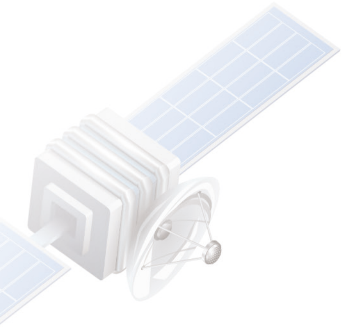
中信國際電訊
CITIC TELECOM INTERNATIONAL

STOCK CODE :1883

INTERIM REPORT 2021



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 30 June 2021, the Group has established branch organisations in 22 countries and regions. The number of staff is close to 2,500, with network covering more than 150 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.

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.

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.

CONTENTS

MILESTONES

Month	Events
January 2021	• CITIC Telecom International CPC Limited ("CPC") won the "Overall 1st Runner-up" in the "AI Challenge Computer Vision – Identifying Surgical Instrument" organised by the Hospital Authority in Hong Kong and Hong Kong Science and Technology Parks Corporation • China Enterprise ICT Solutions Limited ("CEC")'s Internet Data Centre AR Remote Hand remote operations and maintenance service won the "Most Innovative New Infrastructure Service Award in China ICT Industry 2020" issued by Communications World Weekly • Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") became the first telecoms company in Macau to participate in the Alipay (Macau) life payment channels • Acclivis Technologies and Solutions Pte. Ltd. ("Acclivis") won a pilot trial for a large public healthcare institution to implement the Acclivis Intelligent Visitor Management Solution which uses AI video analytics to detect people, optimise crowd control, monitor waiting time and perform safe distancing
February 2021	• CPC won the "Outstanding ICT Solution Provider 2020" at "Quamnet Outstanding Enterprise Awards 2020" held by Quamnet • CPC's DataHOUSE™ AR Remote Hand remote operations and maintenance service won the "Innovative Data Center Service: Gold Award" at the "The 2020 CAHK STAR Awards" organised by Communications Association of Hong Kong • CTM and University of Macau signed the Autonomous Driving System and Application Collaboration Agreement • CTM hosted the "5G·Smart Solutions Design Competition Award Ceremony"
March 2021	• CEC's CeOne-CONNECT Hybrid (SD-WAN) Service was awarded the "Excellent Service of SD-WAN Project 2020" and "Excellent Industry Application of SD-WAN 2020" by SNAI and Internet Industry Ecosystem • CEC won the "Best ICT Service Solutions Provider in China 2020" award issued by e-works • CEC's Internet Data Centre AR Remote Hand remote operations and maintenance service and CeOne-CONNECT Hybrid (SD-WAN) Service won the "Excellent Recommended Product for Intelligent Manufacturing in China's Manufacturing Industry 2020" award issued by e-works
April 2021	• CPC's DataHOUSE™ AR Remote Hand remote operations and maintenance service won the "Augmented and Virtual Reality Award for Telecommunications" at "Singapore Business Review Technology Excellence Awards 2021" by Charlton Media Group • CEC's Internet Data Centre AR Remote Hand remote operations and maintenance service won the "Bay Area Digital Infrastructure Technology Pioneer Award" issued by China Communications Industry Association Data Center Committee and IDCC Event Committee • CTM and Bank of China Macau Branch signed a Strategic Collaboration Agreement and joined hands with the Netel Information & Services Ltd. to launch the "ePOS System – smart catering and retail system"

Month	Events
May 2021	• Launched of Internet of Things (IoT) data service platform with a China vehicle manufacturer • CEC's Internet Data Centre AR Remote Hand remote operations and maintenance service won the "517 World Telecommunications Day – Outstanding Product Technology Solution for Accelerating Digital Transformation" award by COMMUNICATIONS WEEKLY, CCIDWISE and CCIDConsulting. CEC was also listed as the Top 30 "Pioneers of Empowering Digital Transformation" • CTM was the first to launch the eSIM service in Macau contributing to the smart city development
June 2021	• Launched the Enterprise Engagement Platform (EEP) which supports SMS, MMS and social messaging apps (e.g. WhatsApp) • CPC's DataHOUSE™ AR Remote Hand remote operations and maintenance service won "The Innovation Award 2021" at "Datacloud Global Awards 2021" by BroadGroup • CPC won "The Distinguished Cloud Network Convergence Solution Service Provider" award at "SME Partner Awards of Excellence 2021" by Hong Kong Economic Journal • CPC won the "Corporate Excellence Award" at "Asia Pacific Enterprise Awards (APEA) 2021" by Enterprise Asia • CPC launched the TrueCONNECT™ SASE solution to secure expanding SD-WAN edge of distributed enterprises. The solution further enhances its existing TrueCONNECT™ Hybrid SD-WAN value proposition. Enterprises can leverage the TrueCONNECT™ Hybrid SD-WAN orchestrator tool to directly and automatically steer network traffic to enable a full protection of their expanding SD-WAN perimeter • CEC won the "2021 CIO Trusted Brand" Certificate of Honor issued by China Enterprises Digital Alliance and National CIO Event Committee • CTM completed the second stage of 5G network build to support both the Standalone and Non-Standalone architectures. The network achieved full coverage for outdoor and reached 93% coverage for indoor in Macau

FINANCIAL HIGHLIGHTS

In HK$ million	Half year ended 30 June 2021	2020	
Revenue			
Revenue from telecommunications services	**3,993**	4,025	Decrease 0.8%
Sales of mobile handsets and equipment	**802**	359	Increase >100%
	4,795	4,384	Increase 9.4%
Profit attributable to equity shareholders of the Company	**534**	512	Increase 4.3%
EBITDA[1]	**1,254**	1,232	Increase 1.8%
Earnings per share (HK cents)			
Basic	**14.5**	14.0	Increase 3.6%
Diluted	**14.5**	14.0	Increase 3.6%
Dividend per share (HK cents)			
Interim dividend	**5.5**	5.0	Increase 10.0%

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

Profit Attributable to Equity Shareholders of the Company

HK$ million

In HK$ million	30 June 2021	31 December 2020	
Total assets	**18,220**	18,337	Decrease 0.6%
Total equity attributable to equity shareholders of the Company	**9,730**	9,751	Decrease 0.2%
Total debt[2]	**5,667**	5,868	Decrease 3.4%
Less: Cash and bank deposits	**(1,524)**	(1,519)	Increase 0.3%
Net debt	**4,143**	4,349	Decrease 4.7%
Net gearing ratio[3]	**30%**	31%	Decrease 1.0%

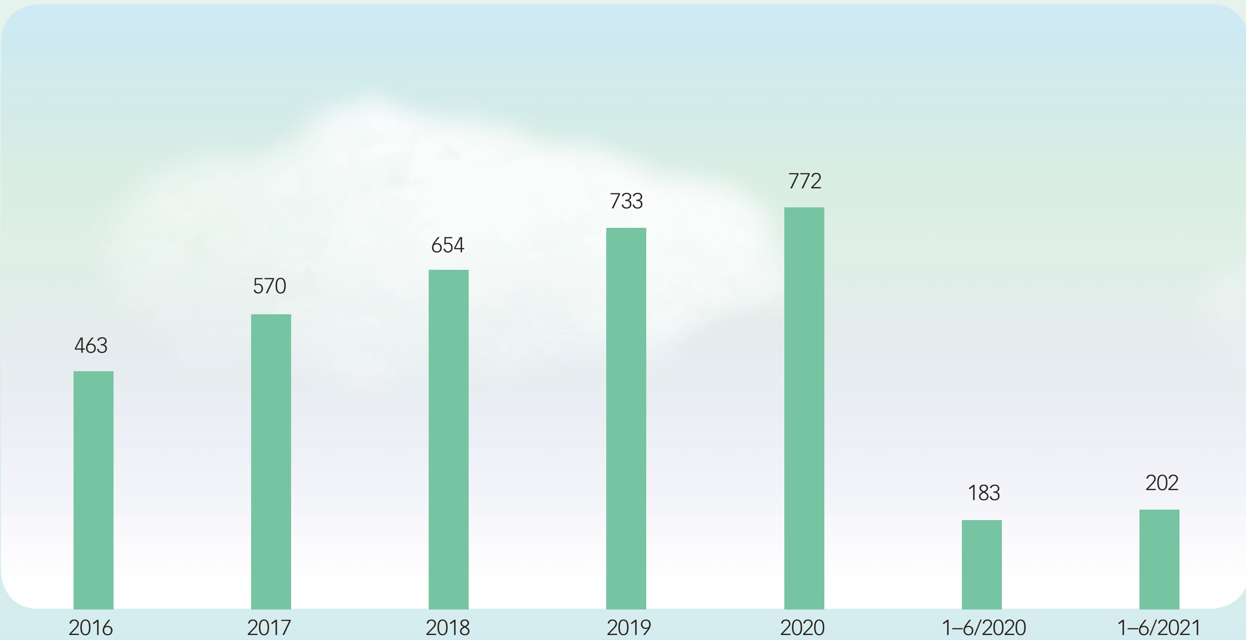
[2] Total debt includes current and non-current bank and other borrowings.

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

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

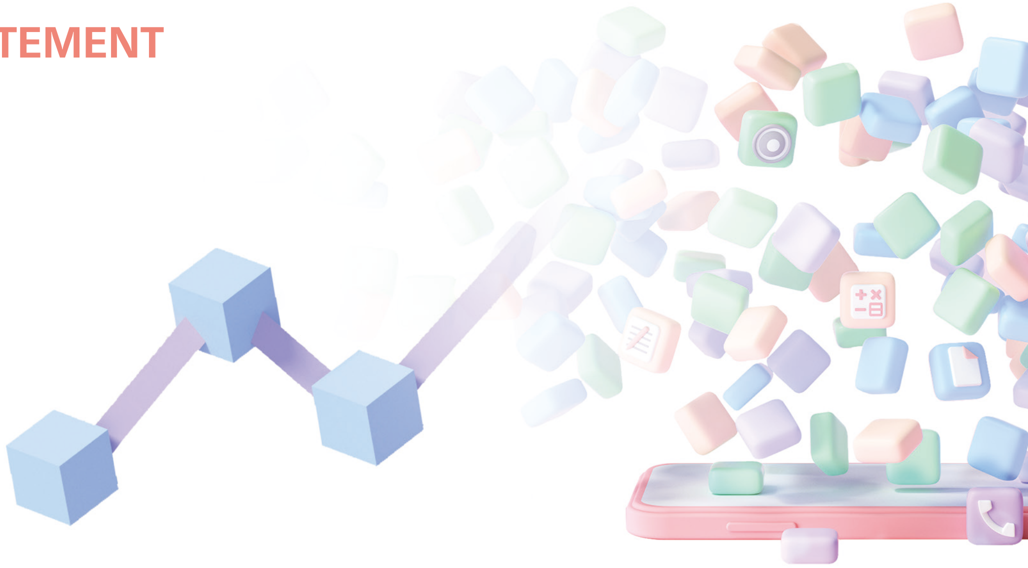
Dividends Payable to Equity Shareholders of the Company Attributable to the Year/Interim Period

HK$ million



Note: The dividends payable to equity shareholders of the Company for the period ended 30 June 2021 includes interim dividend payable based on the number of shares in issue as at 30 June 2021 which may differ from the number of shares at the closing date of the register of members.

CHAIRMAN'S STATEMENT



I am pleased to present the operating and financial results of CITIC Telecom International Holdings Limited (the "Group") for the first half of 2021.

During the first half of 2021, the prospects for economic recovery were less than certain as the COVID-19 pandemic persisted. Thanks to the vigorous and diligent effort of all our staff against pressure and difficulties with a strengthened emphasis on team building, market development and technological innovation, our capability in corporate operation and management and stable network platform operation has been further enhanced. The Group continued to implement rigorous epidemic prevention and control measures without easing to safeguard staff health, while reporting positive growth in overall operations and ongoing enhancement in business results.

I. FINANCIAL RESULTS

Profit attributable to equity shareholders of the Company for the first half of 2021 was HK$534 million, increasing by 4.3% as compared to the corresponding period of the previous year. Excluding the effect of investment property revaluation, there would have been an increase of 2.1% when compared to the corresponding period of the previous year.

The Group's revenue from its principal business of telecommunications services amounted to HK$3,993 million, little changed as compared to the corresponding period of the previous year. Total revenue amounted to HK$4,795 million, increasing by 9.4% when compared to the corresponding period of the previous year.

Basic earnings per share for the first half of the year amounted to HK14.5 cents, an increase of 3.6% as compared to the corresponding period of the previous year.

The Board declared an interim dividend of HK5.5 cents per share for 2021, an increase of 10.0% as compared to dividend for the corresponding period of the previous year.

II. BUSINESS DEVELOPMENT

The Group has formulated its development goals for the next five years in tandem with the nation's "14th Five-Year-Plan" blueprint and proposed new development initiatives. The Group actively positioned itself in major national development plans such as "Belt and Road" and Guangdong-Hong Kong-Macao Greater Bay Area with the implementation of a new development philosophy, as it strived to expand its business scope and geographical presence with innovation, synergy and accelerated development to deliver new value to shareholders and make new contributions to the society.

During the first half of the year, in connection with the mobile sales & services business, Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM"), the Group's subsidiary, overcame various difficulties and completed its Phase II 5G network construction in June in accordance with the original plan, seizing development opportunity in the imminent 5G market. CTM successfully completed the deployment of non-standalone networks (NSA), standalone networks (SA) and network slicing to provide full outdoor coverage and 93% indoor coverage, as it became the first carrier to provide complete 5G network connection in Macau. Meanwhile, 5G roaming agreements were entered into with more than 40 telecommunications carriers in different countries and regions. As at the end of June, CTM had 45.4% share of the mobile market and 47.0% share of the 4G market in Macau, representing increases of 1.0 and 1.2 percentage points, respectively, as compared to the end of 2020, as it continued to uphold its leading position in the industry.

CTM continued to enhance cooperation with various sectors in Macau to introduce a diverse range of smart applications to the city, in a bid to accelerate smart city development and advance the building of "Smart Macau" as it endeavoured to develop into a smart city operator. During the year, CTM launched electronic payment services enabling customers to conduct online and offline electronic consumption transactions via CTM Buddy mobile applications, as well as "ePOS System", a new-generation smart retail dining system, in an effort to expand novel businesses and create new niches for growth in results.

In connection with its internet services business, the Group procured ongoing growth for the segment by winning over customers on the back of premium services designed in close tandem with the new requirements for internet services in the society. As at the end of June, CTM recorded an approximate 0.2% increase when compared with the end of 2020 in the number of broadband users and accounted for an approximate 97.1% share of Macau's internet service market, sustaining a dominant position in the industry. The fibrelisation rate of residential broadband users rose further to 95.9%, an increase of 1.2 percentage points compared to the end of 2020. Phase III (B) of the Group's CITIC Telecom Tower Data Centre is currently under trial operation following completion in late June. Marketing of the new data centre commenced ahead of schedule and was positively received by the market.

For its enterprise solutions services business, the Group's subsidiary, CITIC Telecom International CPC Limited ("CPC") strives to become a leading global intelligent DICT solution provider, it enhanced the development and promotion of new products in Cloud Computing, network and information security and endeavoured to assist in the digital transformation of corporate clients. During the period, CPC launched the TrueCONNECT™ SASE safe access service edge solution in a further enhancement of the advantage and value of the TrueCONNECT™ Hybrid SD-WAN solution. With the aid of this solution, corporate clients will be able to flexibly and efficiently direct and control their network traffic flow, thereby achieving a higher level of security protection. In the meantime, the ongoing development of the SD-WAN business has also driven the growth of our internet service business. Moreover, CPC continued to expand its global network coverage, as it established new PoPs in Xuzhou, Jiangsu Province and Lanzhou, Gansu Province during the first half of 2021 to bring the total number of PoPs in its global network to over 160. Meanwhile, new SD-WAN gateways were established in Ji'nan, Tianjin, Nanning, Fuzhou, Haikou, Hohhot, Shijiazhuang, Shenzhen and Manila, Philippines, bringing the total number of global SD-WAN gateways to 57.

The Group continued to enhance greatly its business development in Southeast Asia. During the first half of 2021, Acclivis Technologies and Solutions Pte. Ltd. ("Acclivis"), the Group's subsidiary, set up a subsidiary in the Philippines to explore new markets, while diversifying into the new business of corporate mobile services in Malaysia. In Singapore, riding on its technical capabilities, Acclivis won the IT system service project of Singapore's Ministry of Social and Family Development to further strengthen cooperation with the government agencies of Singapore. It has also successfully completed the proof of concept for a smart visitor management solution for one of the largest medical institutions in Singapore, which involves the use of artificial intelligence ("AI") in performing visual analysis and enhancing management capacity and optimising visitors' experience.

Our international telecommunications services business sustained rapid year-on-year growth in revenue. The Group continued to enhance its platform capability and diversify into new business sectors on the back of its swift, efficient and reliable services to support telecommunications carriers' global business expansion. In March, the Group successfully assisted the launch of new roaming service products by a Chinese carrier. In May, the Group provided customised Internet of Things ("IoT") (Internet of Vehicles) platform to a renowned automobile manufacturer and the service went into operation successfully and commercial application has been commenced.

During the period, the Group made a major effort in driving technology innovation to facilitate corporate development. Through the construction of the ICT-MiiND strategy, CPC introduced service process optimisation and enhanced safety and productivity on the back of its network, information security and Cloud Computing products and extensive experience in service in combination with cutting-edge technologies such as Big Data, AI, Augmented Reality ("AR"), IoT and Blockchain, helping customers to build IT service management platforms with more intelligent features in the course of digital transformation and add value to their products and services.

III. OUTLOOK

In mid-June, a delegation from CITIC Group Corporation ("CITIC Group"), the controlling shareholder of the Group, led by its President Mr. Xi Guohua visited Macau and had a meeting with Chief Executive Ho Iat Seng. The two parties were engaged in positive communication and discussions regarding support for CTM's continuous sound development and involvement in the construction of "Digital Macau". The Group supports CTM's bid to consolidate its dominant industry position in Macau with this opportunity and 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.

The Group will continue to render strong support for CTM's effort in building the "Digital Macau", collaborating with various sectors in Macau to develop smart applications and build a smart ecosystem in a joint effort to construct the city's "digital pedestal", with a view to supporting Macau's ongoing development of digital economy with highly reliable quality in network services.

The Group will continue to enrich the functions of its product platform and procure the development of its platform and the building of an ecosystem. Phase III (B) of the Group's CITIC Telecom Tower Data Centre will be actively marketed. Cooperation with carriers will also be strengthened in a bid to seek expansion in the global market.

On the back of sound customer relationships and a foundation in the market, CPC will continue to enhance the development of its global corporate service business, and will improve its servicing capacity and consistently attempt at innovative models of cooperation in a bid to increase the scale and value of corporate service business, and will step up its development from ICT (Information and Communications Technology) to DICT (Data, Information and Communications Technology).

The Group will continue to drive the development of its ICT business in Southeast Asia with tremendous effort in accordance with the "R-R-L" strategy (namely, recurring, regional, large-scale) and expand the "Acclivis" and "Pacific Internet" brands to more Southeast Asian countries, in an effort to enhance the Group's revenue and profit in the region capitalising on regional economic development opportunities arising from the RCEP (Regional Comprehensive Economic Partnership).

The Group will continue to enhance its technology innovation to foster new core competitiveness with innovative networks, products, services and ecosystem and expedite the progress of "Internet-based", "Cloud-based" and "Intelligence-based" operations in support of our high-level development and digital transformation, with a view to assuming an advantageous position in market competition during the new development stage.

The Group will endeavour to build a solid "tripartite" synergy system to enhance internal synergy within the Group, broader synergy with fellow subsidiaries under CITIC Group, as well as synergy with external parties such as other corporations, research institutions and universities, with a view to enhancing co-development, promoting innovation and improving efficiency.

Whilst the COVID-19 pandemic is somewhat alleviated in certain parts of the world, we should not lend ourselves to undue optimism. The Group will continue to place a strong emphasis on epidemic prevention and control and uphold the priority of staff health and stability in telecommunications network operation; meanwhile, guided by our development planning, driven by technological innovation and on the back of our corporate culture of "Wisdom and Integrity for Fostering Prosperity" and team building, we will adhere to our new development ideas, identify specific new measures in operation, pursue vigorous development of new markets and consistently explore new businesses, while making solid efforts in operations and management with rigorous risk prevention measures to enhance quality and efficiency and procure sound and sustainable corporate development.

We reported continuous growth in corporate operating results during the first half of 2021. It has been achieved with the diligent and united effort of all our staff, and would not have been possible without the support of our shareholders, investors, business partners and all stakeholders concerned with the Group's development. To them, I extend my sincere gratitude and appreciation.

Xin Yue Jiang
Chairman
Hong Kong, 19 August 2021


BUILDING
THE FUTURE
5G

FINANCIAL REVIEW

OVERVIEW

The global economy continued to be challenging as the COVID-19 pandemic persisted throughout the first half of 2021. However, with the Group's perseverance and robust measures in overcoming these challenges, the Group achieved solid financial results for the six months ended 30 June 2021.

Profit for the period increased by 5.2% to HK$546 million when compared to the first half of 2020, profit attributable to equity shareholders of the Company increased by 4.3% period-on-period to HK$534 million, and basic earnings per share was up 3.6% period-on-period to HK14.5 cents.

The Group's total revenue was up by 9.4% to HK$4,795 million for the six months ended 30 June 2021. Revenue from telecommunications services for the six months ended 30 June 2021 amounted to HK$3,993 million which was comparable with the first half of 2020.

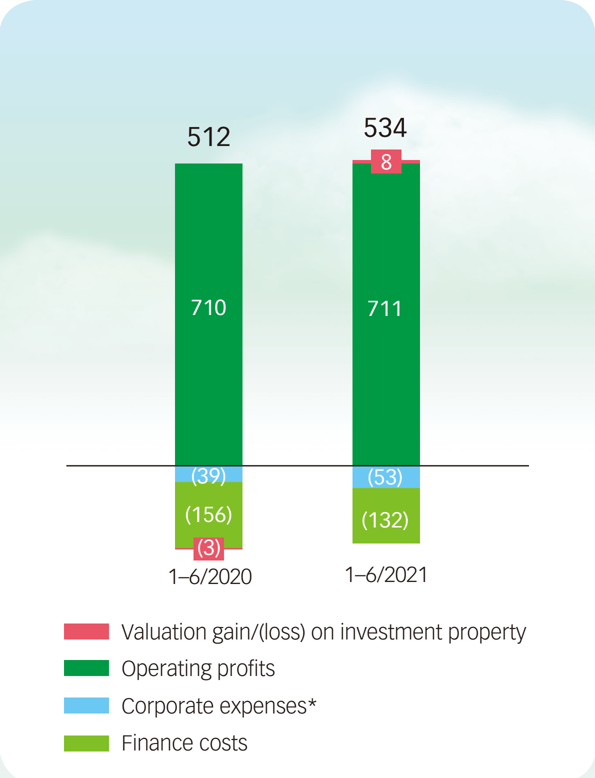
Summary of Financial Results

	Half year ended 30 June			
In HK$ million	2021	2020	Increase/(Decrease)	
Revenue from telecommunications services	3,993	4,025	(32)	(0.8%)
Sales of mobile handsets and equipment	802	359	443	>100%
Revenue	4,795	4,384	411	9.4%
Valuation gain/(loss) on investment property	8	(3)	N/A	N/A
Other income	18	21	(3)	(14.3%)
Cost of sales and services	(2,803)	(2,440)	363	14.9%
Depreciation and amortisation	(454)	(453)	1	0.2%
Staff costs	(524)	(483)	41	8.5%
Other operating expenses	(234)	(239)	(5)	(2.1%)
Profit from consolidated activities	806	787	19	2.4%
Finance costs	(132)	(156)	(24)	(15.4%)
Income tax	(128)	(112)	16	14.3%
Profit for the period	546	519	27	5.2%
Less: Non-controlling interests	(12)	(7)	5	71.4%
Profit attributable to equity shareholders of the Company	534	512	22	4.3%
EBITDA*	1,254	1,232	22	1.8%
Basic earnings per share (HK cents)	14.5	14.0	0.5	3.6%
Dividend per share (HK cents)	5.5	5.0	0.5	10.0%

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

Profit Attributable to Equity Shareholders of the Company

HK$ million



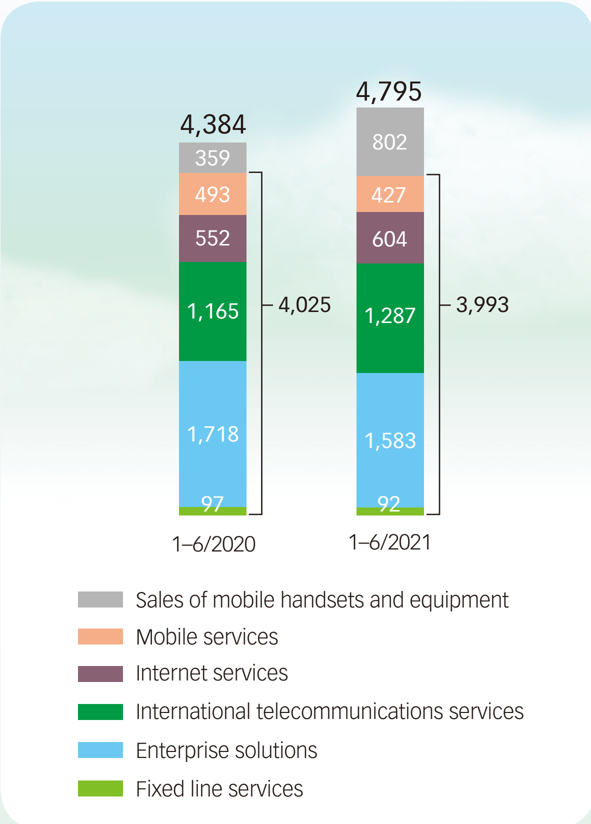
* Corporate expenses included staff costs for corporate functions, listing fee, unallocated staff bonus and others.

Profit attributable to equity shareholders of the Company for the six months ended 30 June 2021 increased by 4.3% or HK$22 million to HK$534 million when compared with the corresponding period of 2020. Excluding the valuation gain on investment property of HK$8 million (six months ended 30 June 2020: valuation loss of HK$3 million), profit attributable to equity shareholders of the Company for the first six months of 2021 would amount to HK$526 million (six months ended 30 June 2020: HK$515 million), representing a period-on-period increase of 2.1% as the Group proactively sorts measures to control its operating costs and seizes new business opportunities under the current volatile business environment.

Revenue by Services

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

HK$ million

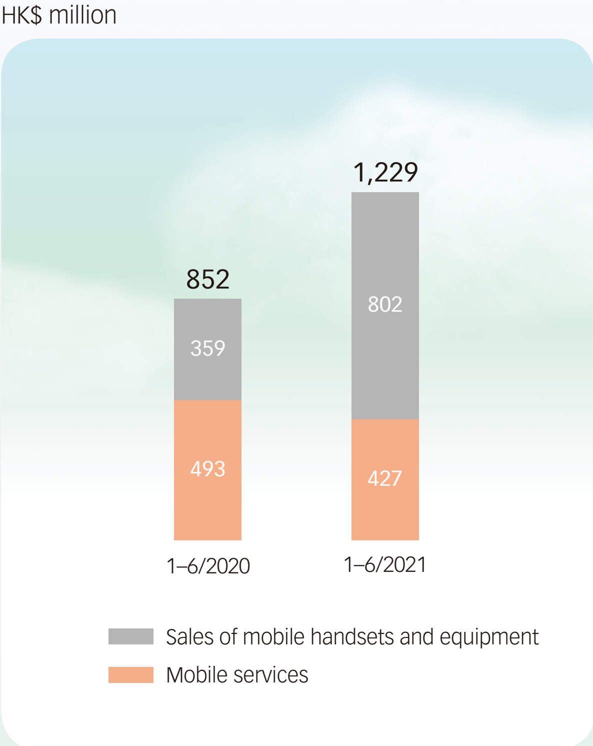


The Group's revenue from telecommunications services for the six months ended 30 June 2021 amounted to HK$3,993 million, which represented a slight decrease of 0.8% or HK$32 million when compared to the corresponding period of 2020. The decrease was mainly attributed to the fall of enterprise solutions revenue of HK$135 million, decrease in mobile services revenue of HK$66 million and drop in fixed line services revenue of HK$5 million, partly offset by the growth in international telecommunications services revenue of HK$122 million and growth in internet services revenue of HK$52 million.

The Group's total revenue, including revenue from telecommunications services and sales of mobile handsets and equipment, amounted to HK$4,795 million, up by 9.4%.

Mobile sales & services

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



Revenue from mobile services dropped by 13.4% to HK$427 million when compared with the corresponding period of 2020 as a result of the continuation of various lockdown measures and travel restrictions ordered by many governments around the world in their respective countries for much of the first half of 2021.

The overall number of subscribers as at 30 June 2021 was over 564,000, showing a decrease of around 29.6% resulting from the decrease in prepaid customers of around 58.1% to approximately 182,000 (30 June 2020: approximately 434,000) 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 partially offset by the increase in postpaid subscribers of around 4.1% to over 382,000 (30 June 2020: approximately 367,000) subscribers. Around 100% (30 June 2020: around 100%) of total mobile subscribers were 4G subscribers.

The Group sustained its leading position in Macau with approximately 45.4% (30 June 2020: 44.6%) market share of the mobile market and around 47.0% (30 June 2020: 46.1%) market share in the 4G subscribers of Macau mobile market as at 30 June 2021.

Internet services

Internet services revenue amounted to HK$604 million for the current period which represented an increase of HK$52 million or 9.4% when compared to the corresponding period of 2020. The increase was mainly driven by business internet requirements and the increase in revenue from fibre broadband service as a result of the service upgrade by existing customers and around 1.3% increase in the average number of broadband users to over 196,500 subscribers when compared to 30 June 2020.

The Group's internet market share and broadband market penetration rate in Macau were estimated at around 97.1% (30 June 2020: 97.0%) and 89.6% (30 June 2020: 87.0%) respectively as at 30 June 2021.

International telecommunications services

International telecommunications services revenue includes revenue from voice services, messaging services (including SMS) and "DataMall 自由行" services, and increased by 10.5% or HK$122 million period-on-period.

Voice services revenue decreased by HK$156 million or 26.5% to HK$432 million for the six months ended 30 June 2021 over the same period of 2020. Due to increasing demand from corporate messaging delivery, messaging services revenue surged 49.3% or HK$276 million to HK$836 million when compared to the corresponding period of 2020.

Since last year, lockdown measures ordered by many governments around the world in their corresponding countries in an attempt to contain the spread of COVID-19 has continued throughout the first half of 2021. This virtually restricted the number of people travelling abroad for business or leisure purposes. Nevertheless, revenue from "DataMall 自由行" services maintained a marginal increase when compared with the corresponding period of 2020 at HK$19 million (six months ended 30 June 2020: HK$17 million).

Enterprise solutions

Enterprise solutions revenue decreased 7.9% from HK$1,718 million in the first half of 2020 to HK$1,583 million for the first six months of 2021. The decrease was mainly due to lower project revenue from government, resorts and other enterprises in Macau and Southeast Asia due to various lock-downs measures implemented by the government in the respective country/region which caused delays in the progress of a number of projects. However, the Group continued to experience encouraging growth in enterprise solutions services in Mainland China.

Fixed line services

In line with global trends of declining fixed IDD traffic volumes and the decrease in fixed residential lines, revenue from fixed line services decreased by 5.2% period-on-period to HK$92 million for the six months ended 30 June 2021.

Results for the period

Profit attributable to equity shareholders of the Company for the current period amounted to HK$534 million which represented an increase of HK$22 million or 4.3% when compared to the first half results of 2020 mainly due to the combined effect of the following factors:

Revenue

The Group's revenue from telecommunications services amounted to HK$3,993 million, a slight decrease of 0.8% when compared to the first half of 2020. Total revenue including sales of mobile handsets and equipment increased by 9.4% period-on-period to HK$4,795 million which resulted from the surge in mobile handsets and equipment sales.

Valuation gain/(loss) 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 30 June 2021 by the Group's independent surveyors with a valuation gain of HK$8 million (six months ended 30 June 2020: valuation loss of HK$3 million) for the current period.

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 revenue, cost of sales and services increased by HK$363 million or 14.9% to HK$2,803 million when compared with the first half of 2020 due to the increase in cost of sales of mobile handsets and equipment.

Depreciation and amortisation

Depreciation and amortisation expenses for the current period totalled HK$454 million which is comparable to the first six months of 2020.

Staff costs

Staff costs increased period-on-period by 8.5% or HK$41 million to HK$524 million mainly due to the average salary increment in 2021 and the various government wages subsidies which amounted to HK$11 million received for the first half of 2020 where no such subsidies were received for the current period.

Other operating expenses

As the Group continues to implement robust measures in cost containment, other operating expenses for the six months ended 30 June 2021 decreased 2.1% or HK$5 million to HK$234 million when compared with the corresponding period of 2020.

Finance costs

Finance costs decreased by 15.4% or HK$24 million when compared with the corresponding period of 2020 mainly resulting from the repayment of bank loans at the end of 2020 and early 2021 and the decrease in general bank's borrowing rates during the period. The effective variable interest rate for the Group decreased from 2.2% p.a. as at 30 June 2020 to 1.3% p.a. as at 30 June 2021.

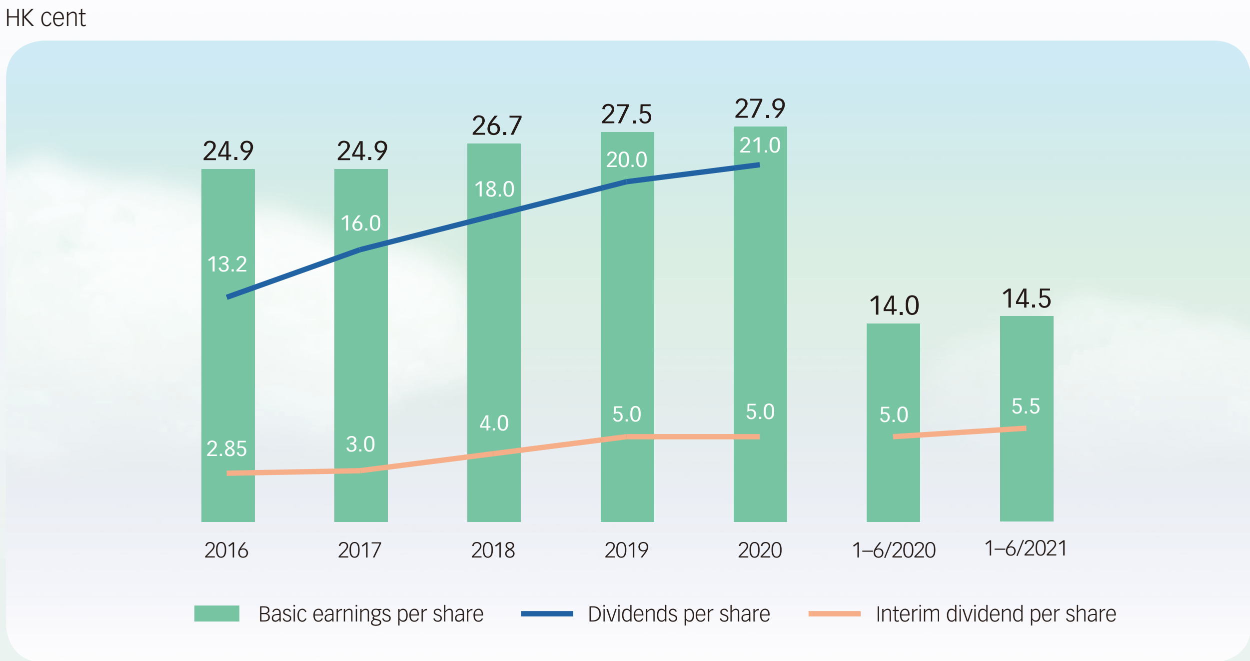
Income tax

Income tax for the period amounted to HK$128 million, an increase of HK$16 million when compared with the first six months of 2020. 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 six months ended 30 June 2021 and 30 June 2020 were 16.3% and 14.6% respectively.

Earnings and Dividends per share

Both basic and diluted earnings per share were up 3.6% period-on-period to approximately HK14.5 cents respectively for the six months ended 30 June 2021.

The board of directors of the Company has declared an interim dividend of HK5.5 cents per share for the year ending 31 December 2021.



Cash flows

In HK$ million	Half year ended 30 June 2021	2020	Increase/(Decrease)	
Source of cash:				
Cash inflows from business operations	1,270	1,376	(106)	(7.7%)
Other cash inflows	44	21	23	>100%
Sub-total	1,314	1,397	(83)	(5.9%)
Use of cash:				
Net capital expenditure*	(296)	(477)	(181)	(37.9%)
Dividends paid to equity shareholders and non-controlling interests	(598)	(560)	38	6.8%
Capital and interest elements of lease rentals paid	(90)	(84)	6	7.1%
Payment of borrowing costs	(122)	(148)	(26)	(17.6%)
Net cash outflows from borrowings	(197)	(88)	109	>100%
Sub-total	(1,303)	(1,357)	(54)	(4.0%)
Net increase in cash and cash equivalents	11	40	(29)	(72.5%)

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

The Group generated HK$1,270 million cash inflows from operations, with the use of cash mainly comprised of capital expenditure, net borrowings and repayments, and dividends distributions. In total, the Group recorded a net cash inflow of HK$11 million for the six months ended 30 June 2021.

Capital expenditure

The Group's total capital expenditure for the six months ended 30 June 2021 amounted to HK$236 million. During the period, HK$60 million was invested in 5G, HK$42 million of fitting-out costs were 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 30 June 2021, the Group had outstanding capital commitments of HK$279 million, mainly for the 5G development, data centre development, system upgrades and construction costs of networks, and purchase of telecommunications equipment which had yet to be delivered to the Group. Of these commitments, HK$110 million were outstanding contractual capital commitments and HK$169 million were capital commitments authorised but for which contracts had yet to be entered into.

TREASURY POLICY AND FINANCIAL RISK MANAGEMENT

General

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

1. Debt and leverage

As the Group's net debt decreased to HK$4,143 million, the net gearing ratio decreased from 31% as at 31 December 2020 to 30% as at 30 June 2021.

As at 30 June 2021, 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	1,508	3,634	428	97	–	–	–	**5,667**
Less: Cash and bank deposits	(421)	(458)	(57)	(207)	(282)	(26)	(73)	**(1,524)**
Net debt/(cash)	**1,087**	**3,176**	**371**	**(110)**	**(282)**	**(26)**	**(73)**	**4,143**

As at 30 June 2021 and 31 December 2020, the Group's net gearing ratio was as follows:

In HK$ million	30 June 2021	31 December 2020
Total debt	**5,667**	5,868
Less: Cash and bank deposits	**(1,524)**	(1,519)
Net debt	**4,143**	4,349
Total equity attributable to equity shareholders of the Company	**9,730**	9,751
Total capital	**13,873**	14,100
Net gearing ratio	**30%**	31%

As at 30 June 2021, the total debt amounted to HK$5,667 million, of which HK$268 million will be matured in the coming twelve months, against cash and bank deposits of HK$1,524 million.

The maturity profile of the Group's total debt as at 30 June 2021 was as follows:

In HK$ million	Within 1 year	After 1 year but within 2 years	After 2 years but within 3 years	After 3 years but within 4 years	Total
Bank and other borrowings	268	576	1,325	–	2,169
US$450 million 6.1% guaranteed bonds	–	–	–	3,498	3,498
	268	576	1,325	3,498	5,667

The Group's total debt decreased to HK$5,667 million which was mainly due to the early repayment of bank loans amounted to HK$200 million from its surplus cash during the period.

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 twelve months.

The Group's cash balance as at 30 June 2021 was more than sufficient to cover the repayments of outstanding amount of total debt of HK$268 million in the coming twelve months and contractual capital commitments of HK$110 million as at 30 June 2021.

As at 30 June 2021, the Group had available trading facilities of HK$454 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$7 million were required to be secured by pledged deposits as at 30 June 2021.

As at 30 June 2021, 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	2,349	2,058	291
– Uncommitted facilities:			
Short-term facilities	472	44	428
	2,821	2,102	719
Guaranteed bonds – Committed facility			
US$450 million 6.1% guaranteed bonds	3,510	3,510	–
Trading facilities – Uncommitted facilities	454	87	367
Total	**6,785**	**5,699**	**1,086**

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 30 June 2021 and 31 December 2020, the Group was in compliance with the relevant requirements.

4. **Contingent liabilities**

As at 30 June 2021 and 31 December 2020, the Group had no significant contingent liabilities.

5. **Performance bonds, guarantees and pledged assets**

As at 30 June 2021 and 31 December 2020, performance bonds and other guarantees of the Group were as follows:

In HK$ million	30 June 2021	31 December 2020
Performance bonds provided to the Macau Government and other customers	84	83
Other guarantees	3	4
Total	87	87

As at 30 June 2021, bank deposits of HK$6 million (31 December 2020: HK$9 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 30 June 2021, the Company issued guarantees of HK$644 million (31 December 2020: HK$672 million) for its subsidiaries in respect of the various forms of facility lines from financial institutions.

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

6. Interest rate risk

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

Interest rate risk is managed by fixed rate borrowing or through use of interest rate swap, if necessary. As at 30 June 2021, approximately 63.6% (31 December 2020: approximately 61.7%) of the Group's borrowings were linked to fixed interest rates. During the period, the Group did not enter into any interest rate swap arrangement.

Average borrowing rates

As at 30 June 2021 and 31 December 2020, the average borrowing rates, after the inclusion of amortisation of transaction costs, were as follows:

	30 June 2021	31 December 2020
Borrowing rates for fixed rate borrowings	**6.0%**	5.9%
Borrowing rates for variable rate borrowings	**1.3%**	1.5%
Average borrowing rates	**4.3%**	4.2%

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 20.6% and 23.2% of the Group's total trade debtors and contract assets as at 30 June 2021 and 31 December 2020 respectively. The credit risk exposure to the balances of trade debtors and contract assets has been and will continue to be monitored by the Group on an ongoing basis.

9. Counterparty risk

The Group's exposure to credit risk arising from cash and bank deposits is limited because the Group mainly deals with the companies engaged in financing activities which have good credit ratings with prestigious credit ratings companies (such as Moody's Investors Service, Standard & Poor's and Fitch Group), or the note-issuing banks in Hong Kong, Macau and Mainland China, or its group companies. As at 30 June 2021, the Group has maintained a cash balance of HK$1,512 million (31 December 2020: HK$1,482 million) in the above-mentioned entities, representing approximately 99.2% (31 December 2020: approximately 97.6%) 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.

FORWARD LOOKING STATEMENTS

This Interim 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 Interim Report; and (b) any liability arising from any forward looking statements or opinions that do not materialise or otherwise prove to be incorrect.

HUMAN RESOURCES

Corporate social responsibility has always been a vital component of the Group's corporate business philosophy and strategy. Our sustainability vision of "People and Community" constitutes as the foundation of our principle, and is fully infused into our daily operations to drive sustained and continued business growth.

As at 30 June 2021, the Group employed a total of 2,495 employees for its headquarters in Hong Kong and its subsidiaries. Number of employees in Hong Kong was 522. Employees in Mainland China and Macau totalled 1,659. Employees in overseas countries totalled 314.

The Group continues our initiatives in raising operational efficiency whilst maintaining harmonious staff relations, promoting a culture of open communication and investing in human resources to support business growth.

To ensure that the overall compensation for employees is internally equitable, in line with local norms, and in support of the business strategy, the Group conducts regular review on the cash remuneration and benefits package provided to its employees. No major amendment was made to the human resources management policy or procedures in the last six months.

The need for a proper balance between work and life is well recognised by the Group as an important contributor to the well being of employees and their work efficiency. In response to the new coronavirus outbreak, the Group under the leadership of the Chairman and "Epidemic Prevention and Control Leading Group" has formulated and continuously implemented effective measures to cope with the outbreak and work deployment. We will do our utmost to continue our preventive and control work so as to protect our employees in different countries and regions around the world.

The Group actively promotes a culture of open communication. Management collects the opinion of employees through different channels including team meetings and employee suggestion box.

Developing employees to enable them to grow personally and professionally has always been an ongoing priority of the Group. The Group has provided internal training opportunities and training subsidies for outside training courses to our employees to enhance their skills and abilities. This will help employees to be well equipped for the future development of the Group.

To adopt our philosophy of committing and making contribution to the community, the Group has participated in community and charitable activities. Moreover, the Group continues to utilise our strength on information technology to support the community.

The Group is committed to conduct business in an environmentally responsible manner. The Group has formulated and ongoing reviewed our policies of environmental protection and energy saving in order to achieve sustainable targets.

CONDENSED INTERIM FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2021
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2021 (Unaudited) $ million	2020 (Unaudited) $ million
Revenue	*3(a)*	**4,795**	4,384
Valuation gain/(loss) on investment property	*8(c)*	**8**	(3)
Other income	*4*	**18**	21
Cost of sales and services	*5(a)*	**(2,803)**	(2,440)
Depreciation and amortisation	*5(b)*	**(454)**	(453)
Staff costs	*5(c)*	**(524)**	(483)
Other operating expenses		**(234)**	(239)
		806	787
Finance costs	*5(d)*	**(132)**	(156)
Profit before taxation	*5*	**674**	631
Income tax	*6*	**(128)**	(112)
Profit for the period		**546**	519
Attributable to:			
Equity shareholders of the Company		**534**	512
Non-controlling interests		**12**	7
Profit for the period		**546**	519
Earnings per share (HK cents)	*7*		
Basic		**14.5**	14.0
Diluted		**14.5**	14.0

The notes on pages 33 to 52 form part of this condensed interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 14(a).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	$ million	$ million
Profit for the period	**546**	519
Other comprehensive income for the period (after tax and reclassification adjustments)		
Item that is or may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments:		
– exchange differences on translation of financial statements of operations outside Hong Kong	**(2)**	(12)
Other comprehensive income for the period	**(2)**	(12)
Total comprehensive income for the period	**544**	507
Attributable to:		
Equity shareholders of the Company	**532**	500
Non-controlling interests	**12**	7
Total comprehensive income for the period	**544**	507

The notes on pages 33 to 52 form part of this condensed interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021
(Expressed in Hong Kong dollars)

	Note	**30 June 2021 (Unaudited) $ million**	31 December 2020 (Audited) $ million
Non-current assets			
Investment property	*8*	**647**	639
Property, plant and equipment	*8*	**2,652**	2,705
Right-of-use assets	*9*	**661**	706
Intangible assets		**1,143**	1,219
Goodwill		**9,726**	9,733
Interest in a joint venture		**10**	9
Non-current contract costs		**20**	–
Non-current finance lease receivables		**7**	–
Non-current contract assets		**23**	31
Non-current other receivables and deposits	*10*	**186**	181
Deferred tax assets		**74**	77
		15,149	15,300
Current assets			
Inventories		**82**	61
Contract costs		**6**	7
Finance lease receivables		**4**	–
Contract assets		**279**	343
Trade and other receivables and deposits	*10*	**1,171**	1,104
Current tax recoverable		**5**	3
Cash and bank deposits	*11(a)*	**1,524**	1,519
		3,071	3,037
Current liabilities			
Trade and other payables	*12*	**1,470**	1,457
Contract liabilities		**196**	176
Bank and other borrowings	*13*	**268**	240
Lease liabilities		**135**	139
Current tax payable		**328**	209
		2,397	2,221
Net current assets		**674**	816
Total assets less current liabilities		**15,823**	16,116

	Note	30 June 2021 (Unaudited) $ million	31 December 2020 (Audited) $ million
Non-current liabilities			
Non-current contract liabilities		**1**	2
Non-current bank and other borrowings	*13*	**5,399**	5,628
Non-current lease liabilities		**360**	391
Non-current other payables	*12*	**27**	31
Net defined benefit retirement obligation		**30**	29
Deferred tax liabilities		**215**	226
		6,032	6,307
NET ASSETS		**9,791**	9,809
CAPITAL AND RESERVES			
Share capital	*14(b)*	**4,691**	4,646
Reserves		**5,039**	5,105
Total equity attributable to equity shareholders of the Company		**9,730**	9,751
Non-controlling interests		**61**	58
TOTAL EQUITY		**9,791**	9,809

The notes on pages 33 to 52 form part of this condensed interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company							
	Note	Share capital (Unaudited) $ million	Capital reserve (Unaudited) $ million	Property revaluation reserve (Unaudited) $ million	Exchange reserve (Unaudited) $ million	Retained profits (Unaudited) $ million	Total (Unaudited) $ million	Non-controlling interests (Unaudited) $ million	Total equity (Unaudited) $ million
Balance as at 1 January 2021		4,646	35	53	14	5,003	9,751	58	9,809
Changes in equity for the six months ended 30 June 2021:									
Profit for the period		–	–	–	–	534	534	12	546
Other comprehensive income for the period		–	–	–	(2)	–	(2)	–	(2)
Total comprehensive income for the period		–	–	–	(2)	534	532	12	544
Dividend paid to non-controlling interests		–	–	–	–	–	–	(9)	(9)
Shares issued under share option plan	*14(b)(ii)*	45	(9)	–	–	–	36	–	36
Dividends approved in respect of the previous financial year	*14(a)(ii)*	–	–	–	–	(589)	(589)	–	(589)
Release upon lapse of share options		–	(6)	–	–	6	–	–	–
		45	(15)	–	–	(583)	(553)	(9)	(562)
Balance as at 30 June 2021		4,691	20	53	12	4,954	9,730	61	9,791

		Attributable to equity shareholders of the Company							
	Note	Share capital (Unaudited) $ million	Capital reserve (Unaudited) $ million	Property revaluation reserve (Unaudited) $ million	Exchange reserve (Unaudited) $ million	Retained profits (Unaudited) $ million	Total (Unaudited) $ million	Non-controlling interests (Unaudited) $ million	Total equity (Unaudited) $ million
Balance as at 1 January 2020		4,628	40	53	(32)	4,687	9,376	49	9,425
Changes in equity for the six months ended 30 June 2020:									
Profit for the period		–	–	–	–	512	512	7	519
Other comprehensive income for the period		–	–	–	(12)	–	(12)	–	(12)
Total comprehensive income for the period		–	–	–	(12)	512	500	7	507
Dividend paid to non-controlling interests		–	–	–	–	–	–	(10)	(10)
Shares issued under share option plan	*14(b)(ii)*	16	(3)	–	–	–	13	–	13
Dividends approved in respect of the previous financial year	*14(a)(ii)*	–	–	–	–	(550)	(550)	–	(550)
		16	(3)	–	–	(550)	(537)	(10)	(547)
Balance as at 30 June 2020		4,644	37	53	(44)	4,649	9,339	46	9,385

The notes on pages 33 to 52 form part of this condensed interim financial report.

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2021
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June **2021** **(Unaudited)** **$ million**	2020 (Unaudited) $ million
Operating activities			
Cash generated from operations	*11(d)*	**1,286**	1,433
Tax paid:			
– Hong Kong Profits Tax paid		**–**	(47)
– Tax paid for jurisdictions outside Hong Kong		**(16)**	(10)
Net cash generated from operating activities		**1,270**	1,376
Investing activities			
Payment for the purchase of property, plant and equipment		**(296)**	(477)
Decrease in pledged deposits		**2**	–
Interest received		**6**	8
Net cash used in investing activities		**(288)**	(469)

	Note	Six months ended 30 June 2021 (Unaudited) $ million	2020 (Unaudited) $ million
Financing activities			
Proceeds from new bank and other borrowings		**122**	288
Proceeds from new shares issued under share option plan		**36**	13
Repayment of bank and other borrowings		**(319)**	(376)
Other borrowing costs paid		**(122)**	(148)
Capital element of lease rentals paid		**(82)**	(75)
Interest element of lease rentals paid		**(8)**	(9)
Dividends paid to equity shareholders of the Company		**(589)**	(550)
Dividend paid to non-controlling interests		**(9)**	(10)
Net cash used in financing activities		**(971)**	(867)
Net increase in cash and cash equivalents		**11**	40
Cash and cash equivalents as at 1 January		**1,510**	1,304
Effect of foreign exchange rate changes		**(3)**	(7)
Cash and cash equivalents as at 30 June	*11(a)*	**1,518**	1,337

The notes on pages 33 to 52 form part of this condensed interim financial report.

1 BASIS OF PREPARATION

This condensed interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 19 August 2021.

The condensed interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of a condensed interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This condensed interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The condensed interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company and the independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. PricewaterhouseCoopers's independent review report to the Board of Directors is included on page 53.

The financial information relating to the financial year ended 31 December 2020 that is included in the condensed interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

2 CHANGES IN ACCOUNTING POLICIES

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

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

3 REVENUE AND SEGMENT REPORTING

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.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines and geographical location of the Group's revenue from external customers is as follows:

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Note	**$ million**	$ million
Revenue from contracts with customers within the scope of HKFRS15			
Disaggregated by major products or service lines:			
Mobile services	*(i)*	**427**	493
Internet services	*(ii)*	**604**	552
International telecommunications services	*(iii)*	**1,287**	1,165
Enterprise solutions	*(iv)*	**1,583**	1,718
Fixed line services	*(v)*	**92**	97
Fees from the provision of telecommunications services		**3,993**	4,025
Sales of mobile handsets and equipment		**802**	359
		4,795	4,384

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 telecommunication 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) Disaggregation of revenue (Continued)

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	$ million	$ million
Disaggregated by geographical location of the Group's revenue from external customers:		
Hong Kong (place of domicile)	**1,930**	1,854
Mainland China	**527**	466
Macau	**1,962**	1,617
Singapore	**223**	288
Others	**153**	159
	2,865	2,530
	4,795	4,384

During the six months ended 30 June 2021 and 2020, revenue 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.

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting

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

Reconciliation of reportable segment profit

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	$ million	$ million
Reportable segment profit	**1,286**	1,261
Net foreign exchange gain	**2**	1
Depreciation and amortisation	**(454)**	(453)
Finance costs	**(132)**	(156)
Interest income	**6**	8
Rental income from investment property less direct outgoings	**11**	12
Valuation gain/(loss) on investment property	**8**	(3)
Unallocated head office and corporate expenses	**(53)**	(39)
Consolidated profit before taxation	**674**	631

(c) Seasonality of operation

The Group's telecommunications services are not significantly impacted by seasonal factors and there were historically no significant seasonal or cyclical trends in the operating results.

4 OTHER INCOME

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	$ million	$ million
Interest income from bank deposits	**2**	5
Other interest income	**4**	3
	6	8
Gross rental income from investment property *(note)*	**12**	13
	18	21

Note: The rental income from investment property less direct outgoings of $1,000,000 (six months ended 30 June 2020: $1,000,000) for the six months ended 30 June 2021 is $11,000,000 (six months ended 30 June 2020: $12,000,000).

5 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	$ million	$ million
(a) Cost of sales and services		
Cost of provision of telecommunications services	**2,012**	2,088
Cost of sales of mobile handsets and equipment	**791**	352
	2,803	2,440
(b) Depreciation and amortisation		
Depreciation charge		
– property, plant and equipment	**284**	286
– right-of-use assets	**90**	83
Amortisation	**80**	84
	454	453

5 PROFIT BEFORE TAXATION (Continued)

	Six months ended 30 June 2021 (Unaudited) $ million	2020 (Unaudited) $ million
(c) Staff costs (including directors' emoluments)		
Contributions to defined contribution retirement plans	**37**	27
Expenses recognised in respect of defined benefit retirement plan	**4**	5
Total retirement costs	**41**	32
Salaries, wages and other benefits	**483**	451
	524	483

Note: For the six months ended 30 June 2020, the government grants of $11,000,000 from the employment support schemes by respective local governments have been offset in "staff costs".

	2021	2020
(d) Finance costs		
Interest on bank and other borrowings	**121**	143
Interest on lease liabilities	**8**	9
Other finance charges	**4**	4
Other interest expense	**–**	1
	133	157
Less: interest expense capitalised into construction in progress	**(1)**	(1)
	132	156
(e) Other items		
Impairment losses for trade debtors and contract assets	**2**	11
Net foreign exchange gain	**(2)**	(1)

6 INCOME TAX

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	$ million	$ million
Current tax		
– Hong Kong Profits Tax	**54**	47
– Macau Complementary Tax	**62**	62
– Jurisdictions outside Hong Kong and Macau	**19**	15
	135	124
Deferred tax	**(7)**	(12)
	128	112

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 30 June 2020: 16.5%) to the six months ended 30 June 2021.

The provision for Macau Complementary Tax for the six months ended 30 June 2021 is calculated at 12% (six months ended 30 June 2020: 12%) of the estimated assessable profits for the period. Assessable profits of the first Macau Patacas ("MOP") 600,000 (equivalent to approximately $582,000) (six months ended 30 June 2020: MOP600,000 (equivalent to approximately $582,000)) are exempted from Macau Complementary Tax.

Taxation for jurisdictions outside Hong Kong and Macau is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant cities or countries.

7 EARNINGS PER SHARE

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	$ million	$ million
Profit attributable to equity shareholders of the Company	**534**	512

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

	Number of shares Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	million	million
Issued ordinary shares as at 1 January	**3,665**	3,659
Effect of share options exercised	**6**	2
Weighted average number of ordinary shares (basic) as at 30 June	**3,671**	3,661
Effect of deemed issue of shares under the Company's share option plan	**2**	5
Weighted average number of ordinary shares (diluted) as at 30 June	**3,673**	3,666
Basic earnings per share (HK cents)	**14.5**	14.0
Diluted earnings per share (HK cents)	**14.5**	14.0

8 INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment with a cost of $236,000,000 (six months ended 30 June 2020: $479,000,000) and had no material disposal of property, plant and equipment.

(b) Transfer

During the six months ended 30 June 2020, due to the change of use, part of the Group's investment property was transferred to property, plant and equipment and 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 property, plant and equipment and right-of-use assets respectively for subsequent accounting.

(c) Valuation

The valuation of investment property carried at fair value was updated as at 30 June 2021 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the December 2020 valuation. As a result of the update, a gain of $8,000,000 (six months ended 30 June 2020: a loss of $3,000,000) has been recognised in profit or loss for the period.

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

9 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2021, the Group entered into a number of lease agreements mainly for use of offices, retail stores, cell sites and data centres, and therefore recognised the additions to right-of-use assets of $43,000,000 (six months ended 30 June 2020: $93,000,000).

10 TRADE AND OTHER RECEIVABLES AND DEPOSITS

	30 June 2021 (Unaudited) $ million	31 December 2020 (Audited) $ million
Trade debtors	**893**	849
Less: loss allowance	**(33)**	(37)
	860	812
Other receivables and deposits	**497**	473
	1,357	1,285
Represented by:		
Non-current portion	**186**	181
Current portion	**1,171**	1,104
	1,357	1,285

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:

	30 June 2021 (Unaudited) $ million	31 December 2020 (Audited) $ million
Within 1 year	**852**	791
Over 1 year	**8**	21
	860	812

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

11 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	30 June 2021 (Unaudited) $ million	31 December 2020 (Audited) $ million
Cash at bank and in hand	**1,356**	1,234
Time deposits with banks	**168**	285
Cash and bank deposits in the consolidated statement of financial position *(note (b))*	**1,524**	1,519
Less: pledged deposits *(note (c))*	**(6)**	(9)
Cash and cash equivalents in the consolidated cash flow statement	**1,518**	1,510

(b) Included in cash and bank deposits were $262,000,000 (31 December 2020: $235,000,000) 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 30 June 2021, bank deposits of $6,000,000 (31 December 2020: $9,000,000) were pledged to secure parts of the banking facilities of the Group.

11 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(d) Reconciliation of profit before taxation to cash generated from operations:

	Note	Six months ended 30 June 2021 (Unaudited) $ million	2020 (Unaudited) $ million
Profit before taxation		**674**	631
Adjustments for:			
Depreciation and amortisation	*5(b)*	**454**	453
Valuation (gain)/loss on investment property	*8(c)*	**(8)**	3
Finance costs	*5(d)*	**132**	156
Interest income	*4*	**(6)**	(8)
Foreign exchange gain		**–**	(4)
		1,246	1,231
Changes in working capital:			
(Increase)/decrease in inventories		**(21)**	84
Increase in contract costs		**(19)**	–
Increase in trade and other receivables and deposits		**(72)**	(89)
Increase in finance lease receivables		**(11)**	–
Decrease/(increase) in contract assets		**72**	(9)
Increase in trade and other payables		**71**	210
Increase in contract liabilities		**19**	5
Increase in net defined benefit retirement obligation		**1**	1
Cash generated from operations		**1,286**	1,433

12 TRADE AND OTHER PAYABLES

	30 June 2021 (Unaudited) $ million	31 December 2020 (Audited) $ million
Trade creditors	**859**	817
Other payables and accruals	**638**	671
	1,497	1,488
Represented by:		
Non-current portion	**27**	31
Current portion	**1,470**	1,457
	1,497	1,488

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:

	30 June 2021 (Unaudited) $ million	31 December 2020 (Audited) $ million
Within 1 year	**648**	609
Over 1 year	**211**	208
	859	817

13 BANK AND OTHER BORROWINGS

	30 June 2021 (Unaudited) $ million	31 December 2020 (Audited) $ million
Bank loans	**2,097**	2,299
Guaranteed bonds at 6.1% due 2025 *(note (b))*	**3,498**	3,496
Other borrowings	**72**	73
	5,667	5,868

At the end of the reporting period, bank and other borrowings were unsecured and repayable as follows:

	30 June 2021 (Unaudited) $ million	31 December 2020 (Audited) $ million
Within 1 year or on demand	**268**	240
After 1 year but within 2 years	**576**	449
After 2 years but within 5 years	**4,823**	5,179
	5,399	5,628
	5,667	5,868

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 30 June 2021 and 31 December 2020, 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 United States dollars 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.

14 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the interim period

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	$ million	$ million
Interim dividend declared/declared and paid after the interim period of HK5.5 cents (six months ended 30 June 2020: HK5.0 cents) per share	**202**	183

The interim 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 interim period

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	$ million	$ million
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK16.0 cents (six months ended 30 June 2020: HK15.0 cents) per share	**589**	550

For the final dividend in respect of the year ended 31 December 2020, there was a difference of $3,000,000 between the final dividend disclosed in 2020 annual report and the amount paid during the six months ended 30 June 2021, which represented dividends attributable to shares issued upon exercise of share options before the closing date of the register of members.

14 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Share capital

	Note	30 June 2021 (Unaudited) Number of shares	Amount $ million	31 December 2020 (Audited) Number of shares	Amount $ million
Ordinary shares, issued and fully paid:					
As at 1 January	*(i)*	**3,664,616,882**	**4,646**	3,659,239,882	4,628
Shares issued under share option plan	*(ii)*	**14,141,000**	**45**	5,377,000	18
As at 30 June/31 December	*(i)*	**3,678,757,882**	**4,691**	3,664,616,882	4,646

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 six months ended 30 June 2021, 14,141,000 ordinary shares (six months ended 30 June 2020: 4,880,000 ordinary shares) were issued at a weighted average exercise price of $2.54 (six months ended 30 June 2020: $2.55) per ordinary share to share option holders who had exercised their options. These shares so issued rank pari passu with the then existing ordinary shares in issue.

15 CAPITAL COMMITMENTS

Capital commitments outstanding at the end of reporting period not provided for in the condensed interim financial report were as follows:

	30 June 2021 (Unaudited) $ million	31 December 2020 (Audited) $ million
Contracted for	**110**	121
Authorised but not contracted for	**169**	180
	279	301

16 PERFORMANCE BONDS

At the end of the reporting period, performance bonds of the Group were as follows:

	30 June 2021 (Unaudited) $ million	31 December 2020 (Audited) $ million
Performance bonds provided to customers of business solutions projects	**76**	75
Performance bonds provided to others	**8**	8
	84	83

In respect of above, no provision has been made by the Group in the condensed interim financial report. As at 30 June 2021, 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 $84,000,000 (31 December 2020: $83,000,000).

17 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with affiliates of the Group and its holding companies

(i) Recurring transactions

	Six months ended 30 June	
	2021 (Unaudited) $ million	2020 (Unaudited) $ million
Internet data centre services fee received/receivable from fellow subsidiaries	**5**	6
Virtual private network services fee received/receivable from fellow subsidiaries	**12**	9
Internet access services fee received/receivable from fellow subsidiaries	**3**	3
Telecommunications services and related expenses paid/payable to		
– a fellow subsidiary	**(12)**	(11)
– an associate of the ultimate holding company	**(5)**	(5)
Professional fees paid/payable to a controlling shareholder for the provision of internal audit and company secretarial services	**(3)**	(3)
Building management fees, water and electricity fees, air conditioning charges and car parking spaces rental paid/payable to fellow subsidiaries	**(7)**	(7)
Rental income and building management charges received/receivable from a fellow subsidiary	**8**	8

17 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with affiliates of the Group and its holding companies (Continued)

(ii) Balances with affiliates of the Group and its holding company

	30 June 2021 (Unaudited) $ million	31 December 2020 (Audited) $ 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**	74
Lease liabilities due to fellow subsidiaries	**(4)**	(9)

(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 organisations (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.

17 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with other government-related entities (Continued)

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 condensed interim financial report, 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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	$ million	$ million
Interest income from bank deposits	**2**	3
Finance costs on bank and other borrowings	**(3)**	(9)
Fees received/receivable from the provision of telecommunications services	**650**	565
Fees paid/payable for cost of sales and services	**(1,025)**	(809)

(ii) Balances with other government-related entities including state-controlled banks in the PRC

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	$ million	$ million
Bank deposits	**507**	498
Trade debtors	**147**	176
Contract assets	**74**	146
Trade and other payables	**(319)**	(274)
Bank and other borrowings	**(381)**	(468)

The bank and other borrowings from state-controlled banks as at 30 June 2021 and 31 December 2020 bore interest at the prevailing market rates.

17 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Key management personnel emoluments

Emoluments for key management personnel of the Group, including amounts paid/payable to the Company's directors, are as follows:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	$ million	$ million
Short-term employee benefits	**10**	12

18 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed an interim dividend. Further details are disclosed in note 14(a)(i).

19 IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties to the world. The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures. These contingency measures include 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 keep the contingency measures under review as the situation evolves.

20 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2021

A number of amendments and a new standard are effective for annual periods beginning after 1 January 2021 and earlier application is permitted. The Group has not early adopted any new or amended standards in preparing this condensed interim financial report.

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.

pwc

羅兵咸永道

To the board of directors of
CITIC Telecom International Holdings Limited
(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed interim financial report set out on pages 25 to 52, which comprises the consolidated statement of financial position of CITIC Telecom International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2021 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this condensed interim financial report in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the condensed interim financial report consists of making inquiries, primarily of person responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial report of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 August 2021

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DIVIDEND AND CLOSURE OF REGISTER

The board of directors of the Company has declared an interim dividend of HK5.5 cents (2020: HK5.0 cents) per share for the year ending 31 December 2021 payable on Wednesday, 29 September 2021 to shareholders whose names appear on the Register of Members of the Company on Thursday, 16 September 2021. The Register of Members of the Company will be closed from Friday, 10 September 2021 to Thursday, 16 September 2021, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 9 September 2021.

SHARE OPTION PLAN

The share option plan of the Company (the "Plan") was adopted on 17 May 2007 and was valid and effective till 16 May 2017. The Company has no other share option scheme currently in force. Under the Plan, the board may offer to grant an option over the Company's shares to 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 as the board may, in its absolute discretion, select. HK$1.00 is payable by the grantee to the Company on acceptance of the offer of the option. 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 of Hong Kong Limited (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 as at 25 April 2014, 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 six months ended 30 June 2021 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 first 50% of the share options granted on 24 March 2015 have expired at the close of business on 23 March 2021. 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 six months ended 30 June 2021.

SHARE OPTION PLAN (Continued)

A summary of the movements of the share options during the six months ended 30 June 2021 is as follows:

A. Directors of the Company

Name of director	Date of grant	Exercise period	Number of share options: Balance as at 1.1.2021	Exercised during the six months ended 30.6.2021	Lapsed during the six months ended 30.6.2021	Balance as at 30.6.2021	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	1,787,000 *(Note 1)*	–	500	
	24.3.2017	24.3.2018 – 23.3.2023	1,787,500	1,787,000 *(Note 1)*	–	500	
	24.3.2017	24.3.2019 – 23.3.2024	1,787,500	–	–	1,787,500	
						1,788,500	0.049
Esmond Li Bing Chi	24.3.2015	24.3.2017 – 23.3.2022	726,000	726,000 *(Note 2)*	–	–	
						–	–
Liu Jifu	24.3.2015	24.3.2017 – 23.3.2022	1,000,000	1,000,000 *(Note 3)*	–	–	
	24.3.2017	24.3.2019 – 23.3.2024	1,000,000	–	–	1,000,000	
						1,000,000	0.027
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

SHARE OPTION PLAN (Continued)

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

		Number of share options			
Date of grant	Exercise period	Balance as at 1.1.2021	Exercised during the six months ended 30.6.2021 *(Note 4)*	Lapsed during the six months ended 30.6.2021 *(Note 5)*	Balance as at 30.6.2021
24.3.2015	24.3.2016 – 23.3.2021	8,229,567	789,000	7,440,567	–
24.3.2015	24.3.2017 – 23.3.2022	12,110,750	3,231,000	52,500	8,827,250
24.3.2017	24.3.2018 – 23.3.2023	11,506,000	2,235,000	92,000	9,179,000
24.3.2017	24.3.2019 – 23.3.2024	15,604,000	2,586,000	107,000	12,911,000

Notes:

1. The weighted average closing price of the shares immediately before the dates on which Mr. Xin Yue Jiang exercised the options was HK$2.77.
2. The weighted average closing price of the shares immediately before the dates on which Mr. Esmond Li Bing Chi exercised the options was HK$2.78.
3. The weighted average closing price of the shares immediately before the date on which Mr. Liu Jifu exercised the options was HK$2.85.
4. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$2.81.
5. These are in respect of options i) granted to some employees under continuous contracts who have subsequently resigned/retired/passed away; or ii) lapsed upon the expiry of the relevant share options.

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 30 June 2021 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 30 June 2021, 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 (the "Model Code") contained in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, 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 Corporation	2,129,345,175	57.88
CITIC Polaris Limited	2,129,345,175	57.88
CITIC Glory Limited	2,129,345,175	57.88
CITIC Limited	2,129,345,175	57.88
CITIC Corporation Limited	2,129,345,175	57.88
CITIC Investment (HK) Limited	2,129,345,175	57.88
Silver Log Holdings Ltd.	2,129,345,175	57.88
CITIC Pacific Limited ("CITIC Pacific")	2,129,345,175	57.88
Crown Base International Limited	2,129,345,175	57.88
Effectual Holdings Corp.	2,129,345,175	57.88
CITIC Pacific Communications Limited	2,129,345,175	57.88
Douro Holdings Inc.	2,129,345,175	57.88
Ferretti Holdings Corp.	2,129,345,175	57.88
Ease Action Investments Corp.	2,129,345,175	57.88
Peganin Corp.	2,129,345,175	57.88
Richtone Enterprises Inc.	2,129,345,175	57.88

CITIC Group Corporation 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 Corporation in the Company and the interests in the Company of all its direct and indirect subsidiaries as described above duplicate each other.

SUBSTANTIAL SHAREHOLDERS (Continued)

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.

SHARE CAPITAL

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30 June 2021 and the Company has not redeemed any of its shares during the period ended 30 June 2021.

During the six months ended 30 June 2021, a total of 14,141,000 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".

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The board of directors of the Company believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. Looking ahead, we will keep our corporate governance practices under continual review to ensure their consistent application and will continue to improve our practices having regard to the latest developments. Details of our corporate governance practices can be found on page 45 of the 2020 annual report and the Company's website www.citictel.com.

Saved as disclosed below, the Company has fully complied with the applicable code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2021. In respect of the code provision A.6.7 of the Code, Mr. Liu Jifu was unable to attend the annual general meeting of the Company held on 14 May 2021 as he had other engagements.

The Audit Committee has reviewed the interim report with management and the external auditors and recommended its adoption by the board. The Committee consists of three independent non-executive directors and a non-executive director.

The condensed interim financial report, which is prepared in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*, has been reviewed by the Company's independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

The Company has adopted the Model Code. Having made specific enquiry, all directors of the Company have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2021.

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.

ANNUAL AND INTERIM REPORTS

Shareholders may obtain printed copies of annual and interim reports from the Company's Share Registrar. Others should contact the Company Secretary at 2377 8888, or by fax: 2376 2063 or by email: contact@citictel.com for a printed report.

FINANCIAL CALENDAR

Closure of Register:	10 September 2021 to 16 September 2021
Interim Dividend Payable:	29 September 2021

The Interim Report is also available on our website at www.citictel.com. Shareholders may choose to receive the Interim Report in printed form or by electronic means. Shareholders may at any time change their choice of means of receipt of the Interim Report by notice in writing to the Company's Share Registrar.

Shareholders having difficulty in receiving or gaining access to the Interim 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 Interim 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.