中信國際電訊
CITIC TELECOM INTERNATIONAL

STOCK CODE:1883

THE HUB OF THE WORLD

ANNUAL REPORT

2023

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. The Group 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, Thailand and Philippines, 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. Acclivis also owns the reputable internet service brand "Pacific Internet" in Singapore, Thailand, Indonesia, Philippines 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 Chinese mainland market through its subsidiary, China Enterprise ICT Solutions Limited ("CEC"), providing comprehensive ICT services for sizable multinational and business enterprises in Chinese mainland. CEC possesses various nationwide licenses in value-added telecommunications services in Chinese mainland, 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, CTM 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. The Group has established branch organisations in 22 countries and regions with more than 2,500 employees and almost 170 PoPs globally. The Group's business covers 160 countries and regions, and connects to over 600 operators in the world and serves 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 also received awards and commendations from multiple organisations in recognition of caring to employees and environment 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 Chinese mainland market, 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 2023

JANUARY

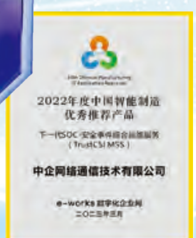
- CITIC Telecom International CPC Limited ("CPC")'s AI-AR Remote Hand solutions won the "Outstanding Innovation or Transformation Award" at the "PTC Awards 2023" organised by Pacific Telecommunications Council
- China Enterprise ICT Solutions Limited ("CEC") has been selected as the "2022 New Power of China's Digital Technology 2.0 – Information Security Segment" by Jnexpert, Digital Industry Innovation Research Center, Chief Digital Officer and China Software Industry Association CIO

FEBRUARY

- CEC's next generation SOC – TrustCSI™ Managed Security Services won the "Communications Industry Golden Zizhu Award – 2022 Outstanding Product Technology Solution" issued by Communications Weekly
- CEC won the "Communications Industry Golden Zizhu Award – 2022 Contributing Enterprise to Promote Industry Progress" issued by Communications Weekly
- CEC's 中企雲®SmartCLOUD Multi-Cloud Managed Service has been selected as the "2022 ICT Excellence Solutions" in the "Top ICT Industry List cum Excellence Solutions Selection" organised by China Industry and Information Technology Publishing & Media Group and undertaken by both China InfoCom Media Group and Communications World Weekly

MARCH

- With our AI Visual Security solution, CPC won the gold award for both in the "Best Artificial Intelligence (AI) Threat Detection – ASIA (between 500 to 999 employees)" and the "Most Innovative Cybersecurity Company – ASIA (between 500 to 999 employees)" in the "2023 Cybersecurity Excellence Awards" organised by Cybersecurity Insiders
- CPC won the "Outstanding ICT Solution Provider 2022" award at the "Quamnet Outstanding Enterprise Awards 2022" organised by Quamnet
- CPC won the "Chinese Champion in Europe Award" at "The 2022–2023 European Business in China Awards" organised by the European Union Chamber of Commerce in China – South China Chapter
- CEC won the "2022 Premier Digital Transformation Solution Provider" award jointly issued by CIO TIMES and New Infrastructure Innovation Research Institute
- CEC won the "2022 China IDC Industry Innovation Development Award" issued by China IDCC Event Committee
- CEC won the "2022 Outstanding Service Provider of SASE Solution for Intelligent Manufacturing in China" award issued by e-works
- CEC's next generation SOC – TrustCSI™ Managed Security Services and 中企雲®SmartCLOUD Cloud Computing Solutions won the "2022 Excellent Recommended Products of China Intelligent Manufacturing" award issued by e-works



MILESTONES 2023

APRIL

- CPC won the "Outstanding DICT Service Provider" award at "The 23rd Capital Outstanding Enterprise Awards" organised by CAPITAL
- CPC won the Silver Award in "Web Accessibility Recognition Scheme 2022–2023" held by Hong Kong Internet Registration Corporation Limited
- CEC's next generation SOC – TrustCSI™ Managed Security Services has been selected as one of the constituents in the "Network Security Industry Overview (10th Edition) – Security Operations & Maintenance and Managed Services Segment" issued by AQNIU

MAY

- With our AI-AR Remote Hand solutions, CPC won the "Best Remote Management Solution of the Year" in the "IT Europa Channel Awards 2023"organised by IT Europa Media and Intelligence Limited
- CPC received the "Distinguished Innovative Corporate Solutions Provider Award" in the "Corporate Brand Awards of Excellence 2023" organised by Hong Kong Economic Journal
- CEC's Secure Access Service Edge (SASE) solution has been selected as one of the constituents in the "2023 China Network Security Market Overview – Secure Access Service Edge (SASE) Segment" issued by Cybersecurity Reviews
- CEC's Data Science and Innovation team won the first prize in the "6th Industrial Internet Data Innovation Application Competition" under the category of "Prediction of Hydrogen Fuel Cell System Mean Performance" held by China Academy of Information and Communications Technology

JUNE

- CITIC Telecom International Holdings Limited and its subsidiaries jointly exhibited at GSMA MWC Shanghai 2023 (MWC Shanghai 2023). Under the unified planning and guidance of CITIC Group, the Group showcased its: upgraded Single IMSI Multiple Number service platform for Guangdong-Hong Kong-Macau Greater Bay Area; digital and intelligent cross-border mobile network security service platform; core enterprise communications service platform in Asia Pacific; global data volume trading platform; global telecommunications operator business; and CITIC Telecom Tower data centre services
- CEC has been selected as one of the "2021–2022 China Communications Industry List – Top 100 China Communications Technology Equipment Service Providers" issued by Communications Weekly
- CEC has been selected as one of the "2023 Computing Power List – Top 10 SD-WAN Market Companies" issued by Communications World Weekly
- CEC's next generation SOC – TrustCSI™ Managed Security Services won the "Technology Innovation MWC China Solution" award issued by Communications Weekly
- Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") successfully completed the replacement of copper wires for internet broadband access in Macau, starting a new era of all-fibre network access for internet broadband users to enjoy high-speed experience

MILESTONES 2023

JULY

- With our AI-AR Remote Hand Service, CPC won the "Tech Company of the Year (AI Application) – Excellence Award" at "2023 Business GOVirtual Tech Awards" organised by Baobab Tree Event
- CEC's SD-WAN solution for manufacturing industry of large central state-owned enterprises won the "SD-WAN Outstanding Service Award" issued by the China Academy of Information and Communications Technology (CAICT)'s Computing and Network Convergence Industry and Standards Promotion Committee of the China Communications Standards Association (CCSA TC621)

SEPTEMBER

- CEC received the "2023 The 17th Communication Industry List – China's Top 100 Communication Equipment Technology Service Providers" Certificate of Honor issued by Communications Weekly
- CEC's Internet Data Center AR Remote Hand remote operations and maintenance service received the "2023 The 17th Communications Industry List – Data Center Competitive Products" Certificate of Honor issued by Communications Weekly

OCTOBER

- CEC has been selected as the "SD-WAN Industry Atlas 2022" by the China Academy of Information and Communications Technology (CAICT)'s Computing and Network Convergence Industry and Standards Promotion Committee of the China Communications Standards Association (CCSA TC621)
- The "5G empowers M.U.S.T. for Innovative Applications of Planetary Magnetic Field Research", jointly submitted by CTM and Macau University of Science and Technology, won the 1st prize and was awarded the "Best International Application Award" in the "6th Blooming Cup 5G Application Special International Invitational". CTM has won the 1st prize and the "Best International Application Award" in this competition for 2 consecutive years, once again demonstrating Macau's innovative 5G application scenarios

MILESTONES 2023

NOVEMBER

- CPC won "The 21st International Customer Relationship Excellence Awards" from Asia Pacific Customer Service Consortium. The winning categories are "Customer Service Manager of the Year 2023 (Service Center)" and the "Customer Service Professional of the Year 2023 (Service Center)"
- CPC's AI SD-WAN won the runner-up position in the "Infrastructure-as-a-Service Innovation of the Year" category at the "SDC Awards 2023" organised by IT Europa Media and Intelligence Limited
- With our Integrated Network Security Solution for Financial Industry, CEC won the "2023 China Digital Finance and Technology Innovation Application Outstanding Solution Award (Network Security Category)" issued by Zhanxin Financial Technology Research Institute
- With our Intelligent Quality Control Solution Based on Big Data and AI Technology, CEC won the "2023 Best Data Solution" issued by DTinsight

DECEMBER

- With our AI-Analytics ("智化算") Intelligent Data Analysis Application, CPC won the "Best AI Application – Silver Award" at the Communications Association of Hong Kong (CAHK) STAR Awards 2023
- With our Cloud Edge Intelligence Platform, CEC won the "2023 China ICT Industry Innovative Technology Product Award" issued by the Organising Committee of the China IDC Industry Annual Ceremony
- CEC won the "Cybersecurity Business Star of the Year 2023" award jointly issued by Cybersecurity & Informatization Magazine and Information and Technology Operations and Maintenance
- CEC's Research and Development Team won championship in the "Academic Document Chapter-based Structure Restoration Challenge – Final" in the "2023 iFLYTEK A.I. Developer Competition". The competition was jointly organised by the iFLYTEK Co., Ltd., China Information Industry Association and National Intelligent Voice Innovation Center
- CEC won the "Most Valuable Investment Overseas Enterprise of the Year" Award issued by Cailian Press
- Acclivis Technologies and Solutions Pte. Ltd. ("Acclivis") has shown significant achievements in revenue, technical certifications and sales certifications, allowing Acclivis to achieve Platinum Partner status for Acronis International GmbH's cybersecurity solutions

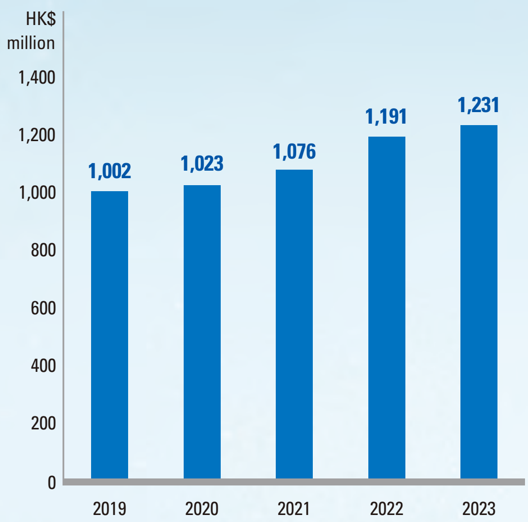

5G


WE CONNECT
THE PEOPLE

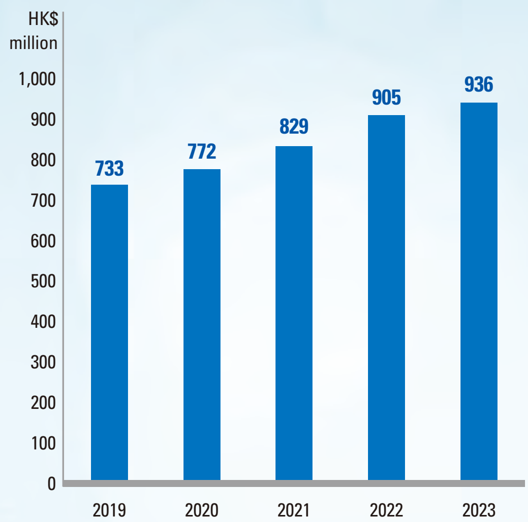
FINANCIAL HIGHLIGHTS

- Profit attributable to equity shareholders of the Company for the year 2023 amounted to HK$1,231 million, a year-on-year increase of 3.4%.
- Dividends per share for the year 2023 totaled HK25.3 cents, a year-on-year increase of 3.3%.
- The Group's net debt as at 31 December 2023 was HK$2,208 million, a decrease of 12.9% when compared to last year.

Profit Attributable to Equity Shareholders of the Company



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



Note: The final dividend payable for the year ended 31 December 2023 was based on the number of shares in issue as at 31 December 2023, which may differ from the number of shares at the closing date of the register of members.

FINANCIAL HIGHLIGHTS

In HK$ million	2023	2022	
Revenue			
Revenue from telecommunications services	**8,569**	8,831	Decrease 3.0%
Sales of mobile handsets and equipment	**1,418**	1,280	Increase 10.8%
	9,987	10,111	Decrease 1.2%
Profit attributable to equity shareholders of the Company	**1,231**	1,191	Increase 3.4%
EBITDA[1]	**2,571**	2,657	Decrease 3.2%
Earnings per share (HK cents)			
Basic	**33.3**	32.3	Increase 3.1%
Diluted	**33.3**	32.3	Increase 3.1%
Dividends per share (HK cents)			
Interim dividend	**6.0**	6.0	Same level as last year
Final dividend	**19.3**	18.5	Increase 4.3%
	25.3	24.5	Increase 3.3%
Total assets	**17,363**	18,181	Decrease 4.5%
Total equity attributable to equity shareholders of the Company	**10,756**	10,373	Increase 3.7%
Total debt[2]	**3,934**	4,520	Decrease 13.0%
Less: Cash and deposits	**(1,726)**	(1,986)	Decrease 13.1%
Net debt	**2,208**	2,534	Decrease 12.9%
Net gearing ratio[3]	**17%**	20%	Decrease 3.0%

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

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

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

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

WE CONNECT EACH OTHER

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

In 2023, the Company actively addressed multiple challenges in the course of development and charged forward in grinding effort against all adversities, as it continued to uphold the strategy of "rooting in Chinese mainland market, taking Hong Kong and Macau as the base and connection, and expediting international expansion and coverage" and persist in a customer-centric approach, generating new driving force from innovative developments and embracing the blue ocean of digital economy to drive qualitative corporate development with full force.

I am pleased to announce the Group's annual results for 2023.

FINANCIAL RESULTS OF 2023

The Group reported HK$9,987 million in total revenue for 2023, representing a slight drop of approximately 1.2% compared to HK$10,111 million for the corresponding period of the previous year.

Profit attributable to equity shareholders of the Company for 2023 amounted to HK$1,231 million (including the revaluation gain on investment property for 2023 of HK$14 million), increasing by 3.4% as compared to HK$1,191 million (including the revaluation gain on investment property for 2022 of HK$9 million) for the corresponding period of the previous year.

Basic earnings per share for 2023 amounted to HK33.3 cents, representing a 3.1% growth as compared to 2022.

The Board recommended a final dividend of HK19.3 cents per share for 2023. Together with the 2023 interim dividend of HK6.0 cents per share, total dividends per share for 2023 amounted to HK25.3 cents, representing a 3.3% growth over the corresponding period of the previous year.

OPERATIONS REVIEW OF 2023

Full commitment to constructions for "Digital Macau 3.0" leveraging status as prime mover in market

Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM"), the Group's subsidiary, has been engaged in vigorous development of Macau's 5G market. As at the end of 2023, CTM had more than 500,000 5G subscribers, representing a market share of approximately 75%, firmly securing its top position in the 5G market. It became the first provider to offer 5G private network services in the development of 5G industry applications, as it partnered with Macau University of Science and Technology in the launch of a 5G smart campus private network. Meanwhile, it provided services to the Macau Science Satellite-1 experimental project in contribution to the development of Macau's aerospace industry. By virtue of this project, CTM won the first prize of the Special International Invitational for the second consecutive year and the "Best International Application Award" of the Sixth "Blooming Cup" 5G application competition hosted by the Ministry of Industry and Information Technology.

CTM has expedited the construction of its digital foundation and successfully achieved the goal of "introducing optical fibre and phasing out copper wire", as the fibrelisation rate reached 100% during the year to usher in the era of all-fibre network for all CTM internet broadband users. By employing 5G+ cloud network integration technologies and leveraging its advantage in big data and AI technologies, CTM has launched the first "Macau Smart Tourism Big Data Service" amongst peers in Macau. To offer new experiences in 5G roaming services to customers, CTM completed the first trial on 5G SA+VoNR roaming service between Hong Kong and Macau in collaboration with a world-class mobile carrier via the Group's international roaming hub (IPX) platform, making contributions to smart city 5G integration in the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area"). As at the end of 2023, CTM launched bilateral 5G roaming services with 124 overseas network operators (covering 99 countries/regions), bilateral 4G roaming services with 390 overseas network operators (covering 221 countries/regions) and bilateral VoLTE roaming services with 21 overseas network operators (covering 24 countries/regions).

Cementing position as core regional hub for international telecommunications services and enhancing platform service capabilities on all fronts

Strategic coordination has been deepened as we teamed up with partner carriers in joint efforts to develop global IPX markets, drive eSIM platform projects and improve the functions of the SIMN platform.

The data centre business has been expanded with the successful solicitation of a sizable internet platform company as customer with a large-scale project at our high-grade data centre in Hong Kong, underscoring customer recognition of our technical strength.

The product regime of the enterprise messaging service has been optimised as we became a certified technical solution provider in Asia of WhatsApp Business messaging services owned by Meta, thereby entering the business ecosystem of Meta.

Capabilities of our cyber security platform have been enhanced as we supported the Hong Kong Communications Authority and mobile carriers in Hong Kong with the launch of our proprietary "Information Alert Service Platform for Fraud Prevention of Overseas Spam Call" to assist Hong Kong citizens in identifying suspicious overseas calls.

Technical capabilities in mobile network systems integration were showcased by the proprietary R&D and delivery of the "international roaming agency service platform" to assist Chinese mainland carriers to resell international roaming resources to other small-to-medium international mobile carriers in overseas market development.

In the second half of 2023, due to changes in various external factors, some customers made corresponding adjustments to their businesses, resulting in relatively large decrease in revenue from messaging services. The Group is making every effort to expand other businesses to mitigate the impact.

Vigorous construction of integrated "Cloud, Network, Intelligence and Security" service platform to accelerate transformation towards digitalisation and intelligentisation

Cloud services and data security protection have been enhanced as CITIC Telecom International CPC Limited ("CPC"), the Group's subsidiary, became the first management service provider in Hong Kong which obtained VMware Sovereign Cloud certification.

In close tandem with the national strategic direction, it continued to optimise its global network presence with the construction of a TrueCONNECT™ point-of-presence (PoP) in Qingyuan, Guangdong and the addition of new service gateways in Dubai in UAE, Mumbai in India and Sao Paulo in Brazil to improve its service coverage in Belt and Road regions, the Middle East and BRICS countries. As at the end of 2023, CPC has nearly 170 PoPs deployed worldwide covering 160 countries and regions on five continents with 63 SD-WAN gateways, including 43 in Greater China region.

CHAIRMAN'S STATEMENT

To improve its portfolio of cyber security products, TrustCSI™ 3.0 (雲網神盾), a cyber security solution, was launched on 22 November 2023. Employing the core servicing capabilities of an innovative AI-reinvented security operations centre (SOC), the security solution reduces security risks and provides comprehensive security over network and asset by empowering the conversion of the information security defense model from passive defense to active defense through a cyber security service framework for the full security life cycle.

Capabilities in secure market development have been enhanced with the launch of the third security operations centre (SOC) in Shanghai, following establishments in Hong Kong and Guangzhou. Meanwhile, the TrustCSI™ IAS asset streamlining service has also been launched.

Optimising overseas market presence and exploring new opportunities in Southeast Asia

The Group's subsidiary, Acclivis Technologies and Solutions Pte. Ltd., focused on key projects securing multiple contracts from government agencies, such as data centre hosting and data disaster recovery services to the Government of Singapore, and digital telephony system migration service to the Government of Malaysia.

In an active bid to expand into new businesses and new markets, an ISP license application has been submitted to the Government of the Philippines, while plans to expand in Vietnam are also in progress.

It continues to broaden its AI technology capabilities and enhance digital transformation providing customers with digitalised solutions, with delivery of the ISOTeams drone project, and completion of an ICT facility construction service project in Malaysia.

Enhancing technology R&D to benefit from vigorous technological innovation

To drive the commercialisation of scientific research work, we have continued to file patent applications in connection with our innovative algorithms and technologies and a number of invention patents have been granted by the Hong Kong Intellectual Property Department, including "A Multi-type Database-oriented Blockchain Monitoring Data Storage Method and Querying Audit Method", "Generation and Operation of Extended Reality Application", "Digital Twin of Physical Environment for Extended Reality Application" and "System and Method for Redirecting Calls over More than One Cellular Networks", among others.

Competence in technological innovation has been enhanced. CTM teamed up with University of Macau to cooperate in a scientific research project entitled "R&D of Tourism Big Data Service Algorithm" to optimise big-data service applications. We actively participated in the first "Blooming Cup" Tournament for Digital Applications organised by CITIC Group and received numerous awards for our contesting projects. CPC has completed R&D of the AR corporate digital twin platform in association with Hong Kong Applied Science and Technology Research Institute and conducted successful demonstrations to showcase its effectiveness at a number of major international exhibitions, such as the Solutions Day Event of CPC Annual Ecosystem Conference, World Artificial Intelligence Conference in Shanghai and World Mobile Congress in Shanghai, among others.

Persisting in a "three-in-one" synergistic regime to forge differentiated competitive edge

Synergies in security have been enhanced. CPC is well recognised for its provision of efficient and comprehensive cyber security protection to CITIC Group and numerous subsidiaries under CITIC Group. Synergistic initiatives have been actively rolled out on the back of CITIC Group's "CITIC synergies+" system to complement work in data governance, with a view to fully tapping the value of data in support of business development.

To construct a synergistic ecosystem, CTM has entered into a Memorandum of Understanding for "Comprehensive Strategic Collaboration of GBA Smart City Construction and Services" with a leading city data smart service provider in China to drive the development of zero-carbon cities, digital government services and smart environmental protection, among others.

Persisting in the philosophy of "quality as vitality of enterprise" as we sought optimisation of customer experience

CTM has set up and optimised arrangements for network content services with a number of major content providers, with a strong emphasis on enhancing localisation of network contents to enable internet customers to access such contents with greater clarity and speed.

CPC has persisted in running a programme for premium customer service, under which various key service performance indicators are placed under close scrutiny and any problems are promptly solved as soon as they are identified, in order to enhance customer satisfaction.

Active fulfillment of social responsibility in a strong effort to enhance brand image

Devoting our full effort to ensure uninterrupted communication and cyber security. We have provided assurance in communication for the Two Sessions, the Asian Games and major festivals, maintaining secure and stable operation of the network system and other infrastructure facilities as well as that of the application systems to ensure stable and uninterrupted provision of various communication services.

The strategy of qualitative development has been implemented in Belt and Road regions. On 17 October 2023, China Enterprise ICT Solutions Limited ("CEC"), a subsidiary of CPC, has been recognised on "One Belt One Road Digital Pioneer List" by www.ccidcom.com on the back of its ample ICT resources across the globe and numerous case projects along Belt and Road regions, and its contributions to network infrastructure development and digital transformation in Belt and Road regions.

We have been present at major international exhibition events. We participated in "2023 MWC Shanghai" held during 28 to 30 June 2023, showcasing the latest achievements of our developments in digital technological innovation, enabling industrial transformation and cooperation among industry ecosystem under the theme of "Embracing Innovation – Connecting the Future". At the World AI Conference 2023 held during 6 to 8 July 2023, the Group gave a full account of its new endeavours in digital and intelligent transformation serving construction in the Greater Bay Area and qualitative development in Belt and Road regions, designed to advance China's solid progress towards a cyber superpower.

We have been actively advocating the Chinese perspective at international forums. On 9 September 2023, CEC participated in the "United Nations Asia-Pacific Innovation Forum" on the role of intelligentisation in the globalisation of business enterprises. On 9 November 2023, CTM co-sponsored the "Cross-Strait, Hong Kong and Macao Internet Development Forum" at the World Internet Conference where its representative delivered a speech, as it showcased the latest achievements of its vigorous construction of a digital foundation for smart city featuring "three networks, four centres and one platform" to help accelerate the smart transformation of Macau's economy and society.

CTM actively support the working requirements of the Macau SAR Government, and continue to negotiate with the Macau SAR Government on matters related to the "Notarized Interim Review Contract of the Concession Agreement of the Public Telecommunications Services" (the "Concession Agreement"). On 18 January 2024, CTM and the Macau SAR Government entered into a supplemental agreement to the Concession Agreement to extend the term of the Concession Agreement for nine months from 1 January 2024 to 30 September 2024 (the "Extension Period"). During the Extension Period, CTM and the Macau SAR Government will continue to negotiate on the arrangement upon expiry of the Extension Period. The Board of Directors of the Company will closely monitor and review the development of the above matters and will issue further announcements in a timely manner in accordance with the Listing Rules.

OUTLOOK FOR 2024

Looking at 2024, the world is entering yet another period of volatility and change, underpinned by escalating complexity, severity and uncertainty in the landscape for economic development, and traditional businesses are facing increasing difficulties and continuous pressure. In response, the Group will keep itself informed of any new developments and changes and act with confidence, vigour, courage and resilience, accurately identifying, diligently addressing and proactively questing for changes with a sense of responsibility that allows no ease of mind and a sense of urgency that permits no delay. We will continue to play to our strengths of specialisation in development, globalisation in service, high-end quality in customer base and synergies in business ecosystem, persisting in innovation and enhancing the technology-driven approach as we step up with business transformation to expand into new frontiers such as IoT, AI, information security and new 5G applications whilst trying to alleviate the increasing market pressure on related businesses and consolidating our existing advantage in the regional business. We will continue to enhance our core competitiveness as we strive to become a world class international internet-oriented telecommunications enterprise.

Enhancing platform value to fortify status as core regional hub for international telecommunications services

We will continue to enhance the value of the cross-border mobile services platform, global mobile data trading platform DataMall自由行 and enterprise messaging services platform. The scope of business will be consistently expanded on the back of the Internet of Humans to cover IoT, whilst the operational management and development of the international telecommunications business will be enhanced and strong efforts will be made to improve platform capabilities and optimise platform services in a bid to consolidate our business scale.

Commitment to smart city construction in Macau leveraging advantage as prime mover in 5G

We will unleash the new potential of Macau's 5G network and forge a 5G+ "Cloud-Network Convergence" digital foundation to deliver world-class technological achievements to the Macau society on a consistent basis, joining forces with various sectors to drive the development of a 5G ecosystem and its applications in active advancement of the digitalisation and intelligentisation of the Macau society.

Enhancing the ability to supply digitalised solutions in contribution to the development of the digital economy

Seizing new opportunities arising from the expedited development of the digital economy, we will step up with our efforts to foster capabilities in "Cloud, Network, Intelligence and Security" and continue to expand our global network, whilst steadily advancing the development of CITIC Telecom Tower Data Centre to upgrade our abilities in providing integrated corporate services, in order to swiftly establish our presence in the new blue ocean of digital economy.

Ongoing development of new products, new businesses, new markets and new customers

Innovation is the primary driving force. We will enhance the innovation-driven approach and continue to increase investment in scientific research, with a view to improving our corporate competitiveness with innovative networks, products services and business ecosystem, master key core technologies in the field of "AI + 5G new applications + security", and advance technological independence at a high standard.

Enhancing talent grooming to build three international first-rate teams

Positioned as the "talents' centre and high ground for innovation" in the Greater Bay Area, we will improve our staff incentive mechanism and strengthen the building of succession teams to further enrich the positive ambience of a "united, concerted, inclusive and caring" company supported by a first-rate management team, first-rate business team and first-rate engineering technology R&D team with globally recruited members.

Full play of synergies to enhance corporate competitiveness

In persistent adherence to the principles of "high positioning, broad visions, pragmatic measures and versatile mechanism" for synergistic work, we will actively drive for close cooperation with strategic partners, carriers and scientific research institutions, strengthen synergies with subsidiaries of CITIC Group and among various business segments of the Group and deepen business synergies as well as R&D synergies, with a view to enhancing integration, facilitating development and improving efficiency through synergistic coordination.

Mr. Xin Yue Jiang stepped down as Chairman of the Board of Directors and Executive Director of the Company in October 2023. During the service period for the Group with more than one decade, Mr. Xin provided leadership to our team in a robust endeavour to successfully achieve leaping development for the Company, generating continuous reward for the shareholders through continuous growth while laying a solid foundation for the Company's further development. On behalf of the Board, I would like to express sincere appreciation to Mr. Xin Yue Jiang for his outstanding contributions to the Group.

Finally, may I also express heartfelt thanks to all shareholders, investors, partners and the public for their longstanding care and support, as well as sincere gratitude to all employees for their hard work and dedication.

Luo Xicheng
Chairman
Hong Kong, 13 March 2024


IOT

WE CONNECT THE WORLD

BUSINESS REVIEW

MOBILE SALES & SERVICES

Enhancing users' internet experience to fortify our leading position in Macau's mobile market

As at the end of December 2023, Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") had further fortified its dominant position in the Macau's mobile market with a 48.3% overall market share, an increase by 2.6 percentage points compared to that at the end of 2022. CTM continued to play to its strength as the prime mover in the 5G commercial business, reporting sound growth in this segment. As at the end of December 2023, the number of its 5G subscribers exceeded 500,000, accounting for more than 75% of CTM's total number of mobile subscribers.

To continuously enhance 5G network experience, CTM actively understands and analyses customers' experiences and feedback on using 5G services, thereby conducting comprehensive network monitoring and optimising its 5G network to ensure better mobile services for users.

Launch of Macau's first 5G private network project in enhancement of Macau's standards in smart application development

With the launch of 5G, CTM has been actively cooperating with stakeholders from various sectors in Macau to introduce a number of 5G smart applications in order to assist the digital transformation for various sectors in Macau. To cultivate the scientific research capability of next generation, CTM has cooperated with a number of educational institutions and organisations to introduce a number of 5G smart applications for teenagers and children at different stages. In association with Macau University of Science and Technology, CTM launched Macau's first 5G private network solution "5G Campus Anywhere", which successfully created a scientific research network environment with security and mobility for students, uplifting the level of smart application development in Macau. Meanwhile, the 5G private network project also provided important support for the Macau Science Satellite-1 experimental project.

Expanding coverage of the international roaming market and introducing the first RoamEasy package in Macau

CTM has continued to expand in the international roaming market as it maintains close communication with overseas operators and continue to advance the development of 5G roaming services. As at the end of December 2023, CTM launched bilateral 5G roaming services with 124 overseas network operators (covering 99 countries/regions), bilateral 4G roaming services with 390 overseas network operators (covering 221 countries/regions) and bilateral VoLTE roaming services with 21 overseas network operators (covering 24 countries/regions).

In 2023, as the number of outbound and inbound tourists gradually increased, CTM introduced the first RoamEasy package in Macau.

Successful test run of the first 5G SA+VoNR roaming service in Hong Kong and Macau in promotion of smart interconnectivity in the Greater Bay Area

The Group has continued to enhance its IPX platform capabilities. In 2023, by leveraging its technical excellence in IPX and 5G services, the Group collaborated with CTM and a world-class mobile carrier to complete the first trial on 5G SA+VoNR roaming service between Hong Kong and Macau. The outcome of this collaboration will hopefully provide mobile users with a new experience of seamless, high-speed and secured 5G roaming services, whilst making contributions to smart city 5G integration in the Guangdong-Hong Kong-Macao Greater Bay Area.

INTERNET SERVICES

Ushering in the new era of all-fibre network to guide the development of smart life

As at the end of December 2023, CTM maintained its top ranking in Macau's broadband services with a 97.1% market share. With the completion of the replacement of copper wire with optical fibre for all broadband services, CTM is now officially in the new era of all-fibre network.

With the launch of Fiber 360°, CTM became the first internet service provider in Macau to launch FTTR (Fiber-to-the-room) technology, providing customers with full coverage of Wi-Fi 6 in residential properties and the ultimate inconspicuous experience of switching hotspots, which further enhances the quality of internet services and facilitates the development of smart living in Macau.

Expanding data centre business whilst work to expand CITIC Telecom Tower Data Centre commenced

The Group provides data centre services in Chinese mainland, Hong Kong and Macau. In 2023, the Group's data centre business achieved ground-breaking development, and its high-grade data centre in Hong Kong has secured a sizeable internet platform company as customer with a large-scale project. To meet market demands, the Group has commenced expansion work at CITIC Telecom Tower Data Centre, which is anticipated to be ready in the second half of 2024.

Boosting up with technological innovation and service intelligentisation with ongoing growth in business revenue

In tandem with market demands, CITIC Telecom International CPC Limited ("CPC"), a subsidiary of the Group, has boosted up with technological innovation and service intelligentisation in response to market changes and customers' needs, strengthening the servicing competence of its internet access and cloud data centres to sustain revenue growth.

BUSINESS REVIEW

INTERNATIONAL TELECOMMUNICATIONS SERVICES

Notable growth achieved thanks to a diversified business model whilst commercial competitiveness was also enhanced with the integration of eSIM and IoT

In the aftermath of the pandemic, the Group seized opportunities presented by the recovery of tourism and growth in cross-border traffic to incorporate eSIM function into "DataMall自由行", thereby enhancing its competitive edge whilst meeting the needs of inbound and outbound travellers. In 2023, notable growth was reported for "DataMall自由行" business.

The Group has been vigorously exploring new business scenarios in IoT with projects spanning across a range of industries, including vehicle internet connectivity, logistics and transportation, electric vehicle charging stations, and intelligent street lighting.

Becoming a technical solution provider to WhatsApp Business with active development of new information service products

In 2023, the Group became the technical solution provider of WhatsApp Business, providing one-stop, multi-channel OTP authentication, marketing and member notification to different types of enterprises with the aid of WhatsApp Business API professional technical solutions in combination with its existing products and capabilities, so as to reach global mobile phone users with precision and deliver excellent customer experience.

Due to changes in various external factors, some customers made corresponding adjustments to their businesses in the second half of 2023, resulting in relatively large decrease in revenue from messaging services. The Group will seize new market demands for messaging services and expand its coverage, enhance its servicing ability and enrich its product portfolios with ongoing effort in a bid to generate new revenue contributions.

Revenue growth for international voice business

The Group has continued to vigorously consolidate the scale and ensure the quality of its international voice business to provide a stable and reliable voice service to global customers.

ENTERPRISE SOLUTIONS

Enriching our product portfolio to enhance service value

CPC continuously enriched its product lines and collaborated with multiple advanced technology partners to launch a diverse range of solutions, enhancing product competitiveness and introducing new solutions catering to different markets. In 2023, CPC deployed the first private secured gateway service node in Chinese mainland to forge high-standard private connectivity across the globe and improve cyber security, thereby empowering enterprises to achieve more efficient and secure global operations. Further, CPC is collaborating with technology leader Versa Networks to launch integrated SD-WAN and SASE solutions providing customers with strong network connectivity, flexible application retrieval control and comprehensive information security protection.

Continuously expanding network coverage and cloud computing service to meet market demands

During the year, CPC continued to extend its network service, with nearly 170 PoPs covering 160 countries and regions across five continents, seamlessly connecting Asia, Europe, America, Africa, the Middle East and Central Asia. CPC has also been vigorously advancing the SD-WAN business and its network coverage. As of the end of December 2023, 63 SD-WAN gateways were deployed worldwide, including 43 in Greater China region covering major commercial areas, spanning across "Belt and Road" regions, ASEAN regions and BRICS countries.

Moreover, to address the requirement of enterprises, CPC has launched 11 Cloud Computing solutions to complement our 21 Cloud Services Centres in Greater China region, Singapore, Japan, North America, Europe and South Africa and 3 security operation centres, forming a cross-regional Cloud Computing servicing network and professional service regime, providing assistance to customers in information security management on a round-the-clock basis to meet rapidly growing market demands.

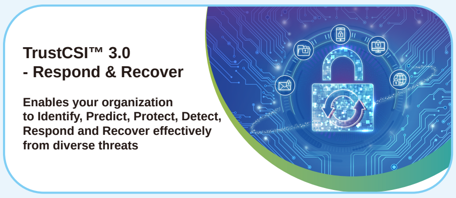
Drive innovation and transformation in the service of Macau's digitalisation

CTM has launched the 5G enterprise communication and mobile office service platform to assist in the enterprises' digital transformation. CTM is also introducing a medical service platform to support the development of smart medical in Macau. CTM has continued to enhance the functions of the existing cloud platforms and is deploying an artificial intelligence platform to align with the future development plan of the Macau SAR Government. A cyber security incident response service has been launched to assist enterprises in coping with the increasingly complex network environment.

During the year, CTM signed cooperation agreements with University of Macau and iSSTech, respectively regarding the research and development for big data. Riding on each other's competitive advantages, it is envisioned that CTM big data services will encompass a wider range of capabilities, including smart government, smart environmental protection, smart tourism, etc., to help accelerate the digital transformation in Macau.

Continued to enhance efforts in tapping new business opportunities servicing enterprises in Southeast Asia

During the year, the Group further entrenched itself as a preferred technical partner for the public sector in Southeast Asia. In Singapore, the Group secured multiple contracts from government agencies for data centre hosting, disaster recovery services and IT end user support; in Malaysia, the Group successfully completed a major ICT facility construction service project and helped a government ministry migrate to a digital telephony system. The Group continues to broaden its AI technologies capabilities and entered a strategic partnership with an enterprise AI solution company, establishing Southeast Asia's first deployment of NVIDIA DGX BasePOD and becoming an authorised partner of NVIDIA.



BUSINESS REVIEW

FIXED LINE SERVICES

Decline of fixed-line voice business

The Group has endeavoured to maintain the customer volume and business scale of the fixed-line voice service in Macau. The number of residential and commercial fixed-line customers declined in line with the global trend for this business.

FINANCIAL REVIEW

OVERVIEW

The Group's profit for the year ended 31 December 2023 increased 2.3% year-on-year to HK$1,252 million, profit attributable to equity shareholders of the Company increased by 3.4% year-on-year to HK$1,231 million, and basic earnings per share was up 3.1% to HK33.3 cents when compared to last year.

The Group's total revenue decreased by 1.2% year-on-year to HK$9,987 million while revenue from telecommunications services decreased by 3.0% to HK$8,569 million when compared to last year.

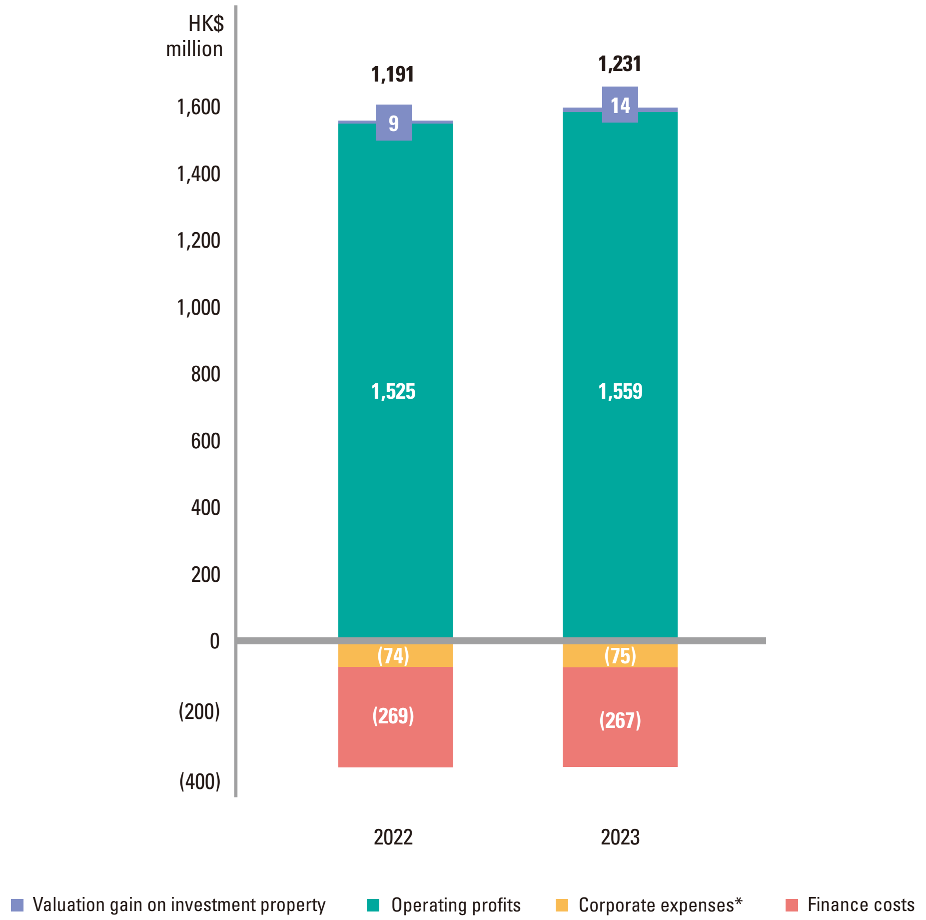
Summary of Financial Results

	Year ended 31 December			
In HK$ million	**2023**	2022	**Increase/(Decrease)**	
Revenue from telecommunications services	**8,569**	8,831	(262)	(3.0%)
Sales of mobile handsets and equipment	**1,418**	1,280	138	10.8%
Revenue	**9,987**	10,111	(124)	(1.2%)
Valuation gain on investment property	**14**	9	5	55.6%
Other income	**96**	44	52	>100%
Cost of sales and services	**(5,785)**	(5,775)	10	0.2%
Depreciation and amortisation	**(870)**	(914)	(44)	(4.8%)
Staff costs	**(1,140)**	(1,169)	(29)	(2.5%)
Other operating expenses	**(531)**	(541)	(10)	(1.8%)
Profit from consolidated activities	**1,771**	1,765	6	0.3%
Finance costs	**(267)**	(269)	(2)	(0.7%)
Share of profit of a joint venture	**1**	–	1	N/A
Income tax	**(253)**	(272)	(19)	(7.0%)
Profit for the year	**1,252**	1,224	28	2.3%
Less: Non-controlling interests	**(21)**	(33)	(12)	(36.4%)
Profit attributable to equity shareholders of the Company	**1,231**	1,191	40	3.4%
EBITDA*	**2,571**	2,657	(86)	(3.2%)
Basic earnings per share (HK cents)	**33.3**	32.3	1.0	3.1%
Dividends per share (HK cents)	**25.3**	24.5	0.8	3.3%

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

FINANCIAL REVIEW

Profit Attributable to Equity Shareholders of the Company



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

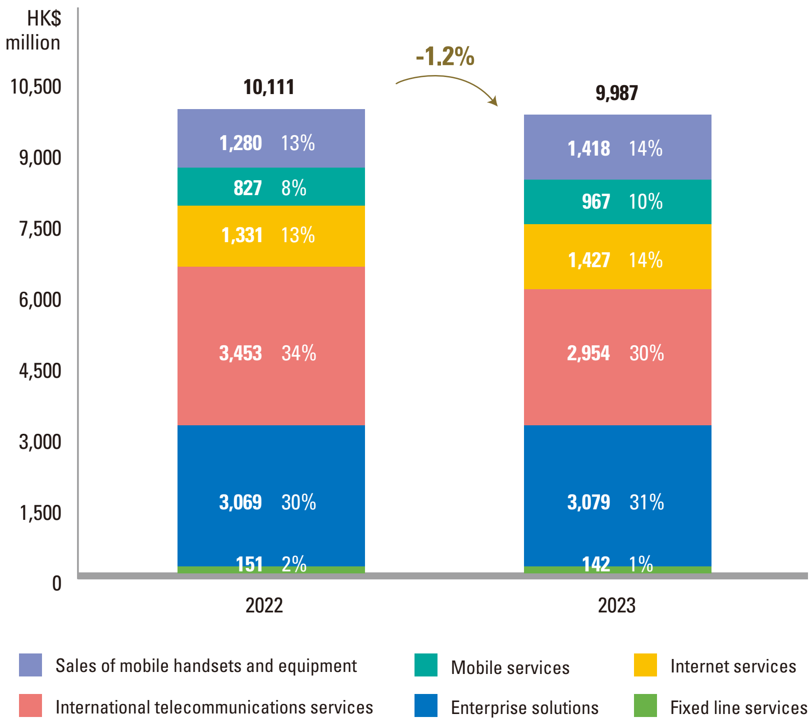
Profit attributable to equity shareholders of the Company for the year ended 31 December 2023 increased by 3.4% or HK$40 million to HK$1,231 million when compared to the previous year. Excluding the valuation gain on investment property of HK$14 million (2022: HK$9 million), profit attributable to equity shareholders of the Company for the year would amount to HK$1,217 million (2022: HK$1,182 million), representing a year-on-year increase of 3.0%.

Revenue

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 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 decreased by 1.2% year-on-year to HK$9,987 million.



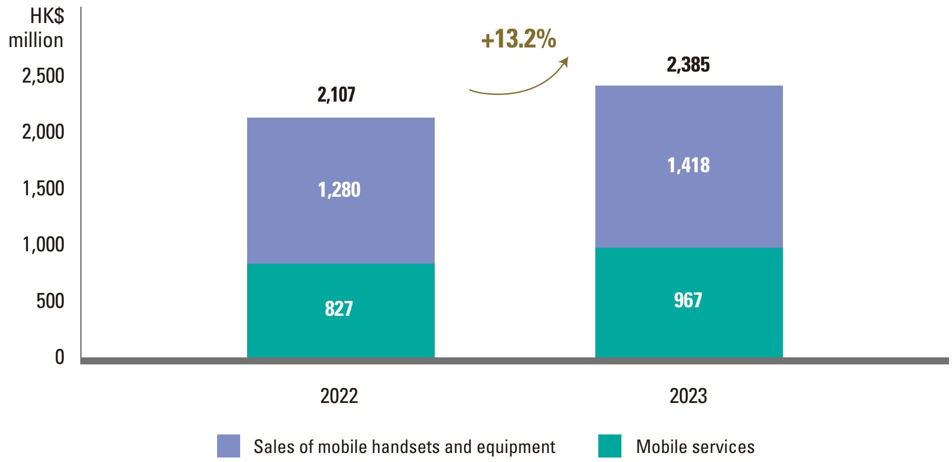
Revenue from telecommunications services for the year ended 31 December 2023 amounted to HK$8,569 million, which represented a decrease of 3.0% or HK$262 million when compared to the previous year. The decrease was mainly attributed to the drop in international telecommunications services and fixed line services revenues, partly offset by the increase in mobile services, enterprise solutions and internet services revenues.

The Group's sales of mobile handsets and equipment for the year ended 31 December 2023 amounted to HK$1,418 million, which represented an increase of 10.8% or HK$138 million when compared to the previous year.

FINANCIAL REVIEW

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, other mobile value-added services and others.



Mobile services revenue was up 16.9% to HK$967 million when compared to the previous year as a result of the gradual increase in the number of people travelling abroad to pre-COVID level and increase in the number of mobile subscribers. Sales of mobile handsets and equipment increased 10.8% year-on-year to HK$1,418 million.

The Group's overall number of subscribers as at 31 December 2023 was over 663,000 subscribers (31 December 2022: over 554,000 subscribers) representing an increase of around 19.7% resulting from the increase in postpaid customers of around 15.1% to approximately 510,000 subscribers (31 December 2022: over 443,000 subscribers) and the increase in prepaid subscribers of around 37.8% to over 153,000 subscribers (31 December 2022: approximately 111,000 subscribers).

The Group's total number of 5G mobile subscribers as at 31 December 2023 reached over 502,000 subscribers (31 December 2022: over 62,000 subscribers), representing 75.7% of the Group's total number of mobile subscribers.

Internet services

The development of digital economy and the advancement of internet technology has continued to drive higher business internet requirements and greater demand for internet and data centre services. This has led to a year-on-year increase of 7.2% or HK$96 million in revenue from internet services which amounted to HK$1,427 million.

Furthermore, service upgrade by existing customers and around 2.0% year-on-year increase in the number of broadband subscribers to approximately 206,000 (31 December 2022: approximately 202,000) subscribers, also contributed to the increase in revenue from fibre broadband service when compared to last year.

As at 31 December 2023, the Group's internet market share and broadband market penetration rate in Macau were estimated at around 97.1% (31 December 2022: 97.1%) and 91.5% (31 December 2022: 91.4%) respectively.

International telecommunications services

International telecommunications services revenue including revenue from messaging services (including SMS), voice services and "DataMall自由行" services decreased by 14.5% or HK$499 million year-on-year to HK$2,954 million.

For the year ended 31 December 2023, messaging services revenue decreased by 37.9% year-on-year or HK$969 million to HK$1,589 million. The decrease in messaging services revenue was mainly due to changes in various external factors, some customers made corresponding adjustments to their businesses in the second half of 2023. Voice services revenue increased by 42.2% year-on-year or HK$366 million to HK$1,234 million.

With the lifting of lockdown measures and travel restrictions by certain governments around the world in their corresponding countries/regions in 2023, the Group's "DataMall自由行" services had gained momentum during the year with revenue of HK$131 million, which represented an increase of HK$104 million when compared to last year.

Enterprise solutions

For the year ended 31 December 2023, enterprise solutions revenue amounted to HK$3,079 million which was at par with the revenue last year. Enterprise solutions revenue in Macau increased by around 6.0% year-on-year as a result of certain large new projects being awarded to the Group by government, casinos and resorts in the second half of 2023. The Group also continued to experience stable growth in Southeast Asia but factors such as high interest rate and inflation rate has posted a challenge to enterprises across the globe which has adversely impacted the Group's enterprise solutions revenue in the Chinese mainland.

Fixed line services

In line with global trends of declining fixed IDD traffic volumes and the decrease in fixed residential and business lines, fixed line services revenue was down by 6.0% year-on-year to HK$142 million for the year ended 31 December 2023.

Results for the year

Profit attributable to equity shareholders of the Company increased by 3.4% year-on-year or HK$40 million to HK$1,231 million mainly due to the combined effect of the following factors:

Revenue

The Group's revenue from telecommunications services decreased by 3.0% or HK$262 million to HK$8,569 million. Total revenue including mobile handsets and equipment sales amounted to HK$9,987 million for the year, representing a year-on-year decrease of 1.2%.

Valuation gain on investment property

Certain floors of the property held by the Group were leased out to third parties and an affiliate of the Group. These floors were revalued as at 31 December 2023 by the Group's independent surveyors with a valuation gain of HK$14 million (2022: HK$9 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. Cost of sales and services amounted to HK$5,785 million which was similar to last year due to the increase in revenue from sales of mobile handsets and equipment with comparatively lower margin which has offset the impact from the decrease in telecommunications services during the year.

Depreciation and amortisation

Depreciation and amortisation expenses totaled HK$870 million for the year ended 31 December 2023, representing a year-on-year decrease of 4.8%. The decrease was mainly due to the net impact from certain aged networks and equipment being fully depreciated in 2022 and the increase in depreciation from 5G related equipment since the launch of the Group's 5G mobile service in Macau from mid-November 2022.

FINANCIAL REVIEW

Staff costs

Staff costs decreased year-on-year by 2.5% or HK$29 million to HK$1,140 million.

Other operating expenses

The Group has continued to implement effective cost saving measures which resulted in a decrease of 1.8% year-on-year or HK$10 million in other operating expenses to HK$531 million for the year ended 31 December 2023.

Finance costs

Despite the continued increase in general bank's borrowing rates since the second half of 2022, finance costs decreased year-on-year by 0.7% or HK$2 million due to the repayment of bank loans at the end of 2022 and during the year which has countered the impact of the rising bank borrowing rates.

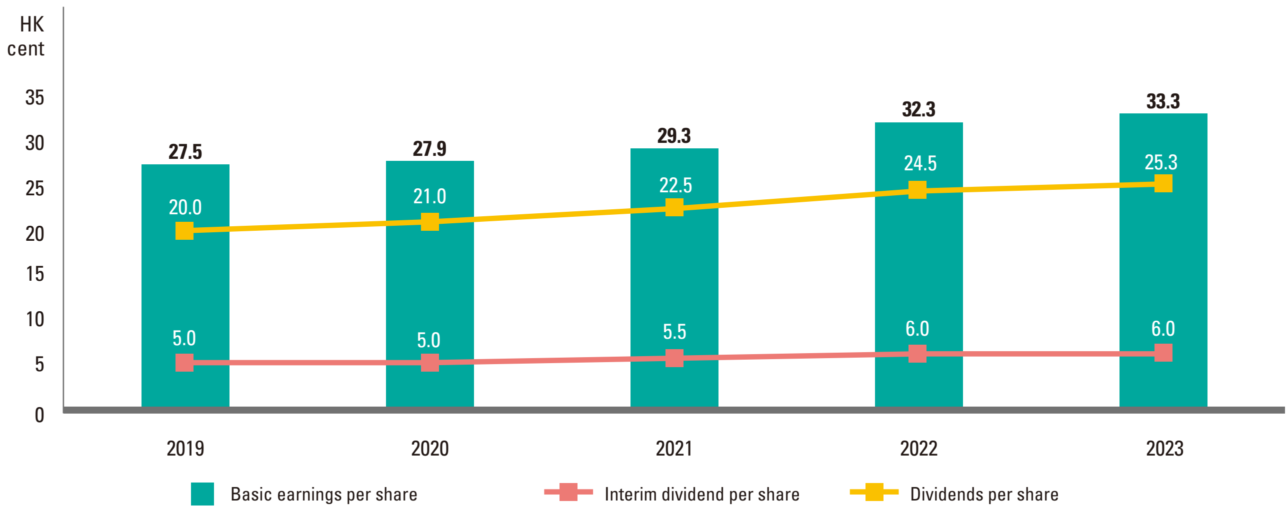
Income tax

Income tax for the year amounted to HK$253 million, a decrease of HK$19 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 2023 and 2022 were 13.6% and 15.5% respectively.

Earnings and Dividends per share

Both basic and diluted earnings per share were up 3.1% year-on-year respectively to approximately HK33.3 cents for the year ended 31 December 2023.

The Company's Board of Directors has resolved to recommend to shareholders the payment of final dividend of HK19.3 cents per share which, together with the interim dividend of HK6.0 cents per share already paid, makes total dividends of HK25.3 cents per share for the year ended 31 December 2023. This represents an increase of 3.3% year-on-year.



Cash flows

In HK$ million	Year ended 31 December 2023	2022	Increase/(Decrease)	
Source of cash:				
Cash inflows from business operations	**1,881**	2,723	(842)	(30.9%)
Decrease in pledged and other deposits	**83**	–	83	N/A
Other cash inflows	**100**	33	67	>100%
Sub-total	**2,064**	2,756	(692)	(25.1%)
Use of cash:				
Capital expenditure*	**(311)**	(323)	(12)	(3.7%)
Dividends paid to equity shareholders and non-controlling interests	**(915)**	(857)	58	6.8%
Capital and interest elements of lease rentals paid	**(163)**	(175)	(12)	(6.9%)
Payment of borrowing costs	**(246)**	(248)	(2)	(0.8%)
Net cash outflows from borrowings	**(604)**	(930)	(326)	(35.1%)
Increase in other deposits	**–**	(364)	(364)	N/A
Sub-total	**(2,239)**	(2,897)	(658)	(22.7%)
Net decrease in cash and cash equivalents	**(175)**	(141)	34	24.1%

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

The Group generated HK$2,064 million cash inflow from its operations, with the use of cash mainly comprised of capital expenditure, net repayment of bank and other borrowings, lease payments and dividends distributions. In total, the Group recorded a net cash outflow of HK$175 million for the year ended 31 December 2023.

Capital expenditure

The Group's total capital expenditure for the year ended 31 December 2023 amounted to HK$278 million. During the year, HK$43 million was invested in 5G network, HK$16 million was incurred for the Group's data centre development and the remainder of the capital expenditure was mainly used for network systems upgrade and expansion.

Capital commitments

As at 31 December 2023, the Group had outstanding capital commitments of HK$125 million, which were mainly committed for 5G network 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$55 million was outstanding contractual capital commitments and HK$70 million was capital commitments authorised but for which contracts had yet to be entered into.

RISK MANAGEMENT

In accordance with the Board's instruction, the Group has established a risk management system covering various business segments to identify, assess and manage various risks in the Group's business activities. The business, operating results, financial position and profitability of the Group may be subject to a number of risk factors and uncertainties, directly or indirectly, relating to the Group. The risk factors set out below are not exhaustive and the Group, in addition to these risk factors, may also be exposed to other unknown risks or risks that may not be material at present but may become material in the future.

FINANCIAL RISK

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

1. Debt and leverage

As the Group's net debt decreased to HK$2,208 million, the net gearing ratio decreased from 20% as at 31 December 2022 to 17% as at 31 December 2023.

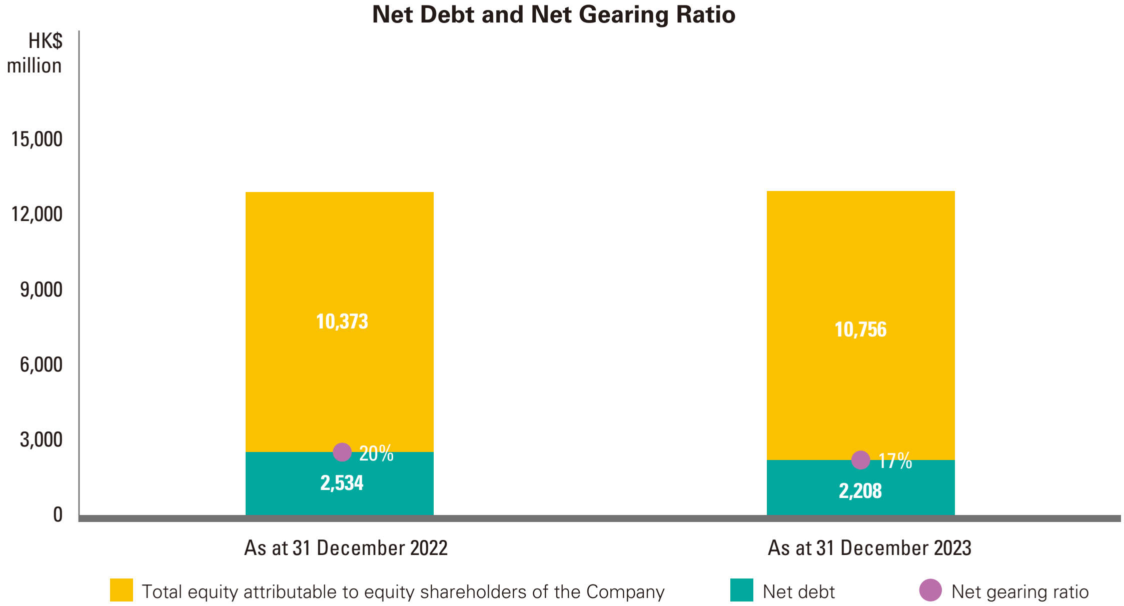
As at 31 December 2023, total debt and net debt of the Group were as follows:

	Denomination							
In HK$ million equivalents	**HKD**	**USD**	**SGD**	**MOP**	**RMB**	**EUR**	**Others**	**Total**
Total debt	–	3,582	352	–	–	–	–	**3,934**
Less: Cash and deposits	(582)	(423)	(42)	(432)	(172)	(40)	(35)	**(1,726)**
Net debt/(cash)	**(582)**	**3,159**	**310**	**(432)**	**(172)**	**(40)**	**(35)**	**2,208**

As at 31 December 2023 and 2022, the Group's net gearing ratio was as follows:

In HK$ million	**31 December 2023**	31 December 2022
Total debt	**3,934**	4,520
Less: Cash and deposits	**(1,726)**	(1,986)
Net debt	**2,208**	2,534
Total equity attributable to equity shareholders of the Company	**10,756**	10,373
Total capital	**12,964**	12,907
Net gearing ratio	**17%**	20%

Net Debt and Net Gearing Ratio



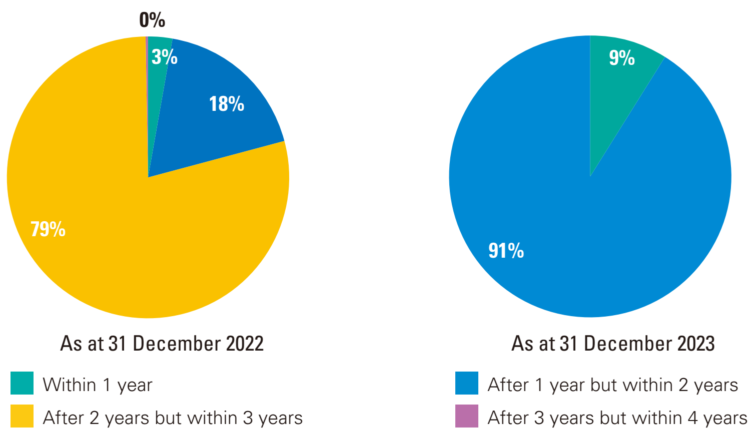
The Group's total debt decreased to HK$3,934 million which was mainly due to the repayment of bank and other loans amounted to HK$604 million from its surplus cash during the year.

As at 31 December 2023, the total debt, excluding interest payable, amounted to HK$3,865 million, of which HK$352 million will be matured in the coming year, against cash and deposits of HK$1,726 million.

The maturity profile of the Group's total debt which includes interest payable as at 31 December 2023 was as follows:

In HK$ million	Within 1 year	After 1 year but within 2 years	Total
Bank and other loans	352	–	**352**
US$450 million 6.1% guaranteed bonds	–	3,513	**3,513**
	352	3,513	**3,865**
Interest payable	69	–	**69**
	421	**3,513**	**3,934**

Total Debt by Maturity



* The above graph excludes the amount of interest payable.

RISK MANAGEMENT

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 of HK$1,726 million and undrawn committed banking facility of HK$400 million as at 31 December 2023 were more than sufficient to cover the repayments of outstanding amount of total debt (excluding interest payable) of HK$352 million in the coming year and contractual capital commitments of HK$55 million as at 31 December 2023.

As at 31 December 2023, the Group had available trading facilities of HK$218 million. The amount of HK$83 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$1 million were required to be secured by pledged deposits as at 31 December 2023.

As at 31 December 2023, the type of facilities of the Group was summarised as follows:

In HK$ million	Total available facilities	Amount utilised	Amount unutilised
Bank and other loans			
– Committed facilities:			
Term loans	752	352	400
– Uncommitted facilities:			
Short-term facilities	896	–	896
	1,648	352	1,296
Guaranteed bonds – Committed facility			
US$450 million 6.1% guaranteed bonds	3,517	3,517	–
Trading facilities – Uncommitted facilities	218	83	135
Total	**5,383**	**3,952**	**1,431**

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 demands must be approved by the finance committee or the Board of Directors 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 stable 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 2023 and 2022, the Group was in compliance with the relevant requirements.

4. Contingent liabilities

As at 31 December 2023 and 2022, the Group had no significant contingent liabilities.

5. Performance bonds, guarantees and pledged assets

As at 31 December 2023 and 2022, performance bonds and other guarantees of the Group were as follows:

In HK$ million	**31 December 2023**	31 December 2022
Performance bonds provided to the Macau Government and other customers	**81**	87
Other guarantees	**2**	2
Total	**83**	89

As at 31 December 2023, bank deposits of HK$2 million (2022: HK$6 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$3,517 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 2023, the Company issued guarantees of HK$381 million (2022: HK$436 million) for its subsidiaries in respect of the various forms of facility lines from financial institutions.

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

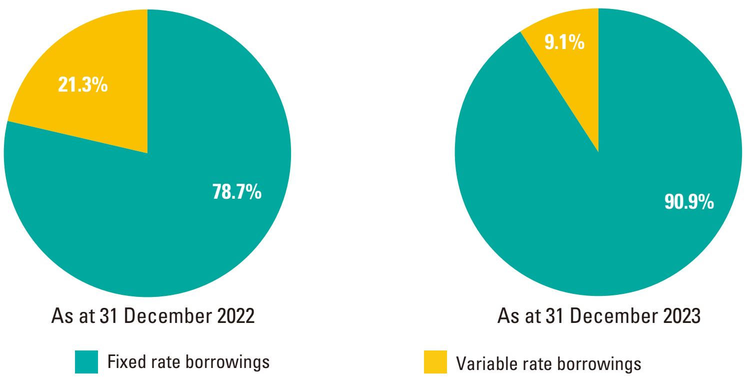
RISK MANAGEMENT

6. Interest rate risk

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

Interest rate risk is managed by fixed rate borrowings or through use of interest rate swap, if necessary. As at 31 December 2023, approximately 90.9% (2022: approximately 78.7%) 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.

Total Debt



* The above graph excludes the amount of interest payable.

Effective interest rates

As at 31 December 2023 and 2022, the effective interest rates, after the inclusion of amortisation of transaction costs, were as follows:

	31 December 2023	31 December 2022
Effective interest rate for fixed rate borrowings	**6.1%**	6.1%
Effective interest rate for variable rate borrowings	**5.0%**	5.5%
Effective interest rate for total borrowings	**6.0%**	6.0%

7. 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 currency risk between Hong Kong dollars, United States dollars and Macau Patacas to the Group. Although management considers that the Group's exposure to 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 debtors who accounted for approximately 24.7% (2022: approximately 21.2%) of the Group's total trade debtors and contract assets as at 31 December 2023. 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 2023, the Group has maintained cash and deposits of HK$1,726 million (2022: HK$1,986 million), among which HK$1,721 million (2022: HK$1,982 million) was placed in the above-mentioned entities, representing approximately 99.7% (2022: approximately 99.8%) 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.

RISK MANAGEMENT

ECONOMIC ENVIRONMENT

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

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

OPERATIONAL RISK

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

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

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

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

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

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

SECURITY OR PRIVACY BREACHES

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

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

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

COMPETITIVE MARKETS

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

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

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

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

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

OTHER EXTERNAL RISKS AND UNCERTAINTIES

1. **Impact of laws and regulations**

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

2. **Impact of new accounting standards**

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

3. **Adopting to policy environment**

   The impact of protectionism and unilateralism have affected the stability of the global landscape, with increasing sources of turbulence and risk points. The Group may be exposed to restrictions, sanctions or other legal or regulatory measures in different jurisdictions. The increasingly stringent regulatory environment and policies such as market entry, licence issuance, may bring risks and challenges to the Group's business development and revenue growth.

   CTM and Macau Government entered into a supplemental agreement to the Concession Agreement to extend the term of the Concession Agreement for nine months from 1 January 2024 to 30 September 2024 (the "Extension Period"). During the Extension Period, CTM and Macau Government will continue to negotiate on the arrangement upon expiry of the Extension Period. Additionally, due to changes in various external factors, some customers made corresponding adjustments to their businesses in the second half of last year, resulting in relatively large decrease in revenue from messaging services. The Group will adapt to the changing regulatory environment and take appropriate measures to mitigate the impact of policy risks on business operations.

4. **Natural disasters or events and terrorism**

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

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

FIVE YEAR SUMMARY

	As at 31 December				
	2019 HK$ million	2020 HK$ million	2021 HK$ million	2022 HK$ million	**2023** **HK$ million**
Assets and liabilities					
Investment property	648	639	667	676	**726**
Property, plant and equipment	2,435	2,705	2,625	2,323	**1,989**
Right-of-use assets	695	706	654	599	**454**
Intangible assets	1,385	1,219	1,064	932	**824**
Goodwill	9,713	9,733	9,721	9,710	**9,717**
Interest in a joint venture	9	9	11	10	**11**
Non-current contract assets	36	31	23	26	**27**
Non-current contract costs	–	–	25	28	**24**
Non-current finance lease receivables	–	–	5	9	**5**
Non-current other receivables	112	181	103	150	**145**
Deferred tax assets	66	77	72	74	**63**
Net current assets	1,027	816	755	844	**831**
Defined benefit plan obligations	(60)	(29)	(12)	(61)	**(48)**
Deferred tax liabilities	(233)	(226)	(211)	(172)	**(146)**
Other non-current liabilities	(6,408)	(6,052)	(5,326)	(4,677)	**(3,758)**
NET ASSETS	9,425	9,809	10,176	10,471	**10,864**
Capital and reserves					
Share capital	4,628	4,646	4,704	4,720	**4,756**
Reserves	4,748	5,105	5,391	5,653	**6,000**
Total equity attributable to equity shareholders of the Company	9,376	9,751	10,095	10,373	**10,756**
Non-controlling interests	49	58	81	98	**108**
TOTAL EQUITY	9,425	9,809	10,176	10,471	**10,864**
Net debt					
Total debt[1]	6,278	5,868	5,446	4,520	**3,934**
Less: Cash and deposits	(1,313)	(1,519)	(1,793)	(1,986)	**(1,726)**
Net debt	4,965	4,349	3,653	2,534	**2,208**

	For the year ended 31 December				
	2019 HK$ million	2020 HK$ million	2021 HK$ million	2022 HK$ million	**2023** **HK$ million**
Results					
Revenue	9,014	8,923	9,486	10,111	**9,987**
Profit before taxation	1,249	1,263	1,355	1,496	**1,505**
Income tax	(229)	(224)	(248)	(272)	**(253)**
Profit for the year	1,020	1,039	1,107	1,224	**1,252**
Attributable to:					
Equity shareholders of the Company	1,002	1,023	1,076	1,191	**1,231**
Non-controlling interests	18	16	31	33	**21**
Profit for the year	1,020	1,039	1,107	1,224	**1,252**
Basic earnings per share (HK cents)	27.5	27.9	29.3	32.3	**33.3**
Diluted earnings per share (HK cents)	27.4	27.9	29.2	32.3	**33.3**
Dividends per share					
Interim dividend (HK cents)	5.0	5.0	5.5	6.0	**6.0**
Final dividend (HK cents)	15.0	16.0	17.0	18.5	**19.3**
Total dividends per share (HK cents)	20.0	21.0	22.5	24.5	**25.3**

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

CORPORATE GOVERNANCE

KEY CORPORATE GOVERNANCE PERFORMANCE OVERVIEW

BOARD

- **The Board**
  Effective Board control for the best interest of the shareholders of the Company
- **Composition**
  Sufficient independent Board members to exercise independent objective judgements
- **Chairman & Chief Executive Officer ("CEO")**
  Clear segregation between the responsibilities of Chairman and CEO

EFFECTIVENESS

- **Board Performance**
  Active participation in Board matters and invaluable contribution to key issues of the Company
- **Remuneration Policy**
  Competitive reward system to reward the directors and key management

SHAREHOLDERS

- **Communications**
  Maintain regular, effective and fair communication with shareholders
- **General Meetings**
  Attended by committees' chairman and/or members

ACCOUNTABILITY

- **Internal Control**
  Independent internal control function
- **Risk Management**
  Maintain sound risk management system to safeguard shareholders' interests and the Group's assets

CORPORATE GOVERNANCE PRACTICES

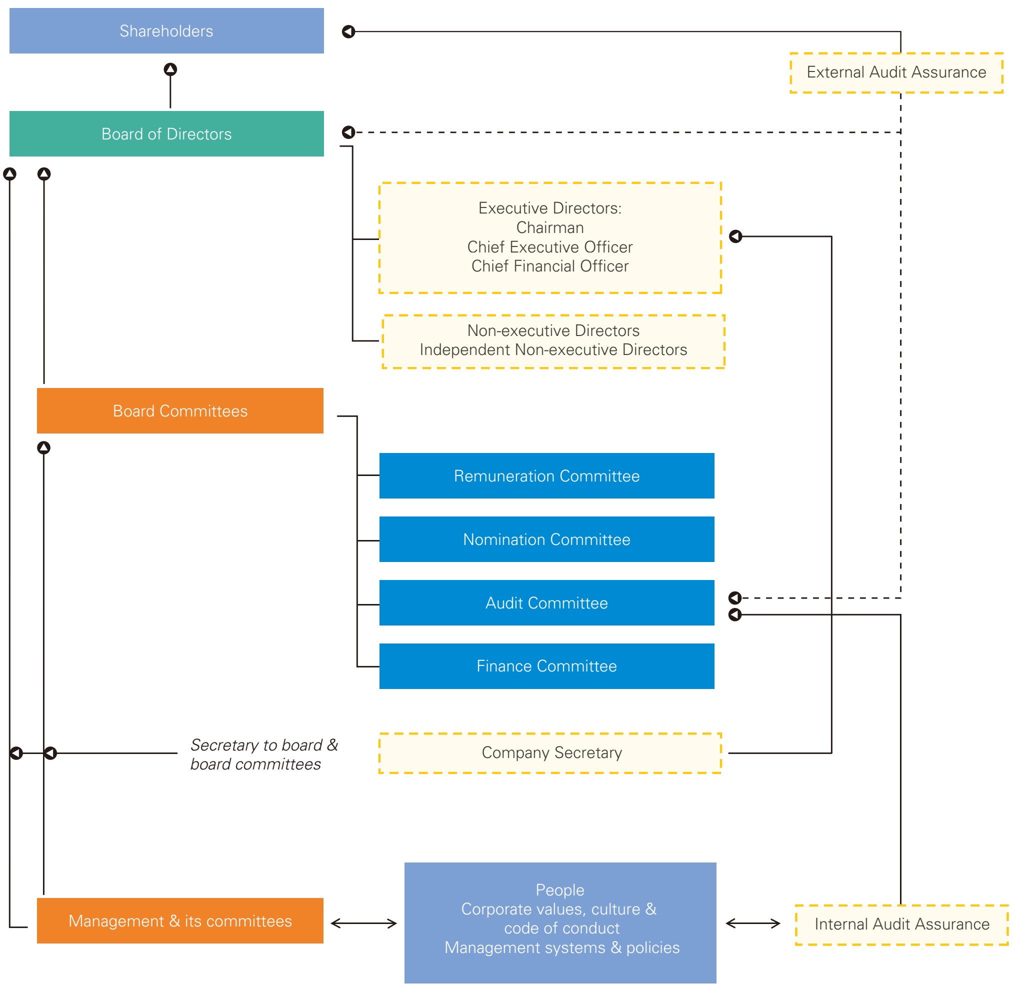
The Company is committed to maintaining high standards of corporate governance. The board of directors of the Company (the "Board") believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. At CITIC Telecom, we attach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

This report describes how the Company has applied its corporate governance practices to its everyday activities. Save as disclosed below, the Company has fully complied with the applicable code provisions in the Corporate Governance Code (the "Code") set out in Part 2 of Appendix C1 (effective from 31 December 2023, formerly known as Appendix 14) of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2023. In respect of the code provision C.1.6 of the Code, Messrs. Wang Guoquan and Liu Jifu were unable to attend the annual general meeting of the Company held on 24 May 2023 due to other business commitments. Also, as disclosed in the 2023 Interim Report of the Company, following the resignation of Mr. Cai Dawei with effect from 31 March 2023, the Company is in the process of identifying a suitable person to fill the position of Chief Executive Officer and shall make further announcement as appropriate. Until the appointment of the new Chief Executive Officer, the management team, including the executive directors, of the Company will continue to oversee the day-to-day management of the business and operations of the Company and its subsidiaries.

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

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STRUCTURE FOR THE YEAR ENDED 31 DECEMBER 2023

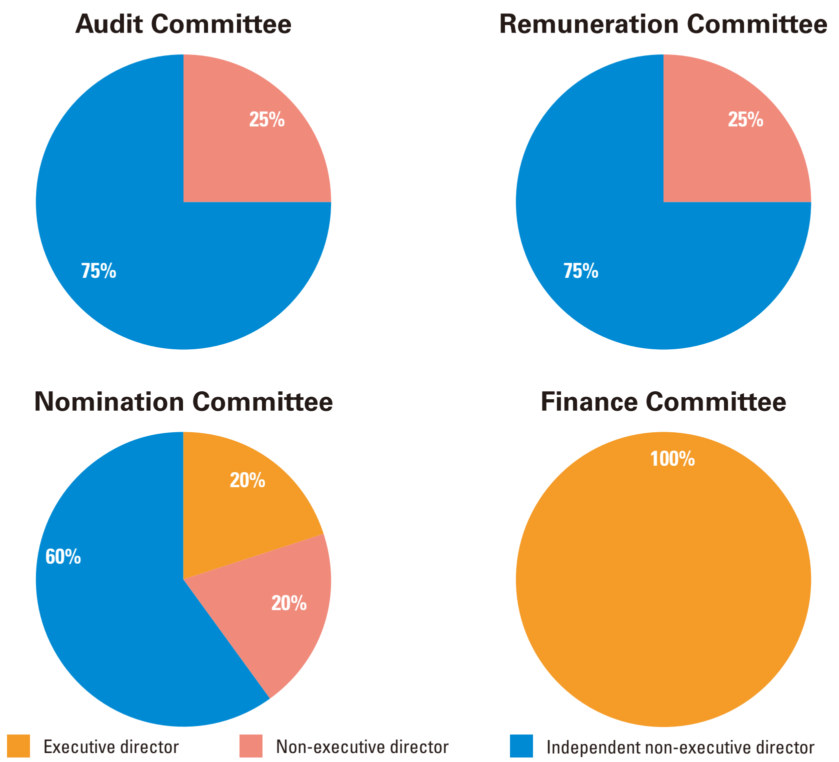


BOARD OF DIRECTORS

Key features of our Board

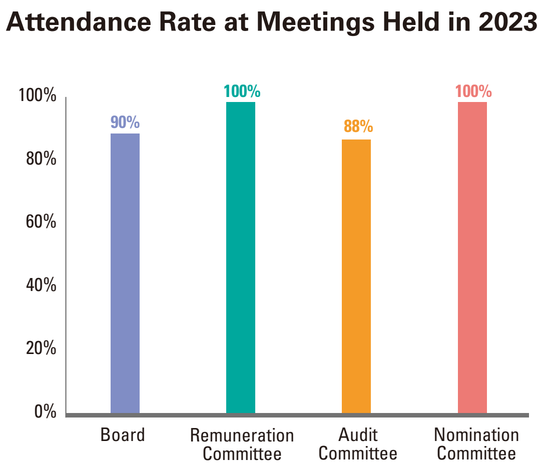
Independence

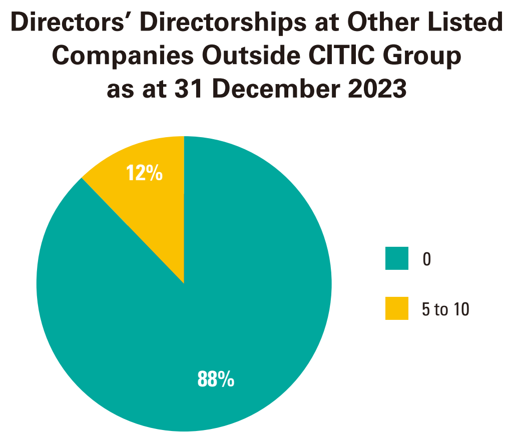
The Company emphasises on independence and objectivity of the Board and all committees. The Board currently consists of two executive directors, three non-executive directors and three independent non-executive directors. With the services of all Board members, the Board would have a prudential oversight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



Commitment

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





CORPORATE GOVERNANCE

Attendance at Meetings

The following table summarises directors' attendance at Board and committee meetings and general meetings held in 2023:

✔ Attended ✘ Absent – Not Applicable

	Meetings Held/Attended				
	BOARD (Total: 5)	**REMUNERATION COMMITTEE** (Total: 2)	**AUDIT COMMITTEE** (Total: 2)	**NOMINATION COMMITTEE** (Total: 2)	**GENERAL MEETING (Note 7)** (Total: 1)
Executive Directors					
Mr. Xin Yue Jiang (Note 1) – Chairman	✔✔✔✔–	– –	– –	✔ –	✔
Mr. Luo Xicheng (Note 2) – Chairman	– – – –✔	– –	– –	– ✔	–
Mr. Cai Dawei (Note 3) – Chief Executive Officer	✘ – – – –	– –	– –	– –	–
Mr. Luan Zhenjun – Chief Financial Officer	✔✔✔✔✔	– –	✔✔(Note 4)	– –	✔
Non-executive Directors					
Mr. Wang Guoquan (Note 5)	✔✘✘✘–	– –	– –	– –	✘
Mr. Zhang Bo (Note 6)	– – – –✔	– –	– –	– –	–
Mr. Liu Jifu	✔✔✔✔✔	✔✔	– –	✔✔	✘
Mr. Fei Yiping	✔✔✔✔✔	– –	✔✘	– –	✔
Independent Non-executive Directors					
Mr. Zuo Xunsheng	✔✔✔✔✔	✔✔	✔✔	✔✔	✔
Mr. Lam Yiu Kin	✔✔✔✔✔	✔✔	✔✔	✔✔	✔
Mr. Wen Ku	✔✔✔✔✔	✔✔	✔✔	✔✔	✔

Notes:

1. Mr. Xin Yue Jiang retired as the Chairman of the Board and an executive director of the Company, and ceased to be the chairman and a member of Nomination Committee and a member of Finance Committee, with effect from 27 October 2023.

2. Mr. Luo Xicheng was appointed as the Chairman of the Board and an executive director of the Company, the chairman and a member of the Nomination Committee and a member of Finance Committee, with effect from 27 October 2023.

3. Mr. Cai Dawei resigned as an executive director and Chief Executive Officer of the Company, and ceased to be a member of the Finance Committee, with effect from 31 March 2023.

4. Mr. Luan Zhenjun also attended the Audit Committee meetings as the Chief Financial Officer of the Company.

5. Mr. Wang Guoquan resigned as a non-executive director of the Company with effect from 1 December 2023.

6. Mr. Zhang Bo was appointed as a non-executive director of the Company with effect from 1 December 2023.

7. The Company's external auditor also attended the 2023 AGM.

Overall Accountability

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

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

Roles of the Board

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

Board Composition

The Board currently comprises two executive directors and six non-executive directors of whom three are independent as defined in the Listing Rules. Brief biographical particulars of the current directors are set out on pages 66 to 68 of this Annual Report.

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

Each director has entered into an appointment letter with the Company. According to Article 95 of the Articles of Association of the Company, any director appointed by the Board either to fill a casual vacancy or as an additional director is subject to re-election at the next general meeting of the Company. Also, according to Article 104(A) of the Articles of Association of the Company, one-third of the directors for the time being, or, if their number is not a multiple of three, then the number nearest to one-third, must retire from office at each annual general meeting ("AGM"). Thus, every director, including the non-executive directors, shall be subject to retirement by rotation at least once every three years. These directors are eligible for re-election. Their re-election is subject to a vote of the shareholders and separate resolutions are proposed for the election of each director.

During the year of 2023,

(i) Mr. Xin Yue Jiang retired as the Chairman of the Board and an executive director of the Company with effect from 27 October 2023 and Mr. Luo Xicheng was appointed as the Chairman of the Board and an executive director of the Company in his stead; and

(ii) Mr. Wang Guoquan resigned as a non-executive director of the Company with effect from 1 December 2023 and Mr. Zhang Bo was appointed as a non-executive director of the Company in his stead.

CORPORATE GOVERNANCE

As Mr. Luo Xicheng and Mr. Zhang Bo were appointed by the Board as directors of the Company subsequent to the 2023 AGM, in accordance with Article 95 of the Articles of Association of the Company, they will hold office only until the forthcoming AGM of the Company (the "2024 AGM") and will be eligible for re-election at the 2024 AGM.

According to Article 104(A) of the Articles of Association of the Company, Mr. Luan Zhenjun and Mr. Wen Ku will retire by rotation at the 2024 AGM and, being eligible, offer themselves for re-election.

Board Diversity and Balance

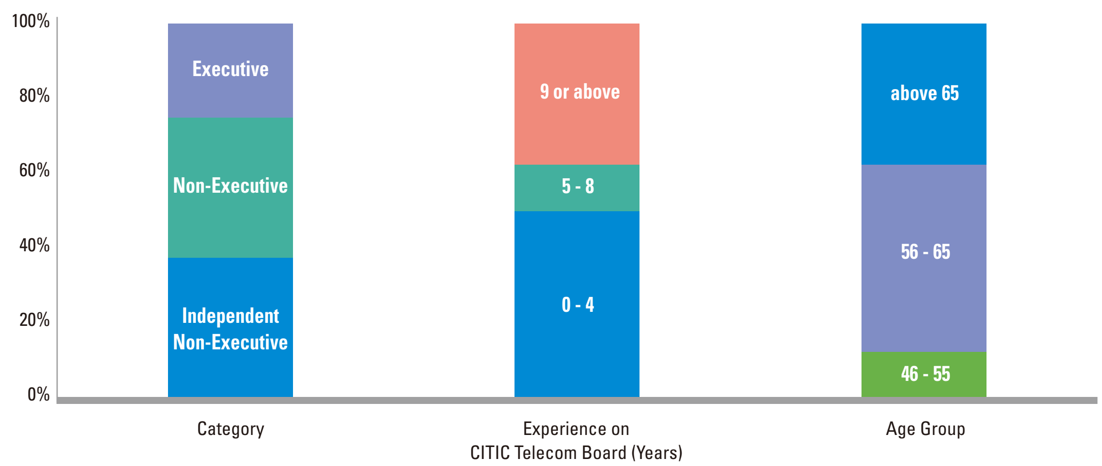
The Company believes that diversity in all aspects, including experience and expertise, provides the Company with a high level of corporate governance and penetrating insights into the Company's businesses and industry. The Company continues to promote and support diversity and balance of the Board to strengthen performance, promote effective decision-making and better corporate governance and monitoring.

The board diversity policy of the Company sets out the approach to achieve a diverse Board which will include and make good use of the differences in skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of service and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board. All Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard to the overall effective functioning of the Board as a whole and for the benefits of diversity on the Board.

Directors of the Company are of diverse academic background in the areas of telecommunications, engineering, science, accounting, economics, business administration and management and treasury management. The Company believes that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business.

The Nomination Committee will review the implementation of the Company's board diversity policy on annual basis to ensure its continued effectiveness. The Company will take steps to promote gender diversity at all levels of the Company, including but not limited to the Board and senior management levels. The Company will also continue to take initiatives to identify suitable candidates and use its best endeavours to ensure that at least one female director will be appointed by 31 December 2024 and to develop a pipeline of potential successors so as to achieve the gender diversity at the Board level.

Board Diversity Statistics
as at 31 December 2023



Board Meetings and Attendance

The Board meets regularly to review the financial and operating performance of the Group and to discuss future strategy. Five Board meetings were held in 2023. At the Board meetings, the Board reviewed significant matters including, inter alia, the Group's annual and interim financial statements, annual budget, proposals for final and interim dividends, annual report and interim report, changes to the directors and company secretary of the Company, the risk management report, the Company's Environment, Social and Governance ("ESG") matters and the adoption of internal control policies. At least 14 days' notice is given to all directors for all regular Board meetings and all directors are given the opportunity to include matters for discussion in the agenda. The agenda and Board papers for each meeting are sent to all directors more than 3 days in advance of every regular Board meeting. All minutes of the Board meetings are kept by the company secretary of the Company and are available to all directors for inspection.

The attendance record of each director at the Board meetings in 2023 is set out in the table on page 50 of this Annual Report.

Board Responsibilities and Delegation

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

The Board has delegated some of its functions to the Board committees. Details of the responsibilities, membership, attendance and activities during the year of each Board committee are set out on pages 49 to 58 of this Annual Report. Matters specifically reserved for the Board include approval of financial statements, dividend policy, significant changes in accounting policies, material contracts, changes to appointments such as company secretary and external auditor, terms of reference of Board committees, as well as major corporate policies.

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

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

Chairman and Chief Executive Officer

Mr. Xin Yue Jiang retired as the Chairman of the Board and Mr. Luo Xicheng was appointed as the Chairman of the Board in his stead with effect from 27 October 2023. Also, Mr. Cai Dawei resigned as the Chief Executive Officer of the Company with effect from 31 March 2023. The Chairman and Chief Executive Officer have segregated defined responsibilities whereby the Chairman is primarily responsible for leadership and effective functioning of the Board, ensuring all key and appropriate issues are addressed by the Board in a timely manner, as well as providing strategic direction of the Group, and also take primary responsibility for ensuring good corporate governance practices and procedures are established. The Chief Executive Officer is responsible for the day-to-day management of the Group and the effective implementation of corporate strategy and policies. Their respective roles and responsibilities are set out in writing, which have been approved and adopted by the Board.

Following the resignation of Mr. Cai Dawei with effect from 31 March 2023, the Company is in the process of identifying a suitable person to fill the position of Chief Executive Officer and shall make further announcement as appropriate. Until the appointment of the new Chief Executive Officer, the management team, including the executive directors, of the Company, will continue to oversee the day-to-day management of the business and operations of the Company and its subsidiaries.

Directors' Continuing Professional Development Programme

Each newly appointed director is provided with necessary induction and information to ensure that he has a proper understanding of the Group's operations and businesses as well as his responsibilities as a director of the Company under the Listing Rules and other relevant statutes, laws, rules and regulations. Mr. Luo Xicheng and Mr. Zhang Bo, directors of the Company appointed during the year ended 31 December 2023, each attended an induction briefing session conducted by qualified solicitor and confirmed he understood his obligations as a director of the Company.

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

According to the records of the directors' participation in the continuous professional development programme kept by the Company, a summary of training received by the directors for the year ended 31 December 2023 is as follows:

Directors	Type of continuous professional development programme
Executive Directors	
Mr. Xin Yue Jiang (retired with effect from 27 October 2023)	B, C
Mr. Luo Xicheng (appointed with effect from 27 October 2023)	A, B, C
Mr. Cai Dawei (resigned with effect from 31 March 2023)	C
Mr. Luan Zhenjun	A, B, C
Non-executive Directors	
Mr. Wang Guoquan (resigned with effect with 1 December 2023)	B, C
Mr. Zhang Bo (appointed with effect with 1 December 2023)	A, B, C
Mr. Liu Jifu	A, B, C
Mr. Fei Yiping	A, B, C
Independent Non-executive Directors	
Mr. Zuo Xunsheng	A, B, C
Mr. Lam Yiu Kin	A, B, C
Mr. Wen Ku	A, B, C

Notes:

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

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

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

BOARD COMMITTEES

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

Remuneration Committee

The principal role of the Remuneration Committee is to determine and review the remuneration packages of individual executive directors and senior management, including salaries, bonuses and share options, if any, etc. The Remuneration Committee reviews and approves the management's remuneration proposals with reference to the Board's corporate goals and objectives and considers salaries paid by comparable companies, time commitment, responsibilities and performance and employment conditions elsewhere in the Group, so as to align management incentives with shareholders' interests. In addition, the Remuneration Committee reviews and/or approves matters relating to share schemes under Chapter 17 of the Listing Rules.

The terms of reference setting out the Remuneration Committee's authority and its role and responsibilities are available on the Company's website (www.citictel.com) and the Stock Exchange's website.

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

Membership and Attendance

Members	**Attendance/ Number of Meeting**
Independent Non-executive Directors	
Mr. Zuo Xunsheng – *Chairman*	2/2
Mr. Lam Yiu Kin	2/2
Mr. Wen Ku	2/2
Non-executive Director	
Mr. Liu Jifu	2/2

The Remuneration Committee held two meetings during the year. The agenda and accompanying committee papers were sent to the committee members more than 3 days prior to each meeting. The company secretary of the Company serves as the secretary of the committee and prepared full minutes with details of discussions and decisions reached. The draft and final versions of minutes were sent to all committee members within a reasonable time after each meeting.

In 2023, the Remuneration Committee has reviewed and approved the remuneration of the newly appointed executive director. The Committee has also reviewed the remuneration policies and the remuneration proposals and approved, inter alia, the salaries and bonuses of the Chairman, Chief Financial Officer, senior management and the general staff. The Remuneration Committee has communicated with the Chairman of the Company about the remuneration proposals relating to other executive directors. No director took part in any discussion about his own remuneration.

Directors' emoluments and post-employment benefits are disclosed on pages 183 to 184 and pages 208 to 213 of this Annual Report. Share options granted under the Company's share option plan are disclosed on pages 80 to 81 and pages 214 to 216 of this Annual Report.

CORPORATE GOVERNANCE

The remuneration paid to the directors of the Company, by name, for the year ended 31 December 2023 is set out in note 7 to the financial statements. The remuneration paid to the senior management, by band, for the year ended 31 December 2023 is set out below:

Remuneration of senior management other than directors paid/payable during the year ended 31 December 2023

Total Remuneration Bands – Year 2023	Number of Executives
HK$0 – HK$3,000,000	1
HK$3,000,001 – HK$6,000,000	1
HK$12,000,001 – HK$15,000,000	1

Remuneration Policy

The Group is committed to providing a fair and competitive employee remuneration package that will attract, motivate, retain and reward employees at all levels. The Remuneration Policy has been established and implemented to support the Group's strategic development. The policy is set out in the Sustainability Report on page 108 of this Annual Report. Remuneration policy and recommendation will be annually reported to the Remuneration Committee for approval.

Audit Committee

The Audit Committee reviews financial information of the Group, monitors the effectiveness of the external audit and oversees the appointment, remuneration and terms of engagement of the Company's external auditor, as well as their independence. The Audit Committee is also responsible for reviewing the financial reporting process and the systems of risk management and internal controls, including the internal audit function as well as arrangements for concerns raised by the staff on financial reporting and other matters. The Board also delegated certain corporate governance functions to the Audit Committee, including, inter alia, the review and monitoring of the Company's policies and practices on compliance with legal and regulatory requirement, the code of conduct of the Company and the Company's policies and practices on corporate governance and its compliance with the Code and disclosures in the Corporate Governance Report, etc. In addition, the Board has also delegated ESG management duties to the Audit Committee, which include reviewing and developing the Company's policies and practices on ESG, overseeing the evaluation and management of ESG-related issues, reviewing and monitoring the progress made against ESG-related goals and targets and the Company's compliance with the Listing Rules on disclosure of ESG-related issues in the Sustainability Report. In addition, in order to strengthen the coordination and leadership of the ESG-related issues, the ESG working group comprising the Chairman of the Company as chairman, the Chief Executive Officer as vice chairman and other management members as group members was established in May 2022.

The Audit Committee meets at least twice a year. The Chief Financial Officer and the external and internal auditors attend the meetings, take part in the discussions and answer questions from the committee members. By invitation of the Audit Committee, other directors and senior executives may also attend the meetings. Sufficient resources are made available to the committee when independent legal or professional advice is required.

The terms of reference of the Audit Committee setting out the committee's authority and its role and responsibilities are available on the Company's website (www.citictel.com) and the Stock Exchange's website.

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

Membership and Attendance

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

The Audit Committee held two meetings in 2023. The agenda and accompanying committee papers were sent to the committee members more than 3 days prior to each meeting. The company secretary of the Company serves as the secretary of the committee and prepared full minutes with details of discussions and decisions reached. The draft and final versions of minutes were sent to all committee members within a reasonable time after each meeting.

In 2023, the Audit Committee discussed with the management and the external auditor on the key audit matters summarised below and procedures performed by the external auditor. Please refer to pages 142 to 144 of this Annual Report for details of procedures performed by the external auditor.

Key Audit Matters	**How did the Audit Committee address the matters**
Impairment assessment of goodwill	The Audit Committee considered the methodology, estimates and assumptions used in assessing the impairment of goodwill. The Audit Committee was satisfied that the methodology, estimates and assumptions adopted were considered appropriate.
Use of complex IT system in revenue recognition	The Audit Committee considered the implemented policies and internal controls in connection with the Group's revenue cycles and was satisfied that adequate internal controls are in place to ensure the accuracy, existence and completeness of the Group's revenue recognition. The Audit Committee was satisfied that the key internal controls were operating effectively throughout 2023.

During 2023, the Audit Committee has considered, inter alia, the external auditor's proposed audit fees; discussed with the external auditors their independence and the nature and scope of the audit; reviewed the interim and annual financial statements of the Group, particularly judgmental areas, before submission to the Board; reviewed the risk management and internal control system and the internal audit plan, findings and management's response; reviewed the anti-corruption policy and whistle-blowing policy; reviewed the pre-approval policy for "non-assurance services"; reviewed the Group's adherence to the code provisions in the Code and reviewed the risk management report before submitting to the Board for approval. The Audit Committee reviewed the Group's Sustainability Report to ensure compliance with regulatory requirements. The Audit Committee recommended the Board to adopt the interim and annual financial statements for 2023. The Audit Committee has also performed the corporate governance duties and the ESG management duties as set out in its terms of reference.

Nomination Committee

The Nomination Committee is authorised by the Board to determine the policy for the nomination of directors, to set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship. The Nomination Committee is also responsible for reviewing the structure, size and diversity of the Board.

The terms of reference setting out the Nomination Committee's authority and its role and responsibilities are available on the Company's website (www.citictel.com) and the Stock Exchange's website.

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

Membership and Attendance

Members	Attendance/ Number of Meetings
Executive Directors	
Mr. Luo Xicheng – *Chairman* (appointed with effect from 27 October 2023)	1/2
Mr. Xin Yue Jiang – *Chairman* (retired with effect from 27 October 2023)	1/2
Non-executive Director	
Mr. Liu Jifu	2/2
Independent Non-executive Directors	
Mr. Zuo Xunsheng	2/2
Mr. Lam Yiu Kin	2/2
Mr. Wen Ku	2/2

The Nomination Committee held two meetings in 2023. The agenda and accompanying committee papers were sent to the committee members more than 3 days prior to each meeting. The company secretary of the Company serves as the secretary of the committee and prepared full minutes with details of discussions and decisions reached. The draft and final versions of minutes were sent to all committee members within a reasonable time after each meeting.

In 2023, the Nomination Committee reviewed the director nomination policy. The Nomination Committee has also reviewed and made recommendations to the Board on the appointment of new directors and has assessed the independence of independent non-executive directors and made recommendations to the Board on the re-election of the directors retiring at the 2023 AGM. The recommendations were made after considering the composition of the Board, the director nomination policy and the board diversity policy of the Company, with due regard to the overall effective function of the Board as a whole. The relevant members of the Nomination Committee abstained from voting when his own nomination was being considered. The Nomination Committee also reviewed the structure, size and diversity of the Board and discussed the measurable objectives, including knowledge, appropriate professional qualifications, relevant business background and experience, skills, related management expertise and agreed that these measurable objectives were achieved for the diversity on the Board which contributed to the corporate strategy and the business development of the Company.

Finance Committee

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

The Finance Committee currently comprises two executive directors, namely, Mr. Luo Xicheng and Mr. Luan Zhenjun. In 2023, a few resolutions in writing were passed by the Finance Committee to approve the financial transactions of the Company such as acceptance of banking facilities.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

The responsibilities of the external auditor with respect to the financial statements for the year ended 31 December 2023 are set out in the Independent Auditor's Report on pages 141 to 146 of this Annual Report.

External Auditors and their Remuneration

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

During the year, the fees charged by PwC for the audit of the Company and its subsidiaries amounted to approximately HK$6,000,000. In addition, approximately HK$5,000,000 was charged by PwC for non-audit services. The non-audit services mainly consist of taxation services, interim review, advisory and other professional services. The fees charged by other auditors of the Group for audit services and non-audit services during the year amounted to approximately HK$2,000,000 and less than HK$1,000,000 respectively.

Risk Management and Internal Control

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

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk management and internal control system features

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

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

Management process for significant risks

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

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

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

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

The Group's significant risks can be found in the "Risk Management" section on pages 36 to 44 of this Annual Report.

Monitoring the effectiveness of risk management and internal control system

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

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

- The management assessed and considered the adequacy of the resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit, financial reporting functions, as well as those relating to the ESG performance and reporting.

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

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

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

Internal Audit

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

BUSINESS ETHICS

Cultures and Values

Our core value is "Wisdom and Integrity for Fostering Prosperity" (智德興業). The Group is committed to adhere to high standards of corporate integrity. The Group has formulated and implemented a series of relevant policies and mechanism to foster our core value and corporate culture. Our employees are clearly communicated and well educated to strictly comply with all legal regulations and policies.

Code of conduct

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

Anti-corruption policy

Employees are expected to conduct business legitimately and ethically and are prohibited from accepting, offering, promising or payment of bribes from or to any individual or companies.

The Company has established an anti-corruption policy which sets out the responsibilities of all business units and employees of the Group to comply with the applicable anti-corruption laws, rules and regulations. While the Group has set in place policies, procedures, codes and guidelines to ensure that the highest standards of conduct and integrity are observed by employees, employees may still be aware of malpractice within the Group during employment. It is the obligation of all employees to report it in accordance with the procedures set out in the anti-corruption policy and the whistle-blowing policy.

Whistle-blowing policy

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

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

Inside Information/Price-Sensitive Information

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

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix C3 (effective from 31 December 2023, formerly known as Appendix 10) of the Listing Rules. All directors confirmed that they have complied with the required standard set out in the Model Code throughout 2023. The interests held by individual directors in the Company's securities at 31 December 2023 are set out in the Directors' Report on pages 81 to 82 of this Annual Report.

Good Employment Practices

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

The Board currently has no female director. The Board would continue to take initiatives to identify suitable candidates so as to appoint at least one female director no later than 31 December 2024.

Gender diversity at workforce levels (including our senior management) is disclosed in the Sustainability Report on pages 105 to 106 of this Annual Report. The Group will regularly review our gender diversity in accordance with the relevant rules, market trend and business need.

COMMUNICATION WITH SHAREHOLDERS

The Company considers effective communication with shareholders essential to enable them to have a clear assessment of the Group's performance as well as accountability of the Board. The shareholders' communication policy was adopted by the Company and is regularly reviewed. The Company considered that with multiple channels of communication, the shareholders' communication policy has been implemented effectively during the year. Major means of communication with shareholders of the Company are as follows:

Information Disclosure on Corporate Website

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

During 2023, the Company has issued announcements in respect of, inter alia, connected transactions, changes to the Board and company secretary and inside information, which can be viewed on the Company's website (www.citictel.com).

Dividend Policy

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

General Meetings with Shareholders

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

Voting by Poll

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

Investor Relations

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

Shareholders' Rights

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

Convening of general meeting

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

The request –

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

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

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

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

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

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

Procedures for directing shareholders' enquiries to the Board

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

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

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

Procedures for putting forward proposals at general meetings by shareholders

- Circulating a resolution for an AGM

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

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

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

  The request –

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

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

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

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

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

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

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

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

  The request –

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

  (b) must identify the statement to be circulated;

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

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

- Proposing a candidate for election as a Director

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

Constitutional Documents

There are no changes in the constitutional documents of the Company in 2023.

Non-Competition Undertaking

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

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

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

#^ **Mr. Luo Xicheng**, aged 57, has been appointed as the Chairman of the Board of Directors and an executive director of the Company from 27 October 2023. Mr. Luo is also the Chairman of Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") and CITIC Telecom International CPC Limited ("CPC"), both being subsidiaries of the Company. Mr. Luo obtained a Bachelor degree of Management and a Master degree of Economics. He joined in succession large state-owned enterprises in the fields of information, aviation and electronics and government research and decision-making consulting institutions as engineer, department executive and deputy chief engineer. Mr. Luo possesses extensive theoretical knowledge and practical experience and he has excellent capabilities in macro decision-making, comprehensive management, and planning and coordination. Mr. Luo keeps abreast of development trends of electronic information and has in-depth understanding in the economic development and technological innovation in the Guangdong-Hong Kong-Macao Greater Bay Area. Mr. Luo had also participated in the planning, design, and construction of many important state engineering projects. The scientific research projects he led and participated in had repeatedly won national and provincial awards. The research results and consulting reports of many major topics that he presided over had been adopted by relevant government departments.

^ **Mr. Luan Zhenjun**, aged 57, has been an executive director and Chief Financial Officer of the Company since 1 February 2022. He is also a director of CTM and CPC, and a Vice Chairman of China Enterprise ICT Solutions Limited ("CEC", a subsidiary of the Company). Prior to joining the Group, Mr. Luan was the Vice President, Treasurer of CITIC Pacific Limited[2] and a director of CITIC Pacific, certain member companies of CITIC Pacific, CITIC Pacific Special Steel Group Co., Ltd[7], certain member companies of CITIC Limited[3,9] and Dah Chong Hong Holdings Limited[8]. Mr. Luan is still a director of CITIC Finance Company Limited[5] and CITIC Finance International Limited[5]. The handover and resignation procedures in relation to these positions of Mr. Luan are in progress[Note]. Mr. Luan was also the deputy director-general of the finance department of CITIC Group Corporation[1] and the Vice President of the treasury department of CITIC Limited[3,9]. Mr. Luan has over 22 years of experience in treasury management.

Note: The above information is updated to the latest practicable date prior to the printing of this Annual Report. As for the changes after that date, the Company will make disclosures in 2024 Interim Report in accordance with the requirements of Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Non-Executive Directors

Mr. Zhang Bo, aged 52, has been a director of the Company since 1 December 2023. Mr. Zhang is currently the General Manager of Information Technology Management Department of CITIC Group. Mr. Zhang graduated from Beijing Union University with a Bachelor of Science degree and is an assistant engineer. Mr. Zhang had worked in the Information Technology Center of CITIC Securities Company Limited[5,9,11] since October 1998, and served successively as Project Director, Senior Vice President, Director and Executive General Manager. He became the Deputy General Manager of Information Technology Management Department of CITIC Group in April 2016, and was appointed as the General Manager in May 2018. Mr. Zhang has extensive experience in information technology management.

Δ# **Mr. Liu Jifu**, aged 80, has been a director of the Company since November 2010. He is also the Chairman of the Supervisory Board of CTM. Mr. Liu is a director of CITIC Pacific, CITIC Hong Kong (Holdings) Limited[6] and CITIC International Financial Holdings Limited[4]. Mr. Liu previously served as an executive director of CITIC Limited[9]. He was with the Financial and Economics Research Institute in the Chinese Academy of Social Sciences, an executive director of China Everbright Group Limited, and the Chairman of China Everbright Travel Inc and China PINGHE Import & Export Co., Ltd.

* **Mr. Fei Yiping**, aged 60, has been a director of the Company since June 2016. He is also a non-executive director of Frontier Services Group Limited[9], an executive director and general manager of Rainbow Wisdom Investments Limited[4], a director of CITIC Finance Company Limited[5] and CTM, and a director of certain member companies of CITIC Limited[3,9] involved in iron ore mining and its interests in McDonald's Chinese mainland and Hong Kong businesses (including, inter alia, Grand Foods Holdings Limited), and also the Chairman of the Audit, Compliance and Risk Management Committee of Grand Foods Holdings Limited. Mr. Fei was a director and the chief financial officer of CITIC Pacific, a Vice Chairman and President of CITIC Pacific China Holdings Limited[6], a director of Dah Chong Hong, a director of certain member companies of CITIC Pacific involved in special steel, energy, property and medical, and a director of certain member companies of CITIC Limited[3,9] involved in property. He was also a non-executive director of the Company during the period from January 2010 to February 2013. Mr. Fei is a graduate from Beijing Science and Technology University and received a Master in Business Administration from the University of Edinburgh in the United Kingdom. Mr. Fei is a FCPA of CPA Australia. He has over 27 years experience in accounting and financial management. He has been with CITIC Group since 1991. Between 2001 and 2008, Mr. Fei first acted as treasurer and director of CitiSteel USA, Inc. and then as vice president of CITIC USA Holdings, Inc. and chief representative of CITIC Group in New York. When he returned to China in 2008, he became deputy director-general of the finance department of CITIC Group.

Independent Non-Executive Directors

*Δ# **Mr. Zuo Xunsheng**, aged 73, joined the Company as an independent non-executive director in April 2014. He obtained an EMBA degree from Guanghua School of Management of Peking University in 2004. From July 1993 to October 1997, Mr. Zuo served as the Director of the former Bureau of Telecommunications of Jinan City, Shandong Province. From October 1997 to May 2000, he served as the Director of the former Posts and Telecommunications Bureau of Shandong Province. He was the President of the former Shandong Telecommunications Company from May 2000 to April 2002.

Mr. Zuo served as the Vice President of China Network Communications Group Corporation from April 2002 to May 2008. He was the Senior Vice President of China Netcom Group Corporation (Hong Kong) Limited ("CNC HK") since July 2004; Chief Operating Officer of CNC HK since December 2005; an Executive Director and Chief Executive Officer of CNC HK from May 2006 to October 2008 and Chairman of CNC HK from May 2008 to October 2008. From October 2008 to March 2011, Mr. Zuo was the Vice Chairman and Vice President of China United Network Communications Group Company Limited; Director and Senior Vice President of China United Network Communications Corporation Limited; and Director of China United Network Communications Limited[11]. Mr. Zuo also served as an Executive Director of China Unicom (Hong Kong) Limited[9] from October 2008 to March 2011.

In addition, Mr. Zuo served as a Non-Executive Director and Deputy Chairman of PCCW Limited[9] from July 2007 to November 2011. Mr. Zuo is well experienced in telecommunications operations and has rich management experience.

*Δ# **Mr. Lam Yiu Kin**, aged 69, joined the Company as an independent non-executive director in June 2017. Mr. Lam is a fellow member of each of the Association of Chartered Certified Accountants, the Institute of Chartered Accountants in England and Wales, the Chartered Accountants of Australia and New Zealand, and Hong Kong Institute of Certified Public Accountants ("HKICPA"). He graduated from The Hong Kong Polytechnic University with a higher diploma in Accountancy in 1975. He was conferred an Honorary Fellow of The Hong Kong Polytechnic University in 2002.

Mr. Lam has over 48 years of extensive experience in accounting, auditing and business consulting. Mr. Lam was previously a member of the Listing Committee and the Financial Reporting Advisory Panel of the Stock Exchange from 1997 to 2003, a committee member of HKICPA from 1994 to 2009, and a partner of PricewaterhouseCoopers from 1993 to 2013. Mr. Lam was an adjunct professor in the School of Accounting and Finance of The Hong Kong Polytechnic University from 2008 to 2016.

Mr. Lam is currently an independent non-executive director of each of (i) Global Digital Creations Holdings Limited[10]; (ii) Spring Asset Management Limited as the manager of Spring Real Estate Investment Trust[9]; (iii) Shougang Century Holdings Limited[9]; (iv) COSCO SHIPPING Ports Limited[9]; (v) Nine Dragons Paper (Holdings) Limited[9]; and (vi) Topsports International Holdings Limited[9]. Mr. Lam was an independent non-executive director of WWPKG Holdings Company Limited[10] (until 2 August 2022), Bestway Global Holding Inc. (until 31 December 2021, its shares were withdrawn from listing on the Stock Exchange on 12 October 2021) and Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.[9,12] (until 30 May 2023).

DIRECTORS AND SENIOR MANAGEMENT

*Δ# **Mr. Wen Ku**, aged 63, joined the Company as an independent non-executive director in February 2022. He obtained a doctorate degree of Business Administration (DBA) from The Hong Kong Polytechnic University in 2000, a master degree of Business Administration (MBA) from Norwegian School of Management in 1998 and a master degree of Science from Beijing University of Posts and Telecommunications in 1987. Mr. Wen was granted the title of professorate senior engineer in 2000. Since 1987, Mr. Wen had successively served as the Deputy Director of the Network Management Center, Director of the Network Management Center, Director of the Data Communications Bureau, Shandong Province and the Deputy Chief Engineer of Posts and Telecommunications Administration, Shandong Province. He became the Network Management Center Director of the Directorate General of Telecommunications of the MPT[A] in 1995; the Deputy Director General of Department of Science and Technology of the MPT[A] in September 1997; the Deputy Director General of Department of Science and Technology of the MII[B] in 1998; the Deputy Director General of the Department of Telecommunications Administration Bureau of the MII[B] in 2001; the Director General of Department of Science and Technology of the MII[B] in 2002; the Director General of Department of Science and Technology of the MIIT[C] in 2008; the Director General of Information Communication Development Department of the MIIT[C] in November 2013; Vice Chairman and Secretary General of China Communications Standards Association from April 2021 to June 2022, and Chairman of China Communications Standards Association in June 2022. Mr. Wen has extensive experience in information and communications technology, development and in supervision and management in telecommunications.

A Ministry of Posts and Telecommunications in the PRC
B Ministry of Information Industry
C Ministry of Industry and Information Technology

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

1 *"CITIC Group", the ultimate controlling shareholder of the Company*
2 *"CITIC Pacific", the controlling shareholder of the Company and a subsidiary of CITIC Group*
3 *the controlling shareholder of the Company and a subsidiary of CITIC Group*
4 *a subsidiary of CITIC Group*
5 *a subsidiary of CITIC Limited*
6 *a subsidiary of CITIC Pacific*
7 *a fellow subsidiary of the Company and listed on Shenzhen Stock Exchange*
8 *"Dah Chong Hong", a fellow subsidiary of the Company whose shares were withdrawn from listing on the Stock Exchange on 10 January 2020*
9 *listed on the Main Board of the Stock Exchange*
10 *listed on the Growth Enterprise Market of the Stock Exchange*
11 *listed on the Shanghai Stock Exchange in the PRC*
12 *listed on the STAR Market of the Shanghai Stock Exchange in the PRC*

SENIOR MANAGEMENT

Mr. Poon Fuk Hei, aged 58, is the Executive Vice President of the Company, Chief Executive Officer ("CEO") and Chairman of the Executive Committee of CTM. Mr. Poon joined CTM in 1987, who became the CEO of CTM in 2007 and has been playing a pivotal role for the sustainable development of CTM.

Mr. Poon is committed to innovation and the development of "Digital Macau", under Mr. Poon's leadership, CTM has been fully aiding Macau SAR Government and local enterprises in accelerating the digital transformation by leveraging the "3 Networks, 4 Centers, 1 Platform" constructed by CTM. In active response to the national regional development strategy, CTM is dedicated to radiate the service within the Greater Bay Area and Guangdong-Macao In-Depth Cooperation Zone in Hengqin, providing various sectors of Macau with better support to integrate into the national development.

Under the leadership of Mr. Poon, CTM has taken the lead to launch Macau's first 5G services in November 2022, unveiling Macau's new 5G era and the blueprint of "Digital Macau 3.0". CTM has been continuing to solidify the digital foundation of "Cloud, Network, Intelligence, Security", upgrading the Cloud platform capabilities unremittingly to support AI, IoT and smart application development, etc., and enhancing the network security levels. CTM is committed to develop into a smart city service provider in Macau and contributes for the local socio-economic development.

Mr. Poon appoints people by merit and attaches importance to talent cultivation, he has been cultivating batches of outstanding telecom professionals who have become the backbones of various departments, giving the strong vitality for the growth of CTM. These professionals have also become the core force of the construction and development of "Digital Macau", promoting the sustainable development of Macau's digital transformation.

Mr. Wong Ching Wa, aged 49, is the Vice President of the Company. Mr. Wong joined the Company in January 2008 as director of China business department and was responsible for China market and business development of the head office. Mr. Wong is a director of CTM, a director and the CEO of CPC and a director and President of CEC. Mr. Wong obtained a Bachelor degree of Telecom Engineering Management from Beijing Information Technology College in 1996 and a Master degree of Engineering Management from Sichuan University in 2002. Mr. Wong previously held management positions in different telecoms and technology companies in the PRC. Before joining the Company, he was the General Manager of operations management department of China Netcom (Hong Kong) Operations Limited. To date, Mr. Wong has more than 27 years experience in the telecoms industry.

Mr. Ip Hon Chung, Dickson, aged 53, is the Chief Technology Officer of the Company. Mr. Ip joined the Company in November 2006. He was responsible for the areas of engineering, information technology, business and management information system and development. He obtained a Bachelor degree in Information Engineering from the Chinese University of Hong Kong ("CUHK") in 1994 and received a Master degree in Information Engineering from CUHK in 1998. Prior to joining the Company, he held various technical positions in New World PCS Ltd. To date, Mr. Ip has over 28 years practical experience in the field of telecommunications and information technology.

DIRECTORS' REPORT

The directors have pleasure in submitting their Annual Report together with the audited financial statements for the year ended 31 December 2023.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 14 to the financial statements. A fair review of the business of the Company and further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, important events affecting the Group occurred since the end of the financial year 2023, if any, and indication of likely future developments of the Group's business, can be found in the Chairman's Statement, the Business Review, the Financial Review and the Risk Management set out on pages 12 to 17, pages 20 to 28, pages 29 to 35 and pages 36 to 44 of this Annual Report respectively. This discussion forms part of this Directors' Report.

The environmental, employees, customers and suppliers matters and compliance with relevant laws and regulations that have a significant impact on the Company can be found in the Risk Management, the Corporate Governance and the Sustainability Report as set out on pages 36 to 44, pages 46 to 65 and pages 88 to 140 of this Annual Report respectively.

DIVIDENDS

The directors declared an interim dividend of HK6.0 cents (2022: HK6.0 cents) per share in respect of the year ended 31 December 2023 which was paid on 29 September 2023. The directors recommended, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 20 May 2024 (the "Annual General Meeting"), the payment of a final dividend of HK19.3 cents (2022: HK18.5 cents) per share in respect of the year ended 31 December 2023 payable on 13 June 2024 to shareholders on the Register of Members at the close of business on 29 May 2024.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	5.8%	
Five largest customers in aggregate	15.9%	
The largest supplier		19.3%
Five largest suppliers in aggregate		51.0%

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

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$1 million (2022: HK$1 million).

DIRECTORS

The directors of the Company who held office during the year ended 31 December 2023 and up to the date of this report were:

Mr. Luo Xicheng (appointed with effect from 27 October 2023)
Mr. Xin Yue Jiang (retired with effect from 27 October 2023)
Mr. Cai Dawei (resigned with effect from 31 March 2023)
Mr. Luan Zhenjun
Mr. Zhang Bo (appointed with effect from 1 December 2023)
Mr. Wang Guoquan (resigned with effect from 1 December 2023)
Mr. Liu Jifu
Mr. Fei Yiping
Mr. Zuo Xunsheng
Mr. Lam Yiu Kin
Mr. Wen Ku

Messrs. Luo Xicheng and Zhang Bo were appointed by the Board as directors of the Company subsequent to the last annual general meeting of the Company. Thus, in accordance with Article 95 of the Articles of Association of the Company, they shall hold office only until the Annual General Meeting and shall then be eligible for re-election.

In addition, pursuant to Article 104(A) of the Articles of Association of the Company, Messrs. Luan Zhenjun and Wen Ku shall retire by rotation in the Annual General Meeting. All, being eligible, offer themselves for re-election.

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31 December 2023 or during the period from 1 January 2024 to the date of this Report are available on the Company's website at www.citictel.com.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2023, there were no service contracts which were not determinable by the employer within one year without payment of compensation (other than statutory compensation) between any company in the Group and any director of the Company proposed for re-election at the Annual General Meeting.

PERMITTED INDEMNITY

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

COMPETING INTERESTS

Save as disclosed below, none of the directors of the Company and their respective associates had any direct or indirect interest in a business which competes or may compete with the business of the Group:

Mr. Wang Guoquan, a former non-executive director of the Company who resigned on 1 December 2023, is the chairman of 中信網絡有限公司 (CITIC Networks Co., Ltd.) ("CITIC Networks").

CITIC Networks is a subsidiary of CITIC Group Corporation ("CITIC Group"). It possesses operating licences for the provision of basic telecommunications services and value-added services under which CITIC Networks is permitted to provide lease or sale services for network elements and nation-wide internet access services, etc. in the People's Republic of China (the "PRC"). It now possesses a nation-wide optical fibre backbone network.

CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions conducted in the financial year ended 31 December 2023 are disclosed in accordance with the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as follows:

1. On 18 February 2020, China Enterprise ICT Solutions Limited ("CEC", a non-wholly owned subsidiary of the Company and in which CITIC Group, being the ultimate controlling shareholder of the Company, holds 45.09% equity interest) and 廣東盈通網絡投資有限公司 (Guangdong Eastern Fibernet Investment Company Limited) ("Guangdong Eastern Fibernet") entered into a services agreement (the "2020 SDH Services Agreement"), pursuant to which CEC shall engage Guangdong Eastern Fibernet as service provider for the provision of Synchronous Digital Hierarchy ("SDH", a kind of telecommunications technology for signal transmission) circuit services ("SDH Circuit Services"), such as leasing of circuits and racks for data networking to CEC for a term of three years from 19 February 2020 to 18 February 2023.

   As the 2020 SDH Services Agreement expired on 18 February 2023, CEC and Guangdong Eastern Fibernet entered into a services agreement (the "2023 SDH Services Agreement") on 17 February 2023, pursuant to which CEC shall continue to engage Guangdong Eastern Fibernet to provide the SDH Circuit Services for a further term of three years from 19 February 2023 to 18 February 2026.

   For each service order under the 2020 SDH Services Agreement and the 2023 SDH Services Agreement, Guangdong Eastern Fibernet will charge CEC service fee which shall include (i) a one-off set-up fee of RMB2,000; and (ii) a monthly service fee, the amount of which will depend on the location, technology, bandwidth and distance of the SDH circuits provided by Guangdong Eastern Fibernet based on the business needs of CEC and the service fee shall be settled on a monthly prepayment basis.

   The annual cap for the service fees payable by CEC to Guangdong Eastern Fibernet for the period from 1 January 2023 to 18 February 2023 under the 2020 SDH Services Agreement was RMB3.25 million; and the annual caps for the service fees payable by CEC to Guangdong Eastern Fibernet under the 2023 SDH Services Agreement are set out below:

	For the period from 19 February to 31 December 2023	For the financial years ending 31 December 2024	2025	For the period from 1 January to 18 February 2026
RMB (in million)	10.2	14.2	17.0	2.8

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

   The aggregate service fees paid/payable by CEC to Guangdong Eastern Fibernet under (i) the 2020 SDH Services Agreement for the period from 1 January 2023 to 18 February 2023; and (ii) the 2023 SDH Services Agreement for the period from 19 February 2023 to 31 December 2023 were approximately RMB1.37 million and RMB8.0 million respectively.

2. The Group, through Asia Pacific Internet Exchange Limited ("Asia Pacific", a wholly-owned subsidiary of the Company) and Neostar Investment Limited ("Neostar", a wholly-owned subsidiary of the Company), has ownership over the entire CITIC Telecom Tower situated at 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong ("CITIC Telecom Tower").

   On 23 December 2020, Asia Pacific, Neostar and Hang Luen Chong Property Management Company, Limited ("Hang Luen Chong") entered into a management services agreement (the "2020 Management Services Agreement"), pursuant to which Hang Luen Chong shall provide general property management services, chilled water supply, air-conditioning supply and other relevant services in respect of CITIC Telecom Tower (the "Management Services") to the Group for a term of three years from 1 January 2021 to 31 December 2023 (both days inclusive), provided that any one of the parties may terminate the 2020 Management Services Agreement with or without cause by giving to the other parties a 3 months' prior notice in writing at any time during the term of the 2020 Management Services Agreement.

   Under the 2020 Management Services Agreement, the general management fees payable by the Group for CITIC Telecom Tower are approximately HK$745,000 per month. The chilled water charges payable by the Group for CITIC Telecom Tower are based on the actual volume of chilled water used and are estimated to be approximately HK$150,000 per month. The air-conditioning charges for supply during normal office hours payable by the Group for CITIC Telecom Tower are approximately HK$191,000 per month. The air-conditioning charges for supply after normal office hours payable to Hang Luen Chong are based on the actual usage and are estimated to be approximately HK$3,000 per month. Besides, other service charges for exclusive use of certain common areas of CITIC Telecom Tower are estimated to be approximately HK$24,000 per month.

   As the 2020 Management Services Agreement expired on 31 December 2023, Asia Pacific, Neostar and Hang Luen Chong entered into a new management services agreement (the "2023 Management Services Agreement") on 21 December 2023, pursuant to which Hang Luen Chong will continue to provide the Management Services to the Group for another term of three years from 1 January 2024 to 31 December 2026 (both days inclusive), provided that any one of the parties may terminate the 2023 Management Services Agreement with or without cause by giving to the other parties a 3 months' prior notice in writing at any time during the term of the 2023 Management Services Agreement.

   Pricing bases of general management fees, chilled water charges and air-conditioning charges payable by the Group for CITIC Telecom Tower under the 2023 Management Services Agreement remain the same as those under the 2020 Management Services Agreement. Under the 2023 Management Services Agreement, other service charges for exclusive use of certain common areas of CITIC Telecom Tower are estimated to be approximately HK$15,000 per month.

   The annual cap for the provision of the Management Services under the 2020 Management Services Agreement for the year ended 31 December 2023 was HK$17,000,000; and the annual caps for the provision of the Management Services under the 2023 Management Services Agreement are set out below:

	For the years ending 31 December		
	2024	**2025**	**2026**
HK$ (in million)	14.0	15.0	17.0

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

   The aggregate amount paid/payable to Hang Luen Chong under the 2020 Management Services Agreement for the year ended 31 December 2023 was approximately HK$13.0 million.

3. On 26 May 2021, Neostar as the landlord and Dah Chong Hong Holdings Limited ("DCH Holdings") as the tenant entered into a tenancy agreement (the "DCH Tenancy Agreement") in respect of the whole of 7th floor to 11th floor of CITIC Telecom Tower for a term of three years from 1 June 2021 to 31 May 2024 (both days inclusive).

   The monthly rental (exclusive of government rent, rates and management charges and other outgoings) is (i) HK$1,177,996 for the period from 1 June 2021 to 31 May 2023 (both days inclusive) and (ii) HK$1,195,235 for the period from 1 June 2023 to 31 May 2024 (both days inclusive); and the monthly management charges is approximately HK$199,200 (subject to revision) for the period from 1 June 2021 to 31 May 2024 (both days inclusive).

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

	For the financial year ended 31 December 2023	**For the period from 1 January to 31 May 2024**
HK$ (in million)	19.0	8.5

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

   The aggregate amounts (including the aggregate rentals, the management charges and other outgoings) paid/payable by DCH Holdings under the DCH Tenancy Agreement for the year ended 31 December 2023 was approximately HK$16.7 million.

4. On 1 June 2021, the Company entered into a framework agreement (the "Framework Agreement") with CITIC Group for a term of three years from 1 June 2021 to 31 May 2024 (both days inclusive), which set out, inter alia, the basis upon which the Group shall provide the following services to CITIC Group, its subsidiaries and associates (excluding the Group) (collectively, the "CITIC Group Members") in its ordinary and usual course of business:

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

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

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

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

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

	For the financial year ended 31 December 2023	For the period from 1 January to 31 May 2024
HK$ (in million)	36.4	20.6

The aggregate service fees paid/payable by the CITIC Group Members for the year ended 31 December 2023 in relation to the Data Centre Services under the Framework Agreement was approximately HK$22.8 million.

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

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

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

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

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

	For the financial year ended 31 December 2023	For the period from 1 January to 31 May 2024
HK$ (in million)	67.4	35.4

The aggregate service fees paid/payable by the CITIC Group Members for the year ended 31 December 2023 in relation to the VPN Services under the Framework Agreement was approximately HK$32.8 million.

DIRECTORS' REPORT

c) *The Internet Access Services*

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

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

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

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

	For the financial year ended 31 December 2023	**For the period from 1 January to 31 May 2024**
HK$ (in million)	31.7	20.6

The aggregate service fees paid/payable by the CITIC Group Members for the year ended 31 December 2023 in relation to the Internet Access Services under the Framework Agreement was approximately HK$10.1 million.

CITIC Group is the ultimate controlling shareholder of the Company, and, therefore, the CITIC Group Members are connected persons of the Company.

5. On 23 June 2022, China Enterprise Netcom Corporation Limited ("CEC-HK", a wholly-owned subsidiary of the Company) and CITIC Telecom International CPC Limited ("CPC", a wholly-owned subsidiary of the Company) entered into a service agreement with CEC (the "Service Agreement"), pursuant to which CEC-HK and CPC shall engage CEC as service provider for the provision of technical and support services in the PRC to the customers of CEC-HK and CPC to facilitate the provision of value-added telecoms services to these customers for a term of three years from 24 June 2022 to 23 June 2025 (both days inclusive). CEC is also responsible for arranging, operating and maintaining all necessary technical and support services in the PRC to service the customers of CEC-HK and CPC.

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

During the term of the Service Agreement, if customers of CEC require relevant services outside of the PRC, CEC shall exclusively refer such customers to CEC-HK or CPC and develop service solutions with CEC-HK or CPC for the provision of such services to its customers, subject to the compliance of applicable laws and regulations.

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

	For the financial year ended 31 December 2023	For the financial year ending 31 December 2024	For the period from 1 January to 23 June 2025
RMB (in million)	12.30	13.50	7.40

CITIC Group holds 45.09% equity interest in CEC. In accordance with the Listing Rules, CEC is an associate of CITIC Group, and, therefore, is a connected person of the Company.

The aggregate service fees paid/payable by CEC-HK and CPC to CEC under the Service Agreement for the year ended 31 December 2023 was approximately RMB6.4 million.

6. On 5 August 2022, CEC and CITIC Networks entered into a telecoms services agreement (the "Telecoms Services Agreement") pursuant to which CEC shall engage CITIC Networks as service provider for the provision of various telecommunications services (the "Telecoms Services"), such as leasing of circuits and racks for data networking for a term of three years from 7 August 2022 to 6 August 2025 (both days inclusive).

   Under the Telecoms Services Agreement, an estimated basic monthly service fees of approximately RMB1.90 million, subject to adjustment based on actual usage, shall be payable to CITIC Networks by CEC and shall be settled monthly.

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

	For the financial year ended 31 December 2023	For the financial year ending 31 December 2024	For the period from 1 January to 6 August 2025
RMB (in million)	38.11	41.92	26.90

   CITIC Networks is a subsidiary of CITIC Group, and, therefore, is a connected person of the Company.

   The aggregate service fees paid/payable by CEC to CITIC Networks under the Telecoms Services Agreement for the year ended 31 December 2023 was approximately RMB19.1 million.

7. On 14 November 2022, the Company entered into a supplemental agreement with each of (i) China CITIC Bank International Limited ("China CITIC Bank International"); (ii) CITIC Finance Company Limited ("CITIC Finance"); and (iii) CITIC Finance International Limited ("CITIC Finance International") (collectively, the "2022 Supplemental Agreements") to amend and supplement each of the financial services framework agreements dated 30 September 2021 entered into with each of the above parties (collectively, the "Existing Financial Services Framework Agreements"), pursuant to which members of the Group could engage China CITIC Bank International, CITIC Finance and CITIC Finance International respectively for the provision of deposit, settlement services and credit services for a term of not more than three years, commenced from 30 December 2022 (the "Effective Date"), being the date on which the parties thereto has obtained their respective requisite authorisations or approvals in relation to the transactions contemplated thereunder, including the approval from the independent shareholders at the extraordinary general meeting of the Company, and ending on 29 December 2025, being the date immediately preceding the third anniversary of the Effective Date (both days inclusive).

   The Company also entered into a financial services framework agreement with China CITIC Bank Corporation Limited ("CITIC Bank") ("CITIC Bank Financial Services Framework Agreement") on 14 November 2022, pursuant to which members of the Group could engage CITIC Bank and its subsidiaries in the PRC for the provision of deposit, settlement and credit services for a term of not more than three years, commenced from the Effective Date and ending on 29 December 2025, being the date immediately preceding the third anniversary of the Effective Date (both days inclusive).

   The consideration for the transactions contemplated under the Existing Financial Services Framework Agreements (as amended and supplemented by the 2022 Supplemental Agreements) and the CITIC Bank Financial Services Framework Agreement (collectively, the "2022 Financial Services Framework Agreements") shall be paid in accordance with the specific terms as agreed in the separate agreements to be entered into between the relevant member of the Group and China CITIC Bank International, CITIC Finance, CITIC Finance International or CITIC Bank (and/or the relevant subsidiary of CITIC Bank in the PRC) (collectively, the "CITIC Financial Institutions") from time to time.

   Financial services to be provided to the Group under the 2022 Financial Services Framework Agreements are as follows:

   a) *Deposit Services*

      Pursuant to the 2022 Financial Services Framework Agreements, the interest rates for the deposits to be placed with each of CITIC Financial Institutions by the Group shall (i) subject to compliance with the Listing Rules, be determined at arm's length between the parties with reference to the prevailing interest rates offered by independent third parties for comparable category of deposits, or (ii) not be lower than the highest interest rates for comparable category of deposits offered by other major commercial banks with which the relevant member of the Group has established business relationship.

      Under the 2022 Financial Services Framework Agreements, the aggregate amounts of the maximum daily outstanding balance of deposits (including accrued interests) (the "Maximum Daily Balance") to be placed by the Group with any of the CITIC Financial Institutions shall not exceed HK$1.6 billion for each of the financial year ended 31 December 2023, the financial year ending 2024, and the period from 1 January 2025 to 29 December 2025. For the financial year ended 31 December 2023, the aggregate amounts of the Maximum Daily Balance placed by the Group with any of the CITIC Financial Institutions was approximately HK$1,534 million.

b) *Settlement Services*

Pursuant to the 2022 Financial Services Framework Agreements, the service fees to be charged by each of the CITIC Financial Institutions for the provision of settlement services to the Group shall (i) subject to compliance with the Listing Rules, be determined at arm's length between the parties with reference to the prevailing service fees charged by independent third parties for comparable category of settlement services, or (ii) not be higher than the lowest service fees for comparable category of settlement services charged by other major commercial banks with which the relevant member of the Group has established business relationship.

Under the 2022 Financial Services Framework Agreements, the aggregate amounts of the maximum service fees to be paid by the Group for the settlement services to be provided by the CITIC Financial Institutions are expected to fall below the de minimis threshold as specified in Rule 14A.76(1) of the Listing Rules.

c) *Credit Services*

Pursuant to the 2022 Financial Services Framework Agreements, the interest rates for the credit services to be provided by the CITIC Financial Institutions shall (i) subject to compliance with the Listing Rules, be determined at arm's length between the parties with reference to the prevailing interest rates of similar credit lines offered by independent third parties, or (ii) not be higher than the lowest interest rates for comparable grade of credit services charged by other major commercial banks with which the relevant member of the Group has established business relationship.

As the credit services to be provided by the CITIC Financial Institutions to the Group under the 2022 Financial Services Framework Agreements shall be on normal commercial terms or better, and the Group only expects to engage such credit services if and when no security will be granted by the Group over its assets in respect of such credit services, the credit services as contemplated under the 2022 Financial Services Framework Agreements, if and when they occur, are fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

Each of the CITIC Financial Institutions is a subsidiary of CITIC Limited. Accordingly, each of the CITIC Financial Institutions is a connected person of the Company.

Review of the Continuing Connected Transactions:

The independent non-executive directors of the Company have reviewed the aforesaid continuing connected transactions conducted in the year ended 31 December 2023 and confirmed that the transactions had been entered into

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "*Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" and with reference to Practice Note 740 (Revised) "*Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Group on pages 72 to 79 of this Annual Report in accordance with Rule 14A.56 of the Listing Rules.

Related Party Transactions:

Details of material related party transactions undertaken in the normal course of business are provided under note 31 to the financial statements. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules, except for those described in the section of "Continuing Connected Transactions", in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

SHARE OPTION PLAN

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

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

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

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

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

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

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

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

Particulars of the outstanding share options granted under the Plan and their movements during the year ended 31 December 2023 are as follows:

Date of grant	**Number of share options**	**Exercise period**	**Exercise price per share** HK$
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 2017 have expired at the close of business on 23 March 2023. The above outstanding options granted and accepted under the Plan can be exercised in whole or in part within 5 years from the date of commencement of the exercise period. No options were granted nor cancelled during the year ended 31 December 2023.

A summary of the movements of the share options during the year ended 31 December 2023 is as follows:

A. Directors of the Company

Name of director	Date of grant	Exercise period	Number of share options				Percentage to the number of issued shares
			Balance as at 1.1.2023	Exercised during the year ended 31.12.2023	Lapsed during the year ended 31.12.2023	Balance as at 31.12.2023	%
Xin Yue Jiang *(Note 1)*	24.3.2017	24.3.2018 – 23.3.2023	500	–	500	–	
	24.3.2017	24.3.2019 – 23.3.2024	500	–	–	500	
						500	0.00001
Liu Jifu	24.3.2017	24.3.2019 – 23.3.2024	1,000,000	1,000,000 *(Note 2)*	–	–	
						–	–
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	
						500,000	0.01351

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

Date of grant	Exercise period	Number of share options			
		Balance as at 1.1.2023	Exercised during the year ended 31.12.2023 *(Note 3)*	Lapsed during the year ended 31.12.2023 *(Note 4)*	Balance as at 31.12.2023
24.3.2017	24.3.2018 – 23.3.2023	7,033,000	4,215,000	2,818,000	–
24.3.2017	24.3.2019 – 23.3.2024	9,904,500	6,539,500	66,000	3,299,000

Notes:

1. Mr. Xin Yue Jiang retired as the chairman of the Board and an executive director of the Company with effect from 27 October 2023.

2. The weighted average closing price of the shares immediately before the date on which Mr. Liu Jifu exercised the options was HK$3.20.

3. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$2.95.

4. These are in respect of options i) granted to some employees under continuous contracts who have subsequently resigned; 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 31 December 2023 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 Securities Company Limited (A shares), an associated corporation		
Zhang Bo	137,900	0.001
CITIC Limited, an associated corporation		
Liu Jifu	840,000	0.003

2. Share Options in the Company

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

Save as disclosed above, as at 31 December 2023, none of the directors of the Company had nor were they taken to or deemed to have, under Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2023, the interests of the substantial shareholders, other than the directors of the Company or their respective associates, in the shares, underlying shares and debentures 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	Nature of interest/capacity	Number of shares of the Company *(Note 10)*	Percentage to the number of issued shares *(Note 9)* %
CITIC Group	Interests in controlled corporations *(Notes 1 and 2)*	2,129,345,175 (L)	57.55
CITIC Limited	Interests in controlled corporations and interests in section 317 concert party agreement *(Notes 2 and 8)*	2,129,345,175 (L)	57.55
CITIC Investment (HK) Limited ("CITIC Investment (HK)")	Interests in a controlled corporation and interests in section 317 concert party agreement *(Notes 3 and 8)*	2,129,345,175 (L)	57.55
Silver Log Holdings Ltd. ("Silver Log")	Beneficial owner and interests in section 317 concert party agreement *(Notes 2, 4 and 8)*	2,129,345,175 (L)	57.55
Ease Action Investments Corp. ("Ease Action")	Beneficial owner and interests in a section 317 concert party agreement *(Notes 2, 5 and 8)*	2,129,345,175 (L)	57.55
Richtone Enterprises Inc. ("Richtone")	Beneficial owner and interests in a section 317 concert party agreement *(Notes 2, 6 and 8)*	2,129,345,175 (L)	57.55

Notes:

1. CITIC Group is the indirect holding company of CITIC Limited, holding 53.12% interest in CITIC Limited as at 31 December 2023 via two wholly-owned subsidiaries of CITIC Group: CITIC Polaris Limited (holding 27.52% interest in CITIC Limited as at 31 December 2023) and CITIC Glory Limited (holding 25.60% interest in CITIC Limited as at 31 December 2023).

2. CITIC Limited indirectly and wholly owns each of Silver Log, Ease Action, Richtone and Perfect New Holdings Limited ("Perfect New"), which in turn hold direct interests in the Company, as follows:

   Silver Log as to 611,187,500 shares.
   Ease Action as to 1,241,649,869 shares.
   Richtone as to 134,841,139 shares.
   Perfect New as to 141,666,667 shares.

3. CITIC Investment (HK) directly and wholly owns Silver Log.

4. Silver Log is an indirect wholly-owned subsidiary of CITIC Limited, via the following chain of intermediate holding companies (on a wholly-owned basis at each level): CITIC Corporation Limited and CITIC Investment (HK).

5. Ease Action is an indirect wholly-owned subsidiary of CITIC Limited, via the following chain of intermediate holding companies (on a wholly-owned basis at each level): CITIC Pacific Limited ("CITIC Pacific"), Crown Base International Limited ("Crown Base"), Effectual Holdings Corp. ("Effectual"), CITIC Pacific Communications Limited ("CP Communications"), Douro Holdings Inc. ("Douro") and Ferretti Holdings Corp., which is the direct holding company of Ease Action.

6. Richtone is an indirect wholly-owned subsidiary of CITIC Limited, via the following chain of intermediate holding companies (on a wholly-owned basis at each level): CITIC Pacific, Crown Base, Effectual, CP Communications, Douro and Peganin Corp., which is the direct holding company of Richtone.

7. Perfect New is an indirect wholly-owned subsidiary of CITIC Limited, via the following chain of intermediate holding companies (on a wholly-owned basis at each level): CITIC Pacific, Crown Base, Effectual, CP Communications, Douro and All Achieve Investments Limited, which is the direct holding company of Perfect New.

8. CITIC Limited, CITIC Investments (HK), Ease Action, Richtone and Silver Log are parties to agreements which section 317 of the SFO applies. As such, the interests of Ease Action, Richtone, Silver Log and Perfect New (all being indirect wholly-owned subsidiaries of CITIC Limited) are aggregated for disclosure purpose.

9. "Percentage to the number of issued shares" attributable to CITIC Group and/or its subsidiaries (each a "relevant reporting entity") as presented in the table above has been re-computed by the Company as follows: dividing (a) "the number of shares of the Company" as disclosed by the relevant reporting entity and as recorded in the register of interests in shares and short positions required to be kept under section 336 of the SFO, by (b) the total number of issued shares of the Company as at 31 December 2023 (i.e. 3,700,035,382 shares). Such percentage so re-computed and presented, therefore, may deviate slightly from the percentage as so recorded on the relevant register, due to intervening changes in the total number of issued shares of the Company between the date of the relevant disclosure and 31 December 2023 where such changes may or may not have triggered disclosure by the relevant reporting entity.

10. L denotes the entity's long position in the shares of the Company.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

The Company and the controlling shareholders of the Company have entered into the following contracts of significance which were subsisting during the year ended 31 December 2023:

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

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

3. Administrative services agreement dated 20 August 2014 (the "Administrative Services Agreement") entered into between the Company and CITIC Pacific, a controlling shareholder of the Company, pursuant to which CITIC Pacific and the Company will share the company secretarial services and the internal audit services with retrospective effect from 1 July 2014. The amount payable by the Company to CITIC Pacific for the services received shall be determined on costs basis with payment terms to be agreed between the parties from time to time. The Administrative Services Agreement may be terminated if CITIC Limited, the immediate holding company of CITIC Pacific, shall hold less than 30% of the shares of the Company and is terminable by giving a six months' prior notice in writing by either party. Mr. Liu Jifu is a director of CITIC Pacific and Mr. Fei Yiping was a former director and chief financial officer of CITIC Pacific who retired on 1 January 2024. Therefore, all of them have indirect interests in the Administrative Services Agreement. A copy of the Administrative Services Agreement will be available for inspection at the Annual General Meeting.

Apart from the above and the transactions as mentioned in the section of "Continuing Connected Transactions", none of the Company or any of its subsidiaries has entered into any other contract of significance with the Company's controlling shareholders or their subsidiaries which were subsisting during the year ended 31 December 2023.

EQUITY-LINKED AGREEMENTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

BORROWINGS AND ISSUE OF GUARANTEED BONDS

On 5 March 2013, CITIC Telecom International Finance Limited ("CITIC Telecom International Finance"), a wholly-owned subsidiary of the Company, issued US$450 million 6.1% guaranteed bonds due 2025 (the "Bonds") to professional investors pursuant to a subscription agreement made between the Company (as guarantor), CITIC Telecom International Finance and CITIC Securities Corporate Finance (HK) Limited, Deutsche Bank AG, Singapore Branch, Standard Chartered Bank and UBS AG, Hong Kong Branch on 26 February 2013 for financing part of the consideration paid by the Company in respect of the acquisition of 79% interest in Companhia de Telecomunicações de Macau, S.A.R.L. The Bonds are listed on the Stock Exchange on 6 March 2013. All of the Bonds remained outstanding as at 31 December 2023.

Particulars of borrowings of the Group as at 31 December 2023 are set out in note 23 to the financial statements.

SHARE CAPITAL

During the year ended 31 December 2023, a total of 11,754,500 shares of the Company were issued upon the exercise of share options granted under the Plan as mentioned in the section of "Share Option Plan".

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31 December 2023 and the Company has not redeemed any of its shares during the year ended 31 December 2023.

CONFIRMATION OF INDEPENDENCE

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

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 45 of this Annual Report.

PROPERTY

Particulars of the property held for investment of the Group are shown on page 233 of this Annual Report.

RETIREMENT SCHEMES AND OTHER POST-EMPLOYMENT BENEFITS

The Group operates a defined benefit retirement plan and several defined contribution retirement plans. The employees employed under the Hong Kong Employment Ordinance are also entitled to long service payment if the eligibility criteria are met. Particulars of these post-employment benefits are set out in note 25 to the financial statements.

UPDATE ON DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Apart from those disclosed in the section of "Directors and Senior Management", the changes in emoluments of the executive directors of the Company under their respective service contracts has been disclosed in note 7 to the financial statements pursuant to Rule 13.51B(1) of the Listing Rules.

AUDITOR

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

By Order of the Board
Luo Xicheng
Chairman

Hong Kong, 13 March 2024

FORWARD LOOKING STATEMENTS

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

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

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

WE CONNECT THE GREEN

THE GROUP ADHERES TO THE VISION AND MISSION OF THE ENTERPRISE

- **Commitment:** To conduct our business responsibly and transparently, and striving to promote sustainable development.
- **Goal:** To become a market leader in high-quality telecommunications and ICT services, a good corporate citizen, and an ideal employer.
- **Approach:** To integrate the concepts of sustainable development into the operation of the telecommunications business, implement the Group's environmental, social and governance policies and other major corporate policies, and create and preserve shared value with various stakeholders.

The Group will insist on providing client-based services, partnering with its shareholders, creating a win-win situation with its partners, harmonising with its staff, promoting wisdom and integrity for fostering prosperity, moving forward for development with innovation and synergy, satisfying demands from customers by seizing the opportunities arising from industry development, consistently creating new value and providing effective momentum for an advancing society, accelerating corporate development and uplifting people's quality of life. All together, we will create a better future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRATEGIES

The Group firmly upholds corporate responsibility and prioritises strategic planning for environmental, social, and governance matters. In our business operations, we are dedicated to promoting sustainable development and generating societal value.

On the way to sustainable development, the Group is actively engaged in areas of environmental protection, employee development, operational management, and social services. Through our contribution to sustainable development in various aspects, we strive to create a harmonious and inclusive business environment by engaging the Group, our shareholders, and customers to work together with our employees, business partners and society.

BOARD STATEMENT ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES

The Board is responsible for the Group's environmental, social, and governance ("ESG") issues. The Board is in charge of overseeing corporate ESG strategy, performance and reporting. The Board has delegated authority to its Audit Committee to oversee, develop and review the ESG directions and strategies, and to monitor and review the identification and management of material issues and progress of our sustainability objectives and reviewing our sustainability report to ensure compliance. The Audit Committee holds meetings regularly on the Group's ESG issues and provides reports to the Board, to ensure the Group's sustainable development work is conducted under an effective management and internal control system.

Through ongoing consultation with internal and external stakeholders, the Group identifies, assesses, and prioritises the importance of various ESG issues affecting the Group and its stakeholders. Mitigation measures are developed and implemented in accordance with the prioritisation of these issues and are highlighted in the Group's sustainability report to address stakeholders' concerns. Please refer to the "Materiality Analysis" section of this report for more information on the stakeholder engagement process and the materiality analysis results.

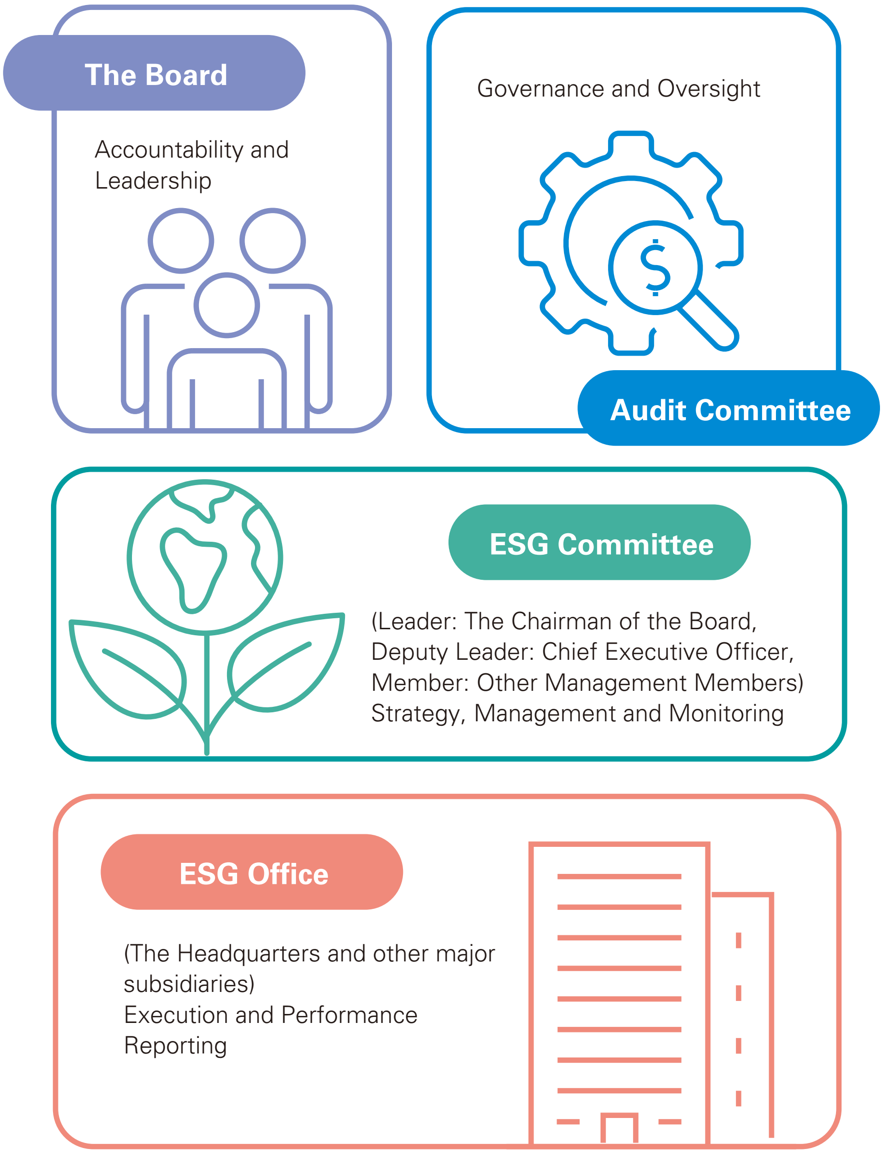
SUSTAINABILITY GOVERNANCE STRUCTURE

The Group maintains a robust corporate governance system that serves as a solid foundation for sustainable business growth. By establishing a top-down sustainable management structure, the Group is committed to making steady progress on the path of sustainable development and creating long-term value.

Our sustainability governance structure is headed by the Board, which plays a key role in ensuring that corporate governance is in the best interest of the Group's sustainable business. Our governance structure clearly defines the roles and responsibilities of each level of governance. The Board establishes our overall strategy and takes the lead in overseeing environmental, social and governance performance of the Group. Trainings on corporate sustainability issues are provided to the Board as appropriate to ensure adequate expertise. The Audit Committee, under the purview of the Board, is responsible for establishing sustainability strategies and reviewing progress of targets, materiality analysis results and reporting compliance.

Under the management of the Group, the subsidiaries conduct irregular discussions, review their sustainability performance actively and present their annual progress to the Group on a systematic basis.

The Group has established the "ESG Committee" to strengthen the coordination and leadership of our environmental, social and governance work. It is chaired by the Chairman of the Group, with the Chief Executive Officer as the vice chairman and other management members as group members. The ESG Office under the ESG Committee is set up with core members consisting of leaders from relevant departments in our headquarters and our subsidiaries.



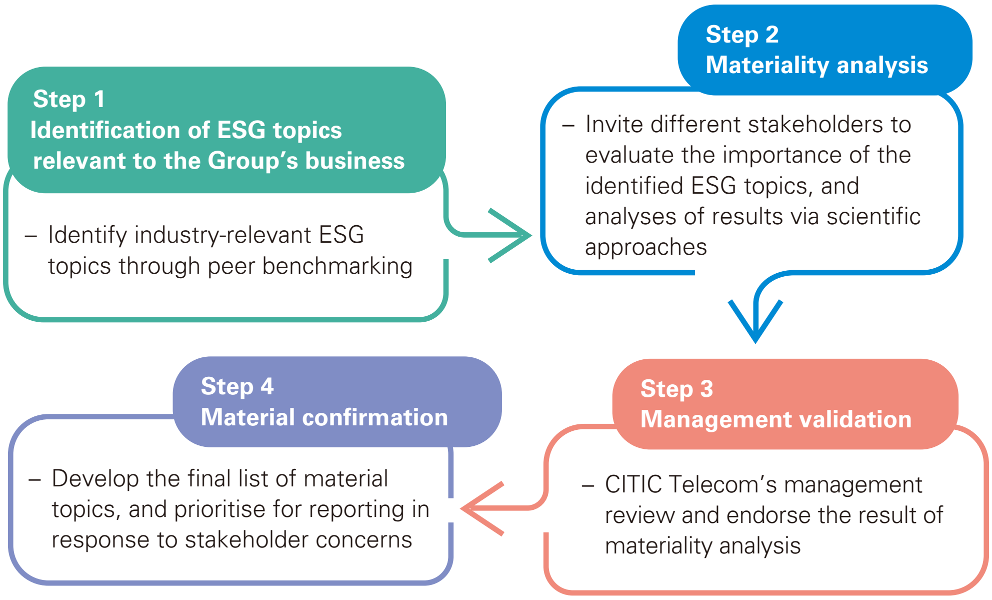
STAKEHOLDERS COMMUNICATION

The Group highly values the opinions of our stakeholders. For this purpose, the departments and business units (ESG Office) maintain close contact with stakeholders through different communication channels to gain insight on their expectations and concerns on the Group's sustainability strategy and performance. We strive to share our plans and insights on sustainable development with different stakeholders, to ensure we navigate the journey to pursuit long-term growth with our stakeholders.

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

MATERIALITY ANALYSIS

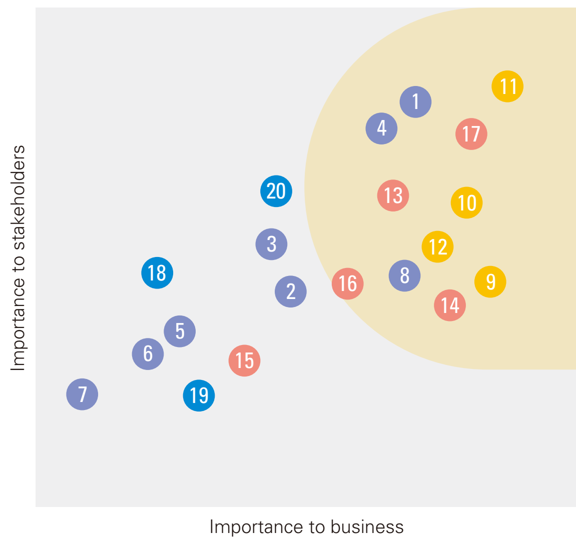
There are different topics of sustainable development and their importance may vary in accordance with the Group's operational development and stakeholders' expectations. We continue to adopt a four-stage assessment process to identify the environmental, social and governance topics, as well as ranking their priorities based on their importance.



After the completion of evaluation process and review of the results by the Group's management, we have summarised the Materiality Matrix according to "importance to stakeholders" and "importance to business":

2023 CITIC Telecom Materiality Matrix

Environmental Protection	**1**	**Energy**
	2	Greenhouse gas emission
	3	Air emission
	4	**Waste**
	5	Water
	6	Materials
	7	Biodiversity
	8	**Climate change management**
Employment and Labour Practices	**9**	**Employee retention**
	10	**Occupational health and safety**
	11	**Training and development**
	12	**Diversity and equal opportunities**
Operational Practices	**13**	**Service and product innovation**
	14	**Customers' privacy**
	15	Responsible advertising and promotion
	16	**Supply chain management**
	17	**Business ethics**
Community Participation	18	Community investment
	19	Human rights protection
	20	Access to telecommunications



SUSTAINABILITY REPORT

Operation Management

- Creating value for customers and providing high-quality telecommunication services
- Adherence to business ethics and monitoring
- Implementation of professional supply chain management

Environmental Protection

- Construction and operation of eco-friendly Green Data Centres
- Energy consumption management
- Greenhouse Gas emission reduction policies
- Environmental targets setting and progress review

Building and strengthening the Team

- Professional and excellent international team
- "Wisdom and Integrity Foster Prosperity" as our core value and corporate culture

Employees Health and Safety

- Occupational safety and health
- Caring for the physical and mental health of employees

Employee Training and Development

- Optimising professional performance
- Invigorating employee potential
- Activating learning culture

Contribution to Society

- Serving and helping the underprivileged
- Supporting and nurturing youth development
- Popularisation of telecommunications services – promoting 5G development

RESPONSIBLE OPERATIONAL MANAGEMENT

Being an advanced internet-based telecommunications enterprise, the Group is dedicated to developing high quality telecommunication and data transmission products and services. The core value of the Group is "Wisdom and Integrity for Fostering Prosperity". We continuously equip ourselves by learning, launching quality products with our wisdom and diligence. At the same time, we highly value the integrity and adhere to high standards of business ethics.

In this ever-changing digital era, we will continue to strive for innovation and progress to create greater value for our customers, partners and society.

Products and Services Innovation

In light of the development of information technology and the new demand for information transmission and telecommunications services from society, the Group has been actively developing and providing innovative products as well as services in the fields of mobile telecommunications, the internet, the Internet of Things and integrated ICT. By doing so, we aim to provide citizens and enterprises with high-quality and convenient digital services, contributing to the prosperity and sustainable development of the digital era.

To support the Group's exploration of technological innovation and product research and development, we regularly review and commend outstanding projects according to "the Charter of Technology Innovation Committee". We have also proposed future development directions along with our work plan and drove the Group's research efforts. Seizing the opportunity of Macau's economic recovery, the Group has built a high-quality 5G network, optical fibre network, WiFi network, cloud platform and other "Cloud-Network Convergence" digital foundations to drive market demands and create new demands, enrich smart city application ecosystem, advance digital and intelligent development of Macau, and move towards a more prosperous and integrated "Digital Macau 3.0". In addition, we are continuously implementing our corporate strategy, accelerating the expansion to international market, seizing development opportunities from 5G, constructing "Digital Macau", further developing telecommunication services business, accelerating construction of data centres and speeding up development plans. We are also strived to expanding businesses in Southeast Asian markets, maintaining steady business growth, ultimately becoming an international world-class internet-oriented telecommunications enterprise.

Dedicated effort to construct a 5G smart city

The Group collaborates with partners to introduce leading telecom technologies and optimise network infrastructure to drive the development of smart cities.

The Group has fully utilised its first-mover advantage in 5G commercialisation and is actively participating in the construction of "Digital Macau 3.0". In addition to launching eSIM services and Smart Catering Retail System "ePOS System", our Macau subsidiary has entered a new phase in the development of "Digital Macau" smart city initiative. We successfully held the "Inauguration Ceremony of 5G New Era" and the "Ushering into Digital Macau 3.0 Forum," which received high attention and praise from domestic and international media and various sectors of the society.

The Group is actively developing 5G dedicated services and solutions to establish a 5G cooperative ecosystem for providing transformation opportunities for the industries of tourism, exhibition, and medical care. We have launched bilateral 5G roaming services with over 100 overseas network operators to support Macau to accelerate the development of digital transformation, build a higher level of smart city, and turn to a new chapter of "Digital Macau".

To popularise 5G technology knowledge and facilitate local talents' participation in application development, our Macau subsidiary has promoted via various channels, such as exhibition, shop display; established "Digital Macau 3.0" experience zone and experience tour for students and associations, etc.

The "5G empowers Macau University of Science and Technology for Innovative Applications of Planetary Magnetic Field Research", jointly submitted by our Macau subsidiary and Macau University of Science and Technology, won the 1st prize and was awarded the "Best International Application Award" in the "6th Blooming Cup 5G Application Special International Invitational" held in October of the reporting year. The subsidiary has won the 1st prize in this competition for 2 consecutive years, once again demonstrating the innovative 5G application scenarios.

The Group's Macau subsidiary will continue to explore the potential of 5G and work with various industries in society to create more innovative 5G smart application scenarios, thereby contribute to the digital transformation and economic development in Macau. We are looking forward to promoting the development of smart city and improving the quality of life of its residents and fostering economic growth and sustainability in Macau through in-depth research in telecommunication interconnection, cloud computing, data centres and smart city applications.

Gaining authoritative recognition in AI technology applications and innovation

With the motto "Innovation Never Stops", the Group is committed to promoting the innovation and development of AI technology, breaking through the boundaries and redefining the industry standards, promoting industrial development and leading the future trend of innovation.

Our Hong Kong subsidiary has won multiple prestigious industry awards, in recognition of our innovative technology and excellent performance in the field, including:

- The "Outstanding Innovation or Transformation Award" at the "PTC Awards 2023" organised by Pacific Telecommunications Council

- The "Best AI Application – Silver Award" by the Communications Association of Hong Kong (CAHK) STAR Awards 2023

- AI SD-WAN won the runner-up position in the "Infrastructure-as-a-Service Innovation of the Year" category at the "SDC Awards 2023" by IT Europa Media and Intelligence Limited

- The championship in the "Academic Document Chapter-based Structure Restoration Challenge – Final" in 2023 iFLYTEK A.I. Developer Competition, jointly organised by the iFLYTEK Co., Ltd., China Information Industry Association and National Intelligent Voice Innovation Center

We strive to use innovative technologies, including AI, big data and cutting-edge analytical technologies, to develop disruptive solutions that effectively support the operations and business decisions of enterprises. We are determined to drive high-quality development of the digital economy and empower enterprises in upgrading, transforming and accelerating their international operations, transforming technical potential into business value and becoming an important enterprise digital transformation partner.

Integrated services of "Cloud, Network, Intelligence and Security" promoting digital transformation

The Group accelerates innovation through a wide range of intelligent solutions to drive digital transformation and development. We leverage our global resources to connect with customers, partners and the future, contributing to the digital transformation of enterprises while providing affordable, accessible and quality services for the benefit of society.

The Group and its subsidiaries proactively enhanced the digital capabilities of "cloud, network, intelligence and security", expanded the network coverage, increased cloud computing centres, built the "cloud-network" service teams, constructed new security operation centres and strengthened corporate integrated solutions. Our Macau subsidiary's support range from deploying various smart applications, Cloud-Network Integration, and Big Data platforms to propel the diversified economic development and the improvement of people's livelihood in Macau.

At GSMA MWC Shanghai 2023, our Group demonstrated innovative applications including Smart Manufacturing, Smart Ledger, Smart Security, Smart Access Management and Smart Maintenance and how to use Extended Reality (XR) and AI technology to create a "Metaverse multiplayer collaboration platform".

Commitment to Premium Products and Services

Our Group has always adhered to the principle that "quality is the lifeblood of an enterprise". We place strong commitment to quality products and services and strive to provide high quality multinational telecommunications and ICT services. We are dedicated to designing, building, operating, and maintaining a reliable telecommunications network for our customers.

The Group constantly focuses on customer service at all stages as we are committed to delivering attentive and thoughtful customer service experiences. We conduct internal testing for our key indicators of customer service prior to the distribution of products and services to ensure the highest quality of our products and services. During the process of providing services, we actively collect feedback from customers, conduct regular evaluation, and visit selected customers on a monthly basis in order to optimise the quality of products and services. Take the subsidiary in Macau as an example. Our Quality Management Committee and Quality Assurance Department monitor and analyse the quality of services in multiple areas on an ongoing basis. The results of analysis will be used to evaluate the quality of services and provide a basis for business improvement in the future.

The Group is responsible for our advertising all products and services, regardless of platform, format and region, and strictly abides by all applicable local laws and regulations, as well as the policies, terms of service and rules of each advertising platform. All advertisements are produced with integrity and in a manner that preserves the Company's brand image and are posted in a safe and respectful manner.

The Group strictly follows the requirements of "Management Measures for Reporting Major Risk Incidents" in handling any crisis events for risk management of advertising. Based on the actual need, our employees will be assigned to attend the crisis management courses, and a crisis management command group will be established to maintain effective internal and external communication and feedback channels. These measures will ensure that the Group properly handle advertising and promotion risks and fulfill its responsibility and commitment to provide quality products and services.

SUSTAINABILITY REPORT

Additionally, the Group's has established a dedicated customer service team and set up a detailed customer complaint mechanism to effectively minimise the number of complaints and enhance customer satisfaction. Upon receiving customer complaints, the Engineering & Services Department shall record the details of the complaint and identify responsible department for investigation and corrective actions. The Department Head or his/her delegate shall discuss with concerned parties to investigate the causes of the complaint and, if true, formulate appropriate corrective and preventive action. The Engineering & Services Department shall follow up with the customer to ensure customer's acceptance and satisfaction on the corrective and actions. During the process, the Engineering & Services Department shall record the data in detail for future review. During the period from January to December 2023, the Group has received 353 complaints on the Group's products and services. The group attaches great importance to every customer complaint. In addition to ensuring all cases received are properly resolved, as always, in-depth analysis is carried out to understand the root causes of customer complaints and resolves from the root and makes corresponding improvements. Compared with 2022, the customer complaints of our Macau subsidiary reduced by 20%, reflecting the effectiveness of complaint handling and service quality improvement.

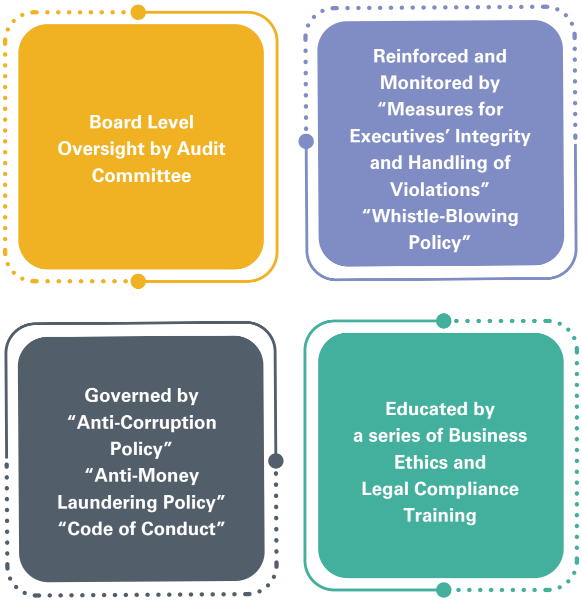
The Group has maintained a high standard of management system by holding the belief that "quality is the lifeblood of an enterprise". The Group and subsidiaries have been awarded several international certifications and Quality Management System is strictly implemented according to ISO 9001 requirements. We are one of the first management service providers in Hong Kong to obtain multiple certifications, including ISO9001, ISO14001, ISO20000, and ISO27001, to ensure our services compliance with international standards and resources for customers and to become a leading integrated intelligent ICT service provider to enterprise customers. Our subsidiary is also one of the first Infrastructure as a Service (IaaS) suppliers in Hong Kong to obtain ISO27017 certification, as well as achieving "CMMI Maturity Level 3 Certifications" by the CMMI Institute. Our TrueCONNECT™ private network solutions, including Software-defined Wide Area Network (SD-WAN) and Secure Access Service Edge (SASE) obtained the "SD-WAN Ready 2.0 Certificate", certified by the China Academy of Information and Communications Technology. Being one of the few service providers to obtain "SD-WAN Ready 2.0 Certificate", our service and management quality has been proven to reach the international leading position. At the same time, we are proud to announce the launch of TrustCSI™ 3.0, a ground-breaking cybersecurity solution that uses AI to revolutionise Security Operations Centre (SOC) and helps companies to operate securely. Powered by our forward-thinking SOC4Future strategy, which reshapes the core capabilities, TrustCSI™ 3.0 transforms cybersecurity from passive defence to proactive guardianship, enabling enterprises to stay ahead of the evolving threat landscape. We invite independent third parties regularly to conduct information security audits based on ISO standard.

ISO

The Group's subsidiaries have also obtained the following awards related to product and service quality:

- The "International Customer Relationship Excellence Award" by Asia Pacific Customer Service Consortium for 16 consecutive years. The winning categories are "Customer Service Manager of the Year 2023 (Service Center)" and the "Customer Service Professional of the Year 2023 (Service Center)"
- The "Outstanding DICT Service Provider" award at "The 23rd Capital Outstanding Enterprise Awards" organised by CAPITAL
- The "Distinguished Innovative Corporate Solutions Provider Award" in the "Corporate Brand Awards of Excellence 2023" organised by Hong Kong Economic Journal
- The "Tech Company of the Year (AI Application) – Excellence Award" at "2023 Business GOVirtual Tech Awards" organised by Baobab Tree Event
- The "Chinese Champion in Europe Award" at "The 2022–2023 European Business in China Awards" organised by the European Union Chamber of Commerce in China – South China Chapter
- The "Best Remote Management Solution of the Year" in the "IT Europa Channel Awards 2023" organised by IT Europa Media and Intelligence Limited

High Standards of Business Ethics



It is the Group's belief that maintaining business ethics and operating with integrity are the foundation for our long-term development. We have established a robust organisational structure and implemented comprehensive policies to ensure strict compliance with the relevant legal regulations and policies regarding the prevention of bribery, extortion, fraud and money laundering in the jurisdictions where we operate. On the other hand, the Group requires our employees to comply with the related regulations in the Group's disciplinary guidelines and conflict-of-interest system. The Audit Committee of the Board is chaired by an independent non-executive director and oversees matters relating to the Group's business ethics standards. The Audit Committee is responsible for reviewing and overseeing the Group's policies and disciplinary codes on compliance with legal and regulatory requirements, corporate governance policies and compliance status. The Committee reviews the report on the implementation of the Group's disciplinary code and compliance status on an annual basis to ensure that the Group's business adheres to the strictest ethical standards.

The Group has implemented a comprehensive set of policies and guidelines on business ethics and employee conduct to ensure that our operations align with ethical standards and principles of integrity. These include policies such as "Code of Conduct" and "Anti-corruption Policy". The "Anti-Corruption Policy" requires all directors, officers and employees to comply with anti-corruption laws and regulations, and states clearly that the Group adopts a zero-tolerance attitude towards policy violations, to prevent unethical practices such as commercial bribery, blackmailing, fraudulence and money laundering thus ensure fair competition and integrity. In addition, the Group has also established "Measures for Executives' Integrity and Handling of Violations" to prevent conflicts of interest, bribery, insider trading, acceptance of illegal gifts and commissions, and adopt a strict internal declaration mechanism. The anti-bribery and corruption policies have clearly laid down code of conduct, conflict of interest declaration procedures and procurement policy, including bribery, acceptance of gifts and conflicts of interest. We have established clear disciplinary procedures for handling violations of rules and regulations, and convey high ethical and integrity requirements on the conduct of our employees. Relevant policies have been uploaded to our Intranet for employee reference. When employees discover any behaviour that violates our ethical policies, there are established channels to report the cases to supervisors. The Group strictly requires all employees to abide to Code of Conduct & Occupation Integrity.

Business Ethics and Legal Compliance Training in 2023

- Corporate integrity course/Anti-corruption talk
- Legal seminar on preventing and curbing bribery in the private sector
- Customer sanctions risk management training
- Seminar and case sharing session on the Competition Ordinance
- Briefing of the Personal Data (Privacy) Ordinance
- Talk on Hong Kong's anti-discrimination Ordinances
- China's anti-fraud laws and regulations Training
- China Anti-monopoly Compliance Training
- Anti-Money Laundering Compliance Seminar
- Training on Personal Data Protection Act of Singapore
- Singapore anti-corruption concept and knowledge training
- Seminar on the General Data Protection Regulation in EU

SUSTAINABILITY REPORT

The Group emphasises on providing trainings on corporate business ethics and laws. The Group regularly offers a variety of business ethics trainings to staff at all levels, including the Board, management, and general staff for enhancing corporate governance effectiveness. To improve their knowledge on corruption prevention, understanding of relevant laws and clarify the stringent requirements of the Company Code, trainings cover various topics such as enterprise risk management and compliance of the Prevention of Bribery Ordinance, anti-bribery and corruption, anti-money laundering and terrorist financing, data privacy, technology and cyber security, international trade compliance and protect whistle-blower policies. We aim to gradually expand training programs to cover all employees of the Group, including part-time and full-time staff. Employees are required to sign a statement upon onboarding to demonstrate their awareness and compliance with the relevant provisions of Group's "Anti-corruption Policy" and "Code of Conduct" on corporate integrity. New employees are required to receive corruption prevention, integrity and related training during their induction training. All personnel are also reminded on a regular basis of our business ethics policies and regulations. It is made explicit that all employees must adhere to the code of conduct on corruption prevention and ethics to reinforce the Group's anti-corruption philosophy. During the reporting period, the Group has provided around 520 hours of anti-corruption training to our staff, including management, sales, purchasing, administration and related departments to further strengthen employees' knowledge of integrity and corruption prevention, and enhance corporate governance. We have also added anti-corruption and corporate integrity handouts to the online learning platform on company intranet for employees to refer to and take interactive quizzes to enhance their understanding. In addition to organising regular corporate integrity courses for general staff, we also provided a corporate integrity course specifically for directors and management to further enhance their corporate governance efficiency in this reporting period.

According to the Group's requirements, we strictly prohibit soliciting or accepting improper payments, gifts, or any form of bribery from suppliers during procurement activities. We evaluate and select suppliers based on factors such as their ability, pricing, quality and delivery timeline. At the same time, we are committed to ensuring transparency in the procurement process by preserving the completeness and accuracy of all relevant documents and records. We conduct risk assessments on suppliers to consider their background, reputation and compliance records when selecting business partners. In addition to compliance with "Anti-Corruption Policy" within the Group, we also encourage related third parties, such as contractors and suppliers, to adhere to this Policy to meet high standards of business ethics throughout the supply chain, thereby safeguarding fair and transparent business exchanges. We will gradually expand the scope of the "Anti-Corruption Policy" to require suppliers to formulate anti-corruption policies and related initiatives.

The Group attaches great importance to ethics and has developed Anti-Money Laundering Policy. Through the establishment of an anti-money laundering organisational structure, we have clarified the responsibilities of responsible supervisory authorities, whistle-blowing methods and the handling of non-compliance cases in order to ensure that every employee is aware of the Group's adherence to ethical standards and the stringent requirements for personal conduct. The objective of this policy is to prevent and combat money laundering and terrorist financing while ensuring the Group and its employees comply with relevant laws and regulations.

Through the "Whistle-blowing Policy", the Group has set out the principles and procedures to ensure all employees and third parties (customers, suppliers and other personnel with business relationship with the Group) could have a channel to provide feedback to clear up any doubts towards us on business ethics. If anyone uncover any suspected fraud, corruption, or violation, they are encouraged to report anonymously to the Head of Internal Audit, the Chairman of the Group, or the Chairman of the Audit Committee through email, mail, or in writing. During the whistleblowing process, the Group is dedicated to maintaining the confidentiality of whistle-blowers' personal information and has a zero-tolerance policy for any retaliation, including discrimination, harassment, intimidation, punishment, or solicitation. When any employee is identified and verified to have retaliated against a whistle-blower, internal disciplinary action will be taken in accordance with the circumstances. The case will be reported to the Department of Justice for further investigation. All reports received are documented and evaluated by Internal Audit Department to guarantee a fair and unbiased assessment of reported events and submit their investigations and findings to the Chairman of the Group. The Audit Committee is responsible for reviewing and overseeing the whistleblowing system. Additionally, there is relevant mechanism in the system that allows whistle-blowers who are dissatisfied with the result, or the action taken to escalate the case(s) to the Chairman of the Group, the Chief Executive Officer, or the Chairman of the Audit Committee for further investigation. We will continue to implement the "Whistle-blowing Policy" to ensure its effective operation and positive impact on the Group.

To know more about our compliance and risk assessment processes, please refer to the Risk Management of the Annual Report (pages 36 to 44).

Intellectual Property Protection

The Group has established a comprehensive system to protect intellectual property so as to stimulate the spirit of research and promote innovation. We have established the "Intellectual Property Rights Protection Policy," which stipulate our requirements for employees to follow intellectual property rules and regulations, including but not limited to copyright, trademark, and patent. Our employees are required to sign written intellectual property rights agreements and only use upon obtaining official authorisation. At the same time, employees are expected to refrain from doing anything that could result in a violation of the law or cause the Group to violate the law, to the extent reasonably within their control. We emphasise the importance of complying with the "Copyright Ordinance" during New Employee Orientation and convey requirements of protecting intellectual property rights to our employees.

Customer Privacy and Personal Information Security

The Group recognises the importance of protecting the privacy and security of our customers' personal information. The Board conducts regular review on the Group's risk management and internal controls to make sure that our current policies are in line with the most recent laws and regulations. The management is committed to implementing proper business procedures, controlling over the Group's practices to collect, use, and manage customer information and protect personal privacy in order to prevent any breaches of customer privacy. Over the years, the Group has strictly abided by relevant laws and regulations of places where the business are operating. We have formulated privacy protection systems and guidelines to ensure the safety and security of our handling of customers' data.

According to the Group's "Information Security Policy", we assure that only necessary information will be collected in a lawful and fair manner and will not be disclosed to any other third parties. We set permissions and use data protection tools to manage customer information, utilising tools such as Data Leakage Protection (DLP) and Endpoint Detection and Response (EDR) systems to properly dispose of and destroy relevant documents and equipment to reduce the risk of disclosure of private information. We collect customer information through various marketing events and channels and properly store and process it in accordance with local laws and regulations to ensure its security. We have implemented a clear Privacy Notice, Cookie Policy and Unsubscription Procedures to ensure that customers have a clear understanding and choice about the processing and use of their data.

At the same time, the Group's dedicated departments review the overall cybersecurity risk profile and monitor suspicious traffic and activity to combat cyberattacks according to Security Incident Handling Procedure. Internal procedure is also established to standardise the actions taken to deal with security incident that occurs. According to the severity of the incident, time limit is set for dealing with the incident to ensure the incident is handled in a quick, effective, and orderly manner.

To safeguard customer privacy and personal data, the Group requires all employees to strictly adhere to the "Code of Conduct" regarding the protection of customer privacy and personal information. Through regular trainings and inter-group technical exchanges, we continue to enhance employees' awareness on the policies of personal data, privacy protection and communication network security, and ensure a clear understanding of the procedures for properly handling customer data.

To ensure stability and effectiveness of the information security management system, the Group have successfully obtained ISO/IEC 27001 certification since Year 2019. In addition, our Enterprise Information Security Department successfully completed a number of information security infrastructure construction tasks and upgrades including upgrade of password protection systems and anti-virus software for personal computers. During the reporting period, the Group has strengthened education through various channels such as talks, trainings and inter-exchange events. We have also issued information security notices and precautionary guidelines to staff from time to time, raising their awareness on information security and safeguard privacy of our customers and secure their personal data. We are committed to eliminating the possible impact of information security incidents on the Group or our customers through system establishment, regular monitoring, timely response and handling, and follow-up reviews, as well as continuous staff awareness and knowledge enhancement training.

Information Security Training in Year 2023

The Group's headquarters arranged a series of information security trainings for employees, covering 200 participants and reaching 220 training hours. The training included:

- 2023 Information Security Awareness Training
- Cyber Security Workshop
- Artificial Intelligence and Information Security Technology Exchange Meeting
- Cyber Security Sharing Session
- Thematic Training on Dealing with Ransomware Attacks
- The Impact of AI on Cyber Security Industry
- XDR and Container Security: A Comprehensive Approach to Threat Detection and Response
- 2024 Top Five Cyber Security Predictions

In addition, the Group and its subsidiaries received the following awards from various organisations for our efforts and achievements in safeguarding personal data and improving cyber security management.

- The Gold Award for both in the "Best Artificial Intelligence (AI) Threat Detection – ASIA (between 500 to 999 employees)" and the "Most Innovative Cybersecurity Company – ASIA (between 500 to 999 employees)" in the "2023 Cybersecurity Excellence Awards" organised by Cybersecurity Insiders
- The "Outstanding ICT Solution Provider 2022" award at the "Quamnet Outstanding Enterprise Awards 2022" organised by Quamnet
- The "Privacy – Friendly Awards (Silver Award)" from the Office of the Privacy Commissioner for Personal Data, Hong Kong

Sustainable Supply Chain Management

The Group's business covers multiple regions of the world and have established partnership with a wide range of suppliers to fulfil our business ethical commitments and social responsibilities.

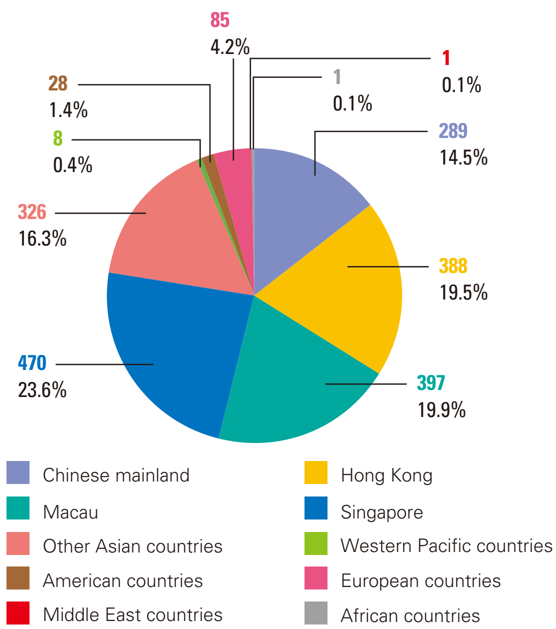
To ensure fairness and impartiality in the Group's procurement process, our "Code of Conduct" clearly states that colleagues in the procurement department must comply with professional ethics and anti-bribery policies, as well as uphold fair procurement principles in the procurement and tendering processes. Our procurement teams adhere to strict internal supply chain monitoring and management measures to eliminate bribery, commission rebates, fraud, or other irregularities. Employees are required to maintain a high level of integrity and ethical standards as well. Every year, colleagues in the procurement department are required to declare their interests to suppliers, to avoid any conflicts of interest and to guarantee that the entire procurement and supplier management processes adhere to the highest standard of business ethics and the principle of fair procurement. The Purchasing Principles of our Macau subsidiary highlights that purchase should be accomplished through transactions with reputable firms with appropriate financial backing and who are capable of satisfying the short and long term needs of the Company. Whilst at any onetime our Macau subsidiary will seek to obtain the best possible value, buyers should bear in mind and take account of the extra benefits that come from long term associations with fair, ethical, socially responsible and reliable suppliers. Our policy clearly requires all purchasing staff to abide by the Ethics Policy and Anti-Bribery Policy in effect and avoid any real or perceived conflict of interest. We encourage declaration of conflict of interest and channel to declare. Besides, we require the Supplier to disclose and declare potential or actual conflict of interest with any of the Macau subsidiary's member who are involved in the purchasing activity. The Group's "Procurement Policy" strengthens compliance risk and management procedures on key areas. The whole process of bidding is supervised by the Company's Internal Audit Department, and a review is carried out after the completion of bidding activities to enhance the control. The anti-corruption related clauses are included in the agreements with our suppliers. Non-collusion clauses and non-collusive agreement are included in tender documents and the tenderers are required to sign the non-collusive agreement prior to the tender activities begin to emphasise our Company's requirements for integrity and compliance. Procurement department regularly reviews press releases and circulars issued by the Competition Commission to ensure our suppliers do not involve in the misconduct case.

The Group has formulated "Supplier Management Procedures" to standardise the supplier selection technique, audit mechanism, assessment, and management procedures. The Group is constantly improving the procurement process, smoothing the process of selecting and monitoring suppliers to realise a sustainable procurement model. Procurement and related departments could assess the vendors' environmental protection, social responsibilities, quality and reliability based on procedures and "Supplier Sustainability Questionnaire" they answered. The Group will give priority to suppliers with professional certification and excellent sustainable development performance. In the vendor selection process, we would invite our suppliers to provide information on social responsibility management systems, environmental management systems (e.g., ISO 14001), quantitative social and environmental targets, waste management measures, energy management measures, recycling service, and so on. In addition, we encourage suppliers to review their targets and disclose their progress on sustainable development regularly. Furthermore, the Group also takes consideration during supplier selection process whether the vendor is certified by third-parties, and whether products and packaging are recyclable and non-hazardous. To guide the supply chain partners to fulfill social responsibility requirement, supplier is required to sign the "Environment Guidance Notes". The Group gives priority to suppliers, brands and product models that comply with environmental protection requirements during the purchasing process. In terms of resource procurement, we prioritise the selection of environmentally friendly materials and energy-saving certified products. We also reflect relevant measures in our procurement orders, requiring suppliers to protect the environment, comply with relevant laws and regulations, and dispose wastes responsibly to protect us from related liabilities and damages. When selecting cabinets for use in our data centres, we prioritise suppliers that are environmentally friendly and RoHS2/REACH certified and meet ISO 9001 and ISO 14001 certifications. Besides, the Group gives priority to purchasing desktop and notebook computers and display models certified by the Swedish Federation of Professional Employees (TCO) to ensure that they comply with environmental requirements, that they are energy-efficient, ergonomic, and are intended for the health and safety of employees. In addition, we use copy paper certified by the Forest Stewardship Council (FSC). To minimise our negative impacts to the environment, we also prefer biodegradable plastic bags.

We are dedicated to implement various mechanisms to ensure the quality of products and services throughout the management process of our suppliers. We also invite our suppliers to fill out the "Supplier Sustainability Questionnaire" to review their performance in environmental and social aspects. In addition, we signed agreements like environmental protection agreements with our suppliers and work together with them to release a "Green Supply Chain" while assessing and monitoring potential risks efficiently in the supply chain. The group also includes anti-corruption related clauses in the agreements with our suppliers, which prohibit any form of bribery, conflict of interest. Suppliers who breach these clauses will have their agreements terminated.

We will continue to uphold sustainable supply chain management and strive to create positive impact and value for our employees, customers, society and the environment.

Number and geographical distribution of suppliers engaged in 2023[1]



Support for development of the telecommunications industry

The Group believes that the exchange and cooperation between telecommunications industries is vital to the innovation and development of the technology sector. We cooperate actively with strategic partners at various levels in the areas of internet technology, cloud computing, big data, AI, AR/VR and other applications to seize potential opportunities.

We continue to support events and organisations of the international and domestic telecommunications industry, such as the Communications Association of Hong Kong. Moreover, we jointed with our peers to establish the "Greater Bay Area 5G Industry Alliance", the Macau Cross-Border E-Commerce Industry Association and the Zhuhai-Macau Cross-Border Digital Services Alliance, to promote product and service innovation in the industry while realising mutual development and maintaining a win-win relationship within the industry. In addition, as the Macau representative of the Asia-Pacific Telecommunication Union, our Macau subsidiary strives to strengthen the close cooperation among members to provide innovative cross-domain services in the Asia-Pacific region.

BUILDING AND STRENGTHENING THE TEAM

The Group adheres to the principle of meritocracy and adopts "Perception, Pick, Professional, Placement, and Preservation" as its overall approach to talent management. We will continue to invest more resources to build and maintain a "CITIC Telecom Team" that is all-rounded, flexible and internationally recognised.

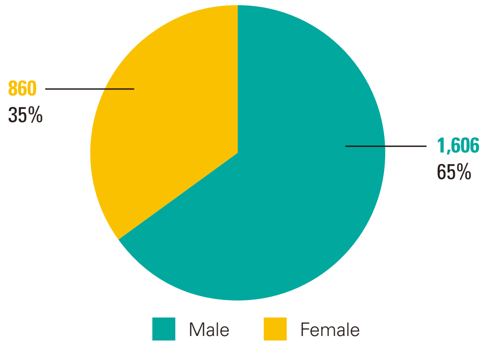
Team Composition

	Year 2023	Year 2022
Hong Kong	**527**	511
Chinese mainland	**756**	747
Macau	**929**	953
Singapore	**126**	116
Other Asian Countries	**126**	122
American Countries[2]	**2**	9
European Countries and Others	**68**	72
Number of Employees	**2,534**	2,530

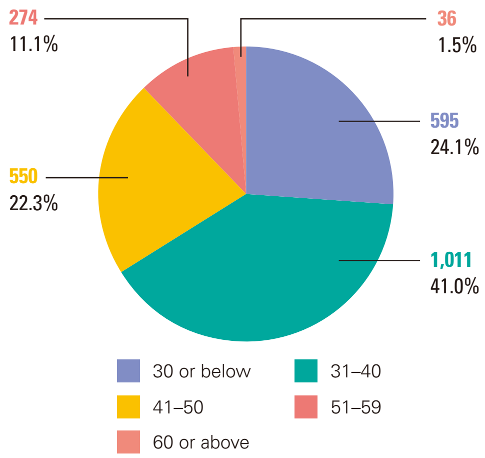
1 Under the biannual review, suppliers who have not collaborated in the past fifteen months are removed from the system. Reported data reflected the number of active and available suppliers.

2 Gradual reduction of business in American region.

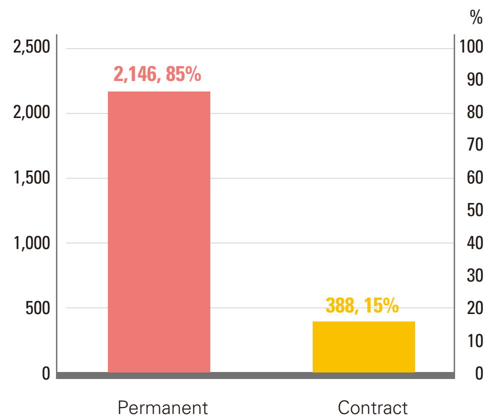
Employee distribution by gender[3]



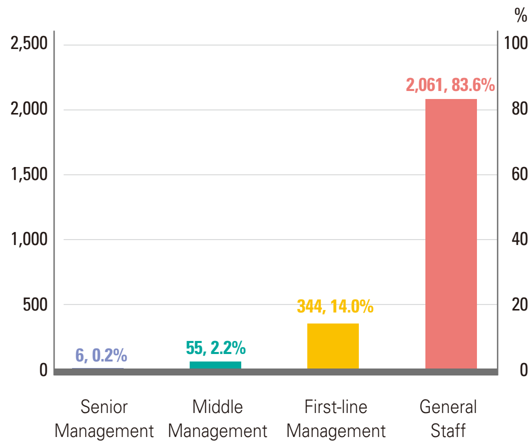
Employee distribution by age[3]



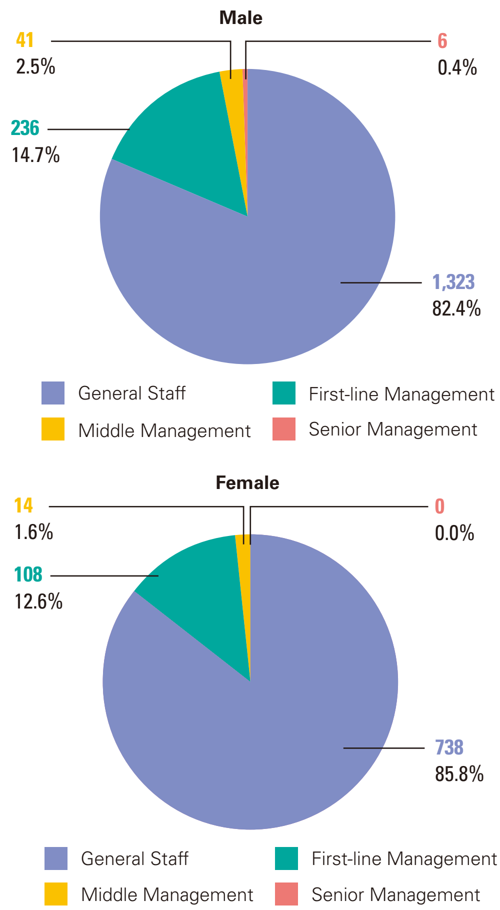
Employee distribution by employment contract[3]



Employee distribution by employment type[3]



Employee distribution by gender and by employment type[3]



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

SUSTAINABILITY REPORT

Diversity and Integration

The Group is committed to building a diverse and inclusive work environment. Our "Staff Handbook" has listed out policies in details related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. To promote our values on equal opportunities, diversity and integration, we have signed the "Racial Diversity & Inclusion Charter for Employers". We do not discriminate or allow any discrimination on the basis of race, sex, religion, national origin, citizenship status, marital status, sexual orientation, veteran status, or any other classification. Our Human Resources and Administration are responsible for implementing these policies and providing relevant trainings and support.

Distribution by gender[3]

Male	Female
Overall employee distribution **65%**	Overall employee distribution **35%**
Management and Supervisory Staff distribution **70%**	Management and Supervisory Staff distribution **30%**

Equal Opportunities

Equal Opportunities is an important principle in the Group's human resources management by abiding by the laws on equal opportunities and anti-discrimination. We have also accelerated the implementation of a diverse, fair, and inclusive corporate culture. During the recruitment process, we must comply with local labor regulations and provide equal employment opportunities. Related departments will conduct strict checking when some subsidiaries carry out recruitment through legal labor companies, ensuring job seekers do not experience any discrimination in the employment process. Recruitment measurements are based on the ability of candidates, and we provide equal opportunities to our employees and job seekers based on their abilities and do not discriminate against any candidate based on individual differences including their family status, gender, gender identity, race, age, religion, disability, or other personal differences unrelated to their abilities and the requirements of the position. During the reporting period, the Group held new employee orientation, training seminars and other educational programs to raise staff awareness of equal employment opportunities and arranged employees attending "Seminar on Anti-Discrimination Ordinance" so as to continuously educate and remind everyone to respect equality at work and jointly maintain an anti-discrimination working environment. Moreover, the Group's Hong Kong subsidiary invited experts from Equal Opportunities Commission to give a seminar on topics related to equal employment and designated the Equal Employment Officer to implement "Equal Opportunities" policy. Our subsidiary was awarded the "Silver Award for Website/Mobile Application" under the Web Accessibility Recognition Scheme by the Hong Kong Internet Registration Corporation Limited in this year, in recognition of our efforts in providing a web accessibility design that can be used by all, where everyone can have equal access to the same information, products and services. It shows that our philosophy of implementing equal opportunities was recognised and commended.

Employee Retention

Our employees are our most important asset and our core element for driving business development. To ensure adequate manpower resources to cope with business development needs, the Group actively recruits outstanding talents to build a stronger team through various means. In addition to external recruitment channels to attract talents joining us, including posting job advertisement through recruitment websites, utilising social media, cooperating with different universities and attending career fairs, we also conduct more effective talent matching way through internal application and related procedures.

To demonstrate the Group's emphasis on employees and enhancing employees' sense of belonging, we have adopted a series of measures to retain talents. We provide comprehensive training, career development, and promotion opportunities for our employees. We also regularly and timely review and enhance employee remuneration and benefit plans. To enhance employees' job satisfaction and retention rate, we actively promote two-way communication and adopt improvement measures after collection of employees' feedback. There were 307 employees leaving service during the year, with a reduction of 27.6% comparing to last year's. The employee turnover ratio is 12.12% in this year, with a reduction of 4.6% comparing to last year's.

The Group directly recognises employees with outstanding performance and making significant contribution through various incentives so as to enhance their sense of belonging. We present the awards of "The Best Manager" and "The Best Employee" based on the annual appraisal results and overall performance to compliment and motivate our employees to continue to achieve outstanding working performance. In addition, the Group has also set up a "Long Service Award" to convey our appreciation and recognition for employees' long-term services and contributions.

Employee Turnover Statistics

Employee turnover comparison with last year

	Year 2023	Year 2022	Difference
No. of leaving service employees	**307**	424	-27.6%
Employee turnover rate	**12.12%**	16.76%	-4.6%

Employee turnover rate by geographical region

	Year 2023	
	No. of employees	**Turnover rate**
Chinese mainland	**71**	**9.39%**
Hong Kong	**71**	**13.47%**
Macau	**117**	**12.59%**
Singapore	**15**	**11.90%**
Other Asian Countries	**21**	**16.67%**
American Countries[2]	**7**	**350.00%**
European Countries and Others	**5**	**7.46%**
Total	**307**	**12.12%**

Employee turnover rate by gender[3]

	Year 2023	
	No. of employees	**Turnover rate**
Male	**207**	**12.89%**
Female	**95**	**11.05%**

Employee turnover rate by age[3 and 4]

	Year 2023	
	No. of employees	**Turnover rate**
30 or below	**132**	**22.18%**
31–40	**92**	**9.10%**
41–50	**37**	**6.73%**
51–59	**20**	**7.30%**

4 Employee turnover rate by age excludes retired employees.

SUSTAINABILITY REPORT

Remuneration and Benefits

The Group has set up a comprehensive remuneration and benefits system to attract and retain our talents. We offer not only the basic remuneration and benefit packages which sticking to the labor laws in the region which we operate, but also provide competitive and performance-linked incentives and allowances. We have clearly listed out our remuneration and benefit items on our "Employee Handbook" such as basic salary, bonus, commission, allowances, holidays, medical benefits, employee compensation insurance and other insurance schemes, retirement benefits, employee telecommunications services, etc. We also offer other competitive benefits like dental services, shuttle bus services, lunch arrangements, gifts for new-born children and shopping discounts for employees of the Hong Kong headquarters. Moreover, we establish a good vacation mechanism to encourage proper work-life balance for our employees. All staff are covered under Employees' Compensation Insurance for protection in case of workplace accidents arising out of and in the course of employment.

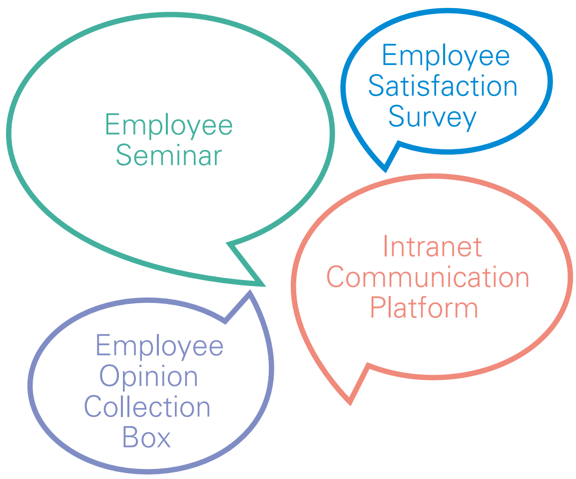
To strengthen the pay for performance culture, the Group has adopted our remuneration policy linked work performance and contribution with pay. We have established a fair and effective performance appraisal system and incentive scheme to ongoing enhance the qualities and overall capabilities of talents of the Group. The management regularly reviews employee remuneration and welfare levels and makes corresponding adjustments based on business and performance needs. We have also launched an e-Performance Appraisal system to regularly conduct staff appraisals. In additional to offering a job platform for employee utilising their strength, we provide a diversified and transparent career development mechanism to encourage and assist employees' further career development and personal goal setting. Employees will be evaluated in accordance with our internal rules and will be promoted to a higher position after passing the company's promotion approval process if they have outstanding performance and contribution. We are committed to ensure our employees being treated fairly, competitively and in line with the needs of our organisation and business development. As a responsible enterprise, we care about the retired life of our employees. Besides providing retirement protection scheme, we organise retirement related training seminars to assist employees in deploying retirement plans earlier so as to have an enjoyable retirement life.

During the reporting period, the Group was awarded the top recognition as the "Best All-around MPF employer" by the Mandatory Provident Fund Authority. We also received the "Good MPF Employer 5 Years+" "e-Contribution Award," and "MPF Support Award" in recognition of our contribution in providing retirement arrangement for employees.

Open and Two-way Communication

The Group has always valued its employees. To enhance employees' sense of accomplishment and devotion at work, the Group has actively communicated with our employees through various channels. In our headquarters, we set up intranet communication platform, opinion collection boxes on each office floor and hold regular employee seminars to listen to the views of our employees. During the reporting period, the "2023 CITIC Telecom International Employee Satisfaction Survey" was conducted and a total of 1,985 employees participated in this survey, with a participation rate of 78%. The survey was made to collect employees' opinion on various aspects of the Group and listen to their voices via different channels. Open and respectful two-way communication are embraced between management and employees. Our employees are encouraged to raise any relevant grievances to their supervisors or managers at any level at any time or express their opinions directly to the Group's management. The management will actively follow up on employee opinions on behalf of the Board, provide appropriate feedback in a timely manner and transform these opinions and suggestions into a strong impetus for our ongoing organisation development.

☺Placing high value on employees' opinion
☺Willing to listen to employees' voices:



Employees' collective bargaining rights are respected by the Group. We will maintain two-way, effective communication with labour union in accordance with the relevant laws in the regions where we operate. Employee collective bargaining legislation does not apply to the Hong Kong headquarters. We will do our utmost to engage with our employees and value their opinions according to the people development strategy of the Group.

Occupational Health & Safety

The Group adheres to high occupational health and safety standards. We strictly comply with all relevant regulations and provide a healthy, safe, and positive working environment. Employees can enjoy the benefits of medical insurance, life and permanent disability insurance, and other related measures offered by us.

To clearly identify our responsibilities in occupational health and safety, we have formulated the "Health and Safety Policy" and "Safety Management Manual". We have arranged appropriate personnel for relevant duties, and provided safety training, conducting risk assessments, formulating a fire prevention and first aid response plan, issuing accident reports, etc. In addition, we have developed a series of "Work Safety Guides", including the guidelines for wearing personal protective equipment and using tools. The "Fire Protection (Fire Prevention) Work Leading Group" and "Fire Prevention Work Office" were also established. They are responsible for updating safety guidelines and fire escape roadmaps, strengthening the fire prevention measures in offices and data centres, maintaining fire protection facilities comprehensively and conducting regular assessments, inspections and drills to safeguard the employee safety. Health and safety information is provided to employees, and all applicable guidelines are uploaded to the Group's intranet, enhancing employees' safety awareness. The Group's Macau subsidiary has also formulated the "CTM Health & Safety Policy" and a series of "Work Safety Policy" and has provided to personal protective equipment and safety tools. Employees are required to use and wear protective gear while working for specific tasks. We will arrange to inspect workplaces and to provide safety guidance on potential hazards. In addition, we conduct regular safety inspections of buildings and make timely improvements to fire prevention and potentially hazardous work environments. We have developed emergency procedures for different scenarios and conduct regular fire and accident drills to ensure the safety of our staff.

To raise the employees' awareness and attention of occupational health and safety, we regularly organise various activities, including regularly publishing health and safety information, organising Occupational Health and Safety seminars, fire drills, arranging for employees to obtain first-aid certificate. We organise occupational safety and health training courses regularly to ensure that our staff are equipped with sufficient knowledge and skills to safeguard their own safety and health. We have developed an "Office Safety Checklist" and arranged safety supervisors for inspection of workplaces and assessment of potential risks to maintain safe operations in our offices and other working facilities and to conduct follow-up actions as needed to prevent accident. In addition to issuing safety instructions, we also arrange colleagues in different positions to participate in safety training, conferences, exhibitions and activities to ongoing enhance their awareness of work safety.

Apart from taking measures for the physical health and work safety of our employees, the Group has held various online and offline recreational courses and health talks to promote the importance of healthy living, such as prevention of work-related injuries, information on healthy food, and key elements of personal and environmental hygiene. We strongly believe that these measures and activities are essential to creating a safe and healthy working environment. We will continue our efforts to provide a positive and safe workplace for our employees.

During the reported year, there were no fatalities at work, and the number of working days lost due to work injuries was 504.5 days.

SUSTAINABILITY REPORT

Occupational Health and Safety Statistics

	Year 2023	Year 2022	Year 2021
Lost days due to work injury	**504.5**	545.5	590.0
Number of work-related fatalities	**0**	0	0

Work-life Balance

The Group has taken good care of employees' work-life balance. The Group has always encouraged employees to participate in recreational activities in their spare time to relieve the pressure from work. In addition, we support our employees in striking a balance between work and family, so that they can take care of their families while achieving success in their careers.

To promote work-life balance, we organise various activities for our employees and encourages them to participate. During the reporting period, the Group held the "2023 Basketball Champions Games of CITIC International Telecom Group", table tennis competition among the Hong Kong and Macau staff, health talks and workshops. The Macau subsidiary organised short trips, hikes, telecommunications club and other recreational classes, etc. The subsidiary also encouraged its employee participating in sports competitions and industry sports events. We aim at encouraging employees to do more exercise to promote physical and mental health, and providing opportunities for them to mingle and strengthen team cohesion through all of these company activities. We are committed to advocating the importance of maintaining a healthy lifestyle, with an aim to create a harmonious working and living atmosphere for our employees, helping them to relax after busy work and to realise the value of life.

Online Health Talk – Meridian and Acupoint Massage for Pain Treatment in Traditional Chinese Medicine

Registered Chinese medicine practitioner was invited to explain the meridian and acupoint system, its application in diagnosis and treatment, and to provide acupoint massage guidelines and pain massage demonstrations.

Online Health Talk – Coping with Work Stress and Maintaining Mental Health

We invited the registered social worker and counselor to explain the causes and symptoms of stress, simple self-assessment of mental health and suggestions for maintaining mental health for our employees during the event.

Zentangle Workshop

A "Zentangle Workshop" was held for employees to experience the fun of Zentangle. Through painting simple and easy-to-learn patterns, participants could calm the body and mind, and achieve concentration through the regular stroke-by-stroke process, so as to release stress and thereby building a positive work environment.

2023 Basketball Champions Games of CITIC International Telecom Group

We held the basketball competition for the CITIC International Telecom Group in this year. We resumed this sports competition after the epidemic, aiming to enhance employees' health awareness, encourage employees to do more exercise, and promote communication among various subsidiaries.

Hong Kong Streetathon 2023

We organised our staff participating in the "Hong Kong Streetathon 2023" held by RunOurCity to enhance employees' health awareness and encourage them to exercise and keep fit.

The Group is committed to creating a family-friendly workplace. Our subsidiary has set up nursery room in office to cater for the needs of working mothers while fostering the culture of business-family integration.

We have been recognised by various sectors of the community. We are honour to receive the following awards during the reporting period:

- "Happy Company 10 Years+" logo and "Happy Company 5 Years+" logo by Promoting Happiness Index Foundation and Hong Kong Productivity Council
- Joyful@Healthy Workplace Charter from the Occupational Safety and Health Council, the Labor Department and the Department of Health
- "Sport-Friendly Action" Certificate of Appreciation and logo by Chinese YMCA of Hong Kong
- The "SportsHour Company Logo" by InspiringHK Sports Foundation
- The "Family-Friendly Employer Award", "Breastfeeding-friendly Workplace Award", "Fight through Adversity Award" and "Excellent Family-Friendly Employer Award" by the Women's General Association of Macau

EMPLOYEE TRAINING AND DEVELOPMENT

With our talent development goals of "optimisation of professional performance, motivation of staff's potentials, and revitalisation of learning culture", the Group is dedicated to providing personal development and growth opportunities for its employees. We are committed to investing in talent development, including internal and external trainings and development programs. Moreover, we regularly evaluate the performance of our employees in all departments to provide them with relevant professional development opportunities and diversified learning platforms. We encourage our employees to upgrade themselves and keep abreast of the world's best and updated professional skills in communications and telecommunications services. Meanwhile, we will promote our outstanding performers according to the evaluation results of regular staff appraisals. Hence, our employees could grow and develop together with the Group.

To achieve the goal of talent development and planning, the Group organised a series of talent communication meetings, including "CITIC Telecom International Group Talent Development Conference 2023", Employee Forum and Management Trainee Seminar during this reporting period. In addition we have also adopted various internal and external talent training and development programs, covering high-level management skills, technical skills enhancement, information technology, compliance courses in different fields to further enhance the skills and proficiency of our staff. We also promote the exchange of knowledge and technology transfer between employees in Hong Kong and other regions through different learning activities, thus strengthen the Company's integration and synergy.

In order to keep employees abreast of the latest telecommunications technology development trends, we provide timely analysis of market development and various technical trainings on digital transformation, big data analysis, blockchain technology, artificial intelligence etc. to develop our staff's ability in innovative technology and new product development. As there is a rising trend in the number of hijacking cases of personal accounts on social media platforms that lead to an increase in personal data leakage incidents, the Group held information security seminars to enhance employees' security awareness and protect personal data when using social media platforms. We also encourage and subsidise employees to participate in external trainings according to their development needs, continuously enhancing their personal growth and contributing to improving their job performance. We offer in-house classroom trainings as well as off-campus programs in the areas of IT and web technology, including AI Strategies for Business Workshop and ChatGPT in Business Applications, Python programming, Network Attack and Defense Actual Combat, Ethical Hacking and Oracle Database Administration.

In terms of upgrading soft skills, the Group and its subsidiaries regularly organise various workshops to enhance personal effectiveness, promote effective video conferencing, presentation skills, creative problem solving etc, which allow our employees to strengthen team building and collaboration capabilities as well as improve their communication and exchange skills to enhance work efficiency. We provided soft skills trainings, including Workshop on Competency-based Interviewing Skills and Be an Inspirational Coach and Rules of Influence. Apart from providing in-house soft skills trainings, we also care about soft skills enhancement of our staff. During the reporting period, the Group has arranged in-house classes such as Supervisory Skills for New Managerial Staff, Communication skills in the Workplace, PowerPoint & Presentation skills, Team Building for Finance, etc. These trainings not only enable employees to upgrade their skillsets, but also help improve their work performance.

We pay great attention to providing safety trainings of our employees. In terms of information security, we have arranged trainings for staff to become "Certified Information Security Professional". We have also organised "Cyber Security Awareness Briefing" in different departments to enhance the safety awareness. In terms of personal safety, we have arranged "Confined Space Work Safety Specific training", "Safety of Working in Height and Adult First Aider training" to enhance the relevant safety knowledge for the best protection of our employees.

In addition, we provide different ongoing compliance trainings for our staff to ensure that our business operations in compliance with local regulatory requirements and company policies. The compliance trainings include ICAC Corruption Prevention Seminar, Seminar on Personal Data (Privacy) Ordinance, Introduction to the Anti-Discrimination Laws of Hong Kong, Competition Law Seminar, Anti-Money Laundering Seminar and EU General Data Protection Regulation ("GDPR") Seminar etc.

Looking forward, we continue to support our employees to thrive in the workplace. Our Training Team carry out training needs analysis survey to collect feedback and preferences from our employees. The data gathered from the survey helps to formulate training plans in the coming years. We value the voice of every employee and are committed to continually improving and optimising our training programs so that all employees can grow and progress together at work. We strive to provide the best possible learning and development opportunities for our employees to realise their potential in the workplace.

Internship and Young Talent Schemes

The Group has actively cultivated new generations of management and technical professionals. Through the internship programs, the Group provides trainings and opportunities for young people who are interested in pursuing a career in the telecommunications industry. We recruit young people to our team through different channels, including campus recruitment with local universities and tertiary institutions, website advertising, online job fairs etc. The program covers a wide range of areas, allowing interns to work in different departments, participate in various projects, gain a thorough understanding of the company operation and have an in-depth understanding of the company's business operations. In the program, not only they can acquire communication skills and develop leadership skills, but also build a solid foundation for future positions. In addition to regular internship programs, the Group has also set up a technical internship program that focuses on professional learning, thereby nurturing them to become future telecommunications technology professionals. The Group's Macau subsidiary participated in the Internship Program held by Macau Labour Bureau to attract local and overseas graduates to join our team. We also joined hands with local vocational schools to co-organise internship programs for high school students. By nurturing young talents, both parties could achieve win-win results. We could fill up job vacancies at the operational level and inject new blood into telecommunications industry. At the same time, employment and training opportunities are provided for young people to develop their career and promotion prospects in the future. During the reporting period, our Hong Kong subsidiary was awarded the "Partner Employer Award 5 Years+" by the Hong Kong General Chamber of Small and Medium Business in recognition of our proactive role in providing internship opportunities for students and supporting the development of young talents.

"New Graduates-New Opportunities Scheme", "Job Creation Scheme"

In this reporting period, we continued to support the "New Graduates-New Opportunities Scheme" jointly organised by the Hong Kong Chinese Enterprises Association and the Labour Department of HKSAR and newly participated in the "Job Creation Scheme" launched by Hong Kong Institute of Human Resource Management (HKIHRM). Through these programs, we recruited fresh graduates to take up different full-time positions and we strives to provide platforms and job opportunities for the youngers to further perform and develop.

The first "Internship Program for Macau Higher Education Students" organised by the Chinese Liaison Office

Our Macau subsidiary participated in the first "Internship Program for Macau Higher Education Students" organised by the Chinese Liaison Office in Beijing, under the coordination of CITIC Group. The program provided a one-month internship opportunity for Macau higher education students in Mainland China to grasp a better understanding of local telecommunications industry. The internship program not only provides university students with valuable internship experience, but also promotes exchanges and cooperation between Macau and mainland China.

"CTM Youth Development Program"

The Macau subsidiary held the 10th "CTM Youth Development Program" to provide 5 weeks internship and enterprise visits to 21 selected outstanding young people in this year. The participants could expand their horizon and personal potential and help them gain an in-depth understanding of the operation of communications industry.

"The 3rd Training and Employment Program" of Escola D. Luis Versiglia (EDLV)

Our Macau subsidiary joined hands with Escola D. Luis Versiglia (EDLV) to launch "The 3rd Training and Employment Program", offering a 10-month professional training and lectures of IT and telecommunication knowledge to secondary school students. We aim at helping the students equipped with a wide range of practical skills through the program to prepare them for future development in the communications industry.

Training for Middle Management

In our belief, the contribution of middle management is an integral part of strengthening and promoting the development of the Group. Our Group and subsidiaries actively offer talent development programs, including various training courses, hands-on learning programs, external counselling and internal support. We also provide promotion opportunities for middle management elites and encourage middle management staff to progressively take up senior positions. In addition, to facilitate more cooperation and mutual understanding between employees in different departments, we organise team building workshops and cross-team trainings to strengthen the bonding among teams, which facilitate middle management to lead the team for achieving our job objectives together. To further consolidate their teamwork and leadership skills, we have arranged a total of 1,192.6 hours of trainings for middle level of management during the reporting year.

Continuous Professional Development of the Board and Senior Management

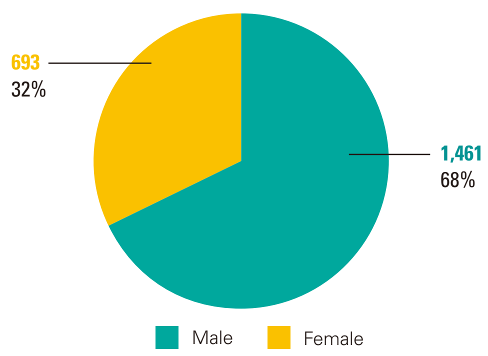
As the leaders of the Group, the Board and senior management keep themselves abreast of the latest regulatory and market trends through continuous professional development activities. During the reporting year, the Board and senior management attended training sessions organised by the Group on Corporate Governance Code, Group talent work seminar, file management and confidentiality work seminar, financial digitalisation topics, etc. In addition, the Group encourages them to participate in various local and international seminars and conferences in the telecommunications industry to enrich their vision and strengthen their professional knowledge.

Our efforts and achievements in staff trainings and development are recognised. We were awarded as "Manpower Developers" and our Hong Kong subsidiary was awarded the "Super MD" under the "ERB Manpower Developer Award Scheme" of the Employees Retraining Board in this reporting period. The awards are in recognition of our excellence in manpower training and development and to support and recognise our implementation of "Talent Training and Development".

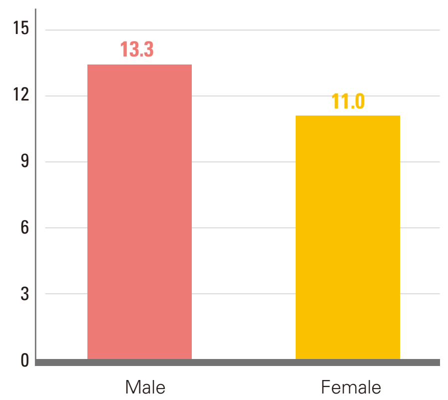
Employee Training and Development Statistics

Number of employees trained:	**2,154**
Percentage of employees trained:	**85%**
Total number of training hours:	**30,896 hours**
Average training hours per employee:	**12.20 hours**

The percentage of employees trained by gender[5]

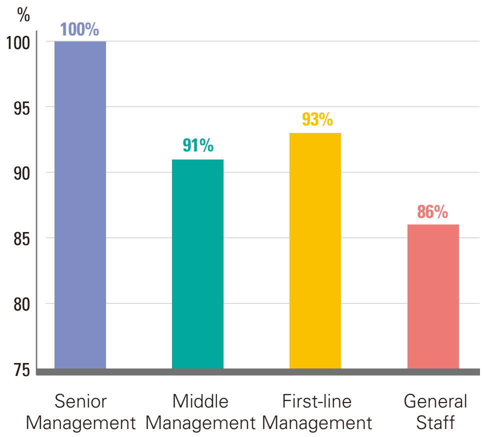


The average training hours per employee by gender[5]

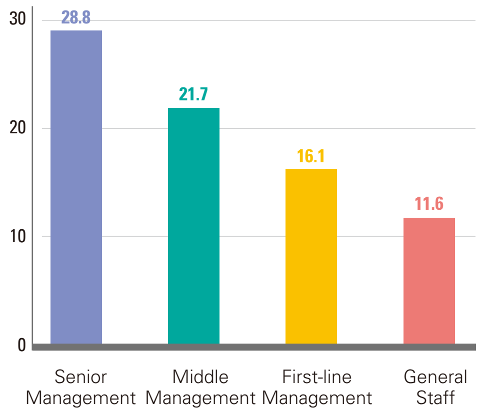


[5] As personal data privacy is protected by the General Data Protection Regulation (GDPR) and relevant regulations in the United Kingdom, the statistics of our European and British employees are not included in percentage of employees trained and average training hours completed per employee breakdown by gender.

The percentage of employees trained by employee category



The average training hours per employee by employee category



CARING FOR THE ENVIRONMENT

The Group is fully aware of the importance of good environmental management towards the enterprise and the society. Under our sustainability governance structure led by the Board, the "CITIC Telecom International ESG Committee" is responsible for proposing and announcing company environmental strategies and other corporate social responsibility measures. We are firmly committed to protecting the environment and promoting sustainable development, and we operate in a responsible manner. In order to minimise the environmental impact of our operations, the Group has put in place a number of environmental policies in the offices, data centres and other network operation, including minimising energy consumption, greenhouse gas emissions and the amount of waste generated by facilities to uphold environmental protection concepts in our daily operation and enforce education and promotion. We are actively formulating a number of quantitative environmental targets and will continue monitoring and tracking our performance in terms of resource consumption and waste and emission reduction.

"CITIC Telecom Green Policy"

- Set, monitor and review regularly on our environmental targets; take every reasonable and practicable measure to continually improve our environmental performance
- Ensure best use of resources and reduce waste by implementing 4Rs Environmental Management Model incorporating Reduce, Recycle, Reuse and Replace disposable materials
- Comply with all relevant environmental legislation and ensure all staff behave accordingly
- Communicate and promote our environmental policies and performance to our stakeholders
- Raise environmental awareness of our staff through promotion and training programs as well as encourage staff's participation in environmental protection

Our Response to Climate Change

The world is currently facing a serious problem of climate change. The Group proactively and responsibly assesses the opportunities and risks brought by climate change to our business. To address this pressing issue, the Group actively promotes energy efficiency and reduces its carbon footprint in our daily operations. Our ESG Working Leadership Group has dedicated our effort to regularly explore sustainability agenda and continuously assess the impact of climate change. We have commenced climate risk assessments to ensure that our business meets sustainability requirements. Since 2014, we have been voluntarily disclosing carbon emissions data in our annual reports. In addition, our air-conditioning system uses environmentally friendly refrigerants to minimise the negative impact of global warming.

To enhance our adaptability and resilience to climate change, we are taking active steps to enhance our climate risk management and improve our performance. The Group and its subsidiaries conduct regular health checks and incident drills on telecom buildings and data centres to ensure the buildings are in good condition and potential hazardous conditions are well assessed and controlled. If damages are found, we carry out immediate emergency repairs to ensure normal operation of our business.

In Year 2020, the Group has already commissioned a third-party consultant to conduct climate-related risk analysis to identify the impacts of climate change on our business and strengthen our climate risk management. The analysis is based on a climate risk model, which scientifically analyses various types of physical and transition risks that the Group will face.

The results of analysis for the reporting period show that the Group may be exposed to physical and transition risks in short, medium and long term. Strong wind/cyclone is one of the physical risks, which mainly affect our operations in Hong Kong, Macau and the southern and eastern regions of China. In addition, flooding also has a greater impact on the outlets and Remote Line Units (RLUs) of our Macau subsidiary in view of geographic position.

The Group also encounters a series of transition risks in policy, regulatory and technological risks. For example, government policies and industry initiatives targeting the achievement of the "Paris Agreement" will have an impact on the telecommunications industry. In particular, Chinese mainland is actively promoting improvement in energy efficiency of equipment within the telecommunications industry. Our business operations in Chinese mainland will proactively follow up with such requirements. Although the telecommunications industry does not belong to a carbon intensive industry and the carbon and energy performance of most of our operating regions is not strictly regulated, the green data centre market is already growing rapidly and is expected that the environmental performance of the telecommunications industry will receive more market attention in the future. Societal development's high reliance on telecommunications industry, the industry's operations, the energy consumption of data centres, as well as adopting low carbon IT solutions will be highly emphasised, and the telecommunications industry will become an important tool for carbon reduction policies in future policy plans. Coupled with the fact that green data centres gradually become an industry trend and various operating regions are launching voluntary certification programs, future green data centre standards may become mandatory technical standards, thus posing different levels of technology risks to the business.

Based on the results of the analysis, the Group has formulated a preliminary strategy to respond to material climate risks. In view of the frequent occurrence of typhoons in Hong Kong and Macau, the Group has put in place relevant risk management mechanisms to minimise the impact of typhoons on our operations. Once we receive updates on typhoon occurrence, we immediately activate emergency alert mechanism and prepare for typhoon prevention cautions. In periods of extreme weather, our staff would closely monitor the operation of communications network and make every effort to ensure the normal operation of all operating points, with a view to minimise the impact of extreme weather events. After typhoon, our staff would continue to provide proactive support to our customers at their locations, assisting affected customers promptly and carrying out maintenance and refurbishment of various communication services to resume operation of affected services as soon as possible when circumstances permitted.

In addition, the Group's Macau subsidiary is located in the low-lying areas of Macau, flooding that occurs during typhoons has the potential to cause serious impact and damage to our operations and equipment. Therefore, the subsidiaries have retained water gates averaging 1.2 meters in height in the low-lying RLUs, which will be removed when typhoon signals are lowered and the threat of flooding is removed. Meanwhile, water pumps have been installed in Macau RLUs. In the event of disaster-induced main power failure, some of the low-lying pumps will be powered by batteries.

In the future, the Group will continue to closely monitor market developments and trends, actively assess our response to extreme climate events, further improve and deepen our risk management efforts, enhance our own energy performance, thus strengthen our climate resilience to go in line with telecommunications development and carbon reduction strategies in various regions.

Construction and Operation of Environmentally Friendly Green Data Centres

Data centre operation is one of the core businesses of the Group. In order to promote the construction of environmentally friendly and green data centres, we have always taken energy saving and emission reduction as an important consideration in the construction of our telecom chamber and procurement of systems with the support of various environmental protection measures. We seek to reduce energy consumption and carbon emissions in our operations.

Construction of telecom equipment room and planning of system facilities

The Group have taken various measures to reduce energy consumption in our telecom equipment room and related systems to further optimise the energy efficiency of our equipment. As air-conditioning systems and cabinet power supply systems are the main sources of power consumption, we have opted to use energy-efficient systems and components in order to minimise energy consumption of our hardware configurations. Our air-conditioning systems and components use Computer Room Air Conditioner (CRAC) systems with EC Fan, Smart Control, which continuously monitors the temperature and humidity in the data centre and automatically coordinates the cooling system. At the same time, we purchase air-conditioning systems with high quality cooling performance to minimise power wastage. Our cabinet power supply system also uses uninterruptible power source system and power distributor cabinets that comply with environmental requirements such as ISO 14006 Eco-design, European Union (EU), the Restriction of Hazardous Substances (RoHS) Directive, and the Waste Electrical and Electronic Equipment (WEEE) Directive to minimise the impact on the environment. In addition, to protect the environment and provide a safe workplace, we have made the following improvements to the telecom equipment room and data centre, in which clean agent NOVEC 1230 and R410A replacing with the old agent was adopted to fire suppression system and air-cooled system that do not deplete ozone to reduce their environmental risks.

Energy Efficiency Enhancement in data centre

The Group has strived to improve energy efficiency and reduce energy consumption in our data centres to meet the challenges brought by global climate change and sustainable development. The Group has implemented a series of measures for data centre operations to further improve performance and save energy consumption.

We regularly review and adjust operating control system of the chiller system to ensure the chillers operate at optimal energy efficiency. During the reporting period, we raised the temperature of chilled water supply in CITIC Telecom Tower (CTT) site from 9.5°C to 11.5°C in order to reduce electricity consumption of the cooling plant. It is estimated that about 7.5% electricity can be saved from chiller plant power usage.

Besides, we have rearranged the sequencing of chiller operation in Ap Lei Chau (ALC) site and extend the operation period of cooling tower system for energy saving. Compared with last year, Power Usage Effectiveness (PUE) in both CTT & ALC sites have dropped by 6% in this reporting period, reflecting positive results of these measures.

In addition, we plan to replace fluorescent tubes with LED tubes within data centre to achieve greater energy saving effect. At the same time, the telecom equipment room of our newly constructed data centre has been using LED tube to further enhance energy efficiency.

To minimise light nuisance and save energy usage in office, the Group has supported annual Earth Hour campaign of World Wide Fund (WWF) for years by switching off office lighting for an hour to support energy-saving. Additionally, our headquarters' office has adopted nearly 100% of T5 new environmentally friendly and energy-saving light tubes, removed nearly 200 excessive light tubes and covered windows with UV-blocking film to reduce heat absorption.

Our data centres will continue to adopt various energy saving measures to improve energy efficiency, reduce energy consumption and contribute to sustainable development.

Energy Conservation Measures in Macau subsidiary

The Macau subsidiary has implemented the following energy saving measures in telecom equipment rooms and data centres to improve energy efficiency and reducing energy consumption:

Cold aisle containment solution in design of cooling system have been adopted in telecom equipment room and data centre, which result in 20% reduction in power consumption of CRAC. This measure not only improves the efficiency of the air-conditioning system, but also effectively reduces energy consumption.

The building in R. de Pedro Coutinho in Macau has adopted chiller plants with oil-free compressor and magnetic bearings. This change has reduced power consumption of the chiller plant by 20%. In addition, we have installed mist cooling system to condenser of chiller plant, which further improves coefficient of performance of chiller and reduces power usage by 5%.

Additionally, we have adopted energy saving LED lights in our telecom equipment rooms and data centres, with power consumption for lighting reducing by 275kW per hour. We have also installed motion sensor light in office corridors to reduce power usage by 16% than regular LED light. LED lights are characterised by high efficiency and long life, which not only saves energy but also reduces the frequency of lamp replacement.

To further conserve energy, we maintain office temperate at 25 degree that has reduced energy consumption of supply fans by 10%. This measure not only provides a comfortable working environment for employees, but also reduce energy wastage.

The Group has installed Battery Monitoring System to monitor the consumption performance of each battery in real time and fully utilise battery lifespan.

The Group's Macau subsidiary will continue to implement energy saving measures and improve energy efficiency to achieve the ultimate goal of sustainable development.

Energy-saving measures for daily operations

The Group has adopted effective energy saving measures to reduce energy consumption in our daily operations. We have implemented green planning for the management system of the data centre to further improve operational flexibility and reduce unnecessary electricity consumption.

Our data centre is equipped with a real-time monitoring system that provides a comprehensive user interface for operational monitoring and energy usage management. The interface displays the operating status of the electrical and mechanical systems, allowing operators to obtain and analyse operational data of the equipment. On one hand, it allows constant observation of the interactions between electrical and mechanical equipment. On the other hand, close monitoring of the overall load condition of data centre enable continual improvement of energy management. When abnormal operating circumstances are identified, the system will issue risk alerts to mitigate and prevent equipment failures from occurring, avoiding accidental power wastage. The optimised monitoring system can collect information on external factors such as weather forecasts in real time and assist operators to make appropriate adjustments to air-conditioning units, which can effectively control indoor temperature and humidity conditions to better manage the energy performance of data centre.

Self-developed Data Centre Management System to Monitor Electricity Consumption in Data Centres

The Group closely monitors the electricity consumption of our data centres and has developed our own Data Centre Management System to monitor site temperature and electricity consumption. When abnormalities in power consumption or site temperature are detected, data centre operators will immediately investigate and make necessary adjustments to avoid power wastage.

By utilising the electricity reporting management system, we understand our customers' monthly energy consumption data and provide assistance in improving their energy consumption management, planning and implementation of energy-saving initiatives. We will continue carrying out energy-saving research and optimisation projects. We will also incorporate more energy-saving features and elements in expansion to create a Green Data Centre.

Sustainable Usage of Resources

Eco-friendly and Green Office

The Group follows "CITIC Telecom Green Policy" in its day-to-day operations and is committed to sustainable use of resources. Aside from our data centre, we have also promoted green office practices in various office areas. We enforce the 4R principle of environmental management: Reduce, Recycle, Reuse and Replace to reduce waste. We regularly monitor office electricity consumption, paper consumption and water utilisation and develop corresponding improvement programs to enhance our environmental performance.

We actively promote environmental awareness to our staff through various communication channels and encourage them to participate in environmental activities. We believe that effective communication is vital to increase employees' understanding on the value of sustainable development. In this regard, we frequently post environmental related information on the "environmental protection corner" section of our intranet, providing green tips and introducing the latest green projects or trends to our staff.

Group environmental targets and progress

To better practice our vision on sustainable development, the Hong Kong headquarters has undergone environmental target setting. Through analysing historical data, forecasting future factors and perform peer benchmarking, we have set quantitative targets for electricity consumption, electronic waste recycling and waste paper recycling at the Hong Kong headquarters. We have implemented a series of policies and actions and closely monitor their progress. The Hong Kong headquarters has achieved the target of 100% recycling of our own computer and electronic waste through recycling distributors for proper disposal and reuse in 2022 and 2023.

PROGRESS

- **Electricity consumption**

  After implementation of a series of policies and action, good progressive results are gained in 2023. We will continue to follow up and review the progress closely.

- **Non-hazardous waste – waste paper**

  After implementation of a series of policies and action, good progressive results are gained in 2023. We will continue to follow up and review the progress closely.

- **Hazardous waste – computers and electronic equipment**

  Target completion. 100% recycling of internally used computer and electronic waste at Hong Kong headquarters that are being properly disposed and reused by recycling distributors in 2023.

TARGET

- **Electricity consumption**

  Using 2020 as the baseline year, to reduce Power Usage Effectiveness (PUE) at our data centres of the Hong Kong headquarters by 9% by 2026

- **Non-hazardous waste – waste paper**

  Using 2020 as the baseline year, to increase waste paper recycling at our Hong Kong headquarters by 8% by 2025

- **Hazardous waste – computers and electronic equipment**

  The Hong Kong headquarters shall maintain 100% recycling of our own computer and electronic waste through recycling distributors for proper disposal and reuse in 2023

Minimise Energy Usage

The Group and its subsidiaries have taken a number of measures to improve office energy performance and achieve energy savings, including installing automatic sensor light switch-off control systems in offices, installing energy-saving lamps and procuring electrical appliances that consume less electricity to reduce electricity consumption. simultaneously, we have implemented measures to remind colleagues to switch off electrical appliances when not in use after work to conserve electricity. Furthermore, energy-saving labels are displayed as visual reminders, encouraging employees to turn off idling lights. When replacing electrical appliances and equipment, the Group prioritises the use of energy-efficient products and technologies and uses more energy-efficient LED light bulbs in office to reduce electricity consumption. In addition, we have adopted chiller plant with oil-free compressor and magnetic bearings in our office and telephone network equipment to reduce power consumption of the chiller plant. We have also installed Battery Monitoring System to facilitate real-time observation of the performance of each battery, ensuring full lifespan utilisation of the batteries.

Energy saving measures in the Hong Kong Headquarters

We fully recognise that lighting is a major source of energy consumption in the office. As a result, the office of Hong Kong headquarters has taken the lead in adopting energy-saving measures, including adopting nearly 100% of the new T5 environmentally friendly and energy-saving light tube. At the same time, we removed nearly 200 excessive light tubes, further reducing energy consumption.

In addition, windows in office are covered with UV-blocking film to reduce heat absorption, which helps reduce the build-up of indoor heat and reduce reliance on air-conditioning, thereby saving energy.

Apart from improvements in physical facilities, we also share relevant information and regular staff reminders in the "environmental protection corner" to cultivate their environmental awareness and energy saving habits. This platform provides employees with information on energy savings and encourages them to take respective energy-saving actions in their everyday work.

The implementation of these initiatives not only reduces office energy consumption, but also minimises environmental impact and contributes to sustainable development.

Flexible system adjustment of energy consumption at our Macau subsidiary

The Group's Macau subsidiary has been actively promoting the concept of low carbon operation. To reduce energy consumption from lighting, our Macau subsidiary uses energy-efficient LEDs that reduce power consumption by 275 kW per hour. The subsidiary also adopt smart system to regulate the air-conditioning temperature in office to avoid uncontrolled energy wastage from cooling. In addition, we have installed Battery Monitoring System to facilitate real-time observation of the performance of each battery so that batteries can be used till the end of product life.

Encouraging employees to save electricity in Hong Kong subsidiary

In order to enhance energy efficiency and reduce electricity consumption, our Hong Kong subsidiary has installed automatic lighting control system, energy-saving light and electrical appliances in the office. Affix stickers are also posted in the office as a reminder to encourage staff to switch off lighting when not in use. At the same time, employees are also requested to switch off appliances after office hours to reduce electricity consumption.

Energy Usage Optimisation in Singapore subsidiary

Our Singapore subsidiary incorporates the concept of energy reduction into their daily operations. Singapore office situated at 1 Fusionopolis is one of the buildings that received Green Mark Building – Platinum Award from Singapore BCA, exemplifying our commitment to sustainability.

Our Singapore office further improves its energy efficiency and reduces its environmental impact through the following measures.

1. Air Conditioning System: The office will provide centralised air-conditioning which will operate from Monday to Friday from 8.30am to 6.30pm. No air-conditioning will be provided on Saturday, Sunday and public holidays to reduce energy use. In addition, the average temperature setting of office is set at around 24.0 degrees Celsius, which helps to save energy consumption.

2. Daylight Harvesting Devices: Solaris Building has installed daylight harvesting devices along the side of the building to reduce electricity consumption. These devices make use of natural lighting, reducing the need for artificial lighting while offering a comfortable lighting environment.

3. Lighting Management: Office lighting has segregated into zone lighting that only operate in areas that are in use, which saves energy and avoids unnecessary waste of lighting.

4. Lighting Upgrades: Replacement has been made in office lighting from fluorescent to energy saving LED to reduce energy consumption and extends the lifespan of lighting fixtures.

For the frequently purchased product types, such as computer equipment and office equipment, we require the products with green certificates, such as RoHs, Energy Star label or other power-saving qualification. For equipment such as dishwashers and printers in our Singapore office, we would opt for products that have been certified with Singapore Green Label. The Hong Kong headquarters has undertaken an electricity consumption target-setting exercise to reduce the PUE at data centres of the headquarters by 9% by 2026, using 2020 as the baseline year. We will continue monitoring the target's progress in order to consistently improve the performance of our electricity consumption.

Reduce paper waste

The Group has reduced the use of paper in various means. Employees are encouraged to use double-sided printing when printing documents, and recycling bins are placed near printers to collect waste paper. Through employee education for example internal communications, we encourage employees to reuse envelopes as much as applicable to reduce usage of paper. For our daily operations, we promote electronic workflow management such as e-Workflow, MOA (Mobile Office Automation), e-HR System, etc. Pay slips, leave application, time sheet, appraisal, etc. are all processed electronically in order to reduce the usage of paper.

Externally, the Group is committed to introducing electronic services to our customers such as "Electronic Bill" and "Electronic Application" to reduce paper usage.

Electronic Bill

Our Macau subsidiary has been supporting environmental protection and actively launched electronic bill Service and online self-service for our customers to achieve the aim of energy-saving and low-carbon lifestyle and further enhance public quality of life. Since 2018, we have actively invited customers to use our "CTM Buddy" mobile app to view and pay telecommunications fees. The monthly bill amount will be notified by SMS, and we stop printing and mailing paper bills to them upon agreement. The subsidiary has launched WeChat OA since August 2020 for customers who do not have CTM Buddy APP to receive bill check and bill payment. According to statistics, under multiple measures to replace unnecessary paper use, Macau subsidiary has reduced paper bill usage to 17.5%.

Electronic Application

Since Year 2019, we have been striving to promote electronic management for internal processes, and vigorously promote online self-service application services. In September of the reporting year, we further deployed the new electronic ticket system for retail shops, taking a step further to reduce paper printing of ticket numbers. Driven by multiple measures, the paper usage rate has been reduced by 48% and is steadily decreasing year by year.

Enhance stewardship on water use

The Group has taken numerous measures to achieve water conservation. We have installed touchless faucet to save water wastage. Eco-friendly messages on water conservation are also posted at major water-consuming locations such as pantries and washrooms. Water-saving tips are sent out regularly by email to further raise their awareness.

The Macau subsidiary has installed air-cooled chiller system that does not rely on water supply in both Rua De Pedro Coutinho and CTM Telecentro to conserve water.

Proactive boost on waste recycling rate

The Group has taken different measures in its day-to-day operations to reduce its carbon footprint, in which strict waste management instructions have been put in place to ensure proper waste disposal. Hazardous waste such as waste electrical and electronic equipment ("WEEE") are handled by approved specialist contractors, while non-hazardous waste is handled by professional cleaning service providers and contractors in compliance with local regulations and realisation of our environmental philosophy.

In addition, we organise recycling programs for employees to facilitate the recycling and reuse of waste materials. These include toner and ink cartridges and paper. UPS batteries and electronic devices (such as hard disk, notebook) are properly recycled in accordance with the requirements of Hong Kong environmental protection policy to avoid long-term damage to the environment. We have placed recycling bins in pantry for our employees to recycle waste paper, plastic bottles and aluminium cans. In addition, we encourage duplex printing and place a recycling bin next to the printers to collect used papers.

While minimising waste, we have increased to use environmentally friendly materials during our procurement process. For example, we prefer biodegradable alternatives when sourcing plastic bags. For copying paper, "Paper One," paper made of PEFC-certified materials is ordered for business uses.

The Group has set e-waste recycling and waste paper recycling targets at Hong Kong headquarters. We target to increase waste paper recycling by 8% by 2025 using 2020 as the baseline year, and the target has been successfully met. In 2022 and 2023, the Group has maintained 100% recycling of (self-use) computer and e-waste through recycler for proper disposal and reuse to avoid wastage of resources and pollution of the environment.

Data on Environmental Performance[6]

Resource Usage	Units	Year 2023	Year 2022	Difference
Consumption of energy				
Electricity	kWh	**74,338,387**	65,175,248	14.1%[7]
Petrol	Litres	**95,372**	90,869[8]	5.0%[9]
Diesel	Litres	**9,269**	7,152	29.6%[10]
Intensity of energy consumption	GJ/million HKD telecommunications revenue	**31.7**	26.9	17.8%
Consumption of water				
Consumption of water	m^3	**22,132**	20,274	9.2%[11]
Intensity of water consumption	m^3/million HKD telecommunications revenue	**2.6**	2.3	13.0%

Waste Generation	Units	Year 2023	Year 2022	Difference
Non-hazardous waste generation				
Paper	kg	**18,339**	26,712[8]	-31.3%[12]
Metal scrap	kg	**14,900**	2,090	612.9%[13]
Other non-hazardous waste[14]	pc	**104**	100	4.0%
Hazardous waste generation				
Computers, communications and electrical appliances	pc	**45,528**	26,623	71%[15]
Industrial batteries	pc	**1,201**	1,074	11.8%
Toner and ink cartridges	pc	**126**	158	-20.3%[16]

6 Data presented in the report of 2022 to 2023 were rounded off and may differ slightly to the actual yearly rate of change.

7 The no. of racks and equipment in our data centres increased in 2023 to cope with the business need. Moreover, due to the epidemic in 2022, the usage of lights, computers, printers and other equipment in the offices were suspended or reduced during the period of employees' work from home. In 2023 we fully resumed normal operation. Hence, the electricity consumption in 2023 increased compared to 2022.

8 2022 data has been restated with the most accurate information at the time of reporting.

9 The vehicle usage was reduced due to the epidemic in 2022. When we resumed normal operation in 2023, the vehicle usage and the petrol consumption increased comparing to 2022.

10 There is an increase in the use of diesel fuel due to the increase in power supply works and general maintenance work to be carried out at the telecommunication FTNS stations in 2023.

11 Full resumption of work in 2023 increased staff usage demand compared to 2022.

12 The paper usage reduced in connection to our office automation and digitalisation. Hence, the amount of waste papers reduced.

13 Metal materials are mainly discarded iron rolls.

14 Other non-hazardous waste includes wooden cable drum.

15 The computers, communication and electronic equipment mainly consisted of end-of-life modems and routers.

16 The number of scrapped toner and ink cartridges reduced.

Recycling of waste	Units	Year 2023	Year 2022	Difference
Non-hazardous waste recycling				
Paper	kg	**17,226**	2,102	719.5%
Metal scrap	kg	**14,900**	2,090	612.9%
Other non-hazardous waste	pc	**104**	100	4.0%
Hazardous waste recycling				
Computers, communications and electrical appliances	pc	**47,041**	26,428[8]	78.0%
Industrial batteries	pc	**1,201**	1,074	11.8%
Toner and ink cartridges	pc	**127**	158	-19.6%

Greenhouse Gas (GHG) Emissions[17]	Units	Year 2023	Year 2022	Difference
Scope 1: Direct GHG emissions	tonnes of CO_2 -equivalent	**625.5**	257.2[8]	143.2%[9 and 18]
Scope 2: Energy indirect GHG Emissions	tonnes of CO_2 -equivalent	**40,948.6**	34,992.5[8]	17.0%[7]
Scope 3: Other indirect GHG Emissions	tonnes of CO_2 -equivalent	**19.4**	131.0[8]	-85.2%[19]
Total GHG emissions	tonnes of CO_2 -equivalent	**41,593.0**	35,380.7[8]	17.6%
Intensity of GHG emissions	tonnes of CO_2 -equivalent / million HKD telecommunications revenue	**4.9**	4.0[8]	22.5%

Environmental Activities

The Group is committed to actively promoting environmental values through various communication channels and encouraging employees to participate in related activities to enhance their understanding on the values of sustainable development. For this purpose, we regularly provide our staff with environmental tips and introduce the latest environmental projects or trends.

We actively promote the concept of energy saving and emission reduction to the public. During the reporting period, the Group and our subsidiaries have reacted and supported "Earth Hour" initiated by WWF Hong Kong for many years. It targets to awaken people's attention to climate change and reflect the threats posed by economic activities to the natural environment. Employees taking part in "Earth Hour" switched off redundant lighting in office and at home for an hour to contribute to environmental protection.

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

18 The usage of fire extinguisher (Model FM200) increased for replacement and repairing purposes.

19 The high recycling rate of waste paper in 2023 reduced CH4 emission from landfill.

In addition, during the reporting year, the Group is committed to providing a green working environment for our employees by promoting environmental protection through various activities and workshops to raise their environmental awareness.

In the reporting year, we undertook different environmental activities on recycle and reuse. We participated in the "BOOKS FOR LOVE@ $10", which raised funds through selling second-hand books. To reduce the impact of transportation on the environment, the Singapore subsidiary has implemented a "No Car Day Commitment" campaign to encourage employees to reduce their reliance on private cars and opt for public transport or other environmentally friendly travel mode. In addition, the Group has launched an e-waste recycling campaign to encourage colleagues to return used electronic products for proper disposal and recycling. We have also launched a plastic bottle recycling campaign to encourage colleagues to recover and recycle plastic bottles in order to minimise the impact of plastic waste on the environment. Through the Red Packet Recycling Program, we have collected 2 boxes of red packets from our employees and donated them to relevant organisations for processing and reuse. Our Thailand and Indonesia subsidiaries have organised beach clean-up activities for their staff respectively, and the staff in Malaysia subsidiary have participated in a tree planting day to support environmental protection, exemplifying our commitment to environmental protection and their joint efforts to achieve sustainable development by raising the environmental awareness of their employees.

We actively promote green culture and low carbon lifestyle. To encourage our staff in developing green living habits, we have organised events such as "Green Mid-Autumn Festival Food Saving Pledge 2023" and "Mid-Autumn Festival Recycling Activities". "Tea Soap Making Workshop" and several environmental workshops were held to teach our staff to turn waste into treasure and reduce waste. During the reporting year, we continued to react to the call from Green Council and participated in Hong Kong Green Day by signing the online Green Charter to promote Green Day and encourage our staff to contribute to environmental protection.

We are committed to implementing environmental protection initiatives. The Group's subsidiary has been awarded the "Green Office" Label and "Eco-Healthy Workplace" Label for nine consecutive years by World Green Organisation in recognition of our efforts in promoting green office. In addition, the Group has become a signatory to the Business Environment Council's "BEC Net-zero Carbon Charter", which supports the business sector to move towards net-zero emissions in support for Hong Kong's 2050 Carbon Neutrality Target and contributes to Hong Kong's long-term carbon reduction journey.

CONTRIBUTION TO OUR COMMUNITY

The Group has always been committed to giving back to the community through a wide range of charitable activities with the aim to bring positive impact to the society. We regularly hold volunteering activities to install our employees with the concept of caring for the community and giving back to the society. We actively encourage our staff to participate in community and volunteer activities to support those in need. In 2023, our team contributed 1,085 hours in volunteering services while the Group made charitable donations of approximately HK$1 million.

Apart from volunteering work, the Group is also committed to helping the public, including the underprivileged, through various channels to raise their knowledge and access to telecommunications services, facilitating and enriching their daily lives. At the same time, we collaborate with different organisations to achieve synergies to provide diversified quality services, introduce new information technology to optimise education affairs, make good use of our rich network technological strength to provide all-round support for local large-scale activities, and combine technology with public welfare affairs to open up the development of Internet public welfare.

The Group has once again been honoured with the following awards and commendations for our effort of building and giving back to the community:

- 10 Years + "Caring Company" awarded by the Hong Kong Council of Social Service
- "Social Capital Builder Awards" by Community Investment & Inclusion Fund under HKSAR Home and Youth Affairs Bureau
- Awarded Corporates in "Sport-Friendly Action" held by Chinese YMCA of Hong Kong
- "Excellent Corporate Volunteer Award in Macao 2023" issued by the Association of Volunteers Social Service Macao
- "Y-Care CSR Scheme – Bronze Partner" and "Y-Care Outstanding Performance (Social) Award" awarded by Chinese YMCA of Hong Kong
- "Social Enterprise Supporter Awardees" awarded by Full Social Enterprises Society

Leveraging Our Strengths to Support Community Development

The Group fully utilises its resource strengths to support sustainable development of the community. We put emphasis on community investment projects to build and maintain the Group's image, to maximise social influences and to respond to the needs of stakeholders. We have partnered with various community organisations to arrange a number of community and volunteering activities and embraces the motto of "Contribute to the Society, Serve the Community" to improve the living quality of the public. The Group encourages employees to actively participate in the volunteering work. We aim at providing practical assistance to grassroots families and the underprivileged through our efforts so as to boost the betterment of the society.

Community Volunteering Program

In the reporting year, the Group held plentiful community volunteering activities to care for the underprivileged groups.

We participated in the "Visit 448 Farm with families from Sham Shui Po District" organised by Chinese YMCA of Hong Kong. We sponsored the event and sent a volunteer team to visit a farm with grassroots families and children in Sham Shui Po. During the event, our volunteers were responsible for coordinating the workflow, including leading family mass games, photography sessions and other recreational activities. In addition, the Group sponsored them to arrange a youth photography training class in Sham Shui Po. These young volunteering photographers after training assisted to took family photos for the participants in the farm visit event, demonstrating the spirit of helping themselves and others.

We participated in the Mid-Autumn Festival volunteering activity to make custard mooncakes and Mid-Autumn lanterns with the elderly and their caregivers in Chai Wan District, bringing festive joy and conveying warmth to the participants.

The Group continues to promote equality and diversity and to support the interests of different stakeholders in society. The Group's Hong Kong subsidiary organised corporate visits, volunteer visit to Shanghai Children's Medical, and the Singapore subsidiary provided children bicycles for low-income families. The Group's Macau subsidiary held social inclusive activities to enhance the connection between elderly and disabled groups with the society, including conducting "Smart Elderlies Gathering" with UGAMM, Chinese New Year elderly gathering with Pou Tai Youth And Family Service Complex, Best Buddies Friendship Walk, Inclusive Handicraft Workshop with Macau Special Olympics and Kai Chi School, participating in charity events including the 2023 World Mental Health Day Series of Fuhong Society of Macau, "2023 Charity Run of Caritas", food hamper distribution to the underprivileged, "Walk for a Million" organised by the Charity Fund from the Readers of Macao Daily News and Christmas gathering with Macau Down Syndrome Association, etc.

Youth Development Support

The Group has always attached great importance to nurturing local young talents to promote the future development of the telecommunications industry. During the reporting period, we have further strengthened our cooperation with schools and youth organisations. By demonstrating how telecommunications industry works through conducting different types of activities, we envisage to attract more youngsters joining the industry.

To deepen students' understanding and interest on the industry, we maintain a close partnership with different institutions in providing students with various activities, including conferences, exhibitions, study tours and visits. Students would be introduced to the operation and development trends of the industry and continue the effort in promoting the development of smart city and 5G network. The Thailand subsidiary also supported the learning and application of telecommunication knowledge among young people by donating electronic appliances to various local universities.

In line with local government policies, our Macau subsidiary organised seminars in different schools to educate students on 5G technology and smart cities, aiming to raise youth awareness on telecom technology industry. In the reporting year, the Macau subsidiary continued to set up the "CTM Scholarship" to recognise students who excel academically. We have always viewed our next generation as the future leaders and looks forward to their thriving.

Popularising 5G Technology to Promote Smart City Development

To popularise 5G technology knowledge and facilitate local talents' participation in application development, our Macau subsidiary actively arranged site visits through various channels, such as "Digital Macau 3.0" experience zones for teachers and students of Cheong Kun Lun College of the University of Macau, Escola D. Luis Versiglia (EDLV), Cyber Security Faculty of the Guangzhou University and Escola Luso-Chinesa Técnico-Profissional etc. The events provided valuable learning opportunities for students to gain an in-depth understanding of the development of 5G technology and smart city construction, as well as helping to cultivate their professional skills in the digital field, so that they could contribute in the research and development of smart applications in Macau in the future. The Group has committed to nurturing local 5G talents to make greater contributions to the future of digitisation.

Nurturing Digital Talents and Stimulating Youth Power

The Group has paid our efforts to nurture the growth and development of young people through a multitude of activities. The Hong Kong subsidiary, together with a number of tertiary institutions, co-organised a series of activities of "Visit CITIC Telecom International Data Centre". Under the theme of "New Probabilities with the Power of Information", we invited teachers and students from tertiary institutions to visit our CITIC Telecom International Data Centre to not only share the development direction of ICT industry with young people, but also provide them with the opportunity to experience, deepen the understanding of students on data centres, cyber security and intelligent technology, and stimulate their interests in learning, so as to provide a solid foundation for them to develop their careers in the technology industry and to open up a wider prospect for their career development.

Our Macau subsidiary joined hands with EDLV to launch the 3rd "Training and Employment Program" by providing a 10-month's professional training and lectures of telecom knowledge to the secondary school students. In addition, the subsidiary also fully supported the 1st "Internship Program for University Students" by offering a one-month internship opportunity for Macau youth studying in the universities of Chinese mainland to grasp a better understanding of local telecom industry. Furthermore, the subsidiary co-organised the "ICT Applications Development Program" with Macao Post & Telecommunications Bureau, to introduce the industry development and share how to facilitate other sectors' transformation with the participants.

Promotion of telecommunications services

As Macau has entered a new era of "5G", the Group's Macau subsidiary vigorously promotes the development of 5G. In order to satisfy different needs of the underprivileged, the Macau subsidiary has provided telecommunication services to promote the popularisation of telecommunication services and build a harmonious society. The subsidiary provides the following telecommunication services to government departments, educational institutions, and community organisations:

- A Care program for the disabled was launched. The program was aimed at providing the disability assessment certificate holders with preferential mobile communication and internet services and encouraging them to utilise the internet service so as to build a bright life.

- Exceptional discounts on smartphones, accessories, prepaid cards, and mobile monthly plans was offered to help the elderly stay connected in today's technologically advanced society.

- Provided student telecommunication service plans for primary, secondary and tertiary students across Macau, covering mobile and fiber optic broadband service offers, allowing students to stay connected with home and school at all times, and at the same time enhance their knowledge through online learning.

- In addition to providing schools with the real-time, one-stop interactive communication platform "mSchool" service, we also provided schools with workflow management application services to facilitate the digital transformation of schools.

The Group's Hong Kong subsidiary was awarded Web Accessibility Recognition Scheme – Silver Award by Hong Kong Internet Registration Corporation Limited in recognition of our dedication to providing an inclusive website that is accessible to all individuals, ensuring that everyone has equal access to information, products, and services.

Leading 5G Smart Applications in Macau

To meet the demand for 5G applications in the local community, the Group's Macau subsidiary promoted the establishment of the "Macau 5G Smart Service Development Alliance" and worked with its alliance partners to launch a number of 5G applications with local characteristics, including "CTM x Women Association – 5G Dream Base". By combining 5G and virtual reality technologies, the program provided children with diversified learning experiences and early exposure to telecommunication technologies to help them explore their future careers. Moreover, the "CTM x UGAMM Neighbourhood Channel" made use of the features of 5G's high connectivity and speed to provide activity live broadcasts and various types of information videos of the Federation of Macao Neighborhood Associations.

The subsidiary continued to open "CTM Planet 5G" at Pedro Coutinho CTM Original Store for the public to experience 5G features. By showcasing the strengths of CTM 5G+ smart solutions in BEYOND Expo 2023, more than 1,500 flows were recorded from representatives from local government, industry sector, institutions and schools.

The subsidiary also demonstrated AI+Big Data smart tourism solutions at "Advanced Technology" sector of Macau 1+4 Industries Showroom at the 11th Macao International Travel (Industry) Expo. And we provided CTM 5G+AI smart solutions at 28th Macao International Trade and Investment Fair. The subsidiary will continue to uphold the principle of "growing together with Macau", striving to promote the application of 5G technology and contributing to the development of society.

5G Livestreaming Leading Interactive Fashion Experience at Macau Fashion Festival

The Group's Macau subsidiary brought an unprecedented interactive experience to audience with 5G livestreaming technology at its core. With the high-speed, low-latency and multi-connectivity features of 5G, audience were able to enjoy fashion shows and brand exhibitions in real time while participating in virtual reality fashion shows and hall touring with 5G-enhanced real-world navigation capabilities. The 5G livestreaming and interactive experience of Macau Fashion Festival has brought a new fashion experience to the audience and promote the development of Macau in the field of digital innovation.

50222 Hiker SMS Tracking Service

The Group has continued to work with telecommunications operators in Hong Kong this year to offer 50222 SMS Tracking Service to provide rescue work for hikers. Hikers could send free text messages with the code "50222" according to marked posts along the country trail in Hong Kong country parks. When an accident occurs, the government emergency services will begin searching and rescuing based on the last coordinates received on the system, providing a convenient and accurate rescue services to better protect hikers' safety.

Collaboration with the launch of the "Overseas Call Fraud Prevention Information Alert Service Platform" for identifying and blocking suspicious calls

The Office of the Communications Authority of Hong Kong and Hong Kong telecommunications service providers have jointly introduced a technology platform and system to assist the public in identifying and blocking suspicious calls and illegal and fraudulent text messages. The Group has cooperated with Hong Kong mobile operators and virtual mobile operators, the Hong Kong Monetary Authority and other institutions together. As a result, the "Overseas Call Anti-Fraud Information Alert Service Platform" has been launched by the Communications Authority of Hong Kong to assist operators in alerting overseas calls that are spoofing local calls, so that Hong Kong citizens could identify suspicious calls in a timely manner.

The Group will continue to spare no effort to give back to the community with our professional services and actively fulfill our mission in the communications industry.

OUR AWARDS AND RECOGNITION

Building and strengthening the team

"Best All-round Good MPF Employer", "Good MPF Employer 5 Years+", "e-Contribution Award" and **"MPF Support Award"**

Mandatory Provident Fund Schemes Authority

"Partner Employer Award 5+"

The Hong Kong General Chamber of Small and Medium Business

"The Racial Diversity & Inclusion Charter for Employers"

Equal Opportunities Commission

Employee health and safety

"SportsHour Company Logo"

Inspiring HK Sports Foundation

"Happy Company 10 Years+" and **"Happy Company 5 Years+"**

The Promoting Happiness Index Foundation, Hong Kong Productivity Council

"Family-Friendly Employer Award", "Breastfeeding-friendly Workplace Award", "Fight through Adversity Award" and **"Excellent Family-Friendly Employer Award"**

The Women's General Association of Macau

SUSTAINABILITY REPORT

Employee health and safety; Environmental Protection

"Green Office Label" and **"Eco-Healthy Workplace Label"**

The World Green Organization

Training and development

"Manpower Developer" and **"Super MD"** in **"ERB Manpower Developer Award Scheme"**

The Employee Retraining Board

Operational Management

"Business Sector Integrity Charter"

ICAC and the Chinese Manufacturers' Association of Hong Kong

Privacy-Friendly Awards (Silver Award)

The Office of the Privacy Commissioner for Personal Data, Hong Kong

Environmental Protection

"ESG Pledge Scheme"

The Chinese Manufacturers' Association of Hong Kong

"BEC Net-zero Carbon Charter"

Business Environment Council

"Wastewi$e Certificate – Good Level"

Hong Kong Green Organization Certification

Contribution to the Society

"Social Capital Builder Awards"

Community Investment & Inclusion Fund of Hong Kong, Home and Youth Affairs Bureau

"Sport-Friendly Action – Certificate of Appreciation"

Chinese YMCA of Hong Kong

"Caring Company 10 Year+" Label and **Certificate**

The Hong Kong Council of Social Service

"Excellent Corporate Volunteer Award in Macao 2023"

Association of Volunteer Social Service Macao

"Y-Care CSR Scheme – Bronze Partner" and **"Y-Care Outstanding Performance (Social) Award"**

Chinese YMCA of Hong Kong

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

Compliance with Reporting Standards

This Sustainability Report is prepared in accordance with the mandatory disclosure requirements and "comply or explain" provisions of "Environmental, Social and Governance Reporting Guide" (the "ESG Guide") issued by the The Stock Exchange of Hong Kong Limited. We also adhere to the four reporting principles set out in the ESG Guide when defining our content, namely materiality, quantitative, balance and consistency.

Reporting and Data Scope

This report covers the sustainability performance and measures of the Group's headquarters and its subsidiaries for the reporting period of 1 January 2023 to 31 December 2023. Unless otherwise specified, the scope of environmental data disclosure covers operations of our three major business units (i.e. headquarters, CTM and CPC) in four major operating locations, namely Hong Kong, Chinese mainland, Macau and Singapore (which collectively account for over 90% of revenue from telecommunications services).

Content Index

Key aspects	General disclosures and KPIs		Section/statement	Referencing page number
A. Environment				
Aspect A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Caring for the Environment The Group is not aware of any material non-compliance with relevant laws and regulations that have a significant impact on the Group during the reporting period.	Pages 115–125
	KPI A1.1	The types of emissions and respective emissions data.	Given the Group does not generate a significant amount of emissions during operation, this topic was regarded non-material in the materiality analysis, and thus such data is not disclosed.	Not applicable
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Caring for the Environment	Page 124
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Caring for the Environment	Page 123

Key aspects	General disclosures and KPIs		Section/statement	Referencing page number
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Caring for the Environment	Page 123
	KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Given the Group does not generate a significant amount of emissions during operation, the Group has not set emissions targets.	Not applicable
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Caring for the Environment	Pages 115, 119–125
Aspect A2: Use of resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Caring for the Environment	Page 115
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Caring for the Environment	Page 123
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Caring for the Environment	Page 123
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Caring for the Environment	Pages 115–125
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	The Group does not have any issue in sourcing water that is fit for purpose.	Not applicable
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Given the Group's operations do not involve significant amount of packaging materials, this topic was regarded non-material in the materiality analysis, and thus such data is not disclosed.	Not applicable

SUSTAINABILITY REPORT

Key aspects	General disclosures and KPIs		Section/statement	Referencing page number
Aspect A3: The environment and natural resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Caring for the Environment	Page 115
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Caring for the Environment	Pages 115–125
Aspect A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Caring for the Environment	Pages 116–117
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Caring for the Environment	Pages 116–117
B. Social				
Employment and labour practices				
Aspect B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Building and Strengthening the Team, Employee Training and Development The Group is not aware of any material non-compliance with relevant employment laws and regulations that have a significant impact on the Group during the reporting period.	Pages 104–115
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Building and Strengthening the Team	Pages 105–106
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Building and Strengthening the Team	Page 107

Key aspects	General disclosures and KPIs		Section/statement	Referencing page number
Aspect B2: Health and safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Building and Strengthening the Team The Group is not aware of any material non-compliance with relevant laws and regulations that have a significant impact on the Group during the reporting period.	Pages 109–111
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Building and Strengthening the Team	Page 110
	KPI B2.2	Lost days due to work injury.	Building and Strengthening the Team	Page 110
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Building and Strengthening the Team	Pages 109–111
Aspect B3: Development and training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employee Training and Development	Pages 111–115
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employee Training and Development	Pages 114–115
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Employee Training and Development	Pages 114–115

Key aspects	General disclosures and KPIs		Section/statement	Referencing page number
Aspect B4: Labour standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Building and Strengthening the Team The Group is not aware of any non-compliance with relevant laws and regulations on preventing child or forced labour.	Page 106
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Given the Group's operations do not expose to significant risk of child and forced labour, this topic was regarded non-material in the materiality analysis, and thus such data is not disclosed.	Not applicable
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Given the Group's operations do not expose to significant risk of child and forced labour, this topic was regarded non-material in the materiality analysis, and thus such data is not disclosed.	Not applicable
Operating practices				
Aspect B5: Supply chain management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Responsible Operational Management	Pages 102–104
	KPI B5.1	Number of suppliers by geographical region.	Responsible Operational Management	Page 104
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Responsible Operational Management	Pages 102–104
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Responsible Operational Management	Pages 102–104
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Responsible Operational Management	Pages 102–104

Key aspects	General disclosures and KPIs		Section/statement	Referencing page number
Aspect B6: Product responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Responsible Operational Management The Group is not aware of any material non- compliance with relevant laws and regulations on product responsibility that have a significant impact on the Group during the reporting period.	Pages 95–102
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Given the Group's operations do not expose to significant risk of product recalls, this topic was regarded non-material in the materiality analysis, and thus such data is not disclosed.	Not applicable
	KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Responsible Operational Management	Page 98
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Responsible Operational Management	Page 101
	KPI B6.4	Description of quality assurance process and recall procedures.	Responsible Operational Management	Pages 97–98
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Responsible Operational Management	Pages 101–102

Key aspects	General disclosures and KPIs		Section/statement	Referencing page number
Aspect B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Responsible Operational Management	Pages 99–101
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	The Group is not aware of any material non-compliance with relevant laws and regulations on anti-corruption that have a significant impact on the Group during the reporting period.	Not applicable
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Responsible Operational Management	Pages 99–101
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	Responsible Operational Management	Pages 99–100
Aspect B8: Community investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Contribution to Our Community	Pages 126–130
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Contribution to Our Community	Pages 126–130
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Contribution to Our Community	Page 126

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of CITIC Telecom International Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 147 to 232, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

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

- Impairment assessment of goodwill

- Use of complex IT system in revenue recognition

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill Refer to note 13 to the consolidated financial statements. As at 31 December 2023, the carrying value of the Group's goodwill amounting to HK$9,717 million was allocated to groups of cash generating units ("CGUs") comprising of: (i) Telecoms business – Macau, (ii) Enterprise solutions (outside Macau), and (iii) Other telecommunications services. Goodwill is subject to management's impairment assessments annually and when there is an indication of impairment. In carrying out the impairment assessments, the recoverable amount of each group of CGU is determined by management based on value-in-use calculation using cash flow projections. Significant judgments are required by management to estimate the future cash flows of the Group and to determine the key assumptions, including the services revenue growth rates and long-term growth rates used in the cash flow projections, and the discount rates applied to bring the future cash flows back to their present values. Management concluded that there was no impairment in respect of the goodwill based on the results of their impairment assessments.	Our procedures in relation to the management's impairment assessments of goodwill included: • Obtaining an understanding of the Group's internal controls and management's assessment process of impairment of goodwill and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias; • Evaluating the reasonableness of management's identification of CGUs and goodwill allocation based on our understanding of the Group's business; • Assessing the methodology applied by management in the preparation of the discounted cashflow forecasts with reference to the requirements of the prevailing accounting standards; • Evaluating the discounted cashflow forecasts prepared by management, including the reasonableness of the key assumptions used, by taking into account our understanding, experience, knowledge of the business and observable market data of the telecommunications sector and the Group's future business plans, and assessing the reasonableness of the discount rates with the involvement of our valuation expert; • Comparing the revenue, cost of sales and services and other operating expenses included in discounted cashflow forecasts prepared in the prior year with the current year's performance and making enquiries to management as to the reasons for any significant variation identified to assess management's historical estimation accuracy; and • Performing sensitivity analyses on the key assumptions where we flexed the long-term growth rates and the discount rates as these are the key assumptions against which the recoverable amounts are most sensitive to. Based on available evidence and our work performed, we found the assumptions and estimates used in the goodwill impairment assessments by management to be supportable.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Use of complex IT system in revenue recognition Refer to note 3 to the consolidated financial statements. The Group recognised revenue of HK$5,490 million from the provision of mobile services, internet services, international telecommunications services and fixed line services during the year ended 31 December 2023. We considered revenue recognition from these services a key audit matter as significant effort was spent in auditing revenue recognised from these services by the Group based on information generated from the telecommunications systems. These systems were complex, processed large volume of transactions with a large combination of different products sold and services provided and there were regular changes in price during the year.	Our procedures performed in addressing the risk of material misstatement in revenue recognition in relation to the use of complex IT systems included: • Obtaining an understanding and evaluating the design, implementation and operating effectiveness of the key internal controls over the capturing, processing and recording of revenue from these services; • Testing the IT environment in which billing, rating and other relevant supporting systems reside; and • Testing, on a sample basis, the revenue transactions by tracing the transactions from the telecommunications systems to supporting documents, such as customer contracts, underlying invoices and settlement, where applicable. Based on available evidence and our work performed, we found the revenue recognised with the use of complex IT systems to be supportable.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

22/F Prince's Building
Central, Hong Kong

13 March 2024

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	**2023** **$ million**	2022 $ million
Revenue	3(a)	**9,987**	10,111
Valuation gain on investment property	10(a)	**14**	9
Other income	4	**96**	44
Cost of sales and services	5(a)	**(5,785)**	(5,775)
Depreciation and amortisation	5(b)	**(870)**	(914)
Staff costs	5(c)	**(1,140)**	(1,169)
Other operating expenses		**(531)**	(541)
		1,771	1,765
Finance costs	5(d)	**(267)**	(269)
Share of profit of a joint venture		**1**	–
Profit before taxation	5	**1,505**	1,496
Income tax	6(a)	**(253)**	(272)
Profit for the year		**1,252**	1,224
Attributable to:			
Equity shareholders of the Company		**1,231**	1,191
Non-controlling interests		**21**	33
Profit for the year		**1,252**	1,224
Earnings per share (HK cents)	9		
Basic		**33.3**	32.3
Diluted		**33.3**	32.3

The notes on pages 152 to 232 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 27(b).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2023

(Expressed in Hong Kong dollars)

	Note	2023 $ million	2022 $ million
Profit for the year		**1,252**	1,224
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit plan obligations	25(c)(v)	**21**	(46)
Deferred tax recognised on the remeasurement of defined benefit plan obligations	6(c)	**(3)**	6
Surplus on revaluation of owner-occupied property upon change of use to investment property, net of $Nil tax	10(b)	**9**	–
		27	(40)
Items that are 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 and its related borrowings		**–**	(45)
Other comprehensive income for the year		**27**	(85)
Total comprehensive income for the year		**1,279**	1,139
Attributable to:			
Equity shareholders of the Company		**1,260**	1,113
Non-controlling interests		**19**	26
Total comprehensive income for the year		**1,279**	1,139

The notes on pages 152 to 232 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

(Expressed in Hong Kong dollars)

	Note	2023 $ million	2022 $ million
Non-current assets			
Investment property	10	**726**	676
Property, plant and equipment	10	**1,989**	2,323
Right-of-use assets	11	**454**	599
Intangible assets	12	**824**	932
Goodwill	13	**9,717**	9,710
Interest in a joint venture	15	**11**	10
Non-current contract assets	19(a)	**27**	26
Non-current contract costs	17	**24**	28
Non-current finance lease receivables	18	**5**	9
Non-current other receivables	20	**145**	150
Deferred tax assets	6(c)	**63**	74
		13,985	14,537
Current assets			
Inventories	16	**57**	132
Finance lease receivables	18	**5**	8
Contract assets	19(a)	**242**	224
Trade and other receivables	20	**1,344**	1,293
Current tax recoverable	6(b)	**4**	1
Cash and deposits	21(a)	**1,726**	1,986
		3,378	3,644
Current liabilities			
Trade and other payables	22	**1,606**	2,027
Contract liabilities	19(b)	**183**	183
Bank and other borrowings	23	**421**	183
Lease liabilities	24	**116**	131
Current tax payable	6(b)	**221**	276
		2,547	2,800
Net current assets		**831**	844
Total assets less current liabilities		**14,816**	15,381
Non-current liabilities			
Non-current contract liabilities	19(b)	**1**	1
Non-current bank and other borrowings	23	**3,513**	4,337
Non-current lease liabilities	24	**224**	323
Non-current other payables	22	**20**	16
Defined benefit plan obligations	25	**48**	61
Deferred tax liabilities	6(c)	**146**	172
		3,952	4,910
NET ASSETS		**10,864**	10,471
CAPITAL AND RESERVES			
Share capital	27(c)	**4,756**	4,720
Reserves		**6,000**	5,653
Total equity attributable to equity shareholders of the Company		**10,756**	10,373
Non-controlling interests		**108**	98
TOTAL EQUITY		**10,864**	10,471

Approved and authorised for issue by the board of directors on 13 March 2024.

Luo Xicheng
Director

Luan Zhenjun
Director

The notes on pages 152 to 232 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company							
		Share capital $ million	Capital reserve $ million	Property revaluation reserve $ million	Exchange reserve $ million	Retained profits $ million	Total $ million	Non-controlling interests $ million	Total equity $ million
Balance as at 1 January 2023		4,720	10	53	(25)	5,615	10,373	98	10,471
Changes in equity for 2023:									
Profit for the year		–	–	–	–	1,231	1,231	21	1,252
Other comprehensive income for the year		–	–	9	2	18	29	(2)	27
Total comprehensive income for the year		–	–	9	2	1,249	1,260	19	1,279
Dividend paid to non-controlling interests		–	–	–	–	–	–	(9)	(9)
Shares issued under share option plan	26(b)	36	(7)	–	–	–	29	–	29
Dividends approved in respect of the previous financial year	27(b)(ii)	–	–	–	–	(684)	(684)	–	(684)
Release upon lapse of share options	26(b)	–	(1)	–	–	1	–	–	–
Dividends declared in respect of the current financial year	27(b)(i)	–	–	–	–	(222)	(222)	–	(222)
		36	(8)	–	–	(905)	(877)	(9)	(886)
Balance as at 31 December 2023		4,756	2	62	(23)	5,959	10,756	108	10,864

	Note	Attributable to equity shareholders of the Company							
		Share capital $ million	Capital reserve $ million	Property revaluation reserve $ million	Exchange reserve $ million	Retained profits $ million	Total $ million	Non-controlling interests $ million	Total equity $ million
Balance as at 1 January 2022		4,704	17	53	13	5,308	10,095	81	10,176
Changes in equity for 2022:									
Profit for the year		–	–	–	–	1,191	1,191	33	1,224
Other comprehensive income for the year		–	–	–	(38)	(40)	(78)	(7)	(85)
Total comprehensive income for the year		–	–	–	(38)	1,151	1,113	26	1,139
Dividend paid to non-controlling interests		–	–	–	–	–	–	(9)	(9)
Shares issued under share option plan	26(b)	16	(3)	–	–	–	13	–	13
Dividends approved in respect of the previous financial year	27(b)(ii)	–	–	–	–	(627)	(627)	–	(627)
Release upon lapse of share options	26(b)	–	(4)	–	–	4	–	–	–
Dividends declared in respect of the current financial year	27(b)(i)	–	–	–	–	(221)	(221)	–	(221)
		16	(7)	–	–	(844)	(835)	(9)	(844)
Balance as at 31 December 2022		4,720	10	53	(25)	5,615	10,373	98	10,471

The notes on pages 152 to 232 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	2023 $ million	2022 $ million
Operating activities			
Cash generated from operations	21(e)	**2,207**	2,935
Tax paid:			
– Hong Kong Profits Tax paid		**(169)**	(55)
– Macau Complementary Tax paid		**(121)**	(123)
– Tax paid for jurisdictions outside Hong Kong and Macau		**(38)**	(40)
Tax refunded:			
– Tax refunded for jurisdictions outside Hong Kong and Macau		**2**	6
Net cash generated from operating activities		**1,881**	2,723
Investing activities			
Payment for the purchase of property, plant and equipment		**(311)**	(323)
Decrease in pledged deposits		**4**	–
Decrease/(increase) in other deposits		**79**	(364)
Interest received		**71**	20
Net cash used in investing activities		**(157)**	(667)
Financing activities			
Proceeds from new bank and other borrowings	21(f)	**–**	353
Proceeds from new shares issued under share option plan		**29**	13
Repayment of bank and other borrowings	21(f)	**(604)**	(1,283)
Other borrowing costs paid	21(f)	**(246)**	(248)
Capital element of lease rentals paid	21(f)	**(147)**	(157)
Interest element of lease rentals paid	21(f)	**(16)**	(18)
Dividends paid to equity shareholders of the Company		**(906)**	(848)
Dividend paid to non-controlling interests		**(9)**	(9)
Net cash used in financing activities		**(1,899)**	(2,197)
Net decrease in cash and cash equivalents		**(175)**	(141)
Cash and cash equivalents as at 1 January		**1,255**	1,426
Effect of foreign exchange rate changes		**(2)**	(30)
Cash and cash equivalents as at 31 December	21(a)	**1,078**	1,255

The notes on pages 152 to 232 form part of theses financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise CITIC Telecom International Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") and the Group's interest in a joint venture.

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

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

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

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

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies

(i) New and amended HKFRSs

The Group has applied the following new and amended HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended HKFRSs are discussed below:

HKFRS 17, *Insurance contracts*

HKFRS 17, which replaces HKFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of HKFRS 17.

Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(i) New and amended HKFRSs (continued)

Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained profits or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax on the temporary difference arising from right-of-use assets and lease liabilities separately. The amendments do not have a material effect on how the Group's results and financial position for the current or prior periods have been prepared.

Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD") (income tax arising from such tax laws is hereafter referred to as "Pillar Two income taxes"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application.

The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and would account for the tax as current tax when incurred.

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

As disclosed in note 25(b), in June 2022 the Hong Kong SAR Government (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("MPF") scheme to reduce the long service payment ("LSP") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

Prior to 1 January 2023, the Group applied practical expedient in paragraph 93(b) of HKAS 19 to account for the offsetable MPF benefits as deemed employee contributions to reduce the current service costs in the period in which the related services were rendered.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in note 1(u)(ii) in connection with its LSP liability and has applied the above HKICPA guidance retrospectively. The cessation of applying the practical expedient in paragraph 93(b) of HKAS 19 in conjunction with the enactment of the Amendment Ordinance resulted in a catch-up profit or loss adjustment in June 2022 for the service cost up to that date and consequential impacts on current service cost. This change in accounting policy did not have any material impact on the Group's consolidated financial statements for the year ended 31 December 2023 and 2022, and the Company's statement of financial position as at 31 December 2023 and 2022.

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances, transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(s) or 1(t) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

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

(e) Joint ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

An interest in a joint venture is accounted for using the equity method. It is initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which joint control ceases.

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

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of an impairment.

(f) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired (see note 1(m)(ii)).

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Investment property

Investment property is initially measured at cost, and subsequently at fair value with changes therein recognised in profit or loss.

Any gain or loss on disposal of investment property is recognised in profit or loss. Rental income from investment properties is recognised in accordance with note 1(x)(ii)(a).

(h) Property, plant and equipment

Property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses (see note 1(m)(ii)).

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is initially recognised at cost less any accumulated impairment losses (see note 1(m)(ii)). The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(z)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

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

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

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

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

- Freehold land is not depreciated.

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

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

- Telecommunications equipment is depreciated over 2 to 20 years.

- Other assets are depreciated over 2 to 10 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Intangible assets (other than goodwill)

Intangible assets, including trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 1(m)(ii)).

Expenditure on internally generated goodwill and brands is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

–	Trade names/trademarks	15–27 years
–	Customer relationships	9–17 years
–	Computer software	3 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Leased assets

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

(i) As a lessee

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

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

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Leased assets (continued)

(i) As a lessee (continued)

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

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

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

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

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

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

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

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

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

Refundable rental deposits are accounted for separately from the right-of use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost. Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Leased assets (continued)

(i) As a lessee (continued)

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

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

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

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

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

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

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

When the Group leases out assets under finance lease, the present value of lease receipts is recognised as a receivable. Each lease receipt is allocated between the receivables and interest income. The interest element of the lease receipt is recognised in the consolidated income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivables for each period.

When the Group leases out assets under operating lease, the assets are included in the consolidated statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies. Revenue arising from operating lease is recognised in the consolidated income statement in instalments over the accounting periods covered by the lease term.

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Financial assets

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

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

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

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

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

Debt instruments

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

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

(l) Offsetting financial instruments

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

(m) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for ECLs on:

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

– contract assets (see note 1(p)); and

– lease receivables.

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

(i) *Credit losses from financial instruments, contract assets and lease receivables (continued)*

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

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

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

– lease receivables: discount rate used in the measurement of the lease receivable.

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

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

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

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

Significant increases in credit risk

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

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

Significant increases in credit risk (continued)

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

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

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

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

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

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

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

Credit-impaired financial assets

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

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

– significant financial difficulties of the debtor;

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

– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

– it is probable that the debtor will enter into bankruptcy or other financial reorganisation; or

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

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

Write-off policy

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

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

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, inventories, contract costs and contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(n) Inventories

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

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

(o) Contract costs

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

Incremental costs of obtaining a contract, e.g. sales commissions, are capitalised if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Otherwise, costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Amortisation of capitalised contract costs is recognised to profit or loss when the revenue to which the asset relates is recognised (see note 1(x)(i)).

(p) Contract assets and contract liabilities

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

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

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

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(q) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see note 1(m)(i)).

Insurance reimbursement is recognised and measured in accordance with note 1(w).

(r) Cash and cash equivalents

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

(s) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(t) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 1(z).

(u) Employee benefits

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

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Defined benefit plan obligations

The Group has the following two categories of defined benefit plans:

– LSP under the Hong Kong Employment Ordinance.

– CTM Staff Provident Fund (the "Fund"), a defined benefit retirement plan is registered with Autoridade Monetária de Macau ("AMCM") and is under the management of Macau Pension Fund Management Co. Ltd..

The Group's net obligation in respect of defined benefit plans is calculated separately by each plan by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. For LSP obligations, the estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees. For the Fund, the net obligation is after deducting the fair value of plan assets.

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits (continued)

(ii) Defined benefit plan obligations (continued)

For the Fund, the calculation of defined benefit obligation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements arising from the defined benefit plans, which comprise actuarial gains and losses, the return on plan assets in the Fund (excluding interest) and the effect of any asset ceiling (excluding interest), are recognised immediately in OCI. Net interest expense for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

(iii) Share-based payments

The grant-date fair value of equity-settled share-based payments to employees is measured using the binomial option pricing model. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

(v) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

- temporary differences related to investment in subsidiaries and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

- taxable temporary differences arising on the initial recognition of goodwill; and

- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the OECD.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(v) Income tax (continued)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Where investment properties are carried at their fair value in accordance with note 1(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(w) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see note 1(m)(ii)).

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(x) Revenue and other income

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

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

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

(i) Revenue from contracts with customers

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

(a) Revenue from telecommunications services

Revenue with contracted fees is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance and is based on output method, either as the service allowance units are used or as time elapses, because it reflects the pattern by which the Group satisfies the performance obligation through the transfer of services to the customers.

(b) Sale of mobile handsets and equipment

Revenue is recognised when the customer takes possession of and accepts the goods. If the goods are a partial fulfilment of a contract covering other distinct goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the distinct goods and services promised under the contract on a relative stand-alone selling price basis except when a variable consideration is allocated to a specific performance obligation in the contract. Generally, the Group establishes standalone selling prices with reference to the observable prices of products or services sold separately in comparable circumstances to similar customers.

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(x) Revenue and other income (continued)

(i) Revenue from contracts with customers (continued)

(c) Revenue from business solution projects

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

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

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

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

(ii) Revenue from other sources and other income

(a) Rental income from investment properties

Rental income from investment properties is recognised in profit or loss on a straight-line over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of lease. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(b) Interest income

Interest income is recognised using the effective interest method.

(y) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting period. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective (see note 1(ac)) are recognised in OCI.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Hong Kong dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Hong Kong dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(y) Translation of foreign currencies (continued)

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(z) Borrowing costs

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

(aa) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

1 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(ab) Segment reporting

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

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

(ac) Hedge of net investments in foreign operations

The effective portion of any foreign exchange gains or losses on the borrowings is recognised in OCI and presented in the exchange reserve within equity. Any ineffective portion is recognised immediately in profit or loss. The amount accumulated in the exchange reserve is fully or partially reclassified through OCI to profit or loss as a reclassification adjustment on disposal or partial disposal of the foreign operation, respectively.

2 CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES

Notes 10(b), 10(c), 13, 25(c), and 28 contain information about the assumptions and their risk factors relating to valuation of investment property, goodwill impairment, defined benefit retirement obligation and financial instruments. Other significant sources of estimation uncertainty are as follows:

(a) Impairment of assets

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

The impairment provisions for trade debtors and contract assets are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the customer's credit worthiness and past collection history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see note 28(a).

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

2 CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(b) Business solution projects

As explained in note 1(x)(i)(c), revenue from business solution projects is recognised over time. Such revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the business solution activities undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the outcome of the contract can be reasonably measured or the extent of project costs incurred that are expected to be recovered. Until this point is reached, the related contract assets disclosed in note 19(a) do not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total costs or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(c) Depreciation and amortisation

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

(d) Income tax

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

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

(e) Determining the lease term and discount rate

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

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

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:

	Note	**2023 $ million**	2022 $ million
Revenue from contracts with customers			
Disaggregated by major service lines or products:			
Mobile services	(i)	**967**	827
Internet services	(ii)	**1,427**	1,331
International telecommunications services	(iii)	**2,954**	3,453
Enterprise solutions	(iv)	**3,079**	3,069
Fixed line services	(v)	**142**	151
Fees from the provision of telecommunications services		**8,569**	8,831
Sales of mobile handsets and equipment		**1,418**	1,280
		9,987	10,111

Notes:

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

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

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

(iv) Enterprise solutions broadly include enterprise solutions services, business solution projects, virtual private network services, sales of related products and others.

(v) Fixed line services broadly include domestic and international fixed telephony services and others.

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

During the years ended 31 December 2023 and 2022, 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.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (continued)

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

	2023 **$ million**	2022 $ million
Within 1 year	**2,169**	2,130
Over 1 year	**1,066**	1,200
	3,235	3,330

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(a) of HKFRS 15 to its contracts for services or products 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 services or products that had an original expected duration of one year or less.

(b) Segment reporting

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

(i) Segment results, assets and liabilities

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

– Segment assets include all assets, with the exception of investment property, interest in a joint venture, deferred tax assets, current tax recoverable, and other corporate assets. Segment liabilities include trade and other payables, contract liabilities, lease liabilities and defined benefit plan obligations 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.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Reconciliation of reportable segment profit

	2023 **$ million**	2022 $ million
Profit		
Reportable segment profit	**2,625**	2,732
Net loss on disposal of property, plant and equipment	**(2)**	(1)
Gain on surrender of leases	**2**	–
Net foreign exchange loss	**(17)**	(29)
Depreciation and amortisation	**(870)**	(914)
Finance costs	**(267)**	(269)
Share of profit of a joint venture	**1**	–
Interest income	**71**	22
Rentals income from investment property less direct outgoings	**23**	20
Valuation gain on investment property	**14**	9
Unallocated head office and corporate expenses	**(75)**	(74)
Consolidated profit before taxation	**1,505**	1,496

(iii) Reconciliations of reportable segment assets and liabilities

	2023 **$ million**	2022 $ million
Assets		
Reportable segment assets	**16,490**	17,350
Investment property	**726**	676
Interest in a joint venture	**11**	10
Deferred tax assets	**63**	74
Current tax recoverable	**4**	1
Unallocated head office and corporate assets	**69**	70
Consolidated total assets	**17,363**	18,181
Liabilities		
Reportable segment liabilities	**2,179**	2,730
Bank and other borrowings	**421**	183
Current tax payable	**221**	276
Non-current bank and other borrowings	**3,513**	4,337
Deferred tax liabilities	**146**	172
Unallocated head office and corporate liabilities	**19**	12
Consolidated total liabilities	**6,499**	7,710

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(iv) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment property, property, plant and equipment, right-of-use assets, intangible assets, goodwill, interest in a joint venture, non-current contract assets and non-current contract costs ("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, goodwill, non-current contract assets and non-current contract costs; and the location of operation, in the case of interest in a joint venture.

	Revenue from external customers		**Specified non-current assets**	
	2023	2022	**2023**	2022
	$ million	$ million	**$ million**	$ million
Hong Kong (place of domicile)	**4,136**	4,636	**1,760**	1,842
Chinese mainland	**1,162**	1,172	**444**	505
Macau	**3,761**	3,489	**10,912**	11,279
Singapore	**453**	424	**440**	461
Others	**475**	390	**216**	217
	5,851	5,475	**12,012**	12,462
	9,987	10,111	**13,772**	14,304

4 OTHER INCOME

	2023	2022
	$ million	$ million
Interest income from deposits	**63**	15
Interest income from finance leases and other interest income	**8**	7
	71	22
Gross rentals income from investment property (note)	**25**	22
	96	44

Note: The rentals income from investment property less direct outgoings of $2,000,000 (2022: $2,000,000) for the year ended 31 December 2023 is $23,000,000 (2022: $20,000,000).

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 the cost of sales of mobile handsets and equipment.

	2023 $ million	2022 $ million
Cost of provision of telecommunications services (note)	**4,392**	4,520
Cost of sales of mobile handsets and equipment	**1,393**	1,255
	5,785	5,775

Note: Rental charges for leased circuits of $824,000,000 (2022: $869,000,000) are included in cost of provision of telecommunications services for the year ended 31 December 2023.

(b) Depreciation and amortisation

	2023 $ million	2022 $ million
Depreciation charge		
– property, plant and equipment (note 10(a))	**602**	612
– right-of-use assets (note 11)	**160**	171
Amortisation (note 12)	**108**	131
	870	914

(c) Staff costs (including directors' emoluments (note 7))

	2023 $ million	2022 $ million
Contributions to defined contribution retirement plans	**92**	85
Expenses recognised in respect of defined benefit plans:		
– long service payments (note 25(b))	**5**	–
– the Fund (note 25(c)(v))	**7**	8
Salaries, wages and other benefits	**1,036**	1,076
	1,140	1,169

5 PROFIT BEFORE TAXATION (CONTINUED)

(d) Finance costs

	2023 $ million	2022 $ million
Interest on bank and other borrowings	**245**	248
Interest on lease liabilities (note 21(f))	**16**	18
Other finance charges	**4**	3
Other interest expense (note 25(c)(v))	**2**	–
	267	269

(e) Other items

	2023 $ million	2022 $ million
Auditors' remuneration		
– audit services	**8**	8
– non-audit services	**5**	4
	13	12
Impairment losses for trade debtors and contract assets (note 28(a))	**2**	25
Net loss on disposal of property, plant and equipment	**2**	1
Gain on surrender of leases	**(2)**	–
Net foreign exchange loss	**17**	29

6 INCOME TAX

(a) Income tax in the consolidated income statement

(i) Income tax in the consolidated income statement represents:

	2023 $ million	2022 $ million
Current tax		
Hong Kong Profits Tax		
– Provision for the year	**107**	142
– Over-provision in respect of prior years	**(10)**	–
	97	142
Macau Complementary Tax		
– Provision for the year	**128**	121
Jurisdictions outside Hong Kong and Macau		
– Provision for the year	**48**	45
– Over-provision in respect of prior years	**(2)**	(1)
	46	44
Deferred tax		
Origination and reversal of temporary differences (note 6(c))	**(18)**	(35)
	253	272

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 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 2022/23 subject to a maximum reduction of $6,000 for each business (2022: a maximum reduction of $10,000 was granted for the year of assessment 2021/22 and was taken into account in calculating the provision for 2022).

The provision for Macau Complementary Tax for 2023 is calculated at 12% (2022: 12%) of the estimated assessable profits for the year. Assessable profits of the first Macau Patacas ("MOP") 600,000 (equivalent to approximately $582,000) (2022: MOP600,000 (equivalent to approximately $582,000)) are exempted from Macau Complementary Tax.

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

6 INCOME TAX (CONTINUED)

(a) Income tax in the consolidated income statement (continued)

(ii) Reconciliation between actual tax expense and accounting profit at applicable tax rates:

	2023 $ million	2022 $ million
Profit before taxation	**1,505**	1,496
Notional tax on profit before taxation, calculated at the rates applicable to profits in the cities or countries concerned	**228**	228
Tax effect of non-deductible expenses	**58**	63
Tax effect of non-taxable income	**(20)**	(14)
Tax effect of temporary differences previously not recognised and recognition of previous unused tax losses	**–**	(3)
Over-provision in respect of prior years	**(12)**	(1)
Others	**(1)**	(1)
Actual tax expense	**253**	272

(b) Current taxation in the consolidated statement of financial position represents:

	2023 $ million	2022 $ million
Current tax recoverable	**(4)**	(1)
Current tax payable	**221**	276
	217	275

6 INCOME TAX (CONTINUED)

(c) Deferred tax assets and liabilities recognised:

The components of deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Intangible assets arising from business combination $ million	Depreciation allowances in excess of the related depreciation $ million	Defined benefit retirement obligation $ million	Future benefits of tax losses $ million	Right-of-use assets $ million	Lease liabilities $ million	Others $ million	Total $ million
Deferred tax arising from:								
As at 1 January 2022	129	124	(1)	(108)	94	(96)	(3)	139
(Credited)/charged to profit or loss (note 6(a)(i))	(15)	(11)	–	(2)	(12)	9	(4)	(35)
Credited to reserves	–	–	(6)	–	–	–	–	(6)
Exchange adjustments	–	(3)	–	–	–	–	3	–
As at 31 December 2022	114	110	(7)	(110)	82	(87)	(4)	98
As at 1 January 2023	**114**	**110**	**(7)**	**(110)**	**82**	**(87)**	**(4)**	**98**
(Credited)/charged to profit or loss (note 6(a)(i))	**(13)**	**(15)**	**–**	**12**	**(27)**	**26**	**(1)**	**(18)**
Charged to reserves	**–**	**–**	**3**	**–**	**–**	**–**	**–**	**3**
Exchange adjustments	**–**	**–**	**(1)**	**–**	**(1)**	**2**	**–**	**–**
As at 31 December 2023	**101**	**95**	**(5)**	**(98)**	**54**	**(59)**	**(5)**	**83**

Reconciliation to the consolidated statement of financial position

	2023 $ million	2022 $ million
Net deferred tax asset in the consolidated statement of financial position	**(63)**	(74)
Net deferred tax liability in the consolidated statement of financial position	**146**	172
	83	98

(d) Deferred tax assets not recognised

In accordance with the accounting policies set out in note 1(v), the Group has not recognised deferred tax assets in respect of unused tax losses of $60,000,000 (2022: $68,000,000) as at 31 December 2023 as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities. $32,000,000 (2022: $34,000,000) of the tax losses do not expire under the current tax legislation, and $28,000,000 (2022: $34,000,000) of the tax losses will expire after 1 to 20 years.

7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance (Cap. 622) and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

	2023							
	Directors' fees $ million	Basic salaries and allowances $ million	Discretionary bonuses $ million	Benefits in kind $ million	Retirement scheme contributions $ million	Sub-total $ million	Share-based payments $ million	Total $ million
Executive directors								
Luo Xicheng Δ (appointed on 27 October 2023)	–	0.80	–	0.01	–	0.81	–	0.81
Xin Yue Jiang #/Δ (retired on 27 October 2023)	–	3.97	3.80	0.26	–	8.03	–	8.03
Luan Zhenjun #/Δ	–	3.64	2.73	0.14	0.20	6.71	–	6.71
Cai Dawei (resigned on 31 March 2023)	–	0.68	–	0.02	–	0.70	–	0.70
Non-executive directors								
Zhang Bo (appointed on 1 December 2023)	–	–	–	–	–	–	–	–
Wang Guoquan (resigned on 1 December 2023)	–	–	–	–	–	–	–	–
Liu Jifu	–	–	–	–	–	–	–	–
Fei Yiping	–	–	–	–	–	–	–	–
Independent non-executive directors								
Zuo Xunsheng	0.34	–	–	–	–	0.34	–	0.34
Lam Yiu Kin	0.34	–	–	–	–	0.34	–	0.34
Wen Ku	0.34	–	–	–	–	0.34	–	0.34
Total	1.02	9.09	6.53	0.43	0.20	17.27	–	17.27

\# Directors' emoluments of Mr. Xin Yue Jiang and Mr. Luan Zhenjun determined and paid during the year ended 31 December 2023 included discretionary bonuses related to their term of service in the previous years.

Δ The unpaid portion of the performance related bonuses for 2023 will be determined based on an evaluation to be conducted and finalised in the coming years. Such emoluments, when finalised, will be disclosed on an individual name basis in the consolidated financial statements in such coming years.

7 DIRECTORS' EMOLUMENTS (CONTINUED)

	2022							
	Directors' fees $ million	Basic salaries and allowances $ million	Discretionary bonuses $ million	Benefits in kind $ million	Retirement scheme contributions $ million	Sub-total $ million	Share-based payments $ million	Total $ million
Executive directors								
Xin Yue Jiang #/Δ	–	4.56	4.07	0.24	–	8.87	–	8.87
Cai Dawei	–	2.76	3.34	0.09	0.02	6.21	–	6.21
Luan Zhenjun Δ (appointed on 1 February 2022)	–	3.42	–	0.14	0.19	3.75	–	3.75
Li Bing Chi, Esmond (retired on 1 February 2022)	–	0.98	–	0.08	0.03	1.09	–	1.09
Non-executive directors								
Wang Guoquan	–	–	–	–	–	–	–	–
Liu Jifu	–	–	–	–	–	–	–	–
Fei Yiping	–	–	–	–	–	–	–	–
Independent non-executive directors								
Zuo Xunsheng	0.34	–	–	–	–	0.34	–	0.34
Lam Yiu Kin	0.34	–	–	–	–	0.34	–	0.34
Wen Ku (appointed on 1 February 2022)	0.31	–	–	–	–	0.31	–	0.31
Total	0.99	11.72	7.41	0.55	0.24	20.91	–	20.91

Director's emoluments of Mr. Xin Yue Jiang determined and paid during the year ended 31 December 2022 included discretionary bonuses related to the term of service in the previous years.

Δ Part of the performance related bonuses for 2022 have been finalised in 2023 and the unpaid portion of the performance related bonuses will be finalised in 2024 and onwards.

The above tables included emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries, and emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the period of his/her being as a director. The above emoluments are included in staff costs as presented in note 5(c).

A number of the Company's directors were granted share options of the Company. Details of the share option plan are set out in note 26.

The discretionary bonuses of the Group were determined and approved by the Company's remuneration committee with reference to the performance of the Group and the respective directors.

During the years ended 31 December 2023 and 2022, no emoluments were paid by the Company to any of the directors as an inducement to join or upon joining the Company or as compensation for loss of office, and none of the directors has waived or agreed to waive any emoluments.

During the years ended 31 December 2023 and 2022, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable, no consideration was provided to or receivable by third parties for making available directors' services, and there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities.

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the years ended 31 December 2023 and 2022.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2022: two) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other three (2022: three) individuals are as follows:

	2023 $ million	2022 $ million
Salaries and other emoluments	**9.81**	11.89
Discretionary bonuses	**12.25**	9.97
Retirement scheme contributions	**0.50**	0.51
	22.56	22.37

The emoluments of the three (2022: three) individuals with the highest emoluments are within the following bands:

	2023 Number of individuals	2022 Number of individuals
$		
4,000,001 – 4,500,000	**1**	1
4,500,001 – 5,000,000	**1**	1
13,000,001 – 13,500,000	**1**	1

During the years ended 31 December 2023 and 2022, no emoluments were paid by the Company to any of the highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office.

9 EARNINGS PER SHARE

	2023 $ million	2022 $ million
Profit attributable to equity shareholders of the Company	**1,231**	1,191

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

	Number of shares	
	2023 million	2022 million
Issued ordinary shares as at 1 January	**3,688**	3,683
Effect of share options exercised	**10**	4
Weighted average number of ordinary shares (basic) as at 31 December	**3,698**	3,687
Effect of deemed issue of shares under the Company's share option plan	**1**	2
Weighted average number of ordinary shares (diluted) as at 31 December	**3,699**	3,689
Basic earnings per share (HK cents)	**33.3**	32.3
Diluted earnings per share (HK cents)	**33.3**	32.3

10 INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Land and buildings held for own use $ million	Telecommu-nications equipment $ million	Other assets (note 10(e)) $ million	Construction in progress $ million	Sub-total $ million	Investment property (notes 10(b) and 10(c)) $ million	Total $ million
Cost or valuation:							
As at 1 January 2022	330	5,159	462	788	6,739	667	7,406
Additions	–	103	37	185	325	–	325
Disposals	–	(87)	(3)	–	(90)	–	(90)
Reclassification	–	858	26	(884)	–	–	–
Fair value adjustment	–	–	–	–	–	9	9
Exchange adjustments	(4)	(43)	(9)	–	(56)	–	(56)
As at 31 December 2022	326	5,990	513	89	6,918	676	7,594
Representing:							
Cost	326	5,990	513	89	6,918	–	6,918
Valuation – 2022	–	–	–	–	–	676	676
	326	5,990	513	89	6,918	676	7,594
As at 1 January 2023	**326**	**5,990**	**513**	**89**	**6,918**	**676**	**7,594**
Additions	**–**	**100**	**15**	**163**	**278**	**–**	**278**
Disposals	**–**	**(110)**	**(11)**	**–**	**(121)**	**–**	**(121)**
Transfer from owner-occupied property to investment property (note 10(b) and note 11)	**(11)**	**–**	**–**	**–**	**(11)**	**36**	**25**
Reclassification	**–**	**177**	**7**	**(184)**	**–**	**–**	**–**
Fair value adjustment	**–**	**–**	**–**	**–**	**–**	**14**	**14**
Exchange adjustments	**–**	**(8)**	**2**	**–**	**(6)**	**–**	**(6)**
As at 31 December 2023	**315**	**6,149**	**526**	**68**	**7,058**	**726**	**7,784**
Representing:							
Cost	**315**	**6,149**	**526**	**68**	**7,058**	**–**	**7,058**
Valuation – 2023	**–**	**–**	**–**	**–**	**–**	**726**	**726**
	315	**6,149**	**526**	**68**	**7,058**	**726**	**7,784**
Accumulated depreciation:							
As at 1 January 2022	89	3,686	339	–	4,114	–	4,114
Charge for the year (note 5(b))	29	543	40	–	612	–	612
Written back on disposals	–	(86)	(3)	–	(89)	–	(89)
Exchange adjustments	–	(38)	(4)	–	(42)	–	(42)
As at 31 December 2022	118	4,105	372	–	4,595	–	4,595
As at 1 January 2023	**118**	**4,105**	**372**	**–**	**4,595**	**–**	**4,595**
Charge for the year (note 5(b))	**29**	**532**	**41**	**–**	**602**	**–**	**602**
Written back on disposals	**–**	**(109)**	**(10)**	**–**	**(119)**	**–**	**(119)**
Transfer from owner-occupied property to investment property (note 10(b))	**(2)**	**–**	**–**	**–**	**(2)**	**–**	**(2)**
Exchange adjustments	**–**	**(7)**	**–**	**–**	**(7)**	**–**	**(7)**
As at 31 December 2023	**145**	**4,521**	**403**	**–**	**5,069**	**–**	**5,069**
Net book value:							
As at 31 December 2023	**170**	**1,628**	**123**	**68**	**1,989**	**726**	**2,715**
As at 31 December 2022	208	1,885	141	89	2,323	676	2,999

10 INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Transfer from owner-occupied property to investment property

During the year ended 31 December 2023, due to the change of use, part of the Group's land and buildings held for own use and property held by a lessee as a right-of-use asset were transferred to investment property. Upon the date of transfer, the fair value was determined by directors with reference to the professional valuations using direct comparison approach and are categorised as Level 3 fair value measurement as defined in HKFRS 13, *Fair value measurement*. As a result, revaluation surplus of $9,000,000 was recognised in other comprehensive income.

(c) Fair value measurement of investment property

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment property measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value as at 31 December 2023	**Fair value measurements as at 31 December 2023 categorised into**		
	$ million	**Level 1 $ million**	**Level 2 $ million**	**Level 3 $ million**
Recurring fair value measurement				
Investment property:				
– Industrial – Hong Kong	**726**	**–**	**–**	**726**

	Fair value as at 31 December 2022	Fair value measurements as at 31 December 2022 categorised into		
	$ million	Level 1 $ million	Level 2 $ million	Level 3 $ million
Recurring fair value measurement				
Investment property:				
– Industrial – Hong Kong	676	–	–	676

During the year ended 31 December 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2022: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The Group's investment property was revalued as at 31 December 2023. The valuation was carried out by an independent firm of surveyors, Centaline Surveyors Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

10 INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Fair value measurement of investment property (continued)

(ii) Information about Level 3 fair value measurements

	Valuation technique	Major unobservable input	Input amount	Relationship of unobservable inputs to fair value
Investment property **Industrial – Hong Kong**	**Direct comparison approach**	**Market unit rate**	**$3,966 per square foot** (2022: $3,913 per square foot)	**The higher the market unit rate, the higher the fair value**

The fair value of investment property located in Hong Kong is determined by using direct comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for timing factors, size, quality and location of the investment property.

The movement during the year in the balance of the Level 3 fair value measurement is as follows:

	2023 **$ million**	2022 $ million
Investment property – Industrial – Hong Kong:		
As at 1 January	**676**	667
Transfer from owner-occupied property (note 10(b))	**36**	–
Fair value adjustment (note 10(a))	**14**	9
As at 31 December	**726**	676

Fair value adjustment of investment property is recognised in the line item "valuation gain on investment property" on the face of the consolidated income statement.

The fair value adjustment recognised in profit or loss for the year arises from the investment property held during the reporting period.

10 INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Investment property

The Group leases out investment property under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2023 **$ million**	2022 $ million
Within 1 year	**16**	23
After 1 year but within 2 years	**3**	11
	19	34

(e) Other assets include electronic data processing equipment, furniture and fixtures, motor vehicles, leasehold improvements and office equipment.

(f) Certain property, plant and equipment of Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") are designated for the provision of basic infrastructure of public telecommunications services. They may need to be shared with other licensed telecommunications operators or the Macau Government with fair compensation, or, upon termination of the concession agreement, assigned in favour of the Macau Government. The Macau Government has agreed with CTM the extension of the concession agreement for an additional 9-month period, from 1 January 2024 until 30 September 2024. CTM will discuss with the Macau Government and the Macau Post and Telecommunications Bureau about the operation and provision of basic infrastructure of public telecommunications network and service, and the status of the concession agreement related assets after the end of the term.

11 RIGHT-OF-USE ASSETS

	Ownership interests in leasehold land held for own use (note (i)) $ million	Other properties leased for own use (note (ii)) $ million	Other assets (note (iii)) $ million	Total $ million
Cost:				
As at 1 January 2022	232	803	40	1,075
Additions	–	141	–	141
Surrenders and expiry of leases	–	(97)	(28)	(125)
Exchange adjustments	–	(34)	–	(34)
As at 31 December 2022	232	813	12	1,057
As at 1 January 2023	**232**	**813**	**12**	**1,057**
Additions	**–**	**66**	**–**	**66**
Transfer to investment property (note 10(a) and 10(b))	**(21)**	**–**	**–**	**(21)**
Surrenders and expiry of leases	**–**	**(116)**	**(7)**	**(123)**
Exchange adjustments	**–**	**(1)**	**–**	**(1)**
As at 31 December 2023	**211**	**762**	**5**	**978**
Accumulated depreciation:				
As at 1 January 2022	45	337	39	421
Charge for the year (note 5(b))	8	163	–	171
Surrenders and expiry of leases	–	(97)	(28)	(125)
Exchange adjustments	–	(9)	–	(9)
As at 31 December 2022	53	394	11	458
As at 1 January 2023	**53**	**394**	**11**	**458**
Charge for the year (note 5(b))	**8**	**151**	**1**	**160**
Transfer to investment property (note 10(a) and 10(b))	**(3)**	**–**	**–**	**(3)**
Surrenders and expiry of leases	**–**	**(85)**	**(7)**	**(92)**
Exchange adjustments	**–**	**1**	**–**	**1**
As at 31 December 2023	**58**	**461**	**5**	**524**
Net book value:				
As at 31 December 2023	**153**	**301**	**–**	**454**
As at 31 December 2022	179	419	1	599

11 RIGHT-OF-USE ASSETS (CONTINUED)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2023 **$ million**	2022 $ million
Depreciation charge	**160**	171
Interest on lease liabilities (note 5(d))	**16**	18
Expense relating to short-term leases	**102**	106

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 21(g) and 24 respectively.

(i) Ownership interests in leasehold land held for own use

The Group holds an industrial building in Hong Kong. The Group is the registered owner of this property interest, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire this property interests from its previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its offices, retail stores, cell sites and data centres through tenancy agreements. The leases typically run for an initial period of over 1 to 6 years, with the exception of three rental contracts which have been entered into for the period of 15 years.

Some leases include an option to renew the lease for an additional period after the end of the non-cancellable lease term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised (discounted)		**Potential future lease payments under extension options not included in lease liabilities (undiscounted)**	
	2023 **$ million**	2022 $ million	**2023** **$ million**	2022 $ million
Offices – outside Hong Kong	**–**	–	**–**	19

(iii) Other assets

Other assets include leased circuits and equipment under leases expiring from over 1 to 5 years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

12 INTANGIBLE ASSETS

	Customer relationships $ million	Trade names/ trademarks $ million	Computer software $ million	Total $ million
Cost:				
As at 1 January 2022	1,581	806	28	2,415
Write-off	–	–	(2)	(2)
Exchange adjustments	(1)	–	–	(1)
As at 31 December 2022	1,580	806	26	2,412
As at 1 January 2023	**1,580**	**806**	**26**	**2,412**
Write-off	**(431)**	**(5)**	**–**	**(436)**
Exchange adjustments	**(1)**	**–**	**–**	**(1)**
As at 31 December 2023	**1,148**	**801**	**26**	**1,975**
Accumulated amortisation:				
As at 1 January 2022	1,060	266	25	1,351
Charge for the year (note 5(b))	99	31	1	131
Write-off	–	–	(2)	(2)
As at 31 December 2022	1,159	297	24	1,480
As at 1 January 2023	**1,159**	**297**	**24**	**1,480**
Charge for the year (note 5(b))	**76**	**31**	**1**	**108**
Write-off	**(431)**	**(5)**	**–**	**(436)**
Exchange adjustments	**(1)**	**–**	**–**	**(1)**
As at 31 December 2023	**803**	**323**	**25**	**1,151**
Net book value:				
As at 31 December 2023	**345**	**478**	**1**	**824**
As at 31 December 2022	421	509	2	932

13 GOODWILL

	2023 $ million	2022 $ million
Cost and carrying amount:		
As at 1 January	**9,710**	9,721
Exchange adjustments	**7**	(11)
As at 31 December	**9,717**	9,710

Impairment tests for groups of cash-generating units containing goodwill

Goodwill is allocated to the groups of cash-generating units identified as follows:

	2023 $ million	2022 $ million
Telecoms business – Macau	**8,886**	8,892
Enterprise solutions (outside Macau)	**243**	238
Other telecommunications services	**588**	580
	9,717	9,710

The recoverable amounts of the groups of cash-generating units are determined based on value-in-use calculations which is higher than the carrying amount. These calculations use cash flow projections based on financial budgets approved by management covering a three-year period. For the subsequent two years of the model, data from the financial budgets is extrapolated generally using simplified assumptions such as macro-economic and industry assumptions. Cash flows after the first five-year period are extrapolated generally using expected annual long-term growth rates, in order to calculate the terminal value.

Key assumptions used for the value-in-use calculations are as follows:

	2023	2022
Services revenue growth rates	**-8.2% to 2.4%**	0.1% to 7.3%
Long-term growth rates	**3.0%**	3.0%
Discount rates	**10.7% to 12.5%**	10.5% to 13.4%

The average services revenue growth rates and long-term growth rates used for the respective groups of cash-generating units are based on past performance and management's expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the respective groups of cash-generating units. Any adverse change in the key assumptions could reduce the recoverable amount below carrying amount.

A reasonable possible change in the above assumptions would not result in impairment and as such disclosure of sensitivity analysis is not considered as necessary.

14 INTERESTS IN SUBSIDIARIES

(a) The following list contains only the particulars of principal subsidiaries of the Group as at 31 December 2023.

			Proportion of ownership interest		
Name of company	Place of incorporation/ operation	Particulars of issued and fully paid-up capital	Held by the Company	Held by subsidiaries	Principal activity
Acclivis Technologies and Solutions Pte. Ltd.	Republic of Singapore	Singapore Dollars ("SGD") 16,500,000*	100%	–	Provision of telecommunications services
Asia Pacific Internet Exchange Limited	Hong Kong	HK$2*	–	100%	Property and equipment holding, and investment holding
China Enterprise ICT Solutions Limited ("CEC") ***	The People's Republic of China	Renminbi ("RMB") 84,620,000	–	49% (note (i))	Provision of value-added telecommunications services
China Enterprise Netcom Corporation Limited	Hong Kong	HK$100*	–	100%	Provision of telecommunications and technology services
CITIC Telecom CPC Estonia OÜ	Republic of Estonia	Euro ("EUR") 20,001*	–	100%	Provision of telecommunications services
CITIC Telecom CPC Netherlands B.V.	Netherlands	EUR131,056.71*	–	100%	Provision of wired telecommunications services and investment holding
CITIC Telecom CPC Poland Sp.zo.o.	Republic of Poland	Polish Zloty 56,000*	–	100%	Provision of telecommunications services
CITIC Telecom International CPC Limited	Hong Kong	HK$402,712,186*	–	100%	Provision of telecommunications services
CITIC Telecom International CPC Japan Limited	Japan	Japanese Yen ("JPY") 10,000,000*	–	100%	Provision of telecommunications services
CITIC Telecom International CPC (Malaysia) Sdn. Bhd.	Malaysia	Malaysian Ringgit ("MYR") 500,000*	–	100%	Provision of telecommunications services
CITIC Telecom International CPC (Singapore) Pte. Ltd.	Republic of Singapore	SGD2,000,000*	–	100%	Provision of telecommunications services
CITIC Telecom International (Data) Limited	Hong Kong	HK$2*	–	100%	Provision of telecommunications services
CITIC Telecom International (Japan) Ltd.	Japan	JPY10,000,000*	–	100%	Provision of telecommunications services

14 INTERESTS IN SUBSIDIARIES (CONTINUED)

(a) The following list contains only the particulars of principal subsidiaries of the Group as at 31 December 2023. (continued)

Name of company	Place of incorporation/ operation	Particulars of issued and fully paid-up capital	Proportion of ownership interest		Principal activity
			Held by the Company	Held by subsidiaries	
CITIC Telecom International Limited	Hong Kong	HK$2*	100%	–	Provision of telecommunications services
CITIC Telecom (UK) Limited	United Kingdom	Pound Sterling 2*	–	100%	Provision of telecommunications services
ComNet Telecom (HK) Limited	Hong Kong	HK$2*	–	100%	Provision of telecommunications services
ComNet Telecom International Limited	Hong Kong	HK$2*	–	100%	Provision of telecommunications services
Companhia de Telecomunicações de Macau, S.A.R.L.	Macau	MOP 150,000,000*	99%	–	Provision of telecommunications services
Neostar Investment Limited	Hong Kong	HK$2*	–	100%	Property holding
Pacific ComNet (M) Sdn. Bhd.	Malaysia	MYR700,000*	–	100%	Provision of telecommunications services
Pacific Internet (S) Pte. Ltd.	Republic of Singapore	SGD500,000*	–	100%	Provision of telecommunications services
Pacific Internet (Thailand) Limited	Thailand	Thai Baht 188,176,100*	–	100%	Provision of telecommunications services
中信電訊(上海)科技有限公司**	The People's Republic of China	RMB26,600,000	100%	–	Provision of telecommunications services

Notes:

(i) The Group has consolidated the results of CEC as the Group is exposed and has rights to variable returns from its involvement with CEC and has the ability to affect those returns through its power over CEC.

* Represents ordinary shares.

** Registered as wholly foreign owned enterprise under the law of the People's Republic of China.

*** Registered as limited liability company under the law of the People's Republic of China.

(b) The Group had no subsidiaries which have material non-controlling interests for the years ended 31 December 2023 and 2022.

15 INTEREST IN A JOINT VENTURE

As at 31 December 2023, the Group's 85% equity interest in a joint venture of $11,000,000 (2022: $10,000,000) comprised an investee company.

The principal activity of this investee company is investment holding and has a wholly-owned subsidiary which is principally engaged in the provision of telecommunications services.

The equity interest in this company is accounted for as a joint venture in the consolidated financial statements under the equity method as the Group and the other shareholder of this investee company share joint control over the entity and have rights to the net assets of the entity.

16 INVENTORIES

Inventories in the consolidated statement of financial position mainly comprise mobile handsets and equipment and business solutions projects' parts.

As at 31 December 2023, the carrying amount of inventories of $57,000,000 (2022: $132,000,000) is stated as cost.

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2023 **$ million**	2022 $ million
Carrying amount of inventories sold	**1,858**	1,607
Write down of inventories	**–**	1
	1,858	1,608

17 CONTRACT COSTS

Contract costs capitalised primarily relate to the incremental sales commissions paid to employees or agents whose selling activities resulted in customers entering into contracts for the provision of telecommunications services. Contract costs are recognised as part of "costs of sales and services" in the consolidated income statement in the period in which revenue from the related contracts is recognised. The amount of capitalised costs recognised in profit or loss during the year was $5,000,000 (2022: $7,000,000). There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year (2022: Nil).

The Group applies the practical expedient in paragraph 94 of HKFRS 15 and recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less from the initial recognition of the asset.

18 FINANCE LEASE RECEIVABLES

The following table shows the maturity analysis of the minimum finance lease receivables:

	2023 **$ million**	2022 $ million
Within 1 year	**6**	9
After 1 year but within 2 years	**3**	5
After 2 years but within 3 years	**2**	2
After 3 years but within 4 years	**–**	2
Total contractual undiscounted finance lease receivables	**11**	18
Less: unearned finance income	**(1)**	(1)
Net amount of finance lease receivables	**10**	17
Less: allowance for impairment loss	**–**	–
Carrying amount of finance lease receivables	**10**	17
Present value of minimum finance lease receivables:		
Within 1 year	**5**	8
After 1 year but within 2 years	**3**	5
After 2 years but within 3 years	**2**	2
After 3 years but within 4 years	**–**	2
	5	9
	10	17

During the year ended 31 December 2023, the Group entered into finance lease arrangements as a lessor for computer hardware and peripheral equipment. The terms of finance leases are for 2–5 years (2022: 2–5 years). The legal title of relevant assets will pass to the lessee at the end of the lease term. All interest rates inherent in the leases are fixed at the contract date over the lease terms and ranged from 2.14% to 9.75% (2022: 2.14% to 5.58%) per annum.

Finance lease receivables are secured over the computer hardware and peripheral equipment leased. The Group does not permit lessee to sell or repledge the collateral in the absence of default.

19 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2023 $ million	2022 $ million
Arising from international telecommunications services	**6**	9
Arising from sales of mobile handsets and equipment bundled with services	**111**	100
Arising from business solution projects	**152**	141
	269	250
Represented by:		
Non-current portion	**27**	26
Current portion	**242**	224
	269	250
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "trade and other receivables" (note 20)	**993**	908

Typical payment terms which impact on the amount of contract assets recognised are as follows:

– International telecommunications services

The Group provides international telecommunications services to telecommunications operators. The Group and certain telecommunications operators enter into contracts with minimum commitments on either transaction amount or unit of traffic to be processed and contract term would usually last for over three months. Such contracts involve large amount of transactions and both parties are required to verify and reconcile the transactions details received from the counter party against their own records. Once the verification and reconciliation work have been completed, the Group will issue an invoice to the telecommunications operator. The Group's right to the consideration is generally unconditional upon the completion of verification and reconciliation work from both parties as well as the issuance of invoice.

– Sales of mobile handsets and equipment bundled with services

The Group offers packages to the customer which include the bundle sales of mobile handsets and equipment and provision of services. In this situation, the Group offers a discount that allows the customer to buy mobile handsets and equipment and pay the cash selling price over contract period after delivery, which is normally over twelve months. The mobile handsets and equipment are delivered to the customer at the inception of the contract and the Group recognises transaction price allocated to the mobile handsets and equipment as revenue. The portion of revenue recognised in excess of cash receipt at the inception of the contract represents a consideration for mobile handsets and equipment transferred which has not yet been due and paid by the customer and will be received by installment over the contract period. The Group's right to the consideration is conditional on the provision of service over the contract period.

– Business solution projects

Business solution project is one of the businesses of enterprise solutions. The Group's business solution projects include payment schedules which require stage payments over the project period once milestones are reached. This gives rise to contract assets when the revenue recognised on the project exceeds the amount of the payment made by customer.

19 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	2023 $ million	2022 $ million
Billings in advance of performance		
– Business solution projects	**23**	38
– Other telecommunications services	**161**	146
	184	184
Represented by:		
Non-current portion	**1**	1
Current portion	**183**	183
	184	184

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

– Business solution projects

The Group's certain business solution projects include payment schedules which require advance payments from customers for the projects. This gives rise to contract liabilities when the amount of the payment made by customer exceeds the revenue recognised on the project.

– Other telecommunications services

The Group's telecommunications services normally include payment schedules which require advance payments from customers for the services. This gives rises to contract liabilities until revenue recognised on the services are provided.

Revenue which was included in the contract liabilities balance at the beginning of the year amounting to $178,000,000 (2022: $168,000,000), was recognised during the year ended 31 December 2023.

20 TRADE AND OTHER RECEIVABLES

	2023 $ million	2022 $ million
Trade debtors	**1,038**	956
Less: loss allowance	**(45)**	(48)
	993	908
Prepayments	**163**	158
Deposits and other receivables	**333**	377
	1,489	1,443
Represented by:		
Non-current portion	**145**	150
Current portion	**1,344**	1,293
	1,489	1,443

The carrying amount of trade debtors, and deposits and other receivables is considered to be the same as its fair value.

As at 31 December 2023 and 2022, included in other receivables were the following:

(i) an advance payment of $12,000,000 (2022: $19,000,000) for certain telecommunications services which are deferred and amortised on a straight-line basis over the underlying service period of 15 years; and

(ii) an advance payment paid to the ultimate holding company for the acquisition of the remaining equity interest in a subsidiary of RMB62,000,000 (equivalent to approximately $68,000,000) (2022: RMB62,000,000 (equivalent to approximately $69,000,000)).

Ageing analysis

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

	2023 $ million	2022 $ million
Within 1 year	**986**	899
Over 1 year	**7**	9
	993	908

Trade debtors are due within 7 to 180 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade debtors are set out in note 28(a).

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2023 $ million	2022 $ million
Cash at bank and in hand	**666**	1,138
Time deposits with banks	**414**	123
Other deposits (note 21(d))	**646**	725
Cash and deposits in the consolidated statement of financial position (note 21(b))	**1,726**	1,986
Less: pledged deposits (note 21(c))	**(2)**	(6)
Less: other deposits (note 21(d))	**(646)**	(725)
Cash and cash equivalents in the consolidated cash flow statement	**1,078**	1,255

The carrying amount of cash and deposits is considered to be the same as its fair value.

(b) As at 31 December 2023, cash and deposits situated in Chinese mainland amounted to $149,000,000 (2022: $172,000,000). Remittance of funds out of Chinese mainland is subject to relevant rules and regulations of foreign exchange control.

(c) As at 31 December 2023, bank deposits of $2,000,000 (2022: $6,000,000) were pledged to secure parts of the banking facilities of the Group.

(d) As at 31 December 2023, other deposits of $646,000,000 (2022: $725,000,000) were deposited in CITIC Finance International Limited, a fellow subsidiary of the Group which is principally engaged in the provision of treasury management services. These unsecured cash deposits carry interest at market rates and can be withdrawn by the Group on demand or in accordance with the terms of agreement.

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

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

	Note	2023 $ million	2022 $ million
Profit before taxation		**1,505**	1,496
Adjustments for:			
Depreciation and amortisation	5(b)	**870**	914
Valuation gain on investment property	10(a)	**(14)**	(9)
Net loss on disposal of property, plant and equipment	5(e)	**2**	1
Gain on surrender of leases	5(e)	**(2)**	–
Share of profit of a joint venture		**(1)**	–
Finance costs	5(d)	**267**	269
Interest income	4	**(71)**	(22)
Foreign exchange loss		**9**	11
		2,565	2,660
Changes in working capital:			
Decrease/(increase) in inventories		**75**	(29)
Decrease/(increase) in contract costs		**4**	(1)
Increase in trade and other receivables		**(49)**	(87)
Decrease/(increase) in finance lease receivables		**7**	(8)
(Increase)/decrease in contract assets		**(19)**	28
(Decrease)/increase in trade and other payables		**(382)**	371
Decrease in contract liabilities		**–**	(1)
Increase in defined benefit plan obligations		**6**	2
Cash generated from operations		**2,207**	2,935

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(f) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank and other borrowings $ million (note 23)	Lease liabilities $ million (note 24)	Total $ million
As at 1 January 2023	**4,520**	**454**	**4,974**
Changes from financing cash flows:			
Repayment of bank and other borrowings	**(604)**	**–**	**(604)**
Capital element of lease rentals paid	**–**	**(147)**	**(147)**
Interest element of lease rentals paid	**–**	**(16)**	**(16)**
Other borrowing costs paid	**(246)**	**–**	**(246)**
Total changes from financing cash flows	**(850)**	**(163)**	**(1,013)**
Exchange adjustments	**15**	**–**	**15**
Other changes:			
Increase in lease liabilities from entering into new leases during the year	**–**	**66**	**66**
Surrenders	**–**	**(33)**	**(33)**
Interest on lease liabilities (note 5(d))	**–**	**16**	**16**
Interest expenses and other finance charges	**249**	**–**	**249**
Total other changes	**249**	**49**	**298**
As at 31 December 2023	**3,934**	**340**	**4,274**

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(f) Reconciliation of liabilities arising from financing activities (continued)

	Bank and other borrowings $ million (note 23)	Leases liabilities $ million (note 24)	Total $ million
As at 1 January 2022	5,446	496	5,942
Changes from financing cash flows:			
Proceeds from new bank and other borrowings	353	–	353
Repayment of bank and other borrowings	(1,283)	–	(1,283)
Capital element of lease rentals paid	–	(157)	(157)
Interest element of lease rentals paid	–	(18)	(18)
Other borrowing costs paid	(248)	–	(248)
Total changes from financing cash flows	(1,178)	(175)	(1,353)
Exchange adjustments	1	(26)	(25)
Other changes:			
Increase in lease liabilities from entering into new leases during the year	–	141	141
Interest on lease liabilities (note 5(d))	–	18	18
Interest expenses and other finance charges	251	–	251
Total other changes	251	159	410
As at 31 December 2022	4,520	454	4,974

(g) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2023 $ million	2022 $ million
Within operating cash flows	**102**	106
Within financing cash flows	**163**	175
	265	281

These amounts above relate to lease rentals paid.

22 TRADE AND OTHER PAYABLES

	2023 **$ million**	2022 $ million
Trade creditors	**920**	1,202
Other payables and accruals	**706**	841
	1,626	2,043
Represented by:		
Non-current portion	**20**	16
Current portion	**1,606**	2,027
	1,626	2,043

The carrying amount of trade and other payables is considered to be the same as its fair value.

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

	2023 **$ million**	2022 $ million
Within 1 year	**784**	994
Over 1 year	**136**	208
	920	1,202

23 BANK AND OTHER BORROWINGS

	2023 $ million	2022 $ million
Bank and other loans	**352**	948
Guaranteed bonds at 6.1% due 2025 (note 23(b))	**3,513**	3,503
	3,865	4,451
Interest payable	**69**	69
	3,934	4,520

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

	2023 $ million	2022 $ million
Within 1 year or on demand	**421**	183
After 1 year but within 2 years	**3,513**	809
After 2 years but within 5 years	**–**	3,528
	3,513	4,337
	3,934	4,520

All of the non-current bank and other borrowings are carried at amortised cost. None of the non-current bank and other borrowings is expected to be settled within one year.

(a) Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position and financial performance ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants or in any case of an event of default, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2023 and 2022, 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 $3,517,000,000) bonds with a maturity of twelve years due on 5 March 2025 (the "Guaranteed Bonds"). The Guaranteed Bonds were unconditionally and irrevocably guaranteed by the Company.

The Guaranteed Bonds were issued at 100% of the aggregate principal amount, denominated in USD and bore interest at 6.1% per annum payable semi-annually in arrears. The Guaranteed Bonds would become repayable on demand in case of an event of default.

24 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2023 Present value of the lease payments $ million	**2023** Total lease payments $ million	2022 Present value of the lease payments $ million	2022 Total lease payments $ million
Within 1 year	**116**	**127**	131	146
After 1 year but within 2 years	**83**	**91**	97	109
After 2 years but within 5 years	**103**	**118**	130	151
After 5 years	**38**	**42**	96	106
	224	**251**	323	366
	340	**378**	454	512
Less: total future interest expenses		**(38)**		(58)
Present value of lease liabilities		**340**		454

Except for lease covenants mainly related to the maintenance and use of the leased assets that are commonly found in lease arrangements, there are no other covenants or restrictions imposed by the lease agreements. The leased assets may not be used as security for borrowing purposes.

25 POST-EMPLOYMENT BENEFITS

The Group operates a MPF scheme for the employees employed under the Hong Kong Employment Ordinance who are also entitled to long service payment if the eligibility criteria are met. In addition, a subsidiary of the Company, CTM, operates a retirement plan, which is registered with Autoridade Monetária de Macau and is under the management of Macau Pension Fund Management Co. Ltd. (see note 25(c)).

LSP and the Fund are defined benefit plans. The analysis of the carrying amount of defined benefit plan obligations is as follows:

	2023 **$ million**	2022 $ million
Long service payment liabilities (note 25(b))	**5**	–
The Fund liabilities (note 25(c))	**43**	61
	48	61

(a) Defined contribution retirement plans

The Group operates a MPF scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

CTM also operates the defined contribution fund ("Defined Contribution Fund") which was set up under the terms of Decree Law 6/99/M and registered with AMCM. The Defined Contribution Fund is for all full time Macau employees who joined CTM after 1 May 2002. The Defined Contribution Fund is under the management of Macau Pension Fund Management Co. Ltd.. The employees and CTM are each required to make contributions to the Defined Contribution Fund at 5% of the employee's relevant income. Contributions to the Defined Contribution Fund vest immediately.

Employees employed by the Group outside Hong Kong and Macau are covered by the appropriate local defined contribution schemes pursuant to the local labour rules and regulations.

(b) Long service payment liabilities

Hong Kong employees that have been employed continuously for at least five years are entitled to long service payments in accordance with the Hong Kong Employment Ordinance under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal. The amount of LSP payable is determined with reference to the employee's final salary (capped at $22,500) and the years of service, reduced by the amount of any accrued benefits derived from the Group's contributions to MPF scheme (see note 25(a)), with an overall cap of $390,000 per employee. Currently, the Group does not have any separate funding arrangement in place to meet its LSP obligation.

In June 2022, the Government gazetted the Amendment Ordinance, which will eventually abolish the statutory right of an employer to reduce its LSP payable to a Hong Kong employee by drawing on its mandatory contributions to the MPF scheme. The Government has subsequently announced that the Amendment Ordinance will come into effect from the Transition Date. Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

25 POST-EMPLOYMENT BENEFITS (CONTINUED)

(b) Long service payment liabilities (continued)

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

The Group has accounted for the offsetting mechanism and its abolition as disclosed in notes 1(c)(ii) and 1(u)(ii).

(c) The Fund liabilities

A subsidiary of the Company, CTM, makes contributions to a defined benefit retirement plan, CTM Staff Provident Fund. The Fund was established on 1 January 2003. The members of the Fund are all the employees who were members of the original staff provident fund. No new members joined the Fund after 1 May 2002. The members are required to make contributions to the Fund at 5% of their relevant income. CTM is required to make contributions to the Fund in accordance with an independent actuary's recommendation based on periodic actuarial valuations. CTM is also obliged to make any extraordinary contributions which may be deemed necessary by Macau Pension Fund Management Co. Ltd. when there are insufficient assets in the Fund to meet the liabilities of the Fund or when such insufficiency is anticipated. Upon retirement or resignation, each member is entitled to receive a lump sum payment calculated on the basis of a multiplying factor ranging from 0.6 to 2 times the final monthly salary and the number of service year that the member has served with CTM.

The latest independent actuarial valuation of the Fund was as at 31 December 2023 and was prepared by qualified staff of Willis Towers Watson, who are members of the Society of Actuaries of the United States of America, using the projected unit credit method. The actuarial valuation indicates that CTM's obligation under the Fund is 86% (2022: 82%) covered by the plan assets held by the trustees as at 31 December 2023. The Fund exposes the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk, and market (investment) risk.

(i) The amounts recognised in the consolidated statement of financial position are as follows:

	2023 **$ million**	2022 $ million
Present value of plan obligations	**300**	335
Fair value of plan assets	**(257)**	(274)
	43	61

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay $6,000,000 in contributions to the Fund in 2024.

25 POST-EMPLOYMENT BENEFITS (CONTINUED)

(c) The Fund liabilities (continued)

(ii) Plan assets consist of the following:

	2023 $ million	2022 $ million
Cash and money market	**21**	14
Bonds		
– Government bonds	**72**	53
– Corporate bonds	**44**	70
	116	123
Equity securities		
– Asia	**8**	8
– North America	**102**	101
– Europe	**7**	27
– Other areas	**3**	1
	120	137
	257	274

All of the equity securities and bonds have quoted prices in active markets. The bonds have a credit rating of A- to AAA.

At the end of each reporting period, a study is performed by the Fund's asset manager in which the consequences of the strategic investment policies are analysed. The strategic investment policy of the Fund can be summarised as follows:

- a strategic assets mix comprising 47% equity securities, 45% bonds and 8% other investments (2022: 50% equity securities, 45% bonds and 5% other investments);
- interest rate risk is managed by duration limitation; and
- foreign currency risk is managed by allocation guideline.

25 POST-EMPLOYMENT BENEFITS (CONTINUED)

(c) The Fund liabilities (continued)

(iii) Movements in the present value of the defined benefit obligation

	2023 **$ million**	2022 $ million
As at 1 January	**335**	347
Remeasurements:		
– Experience adjustments	**(2)**	(3)
– Actuarial losses/(gains) arising from changes in financial assumptions	**4**	(1)
	2	(4)
Benefits paid by the Fund	**(56)**	(28)
Employees' contributions	**3**	3
Current service cost	**7**	8
Interest cost	**9**	9
As at 31 December	**300**	335

The weighted average duration of the defined benefit obligation is 4 years (2022: 5 years).

(iv) Movements in plan assets

	2023 **$ million**	2022 $ million
As at 1 January	**274**	335
Employer's and employees' contributions paid to the Fund	**10**	10
Benefits paid by the Fund	**(56)**	(28)
Administrative expenses	**(1)**	(1)
Interest income	**7**	9
Return on plan assets, excluding interest income	**23**	(50)
Exchange adjustments	**–**	(1)
As at 31 December	**257**	274

25 POST-EMPLOYMENT BENEFITS (CONTINUED)

(c) The Fund liabilities (continued)

(v) Amounts recognised in the consolidated income statement and consolidated statement of comprehensive income are as follows:

	2023 $ million	2022 $ million
Current service cost	**7**	8
Net interest on net defined benefit liability	**2**	–
Administrative expenses	**1**	1
Total amounts recognised in profit or loss	**10**	9
Actuarial losses/(gains)	**2**	(4)
Return on plan assets, excluding interest income	**(23)**	50
Total amounts recognised in other comprehensive income	**(21)**	46
Net defined benefit (gain)/loss	**(11)**	55

The current service cost and the net interest on net defined benefit liability are recognised in the following line items in the consolidated income statement:

	2023 $ million	2022 $ million
Staff costs (note 5(c))	**7**	8
Other operating expenses	**1**	1
Finance costs (note 5(d))	**2**	–
	10	9

25 POST-EMPLOYMENT BENEFITS (CONTINUED)

(c) The Fund liabilities (continued)

(vi) *Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:*

	2023	2022
Discount rate	**2.4%**	2.7%
Future salary growth	**3.0%**	3.0%

The below analysis shows how the defined benefit obligation as at 31 December 2023 would have increased/(decreased) as a result of a 0.25% (2022: 0.25%) change in the respective actuarial assumptions:

	2023		2022	
	Increase in 0.25% $ million	**Decrease in 0.25% $ million**	Increase in 0.25% $ million	Decrease in 0.25% $ million
Discount rate	**(3)**	**3**	(4)	4
Future salary growth	**3**	**(3)**	3	(3)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

26 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option plan ("CITIC Telecom International Plan") which was adopted on 17 May 2007 whereby the directors of the Company are authorised, at their discretion, to offer any person employed by the Company or any of its subsidiaries and any person who is an officer or director (whether executive or non-executive) of the Company or any of its subsidiaries options to subscribe for shares in the Company to recognise their contributions to the growth of the Company. The CITIC Telecom International Plan was valid and effective for a period of ten years till 16 May 2017. Each option gives the holder the right to subscribe for one ordinary share of the Company.

Particulars of the outstanding share options granted under the CITIC Telecom International Plan to directors, officers and employees of the Company and its subsidiaries are as follows:

Date of grant	Number of share options granted	Exercise price per share	Exercise period
24 March 2017	45,339,500	$2.45 (Note (i))	From 24 March 2018 to 23 March 2023
24 March 2017	45,339,500	$2.45 (Note (i))	From 24 March 2019 to 23 March 2024

Note:

(i) The closing price of the Company's ordinary shares on the date of grant was $2.37 per share.

The first 50% of the share options granted on 24 March 2017 have expired at the close of business on 23 March 2023.

26 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) The terms and conditions of the outstanding options granted under the CITIC Telecom International Plan are as follows, whereby all options are settled by physical delivery of shares:

	Exercise price per share	Number of options	Vesting condition	Expiry date	Number of share options outstanding as at 31 December 2023	2022
Options granted to directors:						
– on 24 March 2017	$2.45	7,319,000	Fully vested on 24 March 2018	Expired at the close of business on 23 March 2023	**–**	500,500
– on 24 March 2017	$2.45	7,319,000	Fully vested on 24 March 2019	Expire at the close of business on 23 March 2024	**500,500**	1,500,500
Options granted to officers and employees[Δ]**:**						
– on 24 March 2017	$2.45	38,020,500	Fully vested on 24 March 2018	Expired at the close of business on 23 March 2023	**–**	7,033,000
– on 24 March 2017	$2.45	38,020,500	Fully vested on 24 March 2019	Expire at the close of business on 23 March 2024	**3,299,000**	9,904,500
					3,799,500	18,938,500

Δ Number of options outstanding as at 31 December 2023 and 2022 include those options granted to former employees of the Company who had resigned/retired/passed away.

26 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) The number and weighted average exercise prices of the outstanding share options are as follows:

	2023 Weighted average exercise price	**2023** Number of options	2022 Weighted average exercise price	2022 Number of options
Outstanding at the beginning of the year	**$2.45**	**18,938,500**	$2.49	30,275,250
Exercised during the year (note 27(c))	**$2.45**	**(11,754,500)**	$2.52	(5,268,000)
Lapsed during the year	**$2.45**	**(3,384,500)**	$2.60	(6,068,750)
Outstanding at the end of the year	**$2.45**	**3,799,500**	$2.45	18,938,500
Exercisable at the end of the year	**$2.45**	**3,799,500**	$2.45	18,938,500

During the year ended 31 December 2023, options for 11,754,500 (2022: 5,268,000) shares were exercised, options for 3,384,500 (2022: 6,068,750) shares have lapsed and no option (2022: Nil) has been cancelled. The value of vested options lapsed during the year ended 31 December 2023 was $1,000,000 (2022: $4,000,000) and was released directly to retained profits.

The weighted average closing price at the date of exercise of share options exercised during the year was $2.99 (2022: $2.84). The options outstanding as at 31 December 2023 had a weighted average exercise price of $2.45 (2022: $2.45) and a weighted average remaining contractual life of 0.23 years (2022: 0.83 years).

During the year ended 31 December 2023, the proceeds from new shares issued under share option plan was $29,000,000 (2022: $13,000,000).

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital $ million	Capital reserve $ million	Retained profits $ million	Total $ million
Balance as at 1 January 2022		4,704	73	3,349	8,126
Changes in equity for 2022:					
Total comprehensive income for the year		–	–	1,164	1,164
Shares issued under share option plan	26(b)	16	(3)	–	13
Dividends approved in respect of the previous financial year	27(b)(ii)	–	–	(627)	(627)
Release upon lapse of share options	26(b)	–	(4)	4	–
Dividends declared in respect of the current financial year	27(b)(i)	–	–	(221)	(221)
Balance as at 31 December 2022 and 1 January 2023		**4,720**	**66**	**3,669**	**8,455**
Changes in equity for 2023:					
Total comprehensive income for the year		**–**	**–**	**1,249**	**1,249**
Shares issued under share option plan	26(b)	**36**	**(7)**	**–**	**29**
Dividends approved in respect of the previous financial year	27(b)(ii)	**–**	**–**	**(684)**	**(684)**
Release upon lapse of share options	26(b)	**–**	**(1)**	**1**	**–**
Dividends declared in respect of the current financial year	27(b)(i)	**–**	**–**	**(222)**	**(222)**
Balance as at 31 December 2023		**4,756**	**58**	**4,013**	**8,827**

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2023 $ million	2022 $ million
Interim dividend declared and paid of HK6.0 cents (2022: HK6.0 cents) per share	**222**	221
Final dividend proposed after the end of the reporting period of HK19.3 cents (2022: HK18.5 cents) per share	**714**	682
	936	903

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

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

	2023 $ million	2022 $ million
Final dividend in respect of the previous financial year, approved and paid during the year, of HK18.5 cents (2022: HK17.0 cents) per share	**684**	627

For the final dividend in respect of the year ended 31 December 2022, there was a difference of $2,000,000 between the final dividend disclosed in 2022 annual report and the amount paid during the year ended 31 December 2023, which represented dividends attributable to shares issued upon exercise of share options before the closing date of register of members.

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

	Note	**2023** No. of shares	**2023** Amount $ million	2022 No. of shares	2022 Amount $ million
Ordinary shares, issued and fully paid:					
As at 1 January	(i)	**3,688,280,882**	**4,720**	3,683,012,882	4,704
Shares issued under share option plan	(ii)	**11,754,500**	**36**	5,268,000	16
As at 31 December	(i)	**3,700,035,382**	**4,756**	3,688,280,882	4,720

Notes:

(i) The holders of ordinary shares are entitled to receive dividends as declared from time to time and every member shall have one vote per share on a poll at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) During the year ended 31 December 2023, 11,754,500 (2022: 5,268,000) ordinary shares were issued at a weighted average exercise price of $2.45 (2022: $2.52) per ordinary share to share option holders who had exercised their options. These new shares issued rank equally with the then existing ordinary shares in issue.

(d) Nature and purpose of reserves

(i) Capital reserve

The capital reserve represents the portion of the grant date fair value of unexercised share options granted to directors or employees of the Group under the Company's share option plan that has been recognised in accordance with the accounting policies adopted for share-based payments set out in note 1(u)(iii).

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in notes 1(y) and 1(ac).

(iii) Property revaluation reserve

The property revaluation reserve represents the surplus on revaluation of owner-occupied property upon change of use to investment property and is dealt with in accordance with the accounting policies adopted for owner-occupied property in note 1(h).

(e) Distributability of reserves

As at 31 December 2023, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance, was $4,013,000,000 (2022: $3,669,000,000). After the end of the reporting period, the directors proposed a final dividend of HK19.3 cents (2022: HK18.5 cents) per share, amounting to $714,000,000 (2022: $682,000,000). This dividend has not been recognised as a liability at the end of the reporting period.

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital management

The Group's primary objective on capital management is to safeguard the Group's ability to continue as a going concern, while at the same time continues to provide returns for shareholders.

The Group regularly reviews its capital structure to maintain a balance between the enhancement of shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Adjustments are made to the capital structure as necessary in response to changes in economic conditions.

The capital structure of the Group consists of its total equity attributable to equity shareholders of the Company, comprising share capital and reserves as disclosed in the consolidated financial statements. The Group's net gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (which includes current and non-current bank and other borrowings), less cash and deposits. Total capital is total equity attributable to equity shareholders of the Company, as shown in the consolidated statement of financial position, plus net debt.

The Group's net gearing ratio as at 31 December 2023 and 2022 is as follows:

	2023 **$ million**	2022 $ million
Total debt	**3,934**	4,520
Less: Cash and deposits	**(1,726)**	(1,986)
Net debt	**2,208**	2,534
Total equity attributable to equity shareholders of the Company	**10,756**	10,373
Total capital	**12,964**	12,907
Net gearing ratio	**17%**	20%

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade debtors and contract assets. The Group's exposure to credit risk arising from deposits and other receivables are considered to be low as the counterparty has capacity to meet its contractual cash flow obligation. Therefore, applying the expected credit risk model resulted in an immaterial impact on the provision for doubtful debts for deposits and other receivables.

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, and the Group has a pre-defined policy and regular review on the rest of the cash portfolio, therefore, it is considered that the Group is exposed to a low credit risk in this respect.

The Group applies a simplified approach to recognise lifetime ECL for finance lease receivables. Given the track record of regular cash flow received by the Group, the directors are of the opinion that the risk of default by these counterparties is not significant and does not expect any losses from non-performance by the counterparties. Therefore, the credit risk of finance lease receivables is assessed to be immaterial and no provision was made as at 31 December 2023 and 2022.

Other than those disclosed in note 30, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of those financial guarantees at the end of the reporting period is disclosed in the note 30.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade debtors and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 24.7% (2022: 21.2%) of the total trade debtors and contract assets was due from the Group's five largest debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are due within 7 to 180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade debtors and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The loss allowance based on past due status is further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade debtors and contract assets:

		2023			2022	
	Expected loss rate	**Gross carrying amount $ million**	**Loss allowance $ million**	Expected loss rate	Gross carrying amount $ million	Loss allowance $ million
Current (not past due)	**0.1%**	**870**	**(1)**	0.1%	816	(1)
1–90 days past due	**5.5%**	**297**	**(16)**	8.3%	270	(22)
91–180 days past due	**8.0%**	**54**	**(4)**	9.6%	48	(5)
181–365 days past due	**8.4%**	**66**	**(6)**	10.6%	48	(5)
More than 365 days past due	**87.3%**	**20**	**(18)**	63.2%	24	(15)
		1,307	**(45)**		1,206	(48)

The various Group companies have different credit policies, depending on the requirements of their markets and the businesses in which they operate. Analyses of the age of debtors are prepared and closely monitored with a view to minimising credit risk associated with receivables.

Expected loss rates are based on the corresponding historical losses experience up to 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade debtors and contract assets (continued)

Movement in the loss allowance account in respect of trade debtors and contract assets during the year is as follows:

	2023 $ million	2022 $ million
Balance as at 1 January	**48**	29
Amounts written off	**(5)**	(6)
Impairment losses recognised (note 5(e))	**2**	25
Balance as at 31 December	**45**	48

(b) Liquidity risk

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

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which is based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2023						2022					
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or on demand $ million	More than 1 year but less than 2 years $ million	More than 2 years but less than 5 years $ million	More than 5 years $ million	Total contractual undiscounted cash outflow $ million	Carrying amount as at 31 December $ million	Within 1 year or on demand $ million	More than 1 year but less than 2 years $ million	More than 2 years but less than 5 years $ million	More than 5 years $ million	Total contractual undiscounted cash outflow $ million	Carrying amount as at 31 December $ million
Trade and other payables	**1,599**	**-**	**1**	**12**	**1,612**	**1,612**	2,020	-	1	1	2,022	2,022
Bank and other borrowings	**438**	**-**	**-**	**-**	**438**	**421**	183	-	-	-	183	183
Lease liabilities	**127**	**91**	**118**	**42**	**378**	**340**	146	109	151	106	512	454
Non-current bank and other borrowings	**146**	**3,624**	**-**	**-**	**3,770**	**3,513**	192	1,069	3,644	-	4,905	4,337
	2,310	**3,715**	**119**	**54**	**6,198**	**5,886**	2,541	1,178	3,796	107	7,622	6,996

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

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

(i) Interest rate risk profile

The following table details the interest rate risk profile of the Group's borrowings, excluding interest payable, at the end of the reporting period:

	2023		2022	
	Effective interest rate	**$ million**	Effective interest rate	$ million
Fixed rate borrowings:				
Guaranteed bonds	**6.1%**	**3,513**	6.1%	3,503
Variable rate borrowings:				
Bank and other loans	**5.0%**	**352**	5.5%	948
Exposure	**5.0%**	**352**	5.5%	948
Total borrowings	**6.0%**	**3,865**	6.0%	4,451
Fixed rate borrowings as a percentage of total borrowings		**90.9%**		78.7%

(ii) Sensitivity analysis

As at 31 December 2023, it is estimated that a general increase/decrease of 50 (2022: 50) basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit for the year and retained profits by approximately $2,000,000 (2022: $5,000,000). Other components of consolidated equity would not be affected (2022: Nil) by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit for the year and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit for the year and retained profits is estimated as an annualised impact on interest expenses of such a change in interest rates. The analysis is performed on the same basis for 2022.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk

(i) The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash and 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 HKD or MOP.

A substantial portion of the Group's revenue and cost of sales and services are denominated in USD, MOP, HKD, RMB and SGD. The majority of the Group's current assets, current liabilities and transactions are denominated in USD, MOP, HKD, RMB and SGD. As the HKD is linked to the USD and the MOP is pegged to the HKD, it will not pose significant currency risk between HKD, USD and MOP to the Group. The Group will monitor closely all possible exchange rate risks and implement the necessary hedging arrangement to mitigate risk from any significant fluctuation in foreign exchange rates.

(ii) Hedge of net investment in foreign subsidiaries

A foreign currency exposure arises from the Group's net investment in its Singaporean subsidiaries that have Singapore dollar as its functional currency. The risk arises from the fluctuation in spot exchange rates between the Singapore dollar and the Hong Kong dollar, which causes the carrying amount of the net investment to vary. As at 31 December 2023, the Group's Singapore dollar denominated the other loan of SGD59 million (2022: SGD59 million) is designated as a hedging instrument for the changes in the value of the net investment that is attributable to changes in the HKD/SGD spot rate. The position is reviewed every year.

(iii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HKD, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency and the exposure arising from the other loan that is designated as a hedge of the Group's net investment in its subsidiaries in Singapore (see (ii) above) are excluded.

	Exposure to foreign currencies (expressed in HKD)	
	RMB 2023 $ million	RMB 2022 $ million
Trade and other receivables	**34**	55
Cash and deposits	**27**	28
Trade and other payables	**(13)**	(13)
	48	70

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(iv) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit for the year and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. Other components of consolidated equity would not be affected (2022: Nil) by the changes in the foreign exchange rates.

	2023		2022	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit for the year and retained profits $ million**	Increase/ (decrease) in foreign exchange rates	Effect on profit for the year and retained profits $ million
RMB	**10%**	**4**	10%	6
	(10%)	**(4)**	(10%)	(6)

Results of the analysis as presented in the above table represented an aggregation of the instantaneous effects on each of the Group's entities' profit for the year and equity measured in the respective functional currencies, and then translated into HKD at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency and the other loan that is designated as a hedge of the Group's net investment in its subsidiaries in Singapore (see (ii) above). The analysis is performed on the same basis for 2022.

(e) Fair value measurement

No disclosure of fair value is required as all of the Group's financial instruments are carried at amounts not materially different from their fair values as at 31 December 2023 and 2022.

29 COMMITMENTS

Capital commitments outstanding at the end of the reporting period not provided for in the consolidated financial statements were as follows:

	2023 **$ million**	2022 $ million
Contracted for	**55**	37
Authorised but not contracted for	**70**	79
	125	116

30 PERFORMANCE BONDS

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

	2023 **$ million**	2022 $ million
Performance bonds provided to customers of business solutions projects	**71**	77
Performance bonds provided to others	**10**	10
	81	87

In respect of above, no provision has been made in the consolidated financial statements. As at 31 December 2023, 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 $81,000,000 (2022: $87,000,000).

31 MATERIAL RELATED PARTY TRANSACTIONS

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

(i) Recurring transactions

	2023 $ million	2022 $ million
Internet data centre services fee received/receivable from fellow subsidiaries	**22**	13
Virtual private network services fee received/receivable from fellow subsidiaries	**28**	27
Internet access services fee received/receivable from fellow subsidiaries	**9**	13
Telecommunications services and related expenses paid/payable to		
– a fellow subsidiary	**(21)**	(23)
– an associate of the ultimate holding company	**(10)**	(12)
Professional fees paid/payable to a controlling shareholder for the provision of internal audit and company secretarial services	**(6)**	(6)
Building management fees, water and electricity fees, air conditioning charges and car parking spaces rental paid/payable to fellow subsidiaries	**(14)**	(14)
Rental income and building management charges received/receivable from a fellow subsidiary	**17**	17
Interest income from cash and deposits received/receivables from fellow subsidiaries	**49**	6
Finance costs on bank and other borrowings paid/payable to fellow subsidiaries	**(31)**	(32)

The directors are of the opinion that the above transactions with related parties were conducted on normal commercial terms in the ordinary course of business and the terms are fair and reasonable so far as the shareholders of the Company are concerned. The professional fees paid by the Group were reimbursement of costs incurred by the related party, the prices which the Group paid for the relevant services were fair and reasonable with reference to market price.

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

	2023 $ million	2022 $ 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	**68**	69
Lease liabilities due to fellow subsidiaries	**(9)**	(18)
Cash and deposits with fellow subsidiaries (note (i))	**774**	729
Bank and other borrowings from fellow subsidiaries (note (ii))	**(352)**	(948)

Notes:

(i) Cash and deposits with fellow subsidiaries are unsecured, bear interest at the prevailing market rates and can be withdrawn on demand or in accordance with the terms of agreement.

(ii) Bank and other borrowings from fellow subsidiaries are unsecured, bear interest at the prevailing market rates and repayable on demand or in accordance with the terms of agreement.

(iii) Assets leased out under operating leases to a fellow subsidiary

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods are as follows:

	2023 $ million	2022 $ million
Within 1 year	**6**	14
After 1 year but within 2 years	**–**	6
	6	20

The leases related to a fellow subsidiary typically runs for an initial period of 3 years and the related commitments are included in note 10(d).

(b) Transactions with other government-related entities

The Group is a government-related enterprise and has transactions with entities directly or indirectly controlled by the Government of the People's Republic of China (the "PRC") through government authorities, agencies, affiliates and other organisation (collectively referred to as "government-related entities").

Apart from transactions with the affiliates of the Group as disclosed above, the Group has collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

– rendering and receiving services; and

– financial services arrangements.

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not government-related. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are government-related entities or not.

Having considered the potential for transactions to be impacted by related party relationships, the Group's buying, pricing strategy and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions with other government-related entities require disclosure:

(i) Transactions with other government-related entities including state-controlled banks in the PRC

	2023 **$ million**	2022 $ million
Interest income from bank deposits	**12**	6
Fees received/receivable from the provision of telecommunications services	**1,379**	1,151
Fees paid/payable for cost of sales and services	**(1,886)**	(2,390)
Purchase of property, plant and equipment	**(2)**	(4)

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

	2023 **$ million**	2022 $ million
Bank deposits	**546**	402
Trade debtors	**186**	83
Contract assets	**6**	8
Trade creditors	**(243)**	(565)

(c) Key management personnel emoluments

Emoluments for key management personnel of the Group are as follows:

	2023 **$ million**	2022 $ million
Short-term employee benefits	**37**	42
Post-employment benefits	**1**	1
	38	43

Total emoluments are included in "staff costs" (see note 5(c)).

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2023 $ million	2022 $ million
Non-current assets			
Property, plant and equipment		**3**	3
Investments in subsidiaries		**11,553**	11,553
Deferred tax assets		**8**	10
		11,564	11,566
Current assets			
Trade and other receivables		**1,687**	1,659
Cash and deposits		**35**	188
		1,722	1,847
Current liabilities			
Trade and other payables		**522**	592
Bank and other borrowings		**352**	–
		874	592
Net current assets		**848**	1,255
Total assets less current liabilities		**12,412**	12,821
Non-current liabilities			
Non-current other payables		**3,582**	3,571
Defined benefit plan obligation		**3**	–
Non-current bank and other borrowings		**–**	795
		3,585	4,366
NET ASSETS		**8,827**	8,455
CAPITAL AND RESERVES	27(a)		
Share capital		**4,756**	4,720
Reserves		**4,071**	3,735
TOTAL EQUITY		**8,827**	8,455

Approved and authorised for issue by the board of directors on 13 March 2024.

Luo Xicheng
Director

Luan Zhenjun
Director

33 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 27(b)(i).

34 IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTY

As at 31 December 2023, the directors consider the immediate parent and the ultimate controlling party of the Group to be Ease Action Investments Corp., which is incorporated in the British Virgin Islands, and CITIC Group Corporation, which is a wholly state-owned company in the PRC, respectively. The intermediate holding company, CITIC Limited, which is incorporated and listed in Hong Kong, produces financial statements available for public use.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new and amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2024
Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants*	1 January 2024
Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January 2024
Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements*	1 January 2024
Amendments to HKAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

PROPERTY

PROPERTY HELD FOR INVESTMENT

Location	Existing use	Term of lease
4 Lorry Parking Spaces on 1st Floor, 2 Lorry Parking Spaces on 2nd Floor, 1 Lorry Parking Space on 3rd Floor, 19th Floor, Unit 2101 to 2104 and 2108 on 21st Floor and 22nd Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong	Lorry Parking Space and Ancillary Office	Medium
5th to 11th Floors and Flat B on 12th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong	Industrial	Medium

GLOSSARY

4G	4G is the fourth generation of broadband cellular network technology, succeeding 3G
5G	5th generation mobile networks
AI	Artificial Intelligence
Big Data	Big data refer to the use of predictive analytics, user behavior analytics, or certain other advanced data analytics methods that extract value from data
Cloud/cloud computing	Cloud/cloud computing is a model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (e.g. networks, servers, storage, applications and services etc.) that can be rapidly provisioned and released with minimal management effort or service provider interaction
EPL	Ethernet private line (EPL) provides a point-to-point high transparency Ethernet connection between two sites
eSIM	Embedded-SIM
ICT	Information and Communications Technology (ICT), an umbrella term that includes any communication device or application, encompassing: radio, television, cellular phones, computer and network hardware and software, satellite systems etc., as well as the various services and applications associated with them
IDC	Internet Data Centre
Internet of Things	The Internet of Things (IoT) is the network of physical devices, vehicles, home appliances and other items embedded with electronics, software, sensors, actuators, and connectivity which enables these objects to connect and exchange data
IPX	IP Packet Exchange (IPX), a network architecture connecting carriers and operators to provide a private interconnection that can support both bilateral and multilateral types of connections
ISP	Internet Service Provider
MMS	Multimedia Messaging Service
PoP(s)	Point(s)-of-Presence, connection facilities co-located in the data centres of other telecoms operators that consist primarily of transmission equipment with which calls and data are routed to and from the Group's hub

GLOSSARY

SA	The standalone (SA) mode of 5G refers to using 5G cells for both signalling and information transfer
SASE	SASE (Secure Access Service Edge) is a remarkable new paradigm to distributed infrastructure, simultaneously securing and simplifying enterprise' network with a topology optimised for today's organisations
SD-WAN	SD-WAN is an acronym for software-defined networking in a wide area network (WAN). An SD-WAN simplifies the management and operation of a WAN by decoupling (separating) the networking hardware from its control mechanism
SIMN	Single IMSI Multiple Number (SIMN) service, a Mobile VAS which allows mobile operators' subscribers to hold multiple overseas mobile phone numbers on their existing SIM cards, providing frequent travelers and mobile roamers the choice of saving roaming charges in SIMN-enabled regions
SMS	Short Message Service (SMS), a service available on most digital mobile phones that permits the sending of short messages between mobile phones, other handheld devices and even landline telephones
SOC	Self-owned 24 x 7 Security Operations Centers (SOCs) are equipped with advanced SIEM technology and managed by certified security expertise for providing around-the-clock monitoring services to enterprise for real-time threat analysis and handling
VoLTE	Voice Over LTE (VoLTE) means connection of voice call through 4G LTE network
VoNR	Voice over New Radio, also referred to as Voice over 5G or Vo5G
VPN	Virtual Private Network (VPN), a network that uses a public telecommunication infrastructure, such as the internet, to provide remote offices or individual users with secure access to their organisation's network

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, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong at 2980 1333, or by fax: 2810 8185, on matters such as transfer of shares, change of name or address, or loss of share certificates.

FINANCIAL CALENDAR

Closure of Register:	14 May 2024 to 20 May 2024 and 27 May 2024 to 29 May 2024
Annual General Meeting:	20 May 2024, 10:00 a.m. JW Marriott Ballroom, Level 3 JW Marriott Hotel Hong Kong Pacific Place, 88 Queensway Hong Kong
Final Dividend Payable:	13 June 2024

ANNUAL REPORT 2023

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

Shareholders having difficulty in receiving or gaining access to the Annual Report will, promptly upon request to the Company's Share Registrar, be sent a printed copy free of charge.

Non-shareholders who wish to receive a copy of the Annual Report are requested to write to the Company Secretary, CITIC Telecom International Holdings Limited, 25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong, or by fax: 2376 2063 or by email: contact@citictel.com.

中信國際電訊
CITIC TELECOM INTERNATIONAL

WWW.CITICTEL.COM