a result of a 0.25% (2019: 0.25%) change in the significant actuarial assumptions:

	2020		2019	
	Increase in 0.25% \$ million	**Decrease in 0.25% \$ million**	Increase in 0.25% \$ million	Decrease in 0.25% \$ million
Discount rate	**(5)**	**5**	(5)	5
Future salary growth	**4**	**(4)**	5	(5)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

(b) Defined contribution retirement plans

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of \$30,000. Contributions to the plan vest immediately.

CTM also operates the Defined Contribution Fund which was set up under the terms of Decree Law 6/99/M and registered with AMCM. The Defined Contribution Fund is for all full time Macau employees who joined CTM after 1 May 2002. The Defined Contribution Fund is under the management of Macau Pension Fund Management Co. Ltd.. The employees and CTM are each required to make contributions to the Defined Contribution Fund at 5% of the employee's relevant income. Contributions to the Defined Contribution Fund vest immediately.

Employees employed by the Group outside Hong Kong and Macau are covered by the appropriate local defined contribution schemes pursuant to the local labour rules and regulations.

NOTES TO THE FINANCIAL STATEMENTS

25 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(a) Share option plan of an intermediate holding company

CITIC Limited, an intermediate holding company of the Company, adopted the CITIC Pacific Share Incentive Plan 2011 (the "Plan 2011") on 12 May 2011. The Plan 2011 shall be valid and effective until 11 May 2021. The options granted under the Plan 2011 is exercisable till the end of exercise period. No option was granted to directors or employees of the Group for their services to the Group under the Plan 2011. None of the directors or employees of the Group had options subsisting at 31 December 2020 under the Plan 2011.

(b) Share option plan of the Company

The Company has a share option plan ("CITIC Telecom International Plan") which was adopted on 17 May 2007 whereby the directors of the Company are authorised, at their discretion, to offer any person employed by the Company or any of its subsidiaries and any person who is an officer or director (whether executive or non-executive) of the Company or any of its subsidiaries options to subscribe for shares in the Company to recognise their contributions to the growth of the Company. The CITIC Telecom International Plan was valid and effective for a period of ten years till 16 May 2017. Each option gives the holder the right to subscribe for one ordinary share of the Company.

Particulars of the outstanding share options granted under the CITIC Telecom International Plan to directors, officers and employees of the Company and its subsidiaries are as follows:

Date of grant	Number of share options granted	Exercise price per share	Exercise period
24 March 2015	43,756,250	$2.612 (Note (i))	From 24 March 2016 to 23 March 2021
24 March 2015	43,756,250	$2.612 (Note (i))	From 24 March 2017 to 23 March 2022
24 March 2017	45,339,500	$2.45 (Note (ii))	From 24 March 2018 to 23 March 2023
24 March 2017	45,339,500	$2.45 (Note (ii))	From 24 March 2019 to 23 March 2024

Notes:

(i) The closing price of the Company's ordinary shares on the date of grant was $2.61 per share.

(ii) The closing price of the Company's ordinary shares on the date of grant was $2.37 per share.

NOTES TO THE FINANCIAL STATEMENTS

25 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Share option plan of the Company (continued)

(i) *The terms and conditions of the outstanding options granted under the CITIC Telecom International Plan are as follows, whereby all options are settled by physical delivery of shares:*

	Exercise price per share	Number of options	Vesting condition	Expiry date	Number of share options outstanding as at 31 December 2020	2019
Options granted to directors[Δ]:						
– on 24 March 2015	$2.612	6,819,000	Fully vested on 24 March 2016	Expire at the close of business on 23 March 2021	**1,787,500**	3,109,500
– on 24 March 2015	$2.612	6,819,000	Fully vested on 24 March 2017	Expire at the close of business on 23 March 2022	**2,787,500**	3,787,500
– on 24 March 2017	$2.45	7,319,000	Fully vested on 24 March 2018	Expire at the close of business on 23 March 2023	**2,287,500**	3,860,500
– on 24 March 2017	$2.45	7,319,000	Fully vested on 24 March 2019	Expire at the close of business on 23 March 2024	**3,287,500**	3,287,500
Options granted to officers and employees[ΔΔ]:						
– on 24 March 2015	$2.612	36,937,250	Fully vested on 24 March 2016	Expire at the close of business on 23 March 2021	**8,229,567**	9,023,567
– on 24 March 2015	$2.612	36,937,250	Fully vested on 24 March 2017	Expire at the close of business on 23 March 2022	**12,836,750**	13,375,750[⊙]
– on 24 March 2017	$2.45	38,020,500	Fully vested on 24 March 2018	Expire at the close of business on 23 March 2023	**11,506,000**	11,994,000
– on 24 March 2017	$2.45	38,020,500	Fully vested on 24 March 2019	Expire at the close of business on 23 March 2024	**15,604,000**	16,445,500
					58,326,317	64,883,817

Δ Number of options outstanding as at 31 December 2019 include those options granted to former director(s) of the Company who had resigned.

ΔΔ Number of options outstanding as at 31 December 2019 and 31 December 2020 include those granted to former employees of the Company who had resigned/retired/passed away.

⊙ Number of options outstanding as at 31 December 2019 include those granted to an employee of the Company who was subsequently appointed as an executive director of the Company on 6 August 2019.

NOTES TO THE FINANCIAL STATEMENTS

25 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Share option plan of the Company (continued)

(ii) The number and weighted average exercise prices of the outstanding share options are as follows:

	2020		2019	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**$2.52**	**64,883,817**	$2.53	138,491,317
Exercised during the year (note 26(c))	**$2.54**	**(5,377,000)**	$2.53	(71,979,500)
Lapsed during the year	**$2.53**	**(1,180,500)**	$2.56	(1,628,000)
Outstanding at the end of the year	**$2.52**	**58,326,317**	$2.52	64,883,817
Exercisable at the end of the year	**$2.52**	**58,326,317**	$2.52	64,883,817

During the year ended 31 December 2020, options for 5,377,000 (2019: 71,979,500) shares were exercised, options for 1,180,500 (2019: 1,628,000) shares have lapsed and no option (2019: Nil) has been cancelled. The value of vested options lapsed during the year ended 31 December 2020 was $1,000,000 (2019: $1,000,000) and was released directly to retained profits.

The weighted average closing price at the date of exercise of share options exercised during the year was $2.78 (2019: $3.31). The options outstanding as at 31 December 2020 had a weighted average exercise price of $2.52 (2019: $2.52) and a weighted average remaining contractual life of 1.94 years (2019: 2.89 years).

(iii) The total expense recognised in the consolidated income statement for the year ended 31 December 2019 in respect of the above grant of options was $5,000,000.

NOTES TO THE FINANCIAL STATEMENTS

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital $ million	Capital reserve $ million	Retained profits $ million	Total $ million
Balance as at 1 January 2019		4,402	136	2,513	7,051
Changes in equity for 2019:					
Total comprehensive income for the year		–	–	1,126	1,126
Shares issued under share option plan	25(b)(ii)	226	(44)	–	182
Equity-settled share-based transactions		–	5	–	5
Dividends approved in respect of the previous financial year	26(b)(ii)	–	–	(511)	(511)
Release upon lapse of share options	25(b)(ii)	–	(1)	1	–
Dividends declared in respect of the current financial year	26(b)(i)	–	–	(183)	(183)
Balance as at 31 December 2019 and 1 January 2020		**4,628**	**96**	**2,946**	**7,670**
Changes in equity for 2020:					
Total comprehensive income for the year		**–**	**–**	**931**	**931**
Shares issued under share option plan	25(b)(ii)	**18**	**(4)**	**–**	**14**
Dividends approved in respect of the previous financial year	26(b)(ii)	**–**	**–**	**(550)**	**(550)**
Release upon lapse of share options	25(b)(ii)	**–**	**(1)**	**1**	**–**
Dividends declared in respect of the current financial year	26(b)(i)	**–**	**–**	**(183)**	**(183)**
Balance as at 31 December 2020		**4,646**	**91**	**3,145**	**7,882**

NOTES TO THE FINANCIAL STATEMENTS

26 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

(i) 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	**586**	549
	769	732

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.

(ii) 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	**550**	511

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.

26 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

	Note	**2020** No. of shares	**2020** Amount $ million	2019 No. of shares	2019 Amount $ million
Ordinary shares, issued and fully paid:					
As at 1 January	(i)	**3,659,239,882**	**4,628**	3,587,260,382	4,402
Shares issued under share option plan	(ii)	**5,377,000**	**18**	71,979,500	226
As at 31 December	(i)	**3,664,616,882**	**4,646**	3,659,239,882	4,628

Notes:

(i) The holders of ordinary shares are entitled to receive dividends as declared from time to time and every member shall have one vote per share on a poll at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) During the year ended 31 December 2020, 5,377,000 (2019: 71,979,500) ordinary shares were issued at a weighted average exercise price of $2.54 (2019: $2.53) per ordinary share to share option holders who had exercised their options. These new shares issued rank pari passu with the then existing ordinary shares in issue.

(d) Nature and purpose of reserves

(i) Capital reserve

The capital reserve represents the portion of the grant date fair value of unexercised share options granted to directors or employees of the Group under the Company's share option plan that has been recognised in accordance with the accounting policies adopted for share-based payments set out in note 1(u)(iii).

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 1(y).

(iii) Property revaluation reserve

The property revaluation reserve represents the surplus on revaluation of land and buildings held for own use upon change of use to investment property and is dealt with in accordance with the accounting policies adopted for land and buildings held for own use in note 1(h).

(e) Distributability of reserves

As at 31 December 2020, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance, was $3,145,000,000 (2019: $2,946,000,000). After the end of the reporting period, the directors proposed a final dividend of HK16.0 cents (2019: HK15.0 cents) per share, amounting to $586,000,000 (2019: $549,000,000). This dividend has not been recognised as a liability at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

26 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital management

The Group's primary objective on capital management is to safeguard the Group's ability to continue as a going concern, while at the same time continues to provide returns for shareholders.

The Group regularly reviews its capital structure to maintain a balance between the enhancement of shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Adjustments are made to the capital structure as necessary in response to changes in economic conditions.

The capital structure of the Group consists of its total equity attributable to equity shareholders of the Company, comprising share capital and reserves as disclosed in the consolidated financial statements. The Group's net gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (which includes current and non-current bank and other borrowings), less cash and bank deposits. Total capital is total equity attributable to equity shareholders of the Company, as shown in the consolidated statement of financial position, plus net debt.

The Group's net gearing ratio as at 31 December 2020 and 2019 is as follows:

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

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade debtors and contract assets. The Group's exposure to credit risk arising from other receivables and deposits are considered to be low as the counterparty has capacity to meet its contractual cash flow obligation. Therefore, applying the expected credit risk model resulted in an immaterial impact on the provision for doubtful debts for other receivables and deposits.

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, and the Group has a pre-defined policy and regular review on the rest of the cash portfolio, therefore, it is considered that the Group is exposed to a low credit risk in this respect.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Other than those disclosed in note 29, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of those financial guarantees at the end of the reporting period is disclosed in the note 29.

Trade debtors and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 12.1% (2019: 9.4%) and 23.2% (2019: 35.3%) of the total trade debtors and contract assets was due from the Group's largest customer and the five largest customers respectively.

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. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade debtors and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The loss allowance based on past due status is further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade debtors and contract assets:

	2020			2019		
	Expected loss rate	**Gross carrying amount $ million**	**Loss allowance $ million**	Expected loss rate	Gross carrying amount $ million	Loss allowance $ million
Within 1 year	**2.2%**	**1,160**	**(25)**	0.8%	1,489	(12)
Over 1 year	**18.2%**	**63**	**(12)**	21.5%	111	(24)
		1,223	**(37)**		1,600	(36)

The various Group companies have different credit policies, depending on the requirements of their markets and the businesses in which they operate. Analyses of the age of debtors are prepared and closely monitored with a view to minimising credit risk associated with receivables.

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade debtors and contract assets (continued)

Movement in the loss allowance account in respect of trade debtors and contract assets during the year is as follows:

	2020 **$ million**	2019 $ million
Balance as at 1 January	**36**	27
Amounts written off	**(24)**	(4)
Impairment losses recognised	**24**	14
Exchange adjustments	**1**	(1)
Balance as at 31 December	**37**	36

(b) Liquidity risk

Individual business units within the Group are responsible for their own cash management, including the short term investment of cash surpluses. The raising of loans to cover their expected cash demands must be approved by the finance committee or the board of directors of the Company. The Group's policy is to regularly monitor current and expected 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.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which is based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2020						2019					
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or on demand $ million	**More than 1 year but less than 2 years $ million**	**More than 2 years but less than 5 years $ million**	**More than 5 years $ million**	**Total contractual undiscounted cash flow $ million**	**Carrying amount as at 31 December $ million**	Within 1 year or on demand $ million	More than 1 year but less than 2 years $ million	More than 2 years but less than 5 years $ million	More than 5 years $ million	Total contractual undiscounted cash flow $ million	Carrying amount as at 31 December $ million
Trade and other payables	**1,452**	**-**	**-**	**-**	**1,452**	**1,452**	1,464	-	-	-	1,464	1,464
Bank and other borrowings	**240**	**-**	**-**	**-**	**240**	**240**	289	-	-	-	289	289
Lease liabilities	**159**	**116**	**140**	**178**	**593**	**530**	142	93	126	217	578	506
Non-current bank and other borrowings	**174**	**694**	**5,764**	**-**	**6,632**	**5,628**	213	1,258	2,278	3,617	7,366	5,989
	2,025	**810**	**5,904**	**178**	**8,917**	**7,850**	2,108	1,351	2,404	3,834	9,697	8,248

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) 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. The Group's interest rate risk profile as monitored by management is set out in (i) below.

(i) Interest rate risk profile

The following table details the interest rate risk profile of the Group's borrowings at the end of the reporting period:

	2020		2019	
	Effective interest rate	**$ million**	Effective interest rate	$ million
Fixed rate borrowings:				
Guaranteed bonds	**6.1%**	**3,496**	6.1%	3,493
Bank and other borrowings	**3.2%**	**123**	3.2%	150
	5.9%	**3,619**	5.9%	3,643
Variable rate borrowings:				
Bank and other borrowings	**1.5%**	**2,249**	3.0%	2,635
Exposure	**1.5%**	**2,249**	3.0%	2,635
Total borrowings	**4.2%**	**5,868**	4.7%	6,278
Fixed rate borrowings as a percentage of total borrowings		**61.7%**		58.0%

(ii) Sensitivity analysis

As at 31 December 2020, it is estimated that a general increase/decrease of 25 (2019: 50) basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit for the year and retained profits by approximately $6,000,000 (2019: $13,000,000). Other components of consolidated equity would not be affected (2019: Nil) by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit for the year and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit for the year and retained profits is estimated as an annualised impact on interest expenses of such a change in interest rates. The analysis is performed on the same basis for 2019.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk

(i) The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash and bank 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 HKD or MOP.

A substantial portion of the Group's revenue and cost of sales and services are denominated in USD, MOP, HKD, RMB and SGD. The majority of the Group's current assets, current liabilities and transactions are denominated in USD, MOP, HKD, RMB and SGD. As the HKD is linked to the USD and the MOP is pegged to the HKD, it will not pose significant foreign currency risk between HKD, USD and MOP to the Group. The Group will monitor closely all possible exchange rate risks and implement the necessary hedging arrangement to mitigate risk from any significant fluctuation in foreign exchange rates.

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HKD, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in HKD)	
	RMB 2020 $ million	RMB 2019 $ million
Trade and other receivables and deposits	**161**	68
Cash and bank deposits	**42**	85
Trade and other payables	**(9)**	(12)
	194	141

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit for the year and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. Other components of consolidated equity would not be affected (2019: Nil) by the changes in the foreign exchange rates.

	2020		2019	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit for the year and retained profits $ million**	Increase/ (decrease) in foreign exchange rates	Effect on profit for the year and retained profits $ million
RMB	**10%**	**17**	10%	13
	(10%)	**(17)**	(10%)	(13)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(iii) Sensitivity analysis (continued)

Results of the analysis as presented in the above table represented an aggregation of the instantaneous effects on each of the Group's entities' profit for the year and equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2019.

(e) Fair value measurement

No disclosure of fair value is required as all of the Group's financial instruments are carried at amounts not materially different from their values as at 31 December 2020 and 2019.

28 COMMITMENTS

Capital commitments outstanding at the end of the reporting period not provided for in the consolidated financial statements were as follows:

	2020 $ million	2019 $ million
Contracted for	**121**	239
Authorised but not contracted for	**180**	58
	301	297

29 PERFORMANCE BONDS

At the end of the reporting period, performance bonds of the Group were as follows:

	2020 $ million	2019 $ million
Performance bonds provided to customers of business solutions projects	**75**	85
Performance bonds provided to others	**8**	8
	83	93

In respect of above, no provision has been made in the consolidated financial statements. As at 31 December 2020, the directors do not consider it probable that a claim will be made against the Group under any of the performance bonds. The maximum liability of the Group at the end of the reporting period is the total amount guaranteed by the performance bonds of $83,000,000 (2019: $93,000,000).

NOTES TO THE FINANCIAL STATEMENTS

30 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with affiliates of the Group and its holding companies

(i) Recurring transactions

	2020 $ million	2019 $ million
Internet data centre services fee received/receivable from fellow subsidiaries	**12**	10
Virtual private network services fee received/receivable from fellow subsidiaries	**20**	15
Internet access services fee received/receivable from fellow subsidiaries	**6**	7
Telecommunications services and related expenses paid/payable to		
– a fellow subsidiary	**(23)**	(29)
– an associate of the ultimate holding company	**(11)**	(10)
Professional fees paid/payable to a controlling shareholder for the provision of internal audit and company secretarial services	**(5)**	(5)
Interest on lease liabilities paid/payable to fellow subsidiaries	**(1)**	(1)
Building management fees, water and electricity fees, air conditioning charges and car parking spaces rental paid/payable to fellow subsidiaries	**(14)**	(13)
Rental income and building management charges received/receivable from a fellow subsidiary	**17**	16

The directors are of the opinion that the above transactions with related parties were conducted on normal commercial terms in the ordinary course of business and the terms are fair and reasonable so far as the shareholders of the Company are concerned. The professional fees paid by the Group were reimbursement of costs incurred by the related party, the prices which the Group paid for the relevant services were fair and reasonable with reference to market price.

(ii) Balances with affiliates of the Group and its holding companies

	2020 $ million	2019 $ million
Advance payment paid to the ultimate holding company for the acquisition of the remaining equity interest in a subsidiary included in:		
– Trade and other receivables and deposits	**74**	69
Lease liabilities due to fellow subsidiaries	**(9)**	(18)

NOTES TO THE FINANCIAL STATEMENTS

30 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with affiliates of the Group and its holding companies (continued)

(iii) Assets leased out under operating leases to a fellow subsidiary

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods are as follows:

	2020 **$ million**	2019 $ million
Within 1 year	**6**	14
After 1 year but within 2 years	**–**	6
	6	20

The leases related to a fellow subsidiary typically runs for an initial period of 3 years and the related commitments are included in note 10(d).

(b) Transactions with other government-related entities

The Group is a government-related enterprise and has transactions with entities directly or indirectly controlled by the PRC Government through government authorities, agencies, affiliates and other organisation (collectively referred to as "government-related entities").

Apart from transactions with the affiliates of the Group as disclosed above, the Group has collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

- rendering and receiving services; and
- financial services arrangements.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not government-related. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are government-related entities or not.

Having considered the potential for transactions to be impacted by related party relationships, the Group's buying, pricing strategy and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions with other government-related entities require disclosure:

(i) Transactions with other government-related entities including state-controlled banks in the PRC

	2020 **$ million**	2019 $ million
Interest income from bank deposits	**5**	6
Finance costs on bank and other borrowings	**(14)**	(23)
Fees received/receivable from the provision of telecommunications services	**1,200**	1,305
Fees paid/payable for network, operations and support services	**(1,773)**	(1,247)
Purchase of property, plant and equipment	**(6)**	(1)

NOTES TO THE FINANCIAL STATEMENTS

30 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with other government-related entities (continued)

(ii) Balances with other government-related entities including state-controlled banks in the PRC

	2020 **$ million**	2019 $ million
Bank deposits	**498**	390
Trade debtors	**176**	217
Contract assets	**146**	289
Trade and other payables	**(274)**	(355)
Bank and other borrowings	**(468)**	(704)

The bank and other borrowings from state-controlled banks as at 31 December 2020 bore interest at the prevailing market rates.

(c) Key management personnel emoluments

Emoluments for key management personnel of the Group are as follows:

	2020 **$ million**	2019 $ million
Short-term employee benefits	**45**	56
Share-based payments	**–**	1
Post-employment benefits	**1**	1
	46	58

Total emoluments are included in “staff costs” (see note 5(c)).

NOTES TO THE FINANCIAL STATEMENTS

31 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2020 $ million	2019 $ million
Non-current assets			
Property, plant and equipment		**4**	2
Investments in subsidiaries		**11,169**	11,156
Deferred tax assets		**9**	6
		11,182	11,164
Current assets			
Trade and other receivables and deposits		**1,992**	2,031
Cash and bank deposits		**158**	215
Current tax recoverable		**–**	5
		2,150	2,251
Current liabilities			
Trade and other payables		**176**	185
Bank and other borrowings		**4**	10
Current tax payable		**1**	2
		181	197
Net current assets		**1,969**	2,054
Total assets less current liabilities		**13,151**	13,218
Non-current liabilities			
Non-current other payables		**3,565**	3,449
Non-current bank and other borrowings		**1,704**	2,099
		5,269	5,548
NET ASSETS		**7,882**	7,670
CAPITAL AND RESERVES	26(a)		
Share capital		**4,646**	4,628
Reserves		**3,236**	3,042
TOTAL EQUITY		**7,882**	7,670

Approved and authorised for issue by the board of directors on 4 March 2021.

Xin Yue Jiang
Director

Cai Dawei
Director

NOTES TO THE FINANCIAL STATEMENTS

32 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 26(b)(i).

33 IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTY

As at 31 December 2020, the directors consider the immediate parent and the ultimate controlling party of the Group to be Ease Action Investments Corp., which is incorporated in the British Virgin Islands, and CITIC Group Corporation, which is a wholly state-owned company in the PRC, respectively. The intermediate holding company, CITIC Limited, which is incorporated and listed in Hong Kong, produces financial statements available for public use.

34 IMPACTS OF COVID-19 OUTBREAK

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections being recorded throughout the world. Measures taken by various governments to contain the virus have affected many economic activities. The Group has taken a number of measures to monitor and mitigate the effects of the COVID-19 virus on businesses, such as adopting safety and health measures for staff (including social distancing requirement and working from home). At this stage, the impact on the Group's businesses and results was not significant. The Group will continue to pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. If the extent and duration of the impacts from COVID-19 outbreak are prolonged, the Group's estimates and assumptions may evolve as conditions change, and actual results could be different from those estimates.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*	1 June 2020
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvement to HKFRSs 2018–2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

PROPERTY

PROPERTY HELD FOR INVESTMENT

Location	Existing use	Term of lease
4 Lorry Parking Spaces on 1st Floor, 2 Lorry Parking Spaces on 2nd Floor, 1 Lorry Parking Space on 3rd Floor, 19th Floor, Units 2101 to 2104 and 2108 on 21st Floor and 22nd Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong	Lorry Parking Space and Ancillary Office	Medium
5th to 11th Floors, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong	Industrial	Medium

GLOSSARY

4G	4G is the fourth generation of broadband cellular network technology, succeeding 3G
5G	5th generation mobile networks
AI	Artificial Intelligence
Big Data	Big data refer to the use of predictive analytics, user behavior analytics, or certain other advanced data analytics methods that extract value from data
Cloud/Cloud computing	Cloud/Cloud computing is a model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (e.g. networks, servers, storage, applications and services etc.) that can be rapidly provisioned and released with minimal management effort or service provider interaction
EMBB	Enhanced Mobile Broadband (EMBB) uses 5G as a progression from 4G LTE mobile broadband services, with faster connections, higher throughput, and more capacity
EPL	Ethernet private line (EPL) provides a point-to-point high transparency Ethernet connection between two sites
ICT	Information and Communications Technology (ICT), an umbrella term that includes any communication device or application, encompassing: radio, television, cellular phones, computer and network hardware and software, satellite systems etc., as well as the various services and applications associated with them
IDC	Internet Data Centre
Internet of Things	The Internet of Things (IoT) is the network of physical devices, vehicles, home appliances and other items embedded with electronics, software, sensors, actuators, and connectivity which enables these objects to connect and exchange data
Internet of Vehicles	Internet of Vehicles (IoV) is a network of vehicles equipped with sensors, software, and the technologies that mediate between them with the aim of connecting & exchanging data over the Internet according to agreed standards
LTE	Long-term evolution (LTE), marketed as 4G LTE, is a standard for wireless communication of high-speed data for mobile phones and data terminals
MEC	Mobile Edge Computing (MEC), is a network architecture concept that enables cloud computing capabilities and an IT service environment at the edge of the cellular network
Mobile VAS	Mobile Value-Added Service (Mobile VAS) is a suite of services provided to Mobile Network Operators for non-core services
OTT	Over-the-top (OTT) refers to the delivery of content and/or services over an infrastructure that is not under the same administrative control as the content or service provider

GLOSSARY

PoP(s)	Point(s)-of-Presence, connection facilities co-located in the data centres of other telecoms operators that consist primarily of transmission equipment with which calls and data are routed to and from the Group's hub
SD-WAN	SD-WAN is an acronym for software-defined networking in a wide area network (WAN). An SD-WAN simplifies the management and operation of a WAN by decoupling (separating) the networking hardware from its control mechanism. This concept is similar to how software-defined networking implements virtualization technology to improve data centre management and operation
SDN	Software-defined networking (SDN) technology is a novel approach to cloud computing that facilitates network management and enables programmatically efficient network configuration in order to improve network performance and monitoring
SIMN	Single IMSI Multiple Number (SIMN) service, a Mobile VAS which allows mobile operators' subscribers to hold multiple overseas mobile phone numbers on their existing SIM cards, providing frequent travelers and mobile roamers the choice of saving roaming charges in SIMN-enabled regions
SMS	Short Message Service (SMS), a service available on most digital mobile phones that permits the sending of short messages between mobile phones, other handheld devices and even landline telephones
SoftSIM	'Soft SIM' is a solution with no SIM hardware and where all SIM functionality is carried out by a software layer
VPN	Virtual Private Network (VPN), a network that uses a public telecommunication infrastructure, such as the Internet, to provide remote offices or individual users with secure access to their organisation's network
WiFi/Wi-Fi	WiFi/Wi-Fi is a popular technology that allows an electronic device to exchange data wirelessly (using radio waves) over a computer network, including high-speed Internet connections. The Wi-Fi Alliance defines Wi-Fi as any "wireless local area network (WLAN) products that are based on the Institute of Electrical and Electronics Engineers' (IEEE) 802.11 standards"

CORPORATE INFORMATION

HEADQUARTERS AND REGISTERED OFFICE

25th Floor, CITIC Telecom Tower
93 Kwai Fuk Road
Kwai Chung
New Territories
Hong Kong

Tel: 2377 8888
Fax: 2376 2063

WEBSITE

www.citictel.com contains a description of the Company's business, copies of the reports to shareholders, announcements, press releases and other information.

STOCK CODES

The Stock Exchange of Hong Kong:	01883
Bloomberg:	1883 HK
Reuters:	1883.HK

SHARE REGISTRAR

Shareholders should contact our Registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong at 2980 1333, or by fax: 2810 8185, on matters such as transfer of shares, change of name or address, or loss of share certificates.

FINANCIAL CALENDAR

Closure of Register:	11 May 2021 to 14 May 2021 and 21 May 2021 to 25 May 2021
Annual General Meeting:	14 May 2021, 10:30 a.m. JW Marriott Ballroom, Level 3 JW Marriott Hotel Hong Kong Pacific Place, 88 Queensway Hong Kong
Final Dividend Payable:	4 June 2021

ANNUAL REPORT 2020

The Annual Report is printed in English and Chinese and is available on our website at www.citictel.com. Shareholders may choose to receive the Annual Report in printed form in either English or Chinese or both or by electronic means. Shareholders may at any time change their choice of the language or means of receipt of the Annual Report by notice in writing to the Company's Share Registrar.

Shareholders having difficulty in receiving or gaining access to the Annual Report will, promptly upon request to the Company's Share Registrar, be sent a printed copy free of charge.

Non-shareholders who wish to receive a copy of the Annual Report are requested to write to the Company Secretary, CITIC Telecom International Holdings Limited, 25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong, or by fax: 2376 2063 or by email: contact@citictel.com.

中信國際電訊
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