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中信國際電訊集團有限公司

CITIC TELECOM INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 01883)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2021, the Company faced a lot of challenges and pressures in the business environment, as the global economic conditions remained austere and complicated, while the society and the economy continued to be subject to the impact of the COVID-19 pandemic. The management team and all employees fought shoulder to shoulder against all obstacles as they accelerated business expansion efforts and enhanced research and development ("R&D") to once again deliver excellent results - steady growth in overall operations and consistent record-high business results for the Company.

I am pleased to present the Group's annual results for 2021.

FINANCIAL RESULTS OF 2021

The Group reported HK\$9,486 million in total revenue for 2021, representing an approximately 6.3% growth compared to HK\$8,923 million for the corresponding period of the previous year.

Profit attributable to equity shareholders for 2021 amounted to HK\$1,076 million (including the valuation gain on investment property for 2021 of HK\$28 million), increasing by 5.2% as compared to HK\$1,023 million (including the valuation loss on investment property for 2020 of HK\$4 million) for the corresponding period of the previous year. Excluding the effect of investment property valuation, the profit attributable to equity shareholders would have increased by 2.0% as compared to the corresponding period of the previous year.

Basic earnings per share for 2021 amounted to HK29.3 cents, representing a 5.0% growth as compared to 2020.

The Board recommended a final dividend of HK17.0 cents per share for 2021. Together with the 2021 interim dividend of HK5.5 cents per share, total dividends per share for 2021 amounted to HK22.5 cents, representing a 7.1% growth over the corresponding period of the previous year.

REVIEW OF OPERATIONS IN 2021

Year 2021 was the commencing year of the “14th Five-Year-Plan” period. Over the year, the Group implemented a new development philosophy and formulated its development goals for the next five years alongside 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 as an enterprise based in Hong Kong and Macau, 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.

Bolstering technology R&D to drive qualitative corporate development

In November 2021, the Group successfully convened the Third Innovation and R&D Conference under the theme of “Laying a strong cornerstone for the ongoing qualitative development of the enterprise with a higher standpoint, broader vision, greater pool of talents and innovation-driven approach”, during which outstanding projects of the Group in recent years were commended, lessons were drawn from past experiences, and the new direction for technological innovation was further defined. Namely, we aimed to construct, through the “ICT-MiiND” development strategy, a technology R&D competence regime focused on innovation in sectors such as cloud-net integration, digital transformation and industry application, among others, in a full effort to commit to the construction of the “cloud-net smart security” platform and drive the Company’s qualitative development.

The Group reported a new round of achievements on the back of active introduction of new technologies, such as artificial intelligence and machine learning, and promoted “cloud native” and other new development deployment models, as it persisted in the approach of combining proprietary R&D and third-party cooperation in tandem with the new industry trends of “cloud migration” and “intelligence enablement”.

The Macau City Smart Database (Big Data Platform) developed by Companhia de Telecomunicações de Macau, S.A.R.L. (“CTM”) on a proprietary basis has been commissioned for commercial application to provide data analysis and policy support for relevant departments of the Macau SAR Government, and application will be further extended to more industries. CTM has officially signed the first “Auto Pilot Application Cooperation Agreement” in Macau with the University of Macau to study and make preparations ahead for the implementation of auto piloting and the Internet of Vehicles in Macau capitalising on the high speed, low latency and massive connectivity of 5G networks, in a bid to drive the commercialisation of 5G and Internet of Things technologies.

DataHOUSE™ AR Remote Hand remote operations and maintenance service, an application jointly developed by CITIC Telecom International CPC Limited (“CPC”) and Hong Kong Applied Science and Technology Research Institute Company Limited, won recognition and commendation by the market and peers while enjoying extensive media coverage as it received numerous international awards, including “The Innovation Award” at the Datacloud Global Awards 2021, among others. CPC’s cooperation with Hong Kong Applied Science and Technology Research Institute Company Limited has entered the second phase, where the two parties will collaborate in the development of a diverse range of general corporate solutions employing technologies such as computer vision and artificial intelligence complemented by professional algorithm and edge computation to help optimise the digital operating platform of corporate clients.

The Group’s R&D teams for various segments have jointly developed an intelligent risk control and service quality and efficiency enhancement platform through dedicated collaborative efforts leveraging their respective strengths. The Group’s ability to control business risk and conduct high-quality operations has been further enhanced as a result.

Building specialised servicing capability based on international standards in accordance with the philosophy of “quality is life of the enterprise”

With a strong emphasis on quality assurance, the Group is committed to the provision of excellent services to its customers around the world. Through ongoing learning and training, staff across the board have shown ongoing improvements in terms of quality awareness and technical competence. Meanwhile, the Group has been engaged in a consistent effort to optimise its network service quality and has continued to upgrade customer services with the aid of new technologies.

During the year, one more subsidiary of the Group successfully obtained ISO20000 / ISO27001 certification to complete a full range of IT international standard accreditation for the Group as confirmation of the high reliability, premium performance and compliance with international standard of our work regime. The construction of CITIC Telecom Tower Data Centre Phase III (B) was smoothly completed in June 2021 and Tier III accreditation for data centre infrastructure issued by Uptime Institute, a standardisation organisation for data centres, was obtained, as we sought to develop specialised servicing competence benchmarked against top-notch international standards.

CTM further upgraded its traditional offline customers service to online service, providing customers with a more convenient service model while also rendering strong support for the community anti-epidemic effort. In 2021, CTM appointed a third-party international institution to conduct its 11th annual customers satisfaction poll, the results of which indicated ongoing growth of customer loyalty. The high level of overall customers satisfaction as well as satisfaction for various major service projects against the backdrop of the epidemic more than indicated customer approval for CTM’s relentless effort.

Maintaining industry leadership in Macau and continuing to make contributions to the construction of “Digital Macau” and Macau’s digital economic development

During the year, CTM completed the second phase of 5G network construction to become the first carrier in Macau achieving full indoor and outdoor 5G signal coverage. Meanwhile, 5G products were actively introduced and 5G roaming tests were conducted and 5G roaming agreements were reached with carriers from different countries and regions in a bid to ensure full preparation for the 5G era. Comprehensive upgrades of the network management centre and cyber information security defense centre were completed and commissioned to enhance information and cyber security defense ability and provide customers with cyber security services, ensuring customers’ compliance with security standards and the requirements of pertinent laws and regulations and thereby contributing to the progress of industry development. Industry-leading technologies and platforms were actively introduced for the construction of CTM Integrated Cloud, a multi-cloud architecture, as part of our effort to build the Macau City Smart Database (Big Data Platform) in a joint effort to develop a smart city application ecosystem in close collaboration with various sectors in the community and drive the digital transformation of Macau’s industries on the back of its dominant strength in 5G+ cloud-net integration. Vigorous efforts have also made to explore opportunities in the Hengqin Guangdong Macao In-depth Cooperation Zone to seize new opportunities in the integrated development of the Greater Bay Area.

In June 2021, a delegation from CITIC Group Corporation, the controlling shareholder of the Group, led by its President Mr. Xi Guohua visited Macau and held a meeting with Chief Executive Ho Iat Seng where the two parties had friendly discussions. In active perpetuation of the spirit of the meeting, the Group closely complemented 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 uphold the principle of serving Macau as a Macau-originated company, working with the Macau SAR Government to procure smooth 5G license issuance arrangements and consistently provide quality telecoms services to the Macau community and its citizens.

Striving to become the preferred partner in digitalised communication and information service for enterprises seeking to “reach out” and “bring in” to assist in digital economic development

In the spirit of reaching out and bringing in, the Group seized opportunities in the Southeast Asian market to expand internationally as it endeavoured to develop various corporate markets in Southeast Asia covering the manufacturing, retail and logistics sectors and secured orders from numerous corporate customers. We also made inroads in our expansion in the European market by successfully bringing in a number of multinational corporations based in Europe as clients.

Focused on economic digitalisation and corporate digital transformation, the Group accelerated its progress in the construction of intelligent network and enhancement of user experience, as it facilitated deep integration of products and business scenarios to solidify the digital infrastructure and fulfil the new requirements of digital economic development. The Group’s subsidiary CPC was actively engaged in the application of artificial intelligence technologies and augmented reality technologies to accelerate the digital and intelligent transformation and upgrade of

business products and assist enterprises to monitor network operation status in a more accurate and timely manner and to optimise their structures. An IT service management platform with additional intelligent features was built to deliver new values and experience to corporate customers.

Optimising structure of Southeast Asian subsidiaries in an ongoing full effort to expand in the regional market

During the year, the Group further enhanced the efficiency of its Southeast Asian subsidiaries following a structural optimisation and reorganisation exercise in order to seek expansion in the Southeast Asian market with full force. Acclivis Technologies and Solutions Pte. Ltd., a subsidiary of the Group, continued to make contributions to the development of intelligent transportation in Singapore, as it successfully renewed the contract for a large ICT project in the country, while winning the IT system service project of Singapore's Ministry of Social and Family Development on the back of its technological competence to further deepen its expansion in the Singapore market. The Group's subsidiary in the Philippines has become operational and diversified into new business sectors. The Group's subsidiary in Indonesia has commenced the process of applying for a local ISP license in a bid to explore new business frontiers.

Ongoing enhancement of team building to facilitate corporate development on all fronts

With a strong emphasis on team building and the grooming of talents, the Group has continued to enhance team solidarity and unity and inspire creativity in all staff through various forms of online or offline learning and training activities.

To address intense competition for high-calibre personnel, the Group has launched incentive measures in a timely manner to enhance its competitiveness in the recruitment market and sustain stability in human resources, so that it could maintain a proper pool of talents to form a solid foundation for long-term, sustainable development.

The Group has persistently aimed to provide staff with a platform on which they can fulfil personal aspirations, pursue career development, realise individual potentials and secure greater happiness, leading all employees towards the goal of building a first-rate management team, first-rate business team, and first-rate engineering, technical and R&D team to facilitate qualitative development of the Group.

Stringent anti-epidemic efforts as a token to serve the community

In 2021, the Group diligently implemented various epidemic prevention and control measures in the corporate spirit of "solidarity, coordination, inclusivity and charity", in order to genuinely safeguard the health and safety of staff and the stable operation of our telecoms networks. In view of Macau's epidemic situation, CTM launched special concessionary measures two times during the year to waive the monthly fees of fixed-line voice and internet services for small and medium business users and residential users located within Macau's red code zones, so that they could use the internet for learning, work and entertainment and be relieved of the pressure brought about by the epidemic. Moreover, to take care of the internet access needs of students who were not able to leave Macau for the time being or students in quarantine

upon their return to Macau, CTM provided to them free 4G mobile data prepaid cards or 30GB mobile data service, so that they could stay connected with their families and follow news and updates on the epidemic.

Procuring sound efforts in investor relations

The Group consistently maintains stable dividend payouts as a responsible listed company. Despite the epidemic, we have maintained close liaison with investors and the media via a variety of means to inform them of the Group's latest business achievements and directions for future development in an articulate manner, so as to enhance investors' and the public's confidence in the Group.

OUTLOOK FOR 2022

Year 2022 is a crucial transitional year in the development of the "14th Five-Year-Plan". While the development of the global pandemic will remain subject to many uncertainties and the economic outlook will remain grim and complicated, the Group will continue to strive diligently for innovative development with united efforts in adherence to the philosophy of scientific development underpinned by development as the prime task, talents as the prime resource and innovation as the prime driving force.

Serving the digital economy by enhancing technological innovation and competence in proprietary R&D

Digital economy is becoming the new engine for economic development. The Group will implement the "ICT-MiiND" development strategy with a special focus on innovation targeted at new frontiers such as cloud-net integration, digital transformation and industry application in a full effort to develop a "cloud, network, intelligence and security" platform. We will facilitate the development of a research and development regime across Hong Kong, Guangzhou, Zhuhai (Macau) in line with the positioning of the Guangdong-Hong Kong-Macao Greater Bay Area as a "talent centre and command post for innovation", bringing together talents, integrating resources and building platforms to provide competitive remuneration and a platform with broad development prospects for outstanding talents and increase investment in research and development continuously to enhance our competence in proprietary technology research and development and commercialisation of scientific research. We will provide more premium platform products to customers and develop an innovative business ecology with internet clients to support corporate clients in their enhancement of digital ability. With innovative products, services, models and ecosystem, we will actively participate in the development of digital economy.

Comprehensive assurance for 5G network and service in Macau and active commencement of R&D in 5G + cloud applications

According to its policy address, the Macau SAR Government will issue 5G licenses in 2022. CTM will continue to optimise and improve its 5G network and ancillary systems to ensure the prompt launch of 5G services ahead of its peers in the market. CTM will actively commence the research and development of 5G + cloud applications and continue to invest in the construction of "Digital Macau" on the back of its network strengths and excellent operating and servicing ability, working in close

collaboration with various sectors in the community to drive the development of smart city in Macau and make ongoing contributions to the economic development and digital transformation of the city.

Enhancing cooperation and expansion with strategic customers to fortify position as international telecoms service hub

We will continue to enhance strategic cooperation with Chinese and international telecoms carriers, internet enterprises or other key major customers and procure development of the functions and business of “cross-border mobile communication service platform”, “enterprise messaging service platform” and “global data volume trading platform”, while making major efforts to explore new businesses and sectors such as IPX and the Internet of Things.

Enhancing corporate customer servicing ability to assist in digitalisation of industries

The Group will closely monitor new requirements of corporate customers in industrial digitalisation and maintain its existing strength in services, while improving its SD-WAN and cloud servicing regime and enhancing development of capabilities in data centre, cloud service centre and information security service centre. We will drive the development of intelligent innovation to facilitate intelligence enablement for cloud, network and security products, while enhancing abilities in industrial digitalisation such as service industry applications and smart city construction, in order to fulfil new requirements in cloud migration, data tool application and intelligence enablement.

Vigorously seizing development opportunities in Greater Bay Area and Southeast Asia with full business expansion efforts

We will seize new prospects and opportunities arising from the national “Master Plan for the Construction of Hengqin Guangdong Macao In-depth Cooperation Zone” and maintain close communication with pertinent government authorities on relevant policies to identify and explore opportunities for development in Hengqin Guangdong Macao In-depth Cooperation Zone and contribute to the integrated development of Zhuhai and Macao.

We will seize opportunities for development presented by the Regional Comprehensive Economic Partnership (RCEP) in close tandem with the requirements of multinational corporations that seek to establish their presence in Southeast Asia, leveraging its distinct competitive edge to identify market potential and expand in the Southeast Asian market with full effort.

Ongoing enhancement of team building and talent recruitment and rigorous work in epidemic control

The Group will continue to enhance learning and training to forge first-rate management teams, first-rate business teams and first-rate engineering, technical and R&D teams in line with the building of the corporate culture of “Wisdom and Integrity for Fostering Prosperity”, seeking to attract talents with prosperous business results, a good corporate culture and a sound corporate mechanism, such that they will genuinely

appreciate the bright prospects offered by the enterprise, the vibrancy of the corporate culture and the superiority of the corporate mechanism, such that more power and strengths will be devoted to corporate development.

Procuring proper epidemic prevention and control on an ongoing basis

The Group will continue to place a strong emphasis on epidemic prevention and control with relentless rigor, seeking to mitigate the impact of the epidemic with confidence, determination and passion for the protection of staff's health, as well as stable and smooth operation of telecoms networks and services.

In 2022, the Group will reach a significant milestone in its development as it celebrates the 15th anniversary of its IPO listing. Over the past 15 years, the Group has made remarkable progress on the back of solid efforts alongside every step of the way, generating consistent return for shareholders with ongoing growth. I would like to extend sincere appreciation to each and every shareholder, investor and business partner as well as all stakeholders of the community concerned for their unfailing care and support, and to all our staff who have made contributions to the Company in unity and with passion, diligence and dedication.

Xin Yue Jiang

Chairman

Hong Kong, 15 March 2022

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Expressed in Hong Kong dollars)

	<i>Note</i>	2021 \$ million	2020 \$ million
Revenue	3(a)	9,486	8,923
Valuation gain/(loss) on investment property		28	(4)
Other income	4	36	39
Cost of sales and services	5(a)	(5,459)	(5,040)
Depreciation and amortisation	5(b)	(897)	(915)
Staff costs	5(c)	(1,082)	(982)
Other operating expenses		(488)	(462)
		<u>1,624</u>	<u>1,559</u>
Finance costs	5(d)	(270)	(296)
Share of profit of a joint venture		1	-
		<u>1,355</u>	<u>1,263</u>
Profit before taxation	5	1,355	1,263
Income tax	6	(248)	(224)
		<u>1,107</u>	<u>1,039</u>
Profit for the year		<u>1,107</u>	<u>1,039</u>
Attributable to:			
Equity shareholders of the Company		1,076	1,023
Non-controlling interests		31	16
		<u>1,107</u>	<u>1,039</u>
Profit for the year		<u>1,107</u>	<u>1,039</u>
Earnings per share (HK cents)	8		
Basic		<u>29.3</u>	<u>27.9</u>
Diluted		<u>29.2</u>	<u>27.9</u>

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Expressed in Hong Kong dollars)

	2021 \$ million	2020 \$ million
Profit for the year	1,107	1,039
Other comprehensive income for the year (after tax and reclassification adjustments)		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of net defined benefit liability	16	28
Deferred tax recognised on the remeasurement of net defined benefit liability	(2)	(3)
	14	25
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation adjustments:		
– exchange differences on translation of financial statements of operations outside Hong Kong	-	49
Other comprehensive income for the year	14	74
Total comprehensive income for the year	1,121	1,113
Attributable to:		
Equity shareholders of the Company	1,089	1,094
Non-controlling interests	32	19
Total comprehensive income for the year	1,121	1,113

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

(Expressed in Hong Kong dollars)

	<i>Note</i>	2021 \$ million	2020 \$ million
Non-current assets			
Investment property		667	639
Property, plant and equipment		2,625	2,705
Right-of-use assets		654	706
Intangible assets		1,064	1,219
Goodwill		9,721	9,733
Interest in a joint venture		11	9
Non-current contract assets		23	31
Non-current contract costs		25	-
Non-current finance lease receivables		5	-
Non-current other receivables and deposits	9	103	181
Deferred tax assets		72	77
		<u>14,970</u>	<u>15,300</u>
Current assets			
Inventories		103	61
Contract costs		2	7
Finance lease receivables		4	-
Contract assets		255	343
Trade and other receivables and deposits	9	1,248	1,104
Current tax recoverable		7	3
Cash and deposits		1,793	1,519
		<u>3,412</u>	<u>3,037</u>
Current liabilities			
Trade and other payables	10	1,645	1,457
Contract liabilities		184	176
Bank and other borrowings		500	240
Lease liabilities		140	139
Current tax payable		188	209
		<u>2,657</u>	<u>2,221</u>
Net current assets		<u>755</u>	<u>816</u>
Total assets less current liabilities		<u>15,725</u>	<u>16,116</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 (CONTINUED)**

(Expressed in Hong Kong dollars)

	<i>Note</i>	2021 \$ million	2020 \$ million
Non-current liabilities			
Non-current contract liabilities		1	2
Non-current bank and other borrowings		4,946	5,628
Non-current lease liabilities		356	391
Non-current other payables	10	23	31
Net defined benefit retirement obligation		12	29
Deferred tax liabilities		211	226
		<u>5,549</u>	<u>6,307</u>
NET ASSETS		<u><u>10,176</u></u>	<u><u>9,809</u></u>
CAPITAL AND RESERVES			
Share capital		4,704	4,646
Reserves		5,391	5,105
		<u>10,095</u>	<u>9,751</u>
Total equity attributable to equity shareholders of the Company		10,095	9,751
Non-controlling interests		<u>81</u>	<u>58</u>
TOTAL EQUITY		<u><u>10,176</u></u>	<u><u>9,809</u></u>

Notes

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance (Cap.622). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies used in the preparation of the financial statements are consistent with those adopted in the financial statements for the year ended 31 December 2020 except for the adoption of all amendments to HKFRSs that are first effective for accounting periods beginning on or after 1 January 2021 (see note 2).

The financial information relating to the years ended 31 December 2021 and 2020 included in this preliminary announcement of annual results does not constitute the statutory annual consolidated financial statements of CITIC Telecom International Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for those years but is derived from those consolidated financial statements in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622).

The Company has delivered the consolidated financial statements for the year ended 31 December 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 (Cap.622) and will deliver the consolidated financial statements for the year ended 31 December 2021 in due course.

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

2 Changes in accounting policies

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

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

3 Revenue and segment reporting

(a) Revenue

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

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

(i) Disaggregation of revenue

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

	2021 \$ million	2020 \$ million
Revenue from contracts with customers		
Disaggregated by major service lines or products:		
Mobile services	858	957
Internet services	1,243	1,123
International telecommunications services	2,461	2,481
Enterprise solutions	3,165	3,227
Fixed line services	178	190
	<hr/>	<hr/>
Fees from the provision of telecommunications services	7,905	7,978
Sales of mobile handsets and equipment	1,581	945
	<hr/>	<hr/>
	<u>9,486</u>	<u>8,923</u>

3 Revenue and segment reporting (continued)

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

During the years ended 31 December 2021 and 2020, fees from the provision of telecommunications services is substantially recognised over time and sales of mobile handsets and equipment is recognised at a point-in-time.

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

	<i>2021</i> \$ million	<i>2020</i> \$ million
Within 1 year	2,064	2,074
Over 1 year	1,105	1,129
	<u>3,169</u>	<u>3,203</u>

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

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

3 Revenue and segment reporting (continued)

(b) Segment reporting

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

(i) Segment results, assets and liabilities

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

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

(ii) Reconciliation of reportable segment profit

	2021 \$ million	2020 \$ million
Profit		
Reportable segment profit	2,526	2,499
Net loss on disposal of property, plant and equipment	(3)	(2)
Gain on surrender of leases	-	2
Net foreign exchange gain	3	12
Depreciation and amortisation	(897)	(915)
Finance costs	(270)	(296)
Share of profit of a joint venture	1	-
Interest income	13	14
Rental income from investment property less direct outgoings	21	23
Valuation gain/(loss) on investment property	28	(4)
Unallocated head office and corporate expenses	(67)	(70)
	<u>1,355</u>	<u>1,263</u>
Consolidated profit before taxation	<u>1,355</u>	<u>1,263</u>

3 Revenue and segment reporting (continued)

(iii) Reconciliations of reportable segment assets and liabilities

	2021 \$ million	2020 \$ million
Assets		
Reportable segment assets	17,549	17,535
Investment property	667	639
Interest in a joint venture	11	9
Deferred tax assets	72	77
Current tax recoverable	7	3
Unallocated head office and corporate assets	76	74
	<hr/>	<hr/>
Consolidated total assets	<u>18,382</u>	<u>18,337</u>
Liabilities		
Reportable segment liabilities	2,349	2,203
Bank and other borrowings	500	240
Current tax payable	188	209
Non-current bank and other borrowings	4,946	5,628
Deferred tax liabilities	211	226
Unallocated head office and corporate liabilities	12	22
	<hr/>	<hr/>
Consolidated total liabilities	<u>8,206</u>	<u>8,528</u>

3 Revenue and segment reporting (continued)

(iv) Geographic information

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

	<i>Revenue from external customers</i>		<i>Specified non-current assets</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>
Hong Kong (place of domicile)	3,737	3,825	1,878	1,853
Mainland China	1,089	957	555	585
Macau	3,919	3,364	11,590	11,853
Singapore	435	467	491	501
Others	306	310	228	219
	5,749	5,098	12,864	13,158
	9,486	8,923	14,742	15,011

4 Other income

	<i>2021</i>	<i>2020</i>
	<i>\$ million</i>	<i>\$ million</i>
Interest income from deposits	3	7
Interest income from finance leases and other interest income	10	7
	13	14
Gross rental income from investment property (note)	23	25
	36	39

Note: The rental income from investment property less direct outgoings of \$2,000,000 (2020: \$2,000,000) for the year ended 31 December 2021 is \$21,000,000 (2020: \$23,000,000).

5 Profit before taxation

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

(a) Cost of sales and services

Cost of sales and services represents the cost of provision of telecommunications services, which includes interconnection charges, roaming costs and other network operating costs, and cost of sales of mobile handsets and equipment.

	2021 \$ million	2020 \$ million
Cost of provision of telecommunications services (note)	3,900	4,111
Cost of sales of mobile handsets and equipment	1,559	929
	<u>5,459</u>	<u>5,040</u>

Note: Rental charges for leased circuits of \$904,000,000 (2020: \$921,000,000) are included in cost of provision of telecommunications services for the year ended 31 December 2021.

(b) Depreciation and amortisation

	2021 \$ million	2020 \$ million
Depreciation charge		
– property, plant and equipment	562	582
– right-of-use assets	177	165
Amortisation	158	168
	<u>897</u>	<u>915</u>

(c) Staff costs (including directors' emoluments)

	2021 \$ million	2020 \$ million
Contributions to defined contribution retirement plans	76	55
Expenses recognised in respect of defined benefit retirement plan	8	9
Total retirement costs	84	64
Salaries, wages and other benefits (note)	998	918
	<u>1,082</u>	<u>982</u>

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

5 Profit before taxation (continued)

(d) Finance costs

	2021 \$ million	2020 \$ million
Interest on bank and other borrowings	240	271
Interest on lease liabilities	20	17
Other finance charges	10	9
Other interest expense	1	2
	<u>271</u>	<u>299</u>
Less: interest expense capitalised into construction in progress *	<u>(1)</u>	<u>(3)</u>
	<u>270</u>	<u>296</u>

* The borrowing costs have been capitalised at a rate of 1.3% - 1.5% (2020: 1.8% - 3.4%) per annum.

(e) Other items

	2021 \$ million	2020 \$ million
Auditors' remuneration		
– audit services	8	8
– non-audit services	4	3
	12	11
Impairment losses for trade debtors and contract assets	1	24
Net foreign exchange gain	(3)	(12)

6 Income tax

Income tax in the consolidated income statement represents:

	2021 \$ million	2020 \$ million
Current tax		
Hong Kong Profits Tax		
– Provision for the year	101	93
– Over-provision in respect of prior years	–	(3)
	<u>101</u>	<u>90</u>
Macau Complementary Tax		
– Provision for the year	124	124
– Over-provision in respect of prior years	(1)	(1)
	<u>123</u>	<u>123</u>
Jurisdictions outside Hong Kong and Macau		
– Provision for the year	35	31
– (Over)/under-provision in respect of prior years	(1)	3
	<u>34</u>	<u>34</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(10)</u>	<u>(23)</u>
	<u>248</u>	<u>224</u>

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2020/21 subject to a maximum reduction of \$10,000 for each business (2020: a maximum reduction of \$20,000 was granted for the year of assessment 2019/20 and was taken into account in calculating the provision for 2020).

The provision for Macau Complementary Tax for 2021 is calculated at 12% (2020: 12%) of the estimated assessable profits for the year. Assessable profits of the first Macau Patacas (“MOP”) 600,000 (equivalent to approximately \$582,000) (2020: MOP600,000 (equivalent to approximately \$582,000)) are exempted from Macau Complementary Tax.

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

7 Dividends

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

	2021 \$ million	2020 \$ million
Interim dividend declared and paid of HK5.5 cents (2020: HK5.0 cents) per share	202	183
Final dividend proposed after the end of the reporting period of HK17.0 cents (2020: HK16.0 cents) per share	<u>626</u>	<u>586</u>
	<u>828</u>	<u>769</u>

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

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

	2021 \$ million	2020 \$ million
Final dividend in respect of the previous financial year, approved and paid during the year, of HK16.0 cents (2020: HK15.0 cents) per share	<u>589</u>	<u>550</u>

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 year ended 31 December 2021, which represented dividends attributable to shares issued upon exercise of share options before the closing date of register of members.

8 Earnings per share

	2021 \$ million	2020 \$ million
Profit attributable to equity shareholders of the Company	<u>1,076</u>	<u>1,023</u>

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

	<i>Number of shares</i>	
	2021 million	2020 million
Issued ordinary shares as at 1 January	3,665	3,659
Effect of share options exercised	<u>12</u>	<u>4</u>
Weighted average number of ordinary shares (basic) as at 31 December	3,677	3,663
Effect of deemed issue of shares under the Company's share option plan	<u>2</u>	<u>5</u>
Weighted average number of ordinary shares (diluted) as at 31 December	<u>3,679</u>	<u>3,668</u>
Basic earnings per share (HK cents)	<u>29.3</u>	<u>27.9</u>
Diluted earnings per share (HK cents)	<u>29.2</u>	<u>27.9</u>

9 Trade and other receivables and deposits

	<i>2021</i> \$ million	<i>2020</i> \$ million
Trade debtors	787	849
Less: loss allowance	(29)	(37)
	<u>758</u>	<u>812</u>
Other receivables and deposits	593	473
	<u>1,351</u>	<u>1,285</u>
Represented by:		
Non-current portion	103	181
Current portion	1,248	1,104
	<u>1,351</u>	<u>1,285</u>

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

	<i>2021</i> \$ million	<i>2020</i> \$ million
Within 1 year	749	791
Over 1 year	9	21
	<u>758</u>	<u>812</u>

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

10 Trade and other payables

	<i>2021</i> \$ million	<i>2020</i> \$ million
Trade creditors	1,023	817
Other payables and accruals	645	671
	<u>1,668</u>	<u>1,488</u>

Represented by:

Non-current portion	23	31
Current portion	1,645	1,457
	<u>1,668</u>	<u>1,488</u>

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

	<i>2021</i> \$ million	<i>2020</i> \$ million
Within 1 year	794	609
Over 1 year	229	208
	<u>1,023</u>	<u>817</u>

FINANCIAL REVIEW

OVERVIEW

The lingering COVID-19 pandemic-related disruptions have continued to impact on the global economy. Amid the current complex global market, the Group's perseverance and robust measures in overcoming these challenges have enabled the Group to achieve solid financial results for the year ended 31 December 2021.

The Group's profit for the year ended 31 December 2021 increased 6.5% to HK\$1,107 million when compared to the previous year, profit attributable to equity shareholders of the Company increased by 5.2% year-on-year to HK\$1,076 million, and basic earnings per share was up 5.0% year-on-year to HK29.3 cents per share.

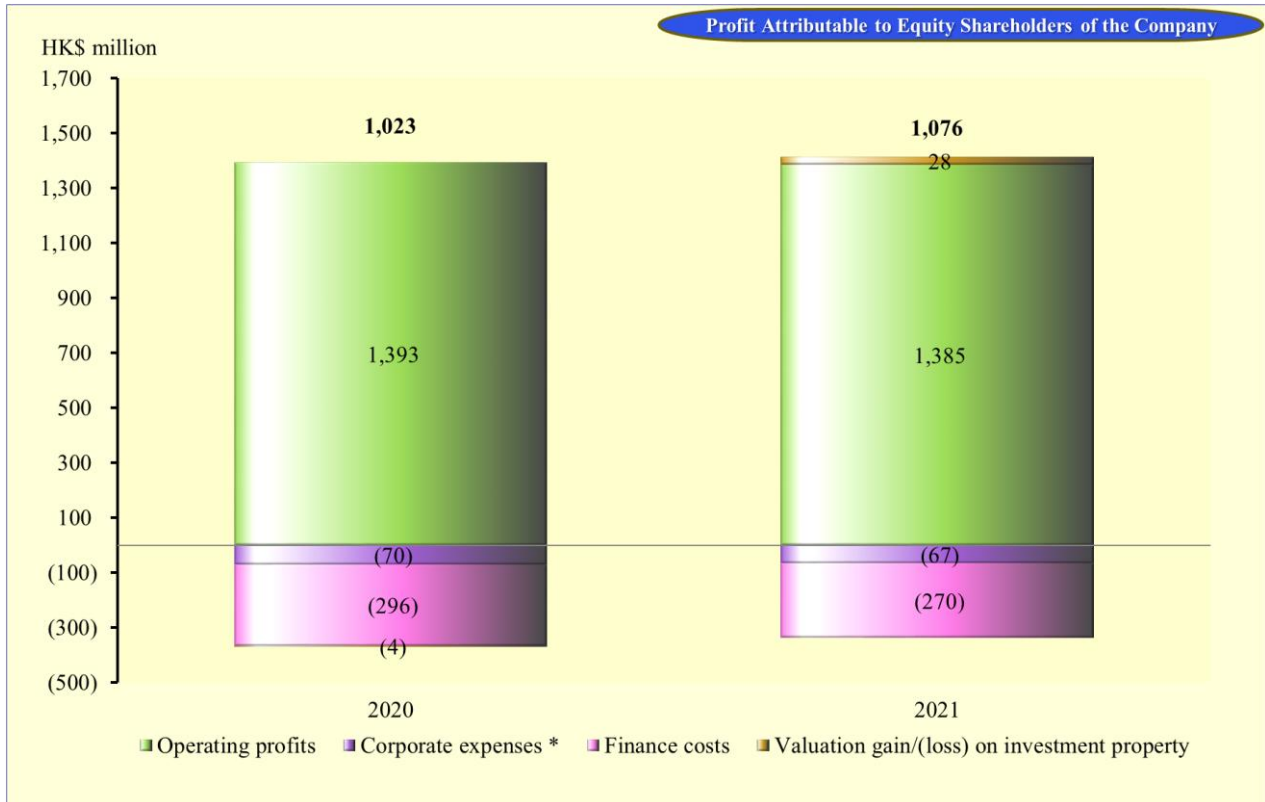
The Group's total revenue was up by 6.3% year-on-year to HK\$9,486 million for the year ended 31 December 2021. Revenue from telecommunications services totaled HK\$7,905 million which was comparable with last year.

Summary of Financial Results

<i>In HK\$ million</i>	Year ended 31 December		Increase / (Decrease)	
	2021	2020		
Revenue from telecommunications services	7,905	7,978	(73)	(0.9%)
Sales of mobile handsets and equipment	1,581	945	636	67.3%
Revenue	9,486	8,923	563	6.3%
Valuation gain/(loss) on investment property	28	(4)	N/A	N/A
Other income	36	39	(3)	(7.7%)
Cost of sales and services	(5,459)	(5,040)	419	8.3%
Depreciation and amortisation	(897)	(915)	(18)	(2.0%)
Staff costs	(1,082)	(982)	100	10.2%
Other operating expenses	(488)	(462)	26	5.6%
Profit from consolidated activities	1,624	1,559	65	4.2%
Finance costs	(270)	(296)	(26)	(8.8%)
Share of profit of a joint venture	1	-	1	N/A
Income tax	(248)	(224)	24	10.7%
Profit for the year	1,107	1,039	68	6.5%
Less: Non-controlling interests	(31)	(16)	15	93.8%
Profit attributable to equity shareholders of the Company	1,076	1,023	53	5.2%
EBITDA*	2,509	2,460	49	2.0%
Basic earnings per share (HK cents)	29.3	27.9	1.4	5.0%
Dividends per share (HK cents)	22.5	21.0	1.5	7.1%

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

Profit attributable to equity shareholders of the Company



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

Profit attributable to equity shareholders of the Company for the year ended 31 December 2021 increased by 5.2% or HK\$53 million to HK\$1,076 million when compared to the previous year. Excluding the valuation gain on investment property of HK\$28 million (2020: valuation loss of HK\$4 million), profit attributable to equity shareholders of the Company for the year would amount to HK\$1,048 million (2020: HK\$1,027 million), representing a year-on-year increase of 2.0% as the Group seizes new business opportunities under the current volatile and unstable business environment and proactively sorts measures to control its operating costs.

Revenue by Services

The Group is engaged in the provision of telecommunications services and the sales of mobile handsets and equipment.

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

The Group's total revenue including revenue from telecommunications services and the sales of mobile handsets and equipment increased by 6.3% which amounted to HK\$9,486 million.

The Group's sales of mobile handsets and equipment for the year ended 31 December 2021 amounted to HK\$1,581 million, which represented an increase of 67.3% or HK\$636 million when compared with the previous year. Revenue from telecommunications services for the year ended 31 December 2021 amounted to HK\$7,905 million, which represented a slight decrease of 0.9% or HK\$73 million when compared to the previous year.

Mobile sales & services

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

Sales of mobile handsets and equipment surged 67.3% year-on-year to HK\$1,581 million. Mobile services revenue dropped 10.3% to HK\$858 million when compared to the previous year as a result of the pandemic-related disruptions, various lockdown measures and travel restrictions ordered by many governments around the world in their respective countries persisted throughout the year due to the resurgence and mutations of the virus, which adversely impacted the Group's roaming related services revenue.

The overall number of subscribers as at 31 December 2021 was over 581,000 (31 December 2020: over 720,000) of which approximately 178,000 (31 December 2020: over 347,000) were prepaid customers and over 403,000 (31 December 2020: approximately 373,000) being postpaid subscribers. The drop in the number of subscribers was 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. 100.0% (31 December 2020: around 100.0%) of total mobile subscribers were 4G subscribers.

Internet services

Internet services revenue amounted to HK\$1,243 million for the year which represented a year-on-year increase of 10.7% or HK\$120 million. 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 1.8% increase in the number of broadband users to approximately 200,000 subscribers when compared to the previous year.

Due to the development of digital economy and the advancement of internet technology, there has been an increase in the demand for internet and data centre requirements as certain business activities had shifted online.

The Group's internet market share and broadband market penetration rate in Macau were around 97.1% (31 December 2020: 97.1%) and 91.2% (31 December 2020: 89.9%) respectively as at 31 December 2021.

International telecommunications services

International telecommunications services revenue including revenue from messaging services (including SMS), voice services and “DataMall 自由行” services, decreased by 0.8% or HK\$20 million year-on-year.

For the year ended 31 December 2021, due to increasing demand from corporate messaging delivery, messaging services revenue surged 33.4% or HK\$420 million to HK\$1,678 million when compared to the previous year, and voice services revenue decreased by HK\$429 million or 36.4% over the previous year to HK\$750 million.

As the pandemic lingered, lockdown measures ordered by many governments around the world in their corresponding countries in an attempt to contain the spread of the virus has continued throughout the year. This virtually restricted the number of people travelling abroad for business or leisure purposes. As a result, revenue from “DataMall 自由行” services decreased by HK\$11 million to HK\$33 million when compared to the previous year.

Enterprise solutions

Enterprise solutions revenue decreased by 1.9% from HK\$3,227 million in the previous year to HK\$3,165 million for the year ended 31 December 2021. The decrease was mainly due to lower project revenue from government, resorts and other enterprises in Macau and Southeast Asia due to various lockdown 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, fixed line services revenue was down by 6.3% year-on-year to HK\$178 million for the year ended 31 December 2021.

Results for the year

Profit attributable to equity shareholders of the Company increased by HK\$53 million or 5.2% year-on-year to HK\$1,076 million mainly due to the combined effect of the following factors:

Revenue

The Group's revenue from telecommunications services amounted to HK\$7,905 million, a slight decrease of 0.9% when compared to the previous year. Total revenue including mobile handsets and equipment sales amounted to HK\$9,486 million for the year, representing a year-on-year increase of 6.3% which was a result of 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 31 December 2021 by the Group's independent surveyors with a valuation gain of HK\$28 million (2020: valuation loss of HK\$4 million).

Cost of sales and services

Cost of sales and services includes cost of provision of telecommunications services and cost of sales of mobile handsets and equipment. Consistent with the increase in revenue, cost of sales and services increased by HK\$419 million or 8.3% to HK\$5,459 million when compared to the previous year due to the increase in cost of sales of mobile handsets and equipment.

Depreciation and amortisation

Depreciation and amortisation expenses totaled HK\$897 million for the year ended 31 December 2021, a decrease of HK\$18 million when compared to the previous year.

Staff costs

Staff costs increased year-on-year by 10.2% or HK\$100 million to HK\$1,082 million mainly due to the average salary increment in 2021 and the various government wages subsidies which amounted to HK\$42 million received in 2020 where no such subsidies were received for the year ended 31 December 2021.

Other operating expenses

Other operating expenses for the year ended 31 December 2021 increased 5.6% or HK\$26 million to HK\$488 million when compared to the previous year. Although, the Group has continued to implement robust measures in cost containment, the increase was mainly due to increased spectrum fees and electricity charges to sustain the growth in operations.

Finance costs

Finance costs decreased by 8.8% or HK\$26 million when compared to the previous year mainly resulted from the repayment of bank loans at the end of 2020 and during the year, and the decrease in general bank's borrowing rates during the year. The effective variable interest rate for the Group decreased from 1.5% p.a. as at 31 December 2020 to 1.2% p.a. as at 31 December 2021.

Income tax

Income tax for the year amounted to HK\$248 million, an increase of HK\$24 million when compared to the previous year. Excluding finance costs, over or under-provision of taxes and any origination and reversal of temporary differences in relation to prior years, the effective tax rates for the years ended 31 December 2021 and 2020 were 15.3% and 14.6% respectively.

Earnings and Dividends per share

Basic and diluted earnings per share were up 5.0% and 4.7% year-on-year to approximately HK29.3 cents and HK29.2 cents respectively for the year ended 31 December 2021.

The Company's Board of Directors have resolved to recommend to shareholders the payment of final dividend of HK17.0 cents per share which, together with the interim dividend of HK5.5 cents per share already paid, makes total dividends of HK22.5 cents per share for the year ended 31 December 2021. This represents an increase of 7.1% year-on-year.

Cash flows

<i>In HK\$ million</i>	Year ended 31 December		Increase / (Decrease)	
	2021	2020		
Source of cash:				
Cash inflows from business operations	2,394	2,542	(148)	(5.8%)
Other cash inflows	60	28	32	>100%
Sub-total	2,454	2,570	(116)	(4.5%)
Use of cash:				
Net capital expenditure*	(532)	(787)	(255)	(32.4%)
Dividends paid to equity shareholders and non-controlling interests	(800)	(743)	57	7.7%
Capital and interest elements of lease rentals paid	(179)	(164)	15	9.1%
Payment of borrowing costs	(244)	(280)	(36)	(12.9%)
Net cash outflows from borrowings	(421)	(407)	14	3.4%
Increase in other deposits	(361)	-	361	N/A
Sub-total	(2,537)	(2,381)	156	6.6%
Net (decrease) / increase in cash and cash equivalents	(83)	189	N/A	N/A

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

The Group generated HK\$2,454 million cash inflow from its operations, with the use of cash mainly comprised of capital expenditure, net borrowings and repayments, lease payments, dividends distributions and increase in other deposits. In total, the Group recorded a net cash outflow of HK\$83 million for the year ended 31 December 2021.

Capital expenditure

The Group's total capital expenditure for the year ended 31 December 2021 amounted to HK\$491 million. During the year, HK\$81 million was invested in 5G, HK\$94 million was incurred for the Group's data centres' expansion and the remainder of the capital expenditure were mainly for network systems upgrade and expansion.

Capital commitments

As at 31 December 2021, the Group had outstanding capital commitments of HK\$153 million, mainly for 5G development, data centre development, system upgrades, construction costs of networks, and other telecommunications equipment which had yet to be delivered to the Group. Of these commitments, HK\$67 million was outstanding contractual capital commitments and HK\$86 million was capital commitments authorised but for which contracts had yet to be entered into.

TREASURY POLICY AND FINANCIAL RISK MANAGEMENT

General

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

1. Debt and leverage

As the Group's net debt decreased to HK\$3,653 million, the net gearing ratio decreased from 31% as at 31 December 2020 to 27% as at 31 December 2021.

As at 31 December 2021, total debt and net debt of the Group were as follows:

<i>In HK\$ million</i>	Denomination							Total
	HKD	USD	SGD	MOP	RMB	EUR	Others	
<i>equivalents</i>								
Total debt	1,251	3,622	476	97	-	-	-	5,446
Less: Cash and deposits	<u>(415)</u>	<u>(544)</u>	<u>(58)</u>	<u>(409)</u>	<u>(283)</u>	<u>(24)</u>	<u>(60)</u>	<u>(1,793)</u>
Net debt/ (cash)	<u>836</u>	<u>3,078</u>	<u>418</u>	<u>(312)</u>	<u>(283)</u>	<u>(24)</u>	<u>(60)</u>	<u>3,653</u>

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

<i>In HK\$ million</i>	31 December 2021	31 December 2020
Total debt	5,446	5,868
Less: Cash and deposits	<u>(1,793)</u>	<u>(1,519)</u>
Net debt	3,653	4,349
Total equity attributable to equity shareholders of the Company	<u>10,095</u>	<u>9,751</u>
Total capital	<u>13,748</u>	<u>14,100</u>
Net gearing ratio	<u>27%</u>	<u>31%</u>

The Group's total debt decreased to HK\$5,446 million which was mainly due to the early repayment of bank loans amounted to HK\$460 million from its surplus cash during the year, which was partly offset by certain new bank loans drawn down for the business growth in Singapore. During the year, the Group had undergone a refinancing project with its fellow subsidiaries to refinance several bank borrowings amounted to HK\$1,493 million in order to reduce the cost of funding.

As at 31 December 2021, the total debt, excluding interest payable, amounted to HK\$5,377 million, of which HK\$431 million will be matured in the coming year, against cash and deposits of HK\$1,793 million.

The maturity profile of the Group's total debt which includes interest payable as at 31 December 2021 was as follows:

<i>In HK\$ million</i>	Within 1 year	After 1 year but within 2 years	After 2 years but within 3 years	After 3 years but within 4 years	After 4 years but within 5 years	Total
Bank and other loans	431	235	1,185	14	12	1,877
US\$450 million 6.1% guaranteed bonds	-	-	-	3,500	-	3,500
	431	235	1,185	3,514	12	5,377
Interest payable	69	-	-	-	-	69
	500	235	1,185	3,514	12	5,446

Available sources of financing

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

The Group's cash balance as at 31 December 2021 was more than sufficient to cover the repayments of outstanding amount of total debt (excluding interest payable) of HK\$431 million in the coming year and contractual capital commitments of HK\$67 million as at 31 December 2021.

As at 31 December 2021, the Group had available trading facilities of HK\$451 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 31 December 2021.

As at 31 December 2021, the type of facilities of the Group was summarised as follows:

<i>In HK\$ million</i>	Total available facilities	Amount utilised	Amount unutilised
Bank and other borrowings			
- Committed facilities:			
Term loans	1,927	1,636	291
- Uncommitted facilities:			
Short-term facilities	<u>675</u>	<u>241</u>	<u>434</u>
	2,602	1,877	725
Guaranteed bonds - Committed facility			
US\$450 million 6.1% guaranteed bonds	3,510	3,510	-
Trading facilities - Uncommitted facilities			
	<u>451</u>	<u>87</u>	<u>364</u>
Total	<u>6,563</u>	<u>5,474</u>	<u>1,089</u>

2. Liquidity risk management

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

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

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

3. Loan covenants

Committed banking facilities contain certain covenants, undertaking, financial covenants, change in control clause and/or events of default provisions, which are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants or in any case of an event of default, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2021 and 2020, the Group was in compliance with the relevant requirements.

4. Contingent liabilities

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

5. Performance bonds, guarantees and pledged assets

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

<i>In HK\$ million</i>	31 December 2021	31 December 2020
Performance bonds provided to the Macau		
Government and other customers	85	83
Other guarantees	<u>2</u>	<u>4</u>
Total	<u>87</u>	<u>87</u>

As at 31 December 2021, bank deposits of HK\$6 million (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 31 December 2021, the Company issued guarantees of HK\$540 million (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 31 December 2021, approximately 65.6% (2020: approximately 61.3%) of the Group’s borrowings, excluding interest payable, were linked to fixed interest rates. During the year, the Group did not enter into any interest rate swap arrangement.

Effective interest rates

As at 31 December 2021 and 2020, the effective interest rates, after the inclusion of amortisation of transaction costs, were as follows:

	31 December 2021	31 December 2020
Effective interest rates for fixed rate borrowings	6.1%	6.1%
Effective interest rates for variable rate borrowings	1.2%	1.5%
Effective interest rates for total borrowings	4.4%	4.3%

7. Foreign currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash and deposits 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 16.3% (2020: approximately 23.2%) of the Group's total trade debtors and contract assets as at 31 December 2021. 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 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 and Macau, or its group companies. As at 31 December 2021, the Group has maintained cash and deposits of HK\$1,783 million (2020: HK\$1,482 million) in the above-mentioned entities, representing approximately 99.4% (2020: approximately 97.6%) of the total cash and 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 deposits, the Group has a pre-defined policy and regular review on the rest of the cash portfolio. It is considered that the Group is exposed to a low credit risk in this respect.

SUSTAINABILITY REPORT

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

The Group has added "Board Statement on Environmental, Social and Governance Matters" in this year to demonstrate our commitment to sustainability and systematic management through a top-down governance structure.

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

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

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

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

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

A professional team composed of excellent employees is the cornerstone of the Group's continued business success. As at the end of December 2021, our total number of employees was 2,500.

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

Under the coronavirus pandemic, the Group continues to attach great importance to the prevention and control of the epidemic, and effectively protects the health of employees and their families. We have implemented a series of measures and work arrangements and have regularly reviewed the effectiveness in order to safeguard our employees' health and safety. On the other hand, the Group continues to put great emphasis on employees' work-life balance as well as their mental and physical wellbeing.

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

The Group always takes into account of the environmental protection. The Group is committed to conduct business in an environmentally responsible manner and support to reduce greenhouse gas emissions. The "CITIC Telecom Green Policy" has been established to provide clear guide to our environmental management for promoting business sustainability. Climate change presents opportunities and risks to the Group's operations. The Group is dedicated to enhancing climate risk management and performance to further develop our resilience and adaption to climate change. Through historical data analysis, forecasting of future factors and peer benchmarking, the Group has set quantitative environmental targets. We will closely monitor the progress of our targets and make continuous improvement.

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

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

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The board of directors of the Company (the "Board") believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. At CITIC Telecom, we attach importance to our people, our code of conduct, and our corporate policies and standards, which together form the basis of our corporate governance practices. We respect the laws, rules and regulations of each country and area in which we operate, and we strive to ensure for our people a healthy and safe working environment which is our paramount concern. We endeavour to contribute to the sustainable development of the Company, with particular focus on our accountability to shareholders and stakeholders. A full description of the Company's corporate governance will be set out in the section of "Corporate Governance" contained in the 2021 annual report.

Save as disclosed below, the Company has fully complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2021.

As disclosed in the announcement of the Company dated 9 December 2021, following the retirement of Mr. Liu Li Qing, the total number of independent non-executive directors was below three and less than one-third of the Board and also the Nomination Committee did not comprise a majority of independent non-executive directors. In this respect, the Company had actively tried to identify a suitable candidate with appropriate background and qualification to fill the vacancy. Mr. Wen Ku was consequently appointed as the independent non-executive director with effect from 1 February 2022. Following his appointment, there are three independent non-executive directors, representing one-third of the Board. The Nomination Committee then comprises a majority of independent non-executive directors and therefore the relevant requirements have been fulfilled. In addition, Mr. Liu Jifu was unable to attend the annual general meeting of the Company held on 14 May 2021 (the “2021 AGM”) as he had other engagement. In this respect, the other non-executive directors and independent non-executive directors had attended 2021 AGM in order to develop a balanced understanding of the views of shareholders and to respond to questions and enquiries, if any, in relation to their work.

The Audit Committee of the Board, consisting of three independent non-executive directors and a non-executive director, has reviewed the 2021 financial statements with management and the external auditors and recommended its adoption by the Board.

DIVIDEND AND CLOSURE OF REGISTER

The Directors have resolved to recommend to shareholders the payment of a final dividend of HK17.0 cents (2020: HK16.0 cents) per share, which together with the interim dividend of HK5.5 cents (2020: HK5.0 cents) per share already paid makes a total dividend of HK22.5 cents (2020: HK21.0 cents) per share for the year ended 31 December 2021.

The proposed final dividend of HK17.0 cents per share, the payment of which is subject to approval of the shareholders at the forthcoming annual general meeting (the “AGM”) of the Company to be held on Monday, 23 May 2022, is to be payable on Monday, 13 June 2022 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 31 May 2022.

The Register of Members of the Company will be closed from Wednesday, 18 May 2022 to Monday, 23 May 2022 (both days inclusive) for the purpose of ascertaining shareholders’ entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company’s Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 17 May 2022. In addition, the Register of Members of the Company will be closed from Friday, 27 May 2022 to Tuesday, 31 May 2022 (both days inclusive) for the purpose of ascertaining shareholders’ entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company’s Share Registrar, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Thursday, 26 May 2022. During such periods, no share transfer will be effected.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31 December 2021 and the Company has not redeemed any of its shares during the year ended 31 December 2021.

FORWARD LOOKING STATEMENTS

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

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

ANNUAL REPORT AND FURTHER INFORMATION

A copy of the announcement will be found on the Company's website (www.citictel.com) and the website of the Stock Exchange (www.hkexnews.hk). The full Annual Report will be made available on the websites of the Company and the Stock Exchange around 11 April 2022.

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

Hong Kong, 15 March 2022

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

<i>Executive Directors:</i>	<i>Non-executive Directors:</i>	<i>Independent Non-executive Directors:</i>
Xin Yue Jiang (Chairman)	Wang Guoquan	Zuo Xunsheng
Cai Dawei	Liu Jifu	Lam Yiu Kin
Luan Zhenjun	Fei Yiping	Wen Ku