



中信國際電訊

CITIC TELECOM INTERNATIONAL

STOCK CODE : 1883

CONNECT THE FUTURE

CONNECT THE WORLD

INTERIM REPORT 2020





## ABOUT US

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

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

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

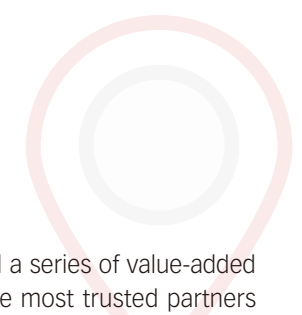
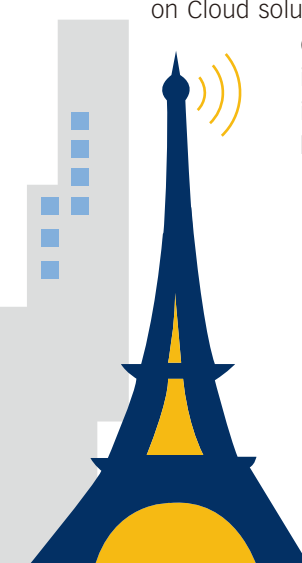
Through its wholly-owned subsidiary, CITIC Telecom International CPC Limited ("CPC"), the Group provides one-stop ICT solutions to multinational and business enterprises, including private network solutions, EPL, SD-WAN, Internet access, Cloud computing, Information

security, Cloud data centre and a series of value-added services, etc. CPC is one of the most trusted partners of leading multinational and business enterprises in the Asia-Pacific region. CPC has gained a foothold in the Mainland China market through its subsidiary, China Enterprise ICT Solutions Limited ("CEC"), providing comprehensive ICT services for sizable multinational and business enterprises in Mainland China. CEC possesses various nationwide licenses in value-added telecommunications services in Mainland China, including nationwide Ethernet VPN, and has established Cloud data centres in various cities such as Beijing, Shanghai and Guangzhou.

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

"Wisdom and Integrity for Fostering Prosperity" is the core value of the Group. As at 30 June 2020, the Group has established branch organisations in 21 countries and regions. The number of staff reached above 2,500, with network covering more than 130 countries and regions, connecting to over 600 operators globally, and serving over 3,000 MNCs and 40,000 local enterprises. The Group has R&D teams in various cities including Hong Kong, Macau, Zhuhai, Chengdu, etc. The Group has a number of ISO quality and network security accreditations, and we have been recognised as the best employer and green enterprise for years.

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



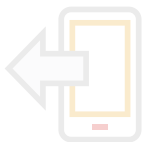


## VISION

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

## MISSION

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

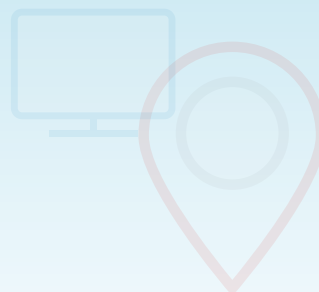


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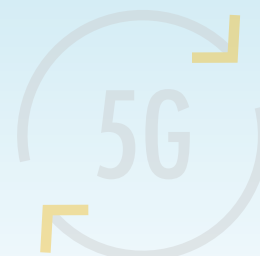
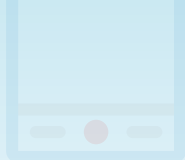


# MILESTONES



Month	Events
<b>January 2020</b>	<ul style="list-style-type: none"><li>• Won the title of the “2019 Best Infrastructure and Public Utilities Stock Company” at the “4th Golden Hong Kong Stocks Awards”</li><li>• CITIC Telecom International CPC Limited won the award of “Outstanding ICT Solution Provider 2019” at “Quamnet Outstanding Enterprise Awards 2019” held by Quamnet</li><li>• China Enterprise ICT Solutions Limited (“CEC”) and TutorABC have been successfully selected as one of the “Cloud + X” TOP Solution Showcases by the Chinese Software Developer Network (CSDN)</li><li>• CEC won the “Distinguished Cloud-Network Convergence Solution in China 2019” by CCW Media, China Computerworld and New Finance World</li><li>• Companhia de Telecomunicações de Macau, S.A.R.L. (“CTM”) set up a 5G application experience zone in the “Science and Technology Expo – Technology Make A Better Life”</li></ul>
<b>February 2020</b>	<ul style="list-style-type: none"><li>• Launched the Single IMSI Multiple Number (SIMN) P2A SMS service, subscriber can use the secondary number to perform two-way SMS authentication requirement for cross-border mobile application and banking services</li></ul>
<b>March 2020</b>	<ul style="list-style-type: none"><li>• CEC won the “Influential Brand of Cloud-Network Convergence Service 2019” by “CIWEEK” of Chinese Academy of Sciences, Chinese Academy of Social Sciences’ Center for Informatization Study, eNet and VZKOO, etc.</li><li>• CTM developed and launched a new application to the Macao Meteorological and Geophysical Bureau (SMG), using container technology and CTM Cloud Service to improve the real-time nature of meteorological information processing, system real-time scalability and user experience</li></ul>

## MILESTONES



Month	Events
<b>April 2020</b>	<ul style="list-style-type: none"><li>• Signed Strategic Cooperation Framework Agreement with a China operator</li><li>• CTM introduced 5G High-speed video content streaming and High-definition video call service experience zone in retail outlets promoting the advantages of 5G services</li></ul>
<b>May 2020</b>	<ul style="list-style-type: none"><li>• CTM produced a series of special episodes for 5G. Based on the 5G technology description and through different story contexts, the public can be informed of the changes brought by 5G and the scenes behind it</li></ul>
<b>June 2020</b>	<ul style="list-style-type: none"><li>• Awarded the “Network &amp; Resources Cooperation Award” by a China operator</li><li>• Enabling MVAS platform to support 5G roaming service features in Greater China region</li><li>• CEC received the “Certificate of Enterprise Credit Grade” by the China Association of Communications Enterprises and China National Credit Information Service Co., Ltd., and was graded “AAA”</li><li>• CEC won the “Best Financial Digital Innovation Service Provider” by Asia Pacific Bank Digital Innovation Summit 2020</li><li>• CTM completed 5G first stage network build with full outdoor coverage in Macau</li></ul>

# FINANCIAL HIGHLIGHTS

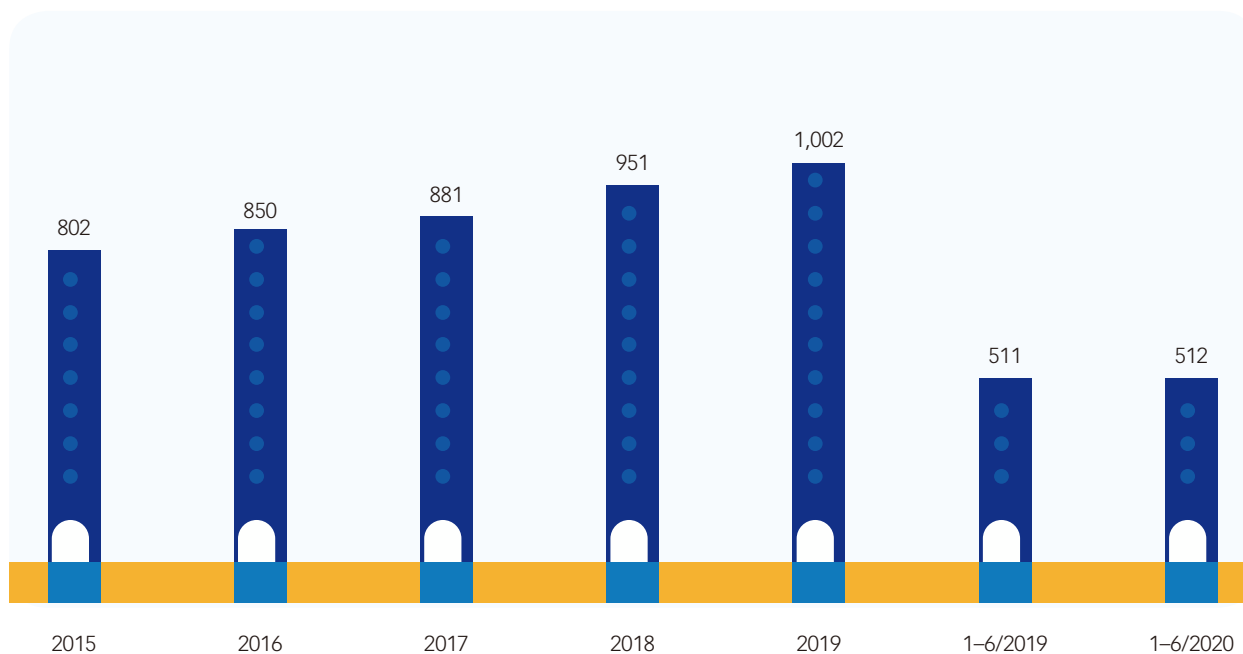


In HK\$ million	Half year ended 30 June		
	2020	2019	
<b>Revenue</b>			
Revenue from telecommunications services	4,025	3,615	Increase 11.3%
Sales of mobile handsets and equipment	359	760	Decrease 52.8%
	<b>4,384</b>	4,375	Increase 0.2%
<b>Profit attributable to equity shareholders of the Company</b>			
	<b>512</b>	511	Increase 0.2%
<b>EBITDA<sup>1</sup></b>			
	<b>1,232</b>	1,252	Decrease 1.6%
<b>Earnings per share (HK cents)</b>			
Basic	<b>14.0</b>	14.1	Decrease 0.7%
Diluted	<b>14.0</b>	14.1	Decrease 0.7%
<b>Dividend per share (HK cents)</b>			
Interim dividend	<b>5.0</b>	5.0	Same level as last period

<sup>1</sup> EBITDA represents earnings before interest, taxes, depreciation and amortisation.

## Profit Attributable to Equity Shareholders of the Company

HK\$ million





In HK\$ million	30 June 2020	31 December 2019	
<b>Total assets</b>	<b>18,525</b>	18,389	Increase 0.7%
<b>Total equity attributable to equity shareholders of the Company</b>	<b>9,339</b>	9,376	Decrease 0.4%
<b>Total debt<sup>2</sup></b>	<b>6,168</b>	6,278	Decrease 1.8%
<b>Less: Cash and bank deposits</b>	<b>(1,345)</b>	(1,313)	Increase 2.4%
<b>Net debt</b>	<b>4,823</b>	4,965	Decrease 2.9%
<b>Net gearing ratio<sup>3</sup></b>	<b>34%</b>	35%	Decrease 1.0%

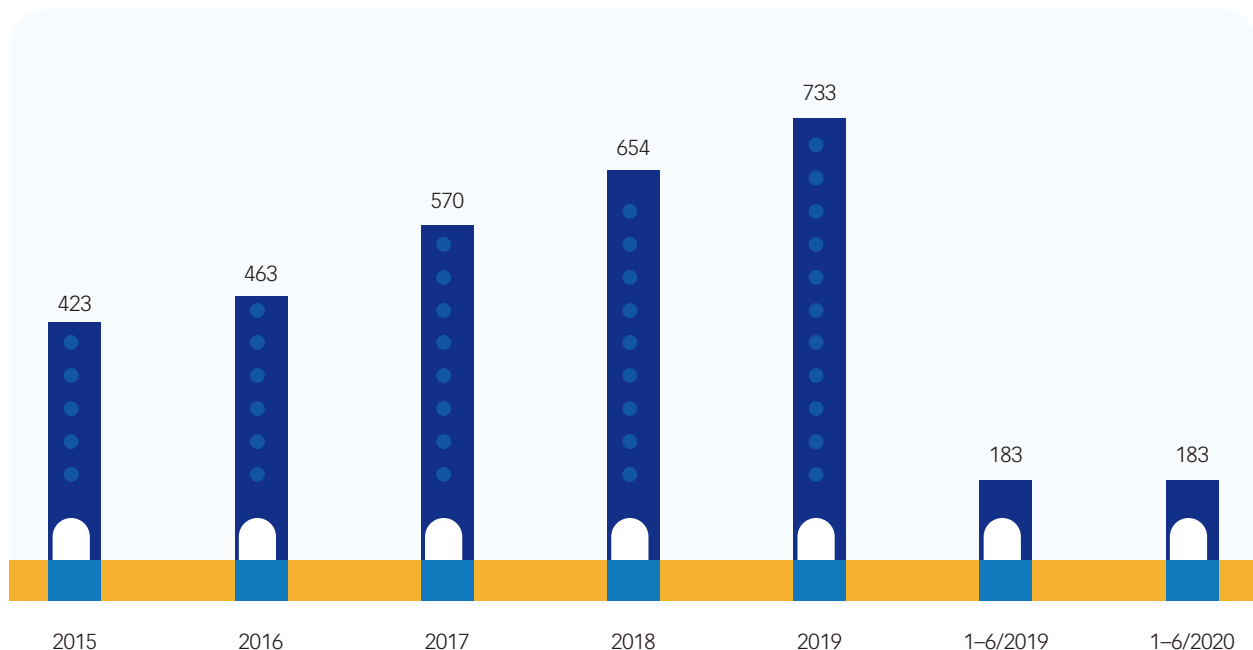
<sup>2</sup> Total debt includes current and non-current bank and other borrowings.

<sup>3</sup> 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

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

HK\$ million

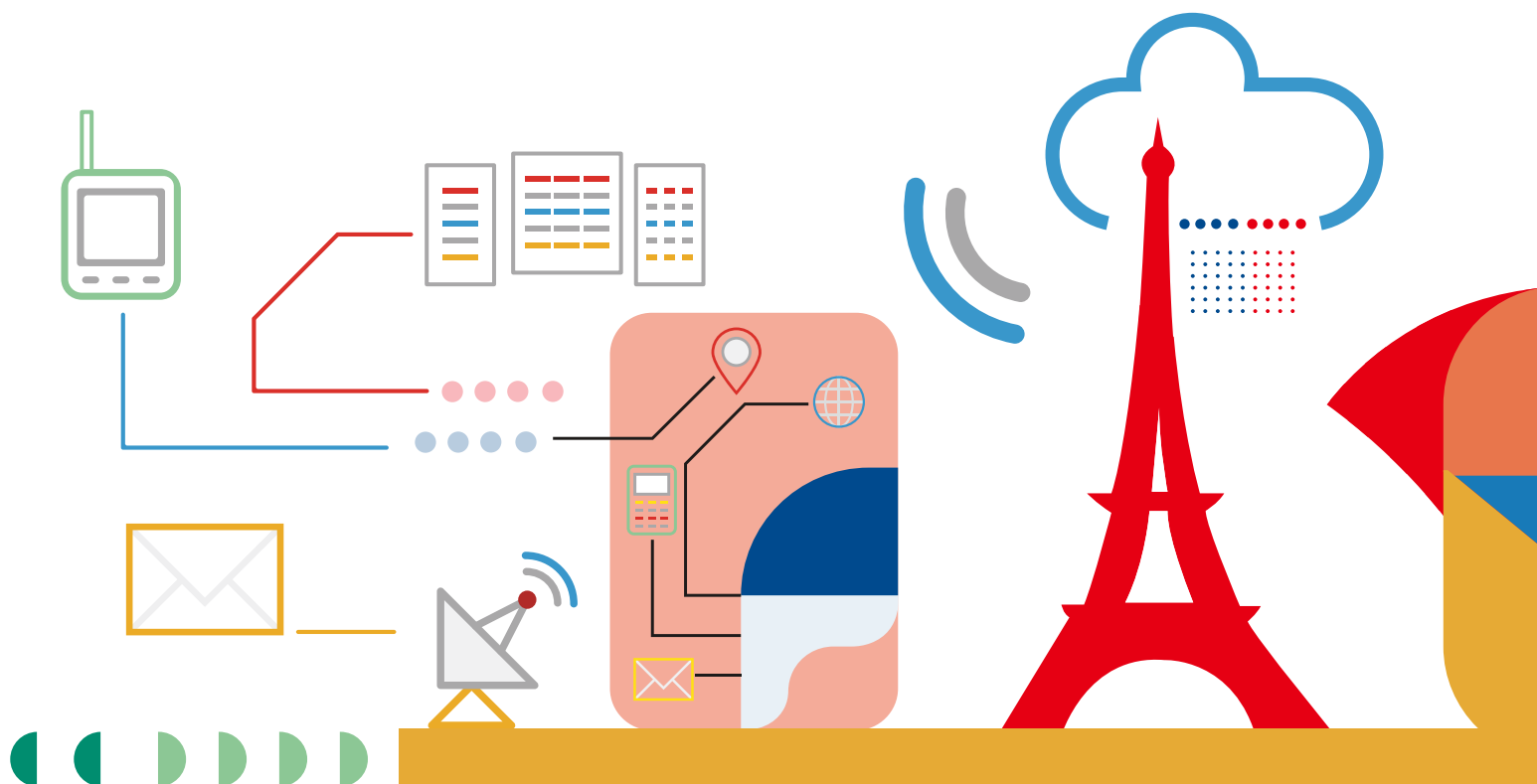


*Note:* The dividends payable to equity shareholders of the Company for the period ended 30 June 2020 includes interim dividend payable based on the number of shares in issue as at 30 June 2020 which may differ from the number of shares at the closing date of the register of members.





# CHAIRMAN'S STATEMENT



I am pleased to present the operating and financial results of CITIC Telecom International Holdings Limited (the "Group") for the first half of 2020.

The company was subject to unprecedented challenges, pressure and difficulties during the first half of 2020. In addressing the severe impact caused by COVID-19, the greatest concern of the Group has been to protect staff health and maintain stable operation of its telecommunications network platforms while rolling out its market expansion initiatives and various services without interruption. During the first half of the year, the Group made a full effort to implement anti-epidemic measures as well as complete various tasks in corporate business development, in a fine display of its remarkable resilience against risks, the fruits of its endeavour in recent years to drive corporate development through team building, and its notable improvements in organisation and efficiency through quality enhancement initiatives and delicacy management. It has also been a fine testimony to the commitment and dedication amongst all staff to fulfill the Group's mission. All in all, the Group reported stable progress in overall operations and maintained steady growth in business results.

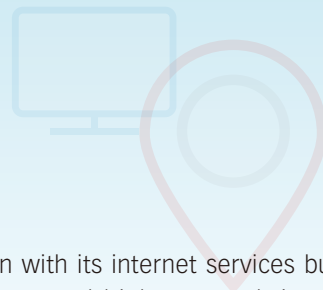
## I. FINANCIAL RESULTS

Profit attributable to equity shareholders for the first half of 2020 was HK\$512 million, little changed as compared to the corresponding period of the previous year. Excluding the effect of property revaluation, there would have been a year-on-year increase of 5.3%.

The Group's revenue from its principal business of telecommunications services amounted to HK\$4,025 million, increasing by 11.3% when compared to the corresponding period of the previous year.

Basic earnings per share for the first half of the year amounted to HK14.0 cents, little changed as compared to the corresponding period of the previous year.

The Board declared an interim dividend of HK5.0 cents per share for 2020, which is the same as the dividend declared for the corresponding period of the previous year.



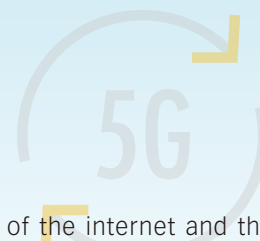
## II. BUSINESS DEVELOPMENT

During the first half of the year, in connection with the mobile sales & services business, the Group continued to keep up with the protection of its network quality to ensure network security and provide quality network service to the customers. As for 5G, the first stage of 5G network construction of Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM"), comprising the hardware/software upgrade for the core network, billing system upgrade and development of a network management system, has been completed as scheduled. The construction of base stations providing full outdoor 5G coverage has made Macau one of the first cities in Asia to provide outdoor 5G coverage. Meanwhile, with the Group's completion of roaming tests for 7 carriers, CTM has fulfilled the conditions for the commercial launch of 5G. With the strong support of the Group, CTM is currently in the advanced stage of negotiations for cooperation with the leading enterprises of different business sectors, with the aim of further procuring the development of smart city and various smart applications in Macau in association with various sectors in Macau in support of the policy directions of the Macau SAR Government by combining the respective resources and advantages of different sectors through the application of 5G technologies and services.

During the time of the epidemic, the Group has provided training on online products for front-desk staff to equip them with comprehensive knowledge and understanding of the functions and features of these products. In the meantime, to support the upcoming launch of our 5G services, 5G experience zones have been set up at our stores in Macau, and professionally trained 5G service ambassadors are stationed in each of the stores. These ambassadors would explain and promote the upcoming 5G services to customers, so that customers might experience in person the superiority and applications of 5G services and more patrons will be upgraded or attracted to CTM's mobile service in an ongoing effort to expand its market share.

In connection with its internet services business, the Group reported higher growth in revenue on the back of a 3.7% increase in the number of residential subscribers and a 1.6% increase in the number of commercial subscribers of the fibre service as compared to the preceding year-end, underpinned by a 1.8% and 5.4% rise in the average monthly revenue from residential and commercial subscribers, respectively. The full fibrelisation rate of the Group's broadband users increased to 93.0%. Phase III(A) of the Group's CITIC Telecom Tower Data Centre has been fully leased, while Phase III(B) with an even larger scale is currently under construction with smooth progress, scheduled for market launch in mid-2021.

For its enterprise solutions services business, CITIC Telecom International CPC Limited ("CPC") was undergoing a new phase of adjusted development. Following the streamlining of its management system and reshuffling of its sales service team, CPC was engaged in a full effort in international market development, as its exclusive MPLS service TrueCONNECT™ continued to gain ground, covering more than 130 countries globally with over 140 PoPs. During the first half of 2020, the Group established new PoPs in Quanzhou in Fujian, Weifang in Shandong, Wenzhou in Zhejiang, Guiyang in Guizhou and Nanning in Guangxi, as well as a second PoP in Ho Chi Minh City in Vietnam to meet customers' needs for access. With the development of its SD-WAN service, the Group has been building more SD-WAN gateways. Currently, we have established 35 gateways, including 21 in Greater China and the rest in Southeast Asia and elsewhere overseas. We are in the process of deploying further PoPs in Mainland China and the Asia Pacific. In our Cloud Computing services offered through CPC, 8 Cloud Computing solutions have been developed to complement our 18 Cloud Services Centres in a Cloud Computing service network covering Greater China, Singapore, Japan, North America, Europe, Russia and South Africa to meet the ever-growing demands of customers.



The Group's Enterprise CT and IT services, formed through the consolidation of operations of its Southeast Asian companies, has reported sound development in the Southeast Asian Cloud Computing platform business and the integrated ICT business. The Group's "Pacific Internet" brand has been enjoying growing influence in the Southeast Asian market and the Southeast Asian companies have been established as an emerging important business segment of the Group thanks to incessant efforts.

Our international telecommunications services business sustained rapid year-on-year growth in revenue. The Group enjoyed a leading position in the market for internet-based messaging business, as its messaging business continued to register strong growth. The Group continued to enhance the functions of its platform to forge a crucial foundation for enriching its mobile value-added services and making preemptive moves for opportunities in 5G international roaming. The Group also reported ongoing progress in the development of its internet-based business system to bolster the efficient operation of its international telecommunications services.

### III. OUTLOOK

The COVID-19 epidemic is far from over yet and anti-epidemic measures must not be relaxed. While many difficulties and challenges remain in our Group's business development, we will continue to address such challenges and pressure in a calm and yet proactive manner, and to identify and seize opportunities even amidst difficulties. In this connection, we must be able to sight the silver lining instead of just ruing the difficulties; we must diligently reflect and develop new opportunities and new competences in business development, in an endeavour to groom new opportunities amidst crises and embark on new ventures amidst changes.

The rapid development of the internet and the growing penetration of online applications, coupled with the swift application of IoT, Cloud Computing, AR/VR and other new technologies, have brought about new opportunities for development to the Group's enterprise solutions business, internet business, 5G business, messaging business and data centre business. The Group will continue to increase its investment in technological innovation and R&D, as part of its effort to transform into an internet-based integrated telecommunications enterprise. We will strive for higher standards in our internet-based operations and enhance our integrated ICT servicing ability, while driving CTM towards transformation into a smart-city operator to consolidate its leading position in Macau's telecommunications industry.

The Group will continue to drive 5G smart city applications in Macau with strong efforts. Leveraging the application of 5G technologies, we will strive to accomplish positive results in the enhancement of the quality and efficiency of network services, as well as co-building and shared utilisation. As the dominant telecommunications operator in Macau, the Group assumes vital responsibility in connection with the future development of the society of Macau. The Group will ensure the proper fulfilment of social responsibilities by CTM in addition to offering excellent telecommunications services, as it continues to make contributions to the stable and thriving development of Macau in the long term.

In connection with its data centre business, the Group will continue to enhance its ability to customise, responsiveness to customers' requests and specialised integrated technical servicing ability and persist in the strategy of the "scale expansion of data centre business". We will expedite the development of the "digital upgrade project" of CITIC Telecom Tower in accordance with the established strategy of "centralised planning and stage-by-stage development" to heighten the scale and efficiency of the Group's data centre business in various regions.

The Group will continue to prioritise the development of smart city services on the basis of its global enterprise services, regional enterprise services and local enterprise services, while increasing investment at the platform level and enhancing the consolidation of resources to strengthen the Southeast Asian business segment.

The Group will also continue to procure the business development of CPC Europe to create synergies. The CPC European sales team will enhance its market development ability and work closely with the Asian teams to achieve better synergy and be consistently innovative in their approach to cooperation, in a bid to strive for greater shares of the enterprise market.

The Group will continue to live up to its corporate culture of unity, cooperation, accommodation and compassion in the spirit of showing "Wisdom and Integrity for Fostering Prosperity". Fearless of the impact of COVID-19, we will persist in innovative development with determination amid the rocking environment, striving to deliver ever better results in the building of first-rate management team, R&D team and business team. The Group will continue to procure risk control and ensure healthy corporate development in a level-headed manner.

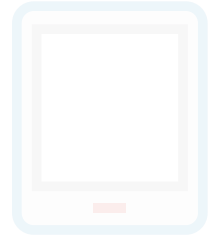
At a time when the epidemic has yet to be over, the Group will ensure that stringent measures in virus prevention and control remain in place to serve as a solid line of defense against any life-threatening causes. Our most important mission is to maintain our team spirit and business development capacity, such that once the society resumes normal business and production operations, we would be ready to increase our productivity in no time. I would like to highlight the steady improvement in our operating results amidst our vigorous effort to address the impact of COVID-19 during the first half of the year. This would not have been possible without the diligent effort of all our staff, as well as the support of our shareholders, investors, business partners and all stakeholders concerned with our development. To them, I extend my sincere gratitude and appreciation.

**Xin Yue Jiang**

*Chairman*

Hong Kong, 18 August 2020

# BUILDING THE FUTURE



# FINANCIAL REVIEW

## OVERVIEW

The first half of 2020 was both challenging and volatile for all industries around the world due to the outbreak of the novel coronavirus ("COVID-19"). However, the Group achieved solid financial results for the six months ended 30 June 2020 due to its proactive and diligent efforts in overcoming the challenges encountered during these uncertain times.

Profit attributable to equity shareholders and basic earnings per share for the six months ended 30 June 2020 amounted to HK\$512 million and HK14.0 cents respectively, which were equable with the first half results of 2019.

The Group's total revenue amounted to HK\$4,384 million for the six months ended 30 June 2020. Revenue from telecommunications services increased by 11.3% period-on-period, up from HK\$3,615 million in the previous period to HK\$4,025 million.

## Summary of Financial Results

In HK\$ million	Half year ended 30 June		Increase/(Decrease)	
	2020	2019		
Revenue from telecommunications services	<b>4,025</b>	3,615	410	11.3%
Sales of mobile handsets and equipment	<b>359</b>	760	(401)	(52.8%)
<b>Revenue</b>	<b>4,384</b>	4,375	9	0.2%
Valuation (loss)/gain on investment property	<b>(3)</b>	22	N/A	N/A
Other income	<b>21</b>	18	3	16.7%
Cost of sales and services	<b>(2,440)</b>	(2,386)	54	2.3%
Depreciation and amortisation	<b>(453)</b>	(449)	4	0.9%
Staff costs	<b>(483)</b>	(501)	(18)	(3.6%)
Other operating expenses	<b>(239)</b>	(270)	(31)	(11.5%)
<b>Profit from consolidated activities</b>	<b>787</b>	809	(22)	(2.7%)
Finance costs	<b>(156)</b>	(176)	(20)	(11.4%)
Share of joint venture results	<b>-</b>	(1)	N/A	N/A
Income tax	<b>(112)</b>	(113)	(1)	(0.9%)
<b>Profit for the period</b>	<b>519</b>	519	-	-
Less: Non-controlling interests	<b>(7)</b>	(8)	(1)	(12.5%)
<b>Profit attributable to equity shareholders of the Company</b>	<b>512</b>	511	1	0.2%
<b>EBITDA*</b>	<b>1,232</b>	1,252	(20)	(1.6%)

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



### Profit Attributable to Equity Shareholders of the Company

HK\$ million



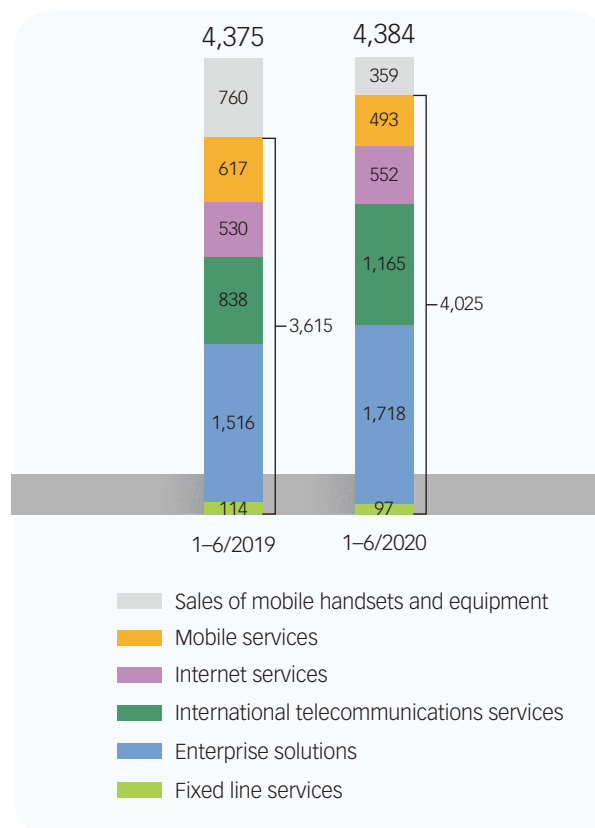
\* Corporate expenses included staff costs for corporate functions, equity-settled share-based payment expenses, listing fee, unallocated staff bonus and others.

Profit attributable to equity shareholders of the Company for the six months ended 30 June 2020 amounted to HK\$512 million, a slight increase of HK\$1 million when compared with the corresponding period of 2019. Excluding the valuation loss on investment property of HK\$3 million (six months ended 30 June 2019: valuation gain of HK\$22 million), profit attributable to equity shareholders of the Company for the first six months of 2020 would amount to HK\$515 million (six months ended 30 June 2019: HK\$489 million), representing a period-on-period increase of 5.3% as the Group has successfully capitalised its efforts in seizing new business opportunities under the current volatile business environment.

### Revenue by Services

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

HK\$ million



The Group's revenue from telecommunications services for the six months ended 30 June 2020 amounted to HK\$4,025 million, which represents a period-on-period increase of 11.3% or HK\$410 million. The increase was mainly contributed by the growth in international telecommunications services revenue of HK\$327 million, growth in enterprise solutions revenue of HK\$202 million, growth in internet services revenue of HK\$22 million, offset partly by the decrease in mobile services revenue and fixed line services revenue of HK\$124 million and HK\$17 million respectively.

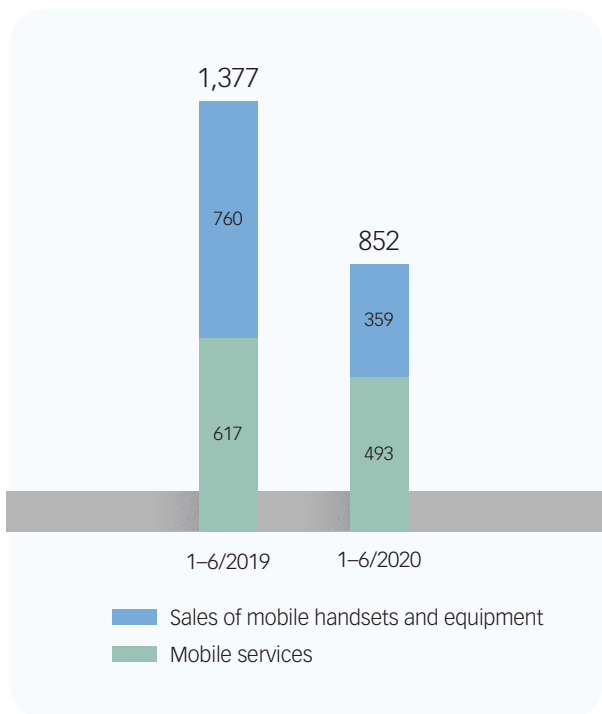
The Group's total revenue, including revenue from telecommunications services and sales of mobile handsets and equipment, amounted to HK\$4,384 million.



**Mobile sales & services**

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

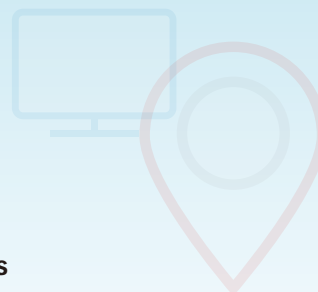
HK\$ million



Revenue from mobile services dropped by 20.1% to HK\$493 million when compared with the corresponding period of 2019 mainly due to the decline in roaming revenues as a result of COVID-19 outbreak.

The overall number of subscribers as at 30 June 2020 was over 801,000, showing a decrease of around 12.0% resulting from the decrease in prepaid customers of around 22.8% to approximately 434,000 (30 June 2019: approximately 562,000 subscribers), partially offset by the increase in postpaid subscribers of around 5.5% to approximately 367,000 (30 June 2019: approximately 348,000 subscribers), and were close to 100% (30 June 2019: 98.5%) being 4G subscribers.

The Group sustained its leading position in Macau with around 44.6% (30 June 2019: 42.9%) share of the mobile market and around 46.1% (30 June 2019: 44.5%) market share in the 4G subscribers of Macau mobile market as at 30 June 2020.



**Internet services**

Internet services revenue amounted to HK\$552 million for the current period which represents an increase of HK\$22 million or 4.2% when compared with the corresponding period in 2019. The increase was mainly due to the increase in revenue from fibre broadband service as a result of around 3.0% increase in the average number of broadband users when compared to 30 June 2019 to over 194,000 subscribers.

The Group’s internet market share and broadband market penetration rate in Macau were estimated at around 97.0% (30 June 2019: 96.8%) and 87.0% (30 June 2019: 88.2%) respectively as at 30 June 2020.

**International telecommunications services**

International telecommunications services revenue includes revenue from voice services, messaging services (including SMS) and “DataMall 自由行” services, and increased by 39.0% or HK\$327 million for the current period.

Voice services revenue increased by HK\$34 million or 6.1% to HK\$588 million for the six months ended 30 June 2020 over the same period in 2019 as the Group was able to capitalise on the increase in demand for voice traffic to regions with higher revenue per minute, due to the change in traffic pattern for voice services as a result of the COVID-19 pandemic.

The Group continued to seize new business opportunities brought about by the increasing demand for SMS based services like authentication services, confirmation of transactions, etc., messaging services revenue surged 137.3% to HK\$560 million when compared with the first six months of 2019.

Many governments around the world (including China, Singapore and Japan) had ordered lockdown measures in their corresponding countries in an attempt to contain the spread of COVID-19. This virtually restricted the number of people travelling abroad to and from these countries during the first half of 2020, thus revenue from “DataMall 自由行” services dropped by HK\$31 million to HK\$17 million when compared with the corresponding period of 2019.





### Enterprise solutions

Enterprise solutions revenue increased 13.3% from HK\$1,516 million in the first half of 2019 to HK\$1,718 million for the first six months of 2020. The increase was mainly due to higher project revenue from government, resorts and other enterprises, as well as growth in leased lines revenue in Macau, and encouraging growth in enterprise solutions services in Southeast Asia and Mainland China.

### Fixed line services

In line with global trends of declining fixed IDD traffic volumes and the decrease in fixed residential lines, revenue from fixed line services decreased 14.9% to HK\$97 million for the current period when compared with the corresponding period of 2019.

### Results for the period

Profit attributable to equity shareholders amounted to HK\$512 million for the six months ended 30 June 2020 which was equable with the first half results of 2019 due to the combined effect of the following factors:

#### Revenue

The Group's revenue from telecommunications services amounted to HK\$4,025 million, an increase of 11.3% when compared with the first six months of 2019. Total revenue including mobile handsets and equipment sales amounted to HK\$4,384 million for the current period, representing a period-on-period increase of 0.2% as the increase in telecommunications services revenue was offset by the drop in mobile handsets and equipment sales.

#### Valuation (loss)/gain on investment property

Certain floors of the property held by the Group were leased out to third parties and an affiliate of the Group. These floors were revalued as at 30 June 2020 by the Group's independent surveyors with a valuation loss of HK\$3 million (six months ended 30 June 2019: valuation gain of HK\$22 million) for the current period.

### Cost of sales and services

Cost of sales and services includes cost of provision of telecommunications services and cost of sales of mobile handsets and equipment. Consistent with the increase in revenue, cost of sales and services increased by HK\$54 million or 2.3% to HK\$2,440 million when compared with the first six months of 2019.

### Depreciation and amortisation

Depreciation and amortisation expenses totalled HK\$453 million for the six months ended 30 June 2020, an increase of HK\$4 million when compared with the first six months of 2019.

### Staff costs

Staff costs decreased period-on-period by 3.6% or HK\$18 million to HK\$483 million due to the decrease in payments to defined contribution retirement plans and equity-settled share-based payment expenses totalling HK\$14 million, together with various government wages subsidies amounting to HK\$11 million received or receivable during the period, partially offset by the average salary increment.

### Other operating expenses

The Group successfully stepped up its efforts in implementing greater cost saving measures which resulted in a drop of 11.5% or HK\$31 million in other operating expenses to HK\$239 million when compared with the corresponding period of 2019.

### Finance costs

Finance costs decreased by 11.4% or HK\$20 million when compared with the corresponding period of 2019 mainly resulting from the repayment of bank loans at the end of 2019 and early 2020 and the decrease in general bank's borrowing rates during the period. The effective variable interest rate for the Group decreased from 3.3% p.a. as at 30 June 2019 to 2.2% p.a. as at 30 June 2020.



**Income tax**

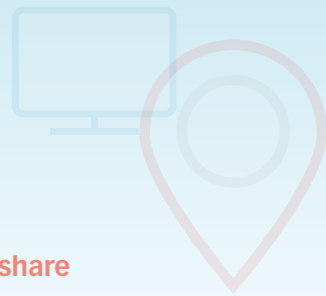
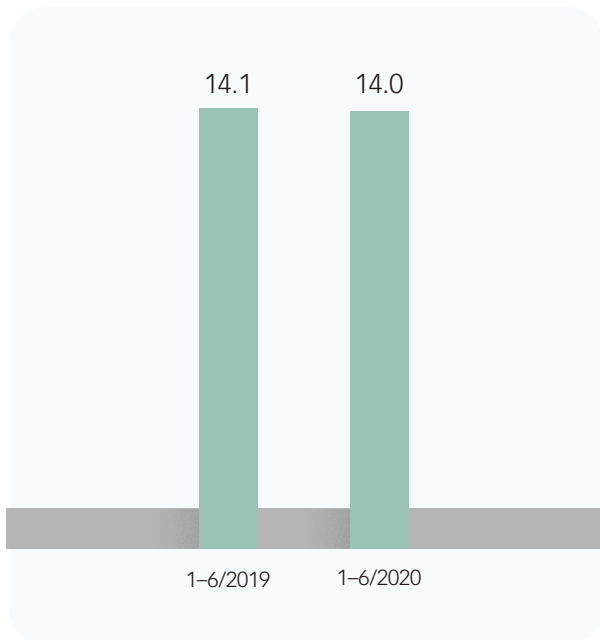
Income tax for the period amounted to HK\$112 million, a marginal reduction of HK\$1 million when compared with the first six months of 2019. Excluding finance costs, over or under-provision of taxes and any origination and reversal of temporary differences in relation to prior years, the effective tax rates for the six months ended 30 June 2020 and 30 June 2019 were 14.6% and 13.6% respectively.

**Earnings per share ("EPS")**

Comparable with the corresponding period of 2019, basic EPS and diluted EPS for the six months ended 30 June 2020 both amounted to HK14.0 cents.

**Basic earnings per share**

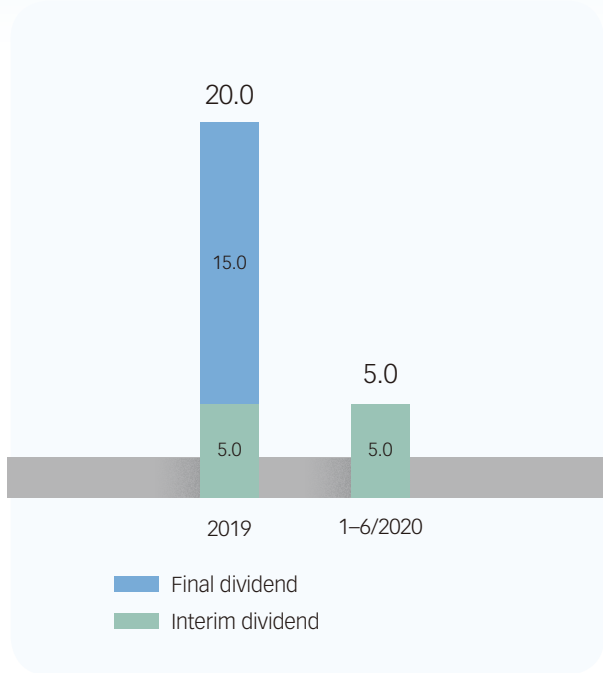
HK cent

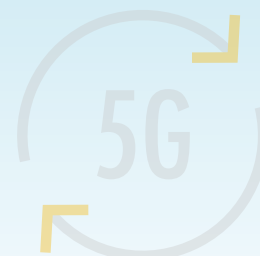


**Dividends per share**

Interim dividend of HK5.0 cents per share is proposed for the first half of 2020.

HK cent





## Cash flows

In HK\$ million	Half year ended 30 June		Increase/(Decrease)	
	2020	2019		
<i>Source of cash:</i>				
Cash inflows from business operations	<b>1,376</b>	1,288	88	6.8%
Other cash inflows	<b>21</b>	169	(148)	(87.6%)
<b>Sub-total</b>	<b>1,397</b>	1,457	(60)	(4.1%)
<i>Use of cash:</i>				
Net capital expenditure*	<b>(477)</b>	(207)	270	>100%
Dividends paid to equity shareholders and non-controlling interests	<b>(560)</b>	(520)	40	7.7%
Net cash outflows from borrowings	<b>(320)</b>	(616)	(296)	(48.1%)
<b>Sub-total</b>	<b>(1,357)</b>	(1,343)	14	1.0%
<b>Net increase in cash and cash equivalents</b>	<b>40</b>	114	(74)	(64.9%)

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

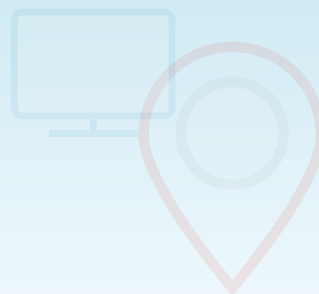
The Group generated HK\$1,376 million cash inflows from operations, with the use of cash mainly comprised of capital expenditure, net borrowings and repayments, and dividends distributions. In total, the Group recorded a net cash inflow of HK\$40 million for the six months ended 30 June 2020.

### Capital expenditure

The Group's total capital expenditure for the six months ended 30 June 2020 amounted to HK\$479 million. During the period, HK\$268 million was invested in 5G, HK\$73 million of fitting-out costs were incurred for the Group's data centres' expansion and the remainder of the capital expenditure were mainly for network systems upgrade and expansion.

### Capital commitments

As at 30 June 2020, the Group had outstanding capital commitments of HK\$549 million, mainly for the 5G development, data centre development, system upgrades and construction costs of networks, and purchase of telecommunications equipment which had yet to be delivered to the Group. Of these commitments, HK\$265 million were outstanding contractual capital commitments and HK\$284 million were capital commitments authorised but for which contracts had yet to be entered into.



## TREASURY POLICY AND FINANCIAL RISK MANAGEMENT

### General

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

#### 1. Debt and leverage

As the Group's net debt decreased to HK\$4,823 million, the net gearing ratio decreased from 35% as at 31 December 2019 to 34% as at 30 June 2020.

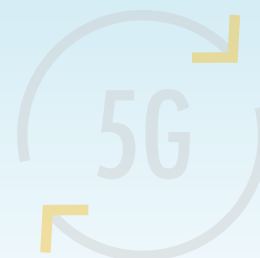
As at 30 June 2020, total debt and net debt of the Group were as follows:

In HK\$ million equivalents	Denomination							Total
	HKD	USD	SGD	MOP	RMB	EUR	Others	
Total debt	1,908	3,648	418	194	–	–	–	<b>6,168</b>
Less: Cash and bank deposits	(373)	(484)	(56)	(126)	(182)	(47)	(77)	<b>(1,345)</b>
<b>Net debt/(cash)</b>	<b>1,535</b>	<b>3,164</b>	<b>362</b>	<b>68</b>	<b>(182)</b>	<b>(47)</b>	<b>(77)</b>	<b>4,823</b>

As at 30 June 2020 and 31 December 2019, the Group's net gearing ratio was as follows:

In HK\$ million	30 June 2020	31 December 2019
Total debt	<b>6,168</b>	6,278
Less: Cash and bank deposits	<b>(1,345)</b>	(1,313)
<b>Net debt</b>	<b>4,823</b>	4,965
Total equity attributable to equity shareholders of the Company	<b>9,339</b>	9,376
<b>Total capital</b>	<b>14,162</b>	14,341
<b>Net gearing ratio</b>	<b>34%</b>	35%

As at 30 June 2020, the total debt amounted to HK\$6,168 million, of which HK\$341 million will be matured in the coming twelve months, against cash and bank deposits of HK\$1,345 million.



The maturity profile of the Group's total debt as at 30 June 2020 was as follows:

In HK\$ million	Within 1 year	After 1 year but within 2 years	After 2 years but within 3 years	After 3 years but within 4 years	After 4 years but within 5 years	Total
Bank and other borrowings	341	448	760	1,124	–	<b>2,673</b>
US\$450 million 6.1% guaranteed bonds	–	–	–	–	3,495	<b>3,495</b>
	<b>341</b>	<b>448</b>	<b>760</b>	<b>1,124</b>	<b>3,495</b>	<b>6,168</b>

The Group's total debt decreased to HK\$6,168 million which was mainly due to the early repayment of bank loans amounted to HK\$352 million during the period, which was partly offset by certain new bank loans drawn down for 5G development in Macau and the business growth in Singapore.

#### *Available sources of financing*

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

The Group's cash balance as at 30 June 2020 was more than sufficient to cover the repayments of outstanding amount of total debt of HK\$341 million in the coming twelve months and contractual capital commitments of HK\$265 million as at 30 June 2020.

As at 30 June 2020, the Group had available trading facilities of HK\$496 million. The amount of HK\$91 million was utilised as guarantees for performance to customers/the Macau Government and costs payable to telecoms operators and others.

The utilised facilities of approximately HK\$11 million were required to be secured by pledged deposits or right-of-use assets as at 30 June 2020.

As at 30 June 2020, the type of facilities of the Group was summarised as follows:

In HK\$ million	Total available facilities	Amount utilised	Amount unutilised
<b>Bank and other borrowings</b>			
<b>– Committed facilities:</b>			
Term loans	2,778	2,583	195
<b>– Uncommitted facilities:</b>			
Short-term facilities	858	23	835
	3,636	2,606	1,030
<b>Guaranteed bonds – Committed facility</b>			
US\$450 million 6.1% guaranteed bonds	3,510	3,510	–
<b>Trading facilities – Uncommitted facilities</b>			
	496	91	405
<b>Total</b>	<b>7,642</b>	<b>6,207</b>	<b>1,435</b>

## 2. Liquidity risk management

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

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

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

## 3. Loan covenants

Committed banking facilities contain certain covenants, undertaking, financial covenants, change in control clause and/or events of default provisions, which are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants or in any case of an event of default, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2020 and 31 December 2019, the Group was in compliance with the relevant requirements.

## 4. Contingent liabilities

As at 30 June 2020 and 31 December 2019, the Group had no significant contingent liabilities.



## 5. Performance bonds, guarantees and pledged assets

As at 30 June 2020 and 31 December 2019, performance bonds and other guarantees of the Group were as follows:

In HK\$ million	30 June 2020	31 December 2019
Performance bonds provided to the Macau Government and other customers	87	93
Other guarantees	4	5
<b>Total</b>	<b>91</b>	<b>98</b>

As at 30 June 2020, bank deposits of HK\$8 million (31 December 2019: HK\$9 million) and right-of-use assets of HK\$1 million (31 December 2019: HK\$1 million) were pledged to secure parts of the facilities of the Group.

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

As at 30 June 2020, the Company issued guarantees of HK\$857 million (31 December 2019: HK\$811 million) for its subsidiaries in respect of the various forms of facility lines from financial institutions.

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

## 6. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily

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

Interest rate risk is managed by fixed rate borrowing or through use of interest rate swap, if necessary. As at 30 June 2020, approximately 58.8% (31 December 2019: approximately 58.0%) of the Group's borrowings were linked to fixed interest rates. During the period, the Group did not enter into any interest rate swap arrangement.

### *Average borrowing rate*

As at 30 June 2020, the average borrowing rate, after the inclusion of amortisation of transaction costs, was approximately 4.4% (31 December 2019: approximately 4.7%).

## 7. Foreign currency risk

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

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

#### 8. Credit risk

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

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

The Group has certain concentration risk in respect of trade debtors and contract assets due from the Group's five largest customers who accounted for approximately 30.8% and 35.3% of the Group's total trade debtors and contract assets as at 30 June 2020 and 31 December 2019 respectively. The credit risk exposure to the balances of trade debtors and contract assets has been and will continue to be monitored by the Group on an ongoing basis.

#### 9. Counterparty risk

The Group's exposure to credit risk arising from cash and bank deposits is limited because the Group mainly deals with financial institutions which have good credit ratings with prestigious credit ratings companies (such as Moody's Investors Service, Standard & Poor's and Fitch Group), or the note issuing banks in Hong Kong, Macau and Mainland China, or its group companies. As at 30 June 2020, the Group has maintained a cash balance of HK\$1,312 million (31 December 2019: HK\$1,285 million) in the above-mentioned financial institutions, representing approximately 97.5% (31 December 2019: approximately 97.9%) of the total cash and bank deposits of the Group. To achieve a balance between maintaining the flexibility of the Group's operations and minimising the exposure to credit risk arising from cash and bank deposits, the Group has a pre-defined policy and regular review on the rest of the cash portfolio. It is considered that the Group is exposed to a low credit risk in this respect.

#### FORWARD LOOKING STATEMENTS

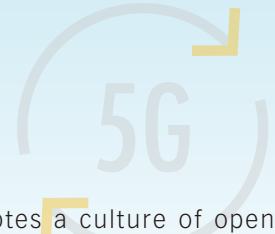
This Interim Report contains certain forward looking statements with respect to the financial condition, results of operations and business of the Group. These forward looking statements represent the Company's current expectations, beliefs, assumptions or projections concerning future events and involve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

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

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



## HUMAN RESOURCES



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

As at 30 June 2020, the Group employed a total of 2,526 employees for its headquarters in Hong Kong and its subsidiaries. Number of employees in Hong Kong was 524. Employees in Mainland China and Macau totalled 1,677. Employees in overseas countries totalled 325.

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

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

The need for a proper balance between work and life is well recognised by the Group as an important contributor to the well being of employees and their work efficiency. In response to the new coronavirus outbreak, the Group under the leadership of the Chairman, established the "Epidemic Prevention and Control Leading Group" and formulated a series of measures to cope with the outbreak and work deployment. The Group has attained some results on our anti-epidemic work during the past six months. We will do our utmost to continue our preventive and control work so as to protect our employees in different countries and regions around the world.

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

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

To adopt our philosophy of committing and making contribution to the community, the Group has organised our employees to participate into various volunteer work and charitable activities. Moreover, the Group continues to utilise our strength on information technology to support the community.

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

# CONDENSED INTERIM FINANCIAL REPORT



# CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020  
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2020 (Unaudited) \$ million	2019 (Unaudited) \$ million
<b>Revenue</b>	3(a)	<b>4,384</b>	4,375
Valuation (loss)/gain on investment property	8(c)	<b>(3)</b>	22
Other income	4	<b>21</b>	18
Cost of sales and services	5(a)	<b>(2,440)</b>	(2,386)
Depreciation and amortisation	5(b)	<b>(453)</b>	(449)
Staff costs	5(c)	<b>(483)</b>	(501)
Other operating expenses		<b>(239)</b>	(270)
		<b>787</b>	809
Finance costs	5(d)	<b>(156)</b>	(176)
Share of loss of a joint venture		<b>–</b>	(1)
<b>Profit before taxation</b>	5	<b>631</b>	632
Income tax	6	<b>(112)</b>	(113)
<b>Profit for the period</b>		<b>519</b>	519
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>512</b>	511
Non-controlling interests		<b>7</b>	8
<b>Profit for the period</b>		<b>519</b>	519
<b>Earnings per share (HK cents)</b>	7		
Basic		<b>14.0</b>	14.1
Diluted		<b>14.0</b>	14.1

The notes on pages 33 to 51 form part of this condensed interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 14(a).

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020  
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2020 (Unaudited) \$ million	2019 (Unaudited) \$ million
<b>Profit for the period</b>	<b>519</b>	519
<b>Other comprehensive income for the period (after tax and reclassification adjustments)</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation adjustments:		
– exchange differences on translation of financial statements of operations outside Hong Kong	(12)	(5)
<b>Other comprehensive income for the period</b>	<b>(12)</b>	(5)
<b>Total comprehensive income for the period</b>	<b>507</b>	514
<b>Attributable to:</b>		
Equity shareholders of the Company	500	506
Non-controlling interests	7	8
<b>Total comprehensive income for the period</b>	<b>507</b>	514

The notes on pages 33 to 51 form part of this condensed interim financial report.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020  
(Expressed in Hong Kong dollars)

		30 June 2020 (Unaudited) \$ million	31 December 2019 (Audited) \$ million
	<i>Note</i>		
<b>Non-current assets</b>			
Investment property	8	640	648
Property, plant and equipment	8	2,622	2,435
Right-of-use assets	9	710	695
Intangible assets		1,301	1,385
Goodwill		9,700	9,713
Interest in a joint venture		9	9
Non-current contract assets		33	36
Non-current other receivables and deposits	10	191	112
Deferred tax assets		67	66
		<b>15,273</b>	15,099
<b>Current assets</b>			
Inventories		60	144
Contract costs		7	7
Contract assets		486	474
Trade and other receivables and deposits	10	1,348	1,338
Current tax recoverable		6	14
Cash and bank deposits	11(a)	1,345	1,313
		<b>3,252</b>	3,290
<b>Current liabilities</b>			
Trade and other payables	12	1,681	1,470
Contract liabilities		178	171
Bank and other borrowings	13	341	289
Lease liabilities		129	126
Current tax payable		268	207
		<b>2,597</b>	2,263
<b>Net current assets</b>		<b>655</b>	1,027
<b>Total assets less current liabilities</b>		<b>15,928</b>	16,126

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2020 (Unaudited) \$ million	31 December 2019 (Audited) \$ million
	<i>Note</i>		
<b>Non-current liabilities</b>			
Non-current contract liabilities		–	2
Non-current bank and other borrowings	13	5,827	5,989
Non-current lease liabilities		398	380
Non-current other payables	12	34	37
Net defined benefit retirement obligation		62	60
Deferred tax liabilities		222	233
		<b>6,543</b>	6,701
<b>NET ASSETS</b>		<b>9,385</b>	9,425
<b>CAPITAL AND RESERVES</b>			
Share capital	14(b)	4,644	4,628
Reserves		4,695	4,748
<b>Total equity attributable to equity shareholders of the Company</b>		<b>9,339</b>	9,376
<b>Non-controlling interests</b>		<b>46</b>	49
<b>TOTAL EQUITY</b>		<b>9,385</b>	9,425

The notes on pages 33 to 51 form part of this condensed interim financial report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020  
(Expressed in Hong Kong dollars)

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company							
	Share capital	Capital reserve	Property revaluation reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
<b>Balance as at 1 January 2019</b>	4,402	80	53	(26)	4,347	8,856	40	8,896
<b>Changes in equity for the six months ended 30 June 2019:</b>								
Profit for the period	–	–	–	–	511	511	8	519
Other comprehensive income for the period	–	–	–	(5)	–	(5)	–	(5)
Total comprehensive income for the period	–	–	–	(5)	511	506	8	514
Dividend paid to non-controlling interests	–	–	–	–	–	–	(9)	(9)
Shares issued under share option plan	14(b)(ii)	204	(40)	–	–	164	–	164
Equity-settled share-based transactions	5(c)	–	5	–	–	5	–	5
Dividends approved in respect of the previous financial year	14(a)(ii)	–	–	–	–	(511)	–	(511)
		204	(35)	–	–	(511)	(9)	(351)
<b>Balance as at 30 June 2019</b>		4,606	45	53	(31)	4,347	39	9,059

The notes on pages 33 to 51 form part of this condensed interim financial report.



# CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2020  
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2020 (Unaudited) \$ million	2019 (Unaudited) \$ million
<b>Operating activities</b>			
Cash generated from operations	11(d)	<b>1,433</b>	1,310
Tax paid:			
– Hong Kong Profits Tax paid		<b>(47)</b>	(14)
– Tax paid for jurisdictions outside Hong Kong and Macau		<b>(10)</b>	(10)
Tax refunded:			
– Hong Kong Profits Tax refunded		–	2
<b>Net cash generated from operating activities</b>		<b>1,376</b>	1,288
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment		<b>(477)</b>	(208)
Proceeds from the sale of property, plant and equipment		–	1
Interest received		<b>8</b>	5
<b>Net cash used in investing activities</b>		<b>(469)</b>	(202)

## CONSOLIDATED CASH FLOW STATEMENT

	<i>Note</i>	Six months ended 30 June	
		2020	2019
		(Unaudited) \$ million	(Unaudited) \$ million
<b>Financing activities</b>			
Proceeds from new bank and other borrowings		<b>288</b>	2,325
Proceeds from new shares issued under share option plan		<b>13</b>	164
Payment for transaction costs on bank borrowings		<b>–</b>	(13)
Repayment of bank and other borrowings		<b>(376)</b>	(2,680)
Other borrowing costs paid		<b>(148)</b>	(158)
Capital element of lease rentals paid		<b>(75)</b>	(81)
Interest element of lease rentals paid		<b>(9)</b>	(9)
Dividends paid to equity shareholders of the Company		<b>(550)</b>	(511)
Dividend paid to non-controlling interests		<b>(10)</b>	(9)
<b>Net cash used in financing activities</b>		<b>(867)</b>	(972)
<b>Net increase in cash and cash equivalents</b>		<b>40</b>	114
<b>Cash and cash equivalents as at 1 January</b>		<b>1,304</b>	1,038
<b>Effect of foreign exchange rate changes</b>		<b>(7)</b>	2
<b>Cash and cash equivalents as at 30 June</b>	<i>11(a)</i>	<b>1,337</b>	1,154

The notes on pages 33 to 51 form part of this condensed interim financial report.

# NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 BASIS OF PREPARATION

This condensed interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 18 August 2020.

The condensed interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This condensed interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The condensed interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company and the independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. PricewaterhouseCoopers’s independent review report to the Board of Directors is included on page 52.

The financial information relating to the financial year ended 31 December 2019 that is included in the condensed interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

## 2 CHANGES IN ACCOUNTING POLICIES

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

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

### 3 REVENUE AND SEGMENT REPORTING

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

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

#### (a) Disaggregation of revenue

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

	Note	Six months ended 30 June	
		2020 (Unaudited) \$ million	2019 (Unaudited) \$ million
<b>Revenue from contracts with customers within the scope of HKFRS15</b>			
Disaggregated by major products or service lines:			
Mobile services	(i)	<b>493</b>	617
Internet services	(ii)	<b>552</b>	530
International telecommunications services	(iii)	<b>1,165</b>	838
Enterprise solutions	(iv)	<b>1,718</b>	1,516
Fixed line services	(v)	<b>97</b>	114
Fees from the provision of telecommunications services		<b>4,025</b>	3,615
Sales of mobile handsets and equipment		<b>359</b>	760
		<b>4,384</b>	4,375

Notes:

- (i) Mobile services broadly include mobile local and roaming services, other mobile value-added services and others.
- (ii) Internet services broadly include internet access services, data centre services and others.
- (iii) International telecommunication services broadly include voice services, messaging services and "DataMall 自由行" services.
- (iv) Enterprise solutions broadly include enterprise solutions services, virtual private network services, sales of related products and others.
- (v) Fixed line services broadly include domestic and international fixed telephony services and others.



### 3 REVENUE AND SEGMENT REPORTING (Continued)

#### (a) Disaggregation of revenue (Continued)

	Six months ended 30 June	
	2020 (Unaudited) \$ million	2019 (Unaudited) \$ million
Disaggregated by geographical location of the Group's revenue from external customers:		
Hong Kong (place of domicile)	<b>1,854</b>	1,618
Mainland China	<b>466</b>	413
Macau	<b>1,617</b>	1,956
Singapore	<b>288</b>	230
Others	<b>159</b>	158
	<b>2,530</b>	2,757
	<b>4,384</b>	4,375

During the six months ended 30 June 2020 and 2019, revenue from the provision of telecommunications services is substantially recognised over time and sales of mobile handsets and equipment is recognised at a point-in-time.

### 3 REVENUE AND SEGMENT REPORTING (Continued)

#### (b) Segment reporting

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

#### Reconciliation of reportable segment profit

	Six months ended 30 June	
	2020 (Unaudited) \$ million	2019 (Unaudited) \$ million
Reportable segment profit	1,261	1,264
Net loss on disposal of property, plant and equipment	–	(1)
Net foreign exchange gain/(loss)	1	(4)
Depreciation and amortisation	(453)	(449)
Finance costs	(156)	(176)
Share of loss of a joint venture	–	(1)
Interest income	8	5
Rentals income from investment property less direct outgoings	12	13
Valuation (loss)/gain on investment property	(3)	22
Unallocated head office and corporate expenses	(39)	(41)
<b>Consolidated profit before taxation</b>	<b>631</b>	<b>632</b>

#### (c) Seasonality of operation

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



#### 4 OTHER INCOME

	Six months ended 30 June	
	2020 (Unaudited) \$ million	2019 (Unaudited) \$ million
Interest income from bank deposits	5	4
Other interest income	3	1
	8	5
Gross rentals income from investment property ( <i>note</i> )	13	13
	21	18

*Note:* The rentals income from investment property less direct outgoings of \$1,000,000 (six months ended 30 June 2019: less than \$1,000,000) for the six months ended 30 June 2020 is \$12,000,000 (six months ended 30 June 2019: \$13,000,000).

#### 5 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2020 (Unaudited) \$ million	2019 (Unaudited) \$ million
<b>(a) Cost of sales and services</b>		
Cost of provision of telecommunications services	2,088	1,635
Cost of sales of mobile handsets and equipment	352	751
	2,440	2,386
<b>(b) Depreciation and amortisation</b>		
Depreciation charge		
– property, plant and equipment	286	274
– right-of-use assets	83	91
Amortisation	84	84
	453	449

## 5 PROFIT BEFORE TAXATION (Continued)

	Six months ended 30 June	
	2020 (Unaudited) \$ million	2019 (Unaudited) \$ million
<b>(c) Staff costs (including directors' emoluments)</b>		
Contributions to defined contribution retirement plans	27	36
Expenses recognised in respect of defined benefit retirement plan	5	5
Total retirement costs	32	41
Equity-settled share-based payment expenses	–	5
Salaries, wages and other benefits	451	455
	<b>483</b>	501

Note: For the six months ended 30 June 2020, the government grants of \$11,000,000 (six months ended 30 June 2019: Nil) from the employment support schemes by respective local governments have been offset in "staff costs".

<b>(d) Finance costs</b>		
Interest on bank and other borrowings	143	153
Interest on lease liabilities	9	9
Other finance charges	4	13
Other interest expense	1	1
	157	176
Less: interest expense capitalised into construction in progress	(1)	–
	156	176
<b>(e) Other items</b>		
Impairment losses for trade debtors and contract assets	11	8
Net loss on disposal of property, plant and equipment (note 8(a))	–	1
Net foreign exchange (gain)/loss	(1)	4





## 6 INCOME TAX

	Six months ended 30 June	
	2020 (Unaudited) \$ million	2019 (Unaudited) \$ million
Current tax		
– Hong Kong Profits Tax	47	44
– Macau Complementary Tax	62	66
– Jurisdictions outside Hong Kong and Macau	15	13
	<b>124</b>	123
Deferred tax	(12)	(10)
	<b>112</b>	113

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 30 June 2019: 16.5%) to the six months ended 30 June 2020.

The provision for Macau Complementary Tax for the six months ended 30 June 2020 is calculated at 12% (six months ended 30 June 2019: 12%) of the estimated assessable profits for the period. Assessable profits of the first Macau Patacas ("MOP") 600,000 (equivalent to approximately \$582,000) (six months ended 30 June 2019: MOP600,000 (equivalent to approximately \$582,000)) are exempted from Macau Complementary Tax.

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

## 7 EARNINGS PER SHARE

	Six months ended 30 June	
	2020 (Unaudited) \$ million	2019 (Unaudited) \$ million
Profit attributable to equity shareholders of the Company	512	511

## 7 EARNINGS PER SHARE (Continued)

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

	Number of shares	
	Six months ended 30 June	
	2020 (Unaudited) million	2019 (Unaudited) million
Issued ordinary shares as at 1 January	3,659	3,587
Effect of share options exercised	2	33
Weighted average number of ordinary shares (basic) as at 30 June	3,661	3,620
Effect of deemed issue of shares under the Company's share option plan	5	13
Weighted average number of ordinary shares (diluted) as at 30 June	3,666	3,633
Basic earnings per share (HK cents)	14.0	14.1
Diluted earnings per share (HK cents)	14.0	14.1

## 8 INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT

### (a) Acquisitions and disposals

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with a cost of \$479,000,000 (six months ended 30 June 2019: \$154,000,000).

Items of property, plant and equipment with a net book value of \$2,000,000 were disposed of during the six months ended 30 June 2019, resulting in a net loss on disposal of \$1,000,000.

### (b) Transfer

During the six months ended 30 June 2020, due to the change of use, part of the Group's investment property was transferred to property, plant and equipment and right-of-use assets. As a result, the fair value of \$2,000,000 and \$3,000,000 at the date of transfer became the deemed costs of property, plant and equipment and right-of-use assets respectively for subsequent accounting.

### (c) Valuation

The valuation of investment property carried at fair value was updated as at 30 June 2020 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the December 2019 valuation. As a result of the update, a loss of \$3,000,000 (six months ended 30 June 2019: a gain of \$22,000,000) has been recognised in profit or loss for the period.

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



## 9 RIGHT-OF-USE ASSETS

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

## 10 TRADE AND OTHER RECEIVABLES AND DEPOSITS

	30 June 2020 (Unaudited) \$ million	31 December 2019 (Audited) \$ million
Trade debtors	1,087	1,090
Less: loss allowance	(37)	(36)
	1,050	1,054
Other receivables and deposits	489	396
	1,539	1,450
<b>Represented by:</b>		
Non-current portion	191	112
Current portion	1,348	1,338
	1,539	1,450

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

	30 June 2020 (Unaudited) \$ million	31 December 2019 (Audited) \$ million
Within 1 year	1,007	1,003
Over 1 year	43	51
	1,050	1,054

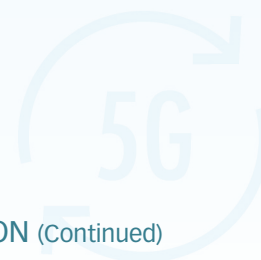
Credit evaluations are performed on all customers requiring credit over a certain amount. Trade debtors are due within 7 to 180 days from the date of billing. Impairment losses on trade debtors are measured based on the expected credit loss model.

11 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	30 June 2020 (Unaudited) \$ million	31 December 2019 (Audited) \$ million
Cash at bank and in hand	1,089	1,059
Time deposits with banks	256	254
Cash and bank deposits in the consolidated statement of financial position ( <i>note (b)</i> )	1,345	1,313
Less: pledged deposits ( <i>note (c)</i> )	(8)	(9)
Cash and cash equivalents in the consolidated cash flow statement	1,337	1,304

- (b) Included in cash and bank deposits were \$150,000,000 (31 December 2019: \$91,000,000) placed in financial institutions in Mainland China and the remittance of these funds out of Mainland China is subject to exchange restrictions imposed by the Government of the People's Republic of China (the "PRC Government").
- (c) As at 30 June 2020, bank deposits of \$8,000,000 (31 December 2019: \$9,000,000) were pledged to secure parts of the banking facilities of the Group.



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

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

	<i>Note</i>	Six months ended 30 June	
		2020 (Unaudited) \$ million	2019 (Unaudited) \$ million
Profit before taxation		<b>631</b>	632
Adjustments for:			
Depreciation and amortisation	5(b)	<b>453</b>	449
Valuation loss/(gain) on investment property	8(c)	<b>3</b>	(22)
Net loss on disposal of property, plant and equipment	5(e)	–	1
Share of loss of a joint venture		–	1
Finance costs	5(d)	<b>156</b>	176
Interest income	4	<b>(8)</b>	(5)
Equity-settled share-based payment expenses	5(c)	–	5
Foreign exchange gain		<b>(4)</b>	–
		<b>1,231</b>	1,237
Changes in working capital:			
Decrease/(increase) in inventories		<b>84</b>	(4)
Increase in contract costs		–	(1)
Increase in trade and other receivables and deposits		<b>(89)</b>	(60)
(Increase)/decrease in contract assets		<b>(9)</b>	67
Increase in trade and other payables		<b>210</b>	65
Increase in contract liabilities		<b>5</b>	5
Increase in net defined benefit retirement obligation		<b>1</b>	1
Cash generated from operations		<b>1,433</b>	1,310

12 TRADE AND OTHER PAYABLES

	30 June 2020 (Unaudited) \$ million	31 December 2019 (Audited) \$ million
Trade creditors	1,114	946
Other payables and accruals	601	561
	<b>1,715</b>	1,507
<b>Represented by:</b>		
Non-current portion	34	37
Current portion	1,681	1,470
	<b>1,715</b>	1,507

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

	30 June 2020 (Unaudited) \$ million	31 December 2019 (Audited) \$ million
Within 1 year	890	716
Over 1 year	224	230
	<b>1,114</b>	946



## 13 BANK AND OTHER BORROWINGS

	30 June 2020 (Unaudited) \$ million	31 December 2019 (Audited) \$ million
Bank loans	2,597	2,705
Guaranteed bonds at 6.1% due 2025 (note (b))	3,495	3,493
Other borrowings	76	80
	<b>6,168</b>	6,278

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

	30 June 2020 (Unaudited) \$ million	31 December 2019 (Audited) \$ million
Within 1 year or on demand	341	289
After 1 year but within 2 years	448	969
After 2 years but within 5 years	5,379	1,527
After 5 years	–	3,493
	<b>5,827</b>	5,989
	<b>6,168</b>	6,278

All of the non-current bank and other borrowings are carried at amortised cost. None of the non-current bank and other borrowings is expected to be settled within one year.

- (a) Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position and financial performance ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants or in any case of an event of default, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2020 and 31 December 2019, the Group was in compliance with the relevant requirements.
- (b) On 5 March 2013, a wholly-owned subsidiary of the Company issued US\$450,000,000 (equivalent to approximately \$3,510,000,000) bonds with a maturity of twelve years due on 5 March 2025 (the "Guaranteed Bonds"). The Guaranteed Bonds were unconditionally and irrevocably guaranteed by the Company.

The Guaranteed Bonds were issued at 100% of the aggregate principal amount, denominated in United States dollars and bore interest at 6.1% per annum payable semi-annually in arrears. The Guaranteed Bonds would become repayable on demand in case of an event of default.

14 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	Six months ended 30 June	
	2020 (Unaudited) \$ million	2019 (Unaudited) \$ million
Interim dividend declared/declared and paid after the interim period of HK5.0 cents (six months ended 30 June 2019: HK5.0 cents) per share	<b>183</b>	183

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

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

	Six months ended 30 June	
	2020 (Unaudited) \$ million	2019 (Unaudited) \$ million
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK15.0 cents (six months ended 30 June 2019: HK14.0 cents) per share	<b>550</b>	511

For the final dividend in respect of the year ended 31 December 2019, there was a difference of \$1,000,000 between the final dividend disclosed in 2019 annual report and the amount paid during the six months ended 30 June 2020, which represented dividends attributable to shares issued upon exercise of share options before the closing date of the register of members.





## 14 CAPITAL, RESERVES AND DIVIDENDS (Continued)

## (b) Share capital

	Note	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
		Number of shares	Amount \$ million	Number of shares	Amount \$ million
<b>Ordinary shares, issued and fully paid:</b>					
As at 1 January	(i)	<b>3,659,239,882</b>	<b>4,628</b>	3,587,260,382	4,402
Shares issued under share option plan	(ii)	<b>4,880,000</b>	<b>16</b>	71,979,500	226
As at 30 June/31 December	(i)	<b>3,664,119,882</b>	<b>4,644</b>	3,659,239,882	4,628

## Notes:

- (i) The holders of ordinary shares are entitled to receive dividends as declared from time to time and every member shall have one vote per share on a poll at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.
- (ii) During the six months ended 30 June 2020, 4,880,000 ordinary shares (six months ended 30 June 2019: 65,001,000 ordinary shares) were issued at a weighted average exercise price of \$2.55 (six months ended 30 June 2019: \$2.53) per ordinary share to share option holders who had exercised their options. These shares so issued rank pari passu with the then existing ordinary shares in issue.

## 15 CAPITAL COMMITMENTS

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

	30 June 2020 (Unaudited) \$ million	31 December 2019 (Audited) \$ million
Contracted for	<b>265</b>	239
Authorised but not contracted for	<b>284</b>	58
	<b>549</b>	297

## 16 PERFORMANCE BONDS

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

	30 June 2020 (Unaudited) \$ million	31 December 2019 (Audited) \$ million
Performance bonds provided to customers of business solutions projects	79	85
Performance bonds provided to others	8	8
	<b>87</b>	93

In respect of above, no provision has been made by the Group in the condensed interim financial report. As at 30 June 2020, the directors do not consider it probable that a claim will be made against the Group under any of the performance bonds. The maximum liability of the Group at the end of the reporting period is the total amount guaranteed by the performance bonds of \$87,000,000 (31 December 2019: \$93,000,000).

## 17 MATERIAL RELATED PARTY TRANSACTIONS

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

#### (i) Recurring transactions with affiliates of the Group and its holding companies

	Six months ended 30 June	
	2020 (Unaudited) \$ million	2019 (Unaudited) \$ million
Internet data centre services fee received/receivable from fellow subsidiaries	6	5
Virtual private network services fee received/receivable from fellow subsidiaries	9	8
Internet access services fee received/receivable from fellow subsidiaries	3	5
Telecommunications services and related expenses paid/payable to		
– a fellow subsidiary	(11)	(17)
– an associate of the ultimate holding company	(5)	(5)
Professional fees paid/payable to a controlling shareholder for the provision of internal audit and company secretarial services	(3)	(3)
Building management fees, water and electricity fees, air conditioning charges and car parking spaces rental paid/payable to fellow subsidiaries	(7)	(7)
Rental income and building management charges received/receivable from a fellow subsidiary	8	8



## 17 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

## (ii) Balances with the ultimate holding company

	30 June 2020 (Unaudited) \$ million	31 December 2019 (Audited) \$ million
Advance payment paid to the ultimate holding company for the acquisition of the remaining equity interest in a subsidiary included in:		
– Trade and other receivables and deposits	68	69

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

The Group is a government-related enterprise and has transactions with entities directly or indirectly controlled by the PRC Government through government authorities, agencies, affiliates and other organisations (collectively referred to as "government-related entities").

Apart from transactions with the affiliates of the Group as disclosed above, the Group has collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

- rendering and receiving services; and
- financial services arrangements.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not government-related. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are government-related entities or not.

## 17 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

Having considered the potential for transactions to be impacted by related party relationships, the Group's buying, pricing strategy and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the condensed interim financial report, the directors are of the opinion that the following transactions with other government-related entities require disclosure:

## (i) Transactions with other government-related entities including state-controlled banks in the PRC

	Six months ended 30 June	
	2020 (Unaudited) \$ million	2019 (Unaudited) \$ million
Finance costs on bank and other borrowings	(9)	(12)
Fees received/receivable from the provision of telecommunications services	565	654
Fees paid/payable for cost of sales and services	(809)	(533)

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

	30 June	31 December
	2020 (Unaudited) \$ million	2019 (Audited) \$ million
Bank deposits	360	390
Trade debtors	170	217
Contract assets	276	289
Trade and other payables	(481)	(355)
Bank and other borrowings	(465)	(704)

The bank and other borrowings from state-controlled banks as at 30 June 2020 and 31 December 2019 bore interest at the prevailing market rates.



## 17 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (c) Key management personnel emoluments

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

	Six months ended 30 June	
	2020 (Unaudited) \$ million	2019 (Unaudited) \$ million
Short-term employee benefits	12	12
Share-based payments	–	1
	12	13

## 18 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

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

## 19 IMPACTS OF COVID-19 OUTBREAK

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections being recorded throughout the world. Measures taken by various governments to contain the virus have affected many economic activities. The Group has taken a number of measures to monitor and mitigate the effects of the COVID-19 virus on our businesses, such as adopting safety and health measures for our staff (including social distancing requirement and working from home). At this stage, the impact on our businesses and results was not significant. The Group will continue to pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. If the extent and duration of the impacts from COVID-19 outbreak are prolonged, the Group's estimates and assumptions may evolve as conditions change, and actual results could be different from those estimates.

## 20 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2020

A number of amendments and a new standard are effective for annual periods beginning after 1 January 2020 and earlier application is permitted. The Group has not early adopted any new or amended standards in preparing this condensed interim financial report.

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

# REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL REPORT



羅兵咸永道

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

## INTRODUCTION

We have reviewed the condensed interim financial report set out on pages 25 to 51, which comprises the consolidated statement of financial position of CITIC Telecom International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this condensed interim financial report in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this condensed interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 18 August 2020

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# STATUTORY DISCLOSURE



## DIVIDEND AND CLOSURE OF REGISTER

The board of directors of the Company has declared an interim dividend of HK5.0 cents (2019: HK5.0 cents) per share for the year ending 31 December 2020 payable on Thursday, 24 September 2020 to shareholders whose names appear on the Register of Members of the Company on Monday, 14 September 2020. The Register of Members of the Company will be closed from Tuesday, 8 September 2020 to Monday, 14 September 2020, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 7 September 2020.

## SHARE OPTION PLAN

The share option plan of the Company (the "Plan") was adopted on 17 May 2007 and was valid and effective till 16 May 2017. The Company has no other share option scheme currently in force. Under the Plan, the board may offer to grant an option over the Company's shares to any person employed by the Company or any of its subsidiaries and any person who is an officer or director (whether executive or non-executive) of the Company or any of its subsidiaries as the board may, in its absolute discretion, select. HK\$1.00 is payable by the grantee to the Company on acceptance of the offer of the option. The subscription price determined by the board will not be less than the higher of (i) the closing price of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant; and (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

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

Particulars of the outstanding share options granted under the Plan and their movements during the six months ended 30 June 2020 are as follows:

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

The above outstanding options granted and accepted under the Plan can be exercised in whole or in part within 5 years from the date of commencement of the exercise period. No options were granted nor cancelled during the six months ended 30 June 2020.

SHARE OPTION PLAN (Continued)

A summary of the movements of the share options during the six months ended 30 June 2020 is as follows:

A. Directors of the Company

Name of director	Date of grant	Exercise period	Number of share options			Balance as at 30.6.2020	Percentage to the number of issued shares %
			Balance as at 1.1.2020	Exercised during the six months ended 30.6.2020	Lapsed during the six months ended 30.6.2020		
Xin Yue Jiang	24.3.2015	24.3.2016 – 23.3.2021	1,787,500	–	–	1,787,500	
	24.3.2015	24.3.2017 – 23.3.2022	1,787,500	–	–	1,787,500	
	24.3.2017	24.3.2018 – 23.3.2023	1,787,500	–	–	1,787,500	
	24.3.2017	24.3.2019 – 23.3.2024	1,787,500	–	–	1,787,500	
						7,150,000	0.195
Lin Zhenhui (Note 1)	24.3.2015	24.3.2016 – 23.3.2021	1,322,000	–	–	N/A	
	24.3.2015	24.3.2017 – 23.3.2022	1,000,000	–	–	N/A	
	24.3.2017	24.3.2018 – 23.3.2023	1,573,000	–	–	N/A	
						N/A	N/A
Esmond Li Bing Chi	24.3.2015	24.3.2017 – 23.3.2022	726,000	–	–	726,000	
						726,000	0.020
Liu Jifu	24.3.2015	24.3.2017 – 23.3.2022	1,000,000	–	–	1,000,000	
	24.3.2017	24.3.2019 – 23.3.2024	1,000,000	–	–	1,000,000	
						2,000,000	0.055
Fei Yiping	24.3.2017	24.3.2018 – 23.3.2023	500,000	–	–	500,000	
	24.3.2017	24.3.2019 – 23.3.2024	500,000	–	–	500,000	
						1,000,000	0.027





## SHARE OPTION PLAN (Continued)

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

Date of grant	Exercise period	Number of share options			
		Balance as at 1.1.2020	Exercised during the six months ended 30.6.2020 <i>(Note 2)</i>	Lapsed during the six months ended 30.6.2020 <i>(Note 3)</i>	Balance as at 30.6.2020
24.3.2015	24.3.2016 – 23.3.2021	8,347,567 <i>(Note 4)</i>	326,500	72,000	7,949,067
24.3.2015	24.3.2017 – 23.3.2022	11,849,750 <i>(Note 4)</i>	241,000	82,500	11,526,250
24.3.2017	24.3.2018 – 23.3.2023	11,322,500 <i>(Note 4)</i>	69,000	94,000	11,159,500
24.3.2017	24.3.2019 – 23.3.2024	15,709,000 <i>(Note 4)</i>	348,500	96,000	15,264,500

SHARE OPTION PLAN (Continued)

C. Others (Note 5)

Date of grant	Exercise period	Number of share options			Balance as at 30.6.2020
		Balance as at 1.1.2020	Exercised during the six months ended 30.6.2020 <i>(Note 6)</i>	Lapsed during the six months ended 30.6.2020 <i>(Note 3)</i>	
24.3.2015	24.3.2016 – 23.3.2021	676,000 <i>(Note 4)</i>	1,322,000 <i>(Note 1)</i>	23,000	653,000
24.3.2015	24.3.2017 – 23.3.2022	800,000 <i>(Note 4)</i>	1,000,000 <i>(Note 1)</i>	23,000	777,000
24.3.2017	24.3.2018 – 23.3.2023	671,500 <i>(Note 4)</i>	1,573,000 <i>(Note 1)</i>	21,000	650,500
24.3.2017	24.3.2019 – 23.3.2024	736,500 <i>(Note 4)</i>	–	71,000	665,500

Notes :

1. Dr. Lin Zhenhui resigned as an executive director of the Company with effect from 28 February 2020. His remaining share options (i.e. 2,322,000 share options granted on 24 March 2015; and 1,573,000 share options granted on 24 March 2017) were then reclassified to section C "Others".
2. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$2.82.
3. These are in respect of options granted to some employees under continuous contracts who have subsequently resigned. Such options have lapsed during the six months ended 30 June 2020.
4. Some share options were reclassified from section B "Employees of the Company working under continuous contracts" to section C "Others" due to the resignation/retirement/death of the relevant staff in 2019.
5. These are in respect of options granted to i) some employees under continuous contracts who subsequently resigned/retired/passed away before 1 January 2020; and ii) former director(s) of the Company.
6. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$2.79.



## DIRECTORS' INTERESTS IN SECURITIES

The interests of the directors of the Company in shares of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as at 30 June 2020 as recorded in the register required to be kept under section 352 of the SFO were as follows:

### 1. Shares in the Company and associated corporations

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

### 2. Share options in the Company

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

Save as disclosed above, as at 30 June 2020, none of the directors of the Company had nor were they taken to or deemed to have, under Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, the interests of the substantial shareholders, other than the directors of the Company or their respective associates, in the shares of the Company as recorded in the register of interests in shares and short positions required to be kept under section 336 of the SFO were as follows:

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

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



### SUBSTANTIAL SHAREHOLDERS (Continued)

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

### SHARE CAPITAL

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30 June 2020 and the Company has not redeemed any of its shares during the period ended 30 June 2020.

During the six months ended 30 June 2020, a total of 4,880,000 shares of the Company were issued upon the exercise of share options granted under the Plan as mentioned in the section of "Share Option Plan".

### CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The board of directors of the Company believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. Looking ahead, we will keep our corporate governance practices under continual review to ensure their consistent application and will continue to improve our practices having regard to the latest developments. Details of our corporate governance practices can be found on page 49 of the 2019 annual report and the Company's website [www.citictel.com](http://www.citictel.com).

The Company has fully complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2020.

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

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

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all directors of the Company have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2020.

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

Mr. Fei Yiping, a non-executive director of the Company, has been appointed as a non-executive director of Frontier Services Group Limited (listed on the Main Board of the Stock Exchange) in March 2020.

Mr. Lam Yiu Kin, an independent non-executive director of the Company, is also an independent non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (listed on the Main Board of the Stock Exchange) which has been successfully listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange in June 2020.

# CORPORATE INFORMATION

## HEADQUARTERS AND REGISTERED OFFICE

25th Floor, CITIC Telecom Tower  
93 Kwai Fuk Road  
Kwai Chung  
New Territories  
Hong Kong

Tel: 2377 8888  
Fax: 2376 2063

## WEBSITE

www.citictel.com contains a description of the Company's business, copies of the reports to shareholders, announcements, press releases and other information.

## STOCK CODES

The Stock Exchange of Hong Kong:	01883
Bloomberg:	1883 HK
Reuters:	1883.HK

## SHARE REGISTRAR

Shareholders should contact our Registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong at 2980 1333, or by fax: 2810 8185, on matters such as transfer of shares, change of name or address, or loss of share certificates.

## ANNUAL AND INTERIM REPORTS

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

## FINANCIAL CALENDAR

Closure of Register:	8 September 2020 to 14 September 2020
Interim Dividend Payable:	24 September 2020

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

Shareholders having difficulty in receiving or gaining access to the Interim Report will, promptly upon request to the Company's Share Registrar, be sent a printed copy free of charge.

Non-shareholders who wish to receive a copy of the Interim Report are requested to write to the Company Secretary, CITIC Telecom International Holdings Limited, 25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong, or by fax: 2376 2063 or by email: [contact@citictel.com](mailto:contact@citictel.com).