中信國際電訊
CITIC TELECOM INTERNATIONAL

STOCK CODE:1883

The Hub of the World

ANNUAL REPORT 2021

ABOUT US

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

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

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

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

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

"Wisdom and Integrity for Fostering Prosperity" is the core value of the Group. As at 31 December 2021, the Group has established branch organisations in 22 countries and regions, the number of staff is 2,500, with over 160 PoPs and business serving more than 150 countries and regions, connecting to over 600 operators globally, and serving over 3,000 MNCs and 40,000 local enterprises. The Group has R&D teams in various cities including Hong Kong, Macau, Zhuhai, Chengdu, etc. The Group has a number of ISO quality and network security accreditations, and we have been recognised as the best employer and green enterprise for years.

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

MISSION

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

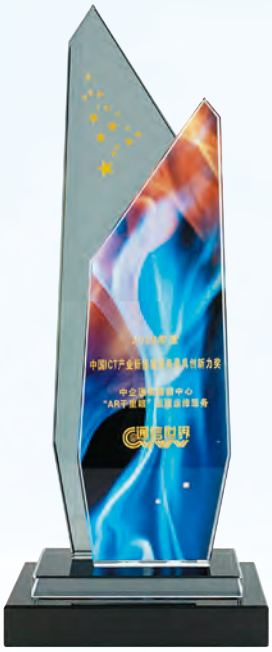
VISION

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

CONTENTS

MILESTONES 2021

JANUARY



FEBRUARY

JANUARY

- CITIC Telecom International CPC Limited ("CPC") won the "Overall 1st Runner-up" in the "AI Challenge Computer Vision – Identifying Surgical Instrument" organised by Hospital Authority in Hong Kong and Hong Kong Science and Technology Parks Corporation
- China Enterprise ICT Solutions Limited ("CEC")'s Internet Data Centre AR Remote Hand remote operations and maintenance service won the "Most Innovative New Infrastructure Service Award in China ICT Industry 2020" issued by Communications World Weekly
- Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") became the first telecoms company in Macau to participate in the Alipay (Macau) life payment channels
- Acclivis Technologies and Solutions Pte. Ltd. ("Acclivis") won a pilot trial for a large public healthcare institution to implement the Acclivis Intelligent Visitor Management Solution which uses AI video analytics to detect people, optimise crowd control, monitor waiting time and perform safe distancing

FEBRUARY

- CPC won the "Outstanding ICT Solution Provider 2020" at "Quamnet Outstanding Enterprise Awards 2020" held by Quamnet
- CPC's DataHOUSE™ AR Remote Hand remote operations and maintenance service won the "Innovative Data Center Service: Gold Award" at the "The 2020 CAHK STAR Awards" organised by the Communications Association of Hong Kong
- CTM and University of Macau signed the Autonomous Driving System and Application Collaboration Agreement
- CTM hosted the "5G·Smart Solutions Design Competition Award Ceremony"

MARCH

- CEC's CeOne-CONNECT Hybrid (SD-WAN) Service was awarded as "Excellent Service of SD-WAN Project 2020" and "Excellent Industry Application of SD-WAN 2020" by SNAI and Internet Industry Ecosystem
- CEC won the "Best ICT Service Solutions Provider in China 2020" award issued by e-works
- CEC's Internet Data Centre AR Remote Hand remote operations and maintenance service and CeOne-CONNECT Hybrid (SD-WAN) Service won the "Excellent Recommended Product for Intelligent Manufacturing in China's Manufacturing Industry 2020" award issued by e-works

MARCH

MILESTONES 2021

APRIL

- CPC's DataHOUSE™ AR Remote Hand remote operations and maintenance service won the "Augmented and Virtual Reality Award for Telecommunications" at "Singapore Business Review Technology Excellence Awards 2021" by Charlton Media Group
- CEC's Internet Data Centre AR Remote Hand remote operations and maintenance service won the "Bay Area Digital Infrastructure Technology Pioneer Award" issued by China Communications Industry Association Data Center Committee and IDCC Event Committee
- CTM and Bank of China Macau Branch signed a Strategic Collaboration Agreement and joined hands with the Netel Information & Services Ltd. to launch the "ePOS System – smart catering and retail system"

APRIL

MAY

- Launched of Internet of Things (IoT) data service platform with a China vehicle manufacturer
- CEC's Internet Data Centre AR Remote Hand remote operations and maintenance service won the "517 World Telecommunications Day – Outstanding Product Technology Solution for Accelerating Digital Transformation" award by COMMUNICATIONS WEEKLY, CCIDWISE and CCIDConsulting. CEC was also listed as the "Top 30 Pioneers of Empowering Digital Transformation"
- CTM was the first to launch the eSIM service in Macau contributing to the smart city development

MAY

JUNE

JUNE

- Launched the Enterprise Engagement Platform (EEP) which supports SMS, MMS and social messaging apps (e.g. WhatsApp)
- CPC's DataHOUSE™ AR Remote Hand remote operations and maintenance service won "The Innovation Award 2021" at "Datacloud Global Awards 2021" by BroadGroup
- CPC won "The Distinguished Cloud Network Convergence Solution Service Provider" award at "SME Partner Awards of Excellence 2021" by Hong Kong Economic Journal
- CPC won the "Corporate Excellence Award" at "Asia Pacific Enterprise Awards (APEA) 2021" by Enterprise Asia
- CPC launched the TrueCONNECT™ SASE solution to secure expanding SD-WAN edge of distributed enterprises. The solution further enhances its existing TrueCONNECT™ Hybrid SD-WAN value proposition. Enterprises can leverage the TrueCONNECT™ Hybrid SD-WAN orchestrator tool to directly and automatically steer network traffic to enable a full protection of their expanding SD-WAN perimeter
- CEC won the "2021 CIO Trusted Brand" Certificate of Honor issued by China Enterprises Digital Alliance and National CIO Event Committee
- CTM completed the second stage of 5G network build to support both the Standalone and Non-Standalone architectures. The network achieved full coverage for outdoor and reached 93% coverage for indoor in Macau

JULY

- CPC's DataHOUSE™ AR Remote Hand remote operations and maintenance service was awarded both "Grand Stevie Award" of the China nation and "Gold Stevie Award" for Innovation in Technology Development at the "Asia-Pacific Stevie® Awards 2021"
- CPC won the "2021 Best Practices Award-Digital Innovation Award in Greater China" by Frost & Sullivan
- CEC won the "2021 Most Innovative Value Product" award at the "2nd China AI Excellence Innovation Award" organised by www.elecfans.com
- CEC won the "2020 Digital Enterprise Outstanding Service Provider" Honorary Credential by Anhui Province Association of Chief Information Officer
- CEC won the "2021 Sustainable Value Innovation award in ICT Market (China)" issued by Frost & Sullivan

JULY

MILESTONES 2021

AUGUST

- CPC received "The Distinguished Salesperson Award (DSA)" from Hong Kong Management Association. It is the 18th consecutive year that CPC has won the award
- Based on our DataHOUSE™ Services, CPC was honored to receive the "PC3 Platinum brand award 2021" by PC3 Magazine
- CEC won the "2021 Leading Technology Innovation" award by the judging panel of the 10th China Finance Summit (CFS)
- CEC's SD-WAN solution for BFSI industry won the "Top 100 Excellent Case Studies of Industrial Digitalization Applications in Digital Ecosystem 2021" award by B.P Business Partner
- CEC won the "Zhi Ding Award – The most Innovative Smart Retail Solution in the Pharmaceutical Industry "by Medical and Healthcare CIO Innovation Forum 2021 Event Committee

AUGUST

SEPTEMBER

- Launched "Datamall 自由行" 4G services for a Taiwan mobile operator
- CEC won the "Intelligent Networking Innovative Product/Solution" award by Communications Weekly
- With our Internet Data Centre AR Remote Hand operations and maintenance service, CEC won the "Best Innovative Technology Application" award at "PT EXPO China 2021" by China Association of Communications Enterprises (CACE)
- CTM established a strategic cooperation framework agreement on digital content with China Mobile International Ltd. to fully launch the digital content strategic cooperation between the two parties, building and developing new digital content business for the consumer and household markets digital content space in Macau
- CTM launched its self-developed Macau Smart Big Data platform, becoming the first local operator to provide big data services in Macau
- Acclivis won the "Rising Distributor Award" and "Best Managed Services Platform Award" jointly by Lenovo and FileWave Asia

SEPTEMBER

OCTOBER

- Acclivis jointly announced a collaboration with IBM to deploy IBM Cloud Satellite across Asia, with the aim to allow enterprise customers to maintain data sovereignty and achieve regulatory compliance. The collaboration will see IBM leveraging the regional data centre coverage of Acclivis in Hong Kong, Singapore, Malaysia, Indonesia and Thailand to host and manage data

NOVEMBER

- Won "The 19th International Customer Relationship Excellence Awards" from Asia Pacific Customer Service Consortium. Winning categories are:
  - CEC – "Customer Service Team Leader of the Year 2021 (Service Center)"
  - CPC – "CRM Manager of the Year 2021"

NOVEMBER

DECEMBER

DECEMBER

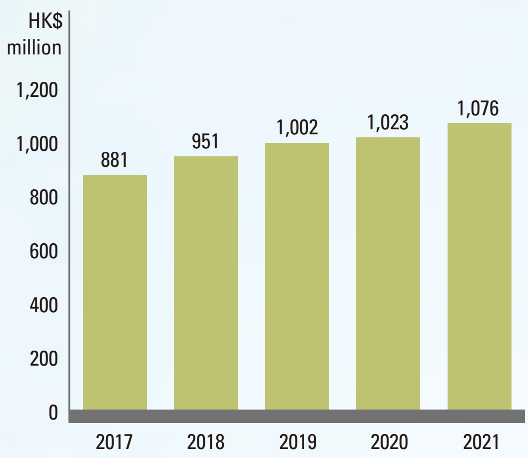
- Awarded the "Network & Resources Cooperation Award" by a China operator
- Launched Bootstrap services – provides out of the box connectivity to enable devices providers to set up and configure their devices remotely
- CPC's revolutionary Augmented Reality (AR) solution, DataHOUSE™ AR Remote Hand, won the "Service and Solutions" category in Enterprise Asia's International Innovation Awards
- CPC won the Gold Award in the 2021 CAHK STAR Awards "Best Innovation for Future Enterprise" by the Communications Association of Hong Kong (CAHK)
- CEC's Data Science & Innovation Team won championship in the CCF Big Data & Computing Intelligence Contest (CCF BDCI) hosted by the China Computer Federation (CCF), and jointly organised by the National Engineering Laboratory for Big Data Collaborative Security Technology and the CCF Committee
- CEC won the "2021 Excellent Digitalization Solutions Provider" award jointly by CIO TIMES, New Infrastructure Innovation Institute and the 7th China Industry Internet Summit (CIIS) Committee
- CEC's CeOne-CONNECT Hybrid (SD-WAN) Service won the "Technology Innovation" award by 2021 China SD-WAN Summit Organizing Committee
- CEC's Cloud-Network Convergence Data Center won the "Excellent Service of 2021 China ICT Industry" award jointly by China Communications Industry Association Data Center (CIDC) Committee and IDCC Event Committee
- CEC's Data Science & Innovation Team won the "Material Demand Forecast" Award in the "5th China Industrial Internet Data Innovation and Application Contest". The contest was jointly organised by the China Academy of Information and Communications Technology (CAICT) and People's Government of Baoan District, and was strongly supported by Alliance of Industrial Internet and Industry and Information Technology Bureau of Shenzhen Municipality
- CTM took the lead to introduce VoLTE international roaming services in Macau


WE CONNECT
THE PEOPLE

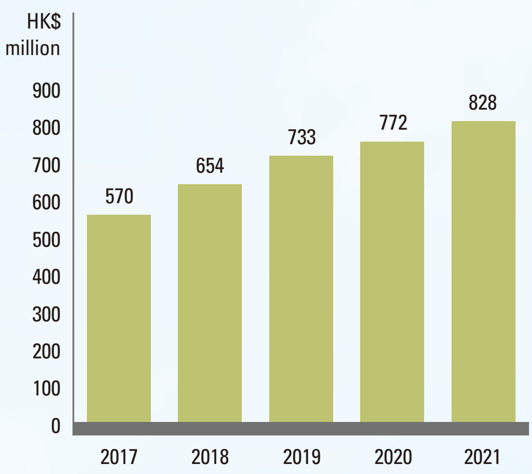
FINANCIAL HIGHLIGHTS

- Profit attributable to equity shareholders of the Company for the year 2021 amounted to HK$1,076 million, a year-on-year increase of 5.2%.
- Dividends per share for the year 2021 totaled HK22.5 cents, a year-on-year increase of 7.1%.
- The Group's net debt as at 31 December 2021 was HK$3,653 million, a decrease of 16.0% when compared to last year.

Profit Attributable to Equity Shareholders of the Company



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



Note: The dividends payable to equity shareholders of the Company for the year ended 31 December 2021 includes final dividend payable based on the number of shares in issue as at 31 December 2021 which may differ from the number of shares at the closing date of the register of members.

In HK$ million	2021	2020	
Revenue			
Revenue from telecommunications services	**7,905**	7,978	Decrease 0.9%
Sales of mobile handsets and equipment	**1,581**	945	Increase 67.3%
	9,486	8,923	Increase 6.3%
Profit attributable to equity shareholders of the Company	**1,076**	1,023	Increase 5.2%
EBITDA[1]	**2,509**	2,460	Increase 2.0%
Earnings per share (HK cents)			
Basic	**29.3**	27.9	Increase 5.0%
Diluted	**29.2**	27.9	Increase 4.7%
Dividends per share (HK cents)			
Interim dividend	**5.5**	5.0	Increase 10.0%
Final dividend	**17.0**	16.0	Increase 6.3%
	22.5	21.0	Increase 7.1%
Total assets	**18,382**	18,337	Increase 0.2%
Total equity attributable to equity shareholders of the Company	**10,095**	9,751	Increase 3.5%
Total debt[2]	**5,446**	5,868	Decrease 7.2%
Less: Cash and deposits	**(1,793)**	(1,519)	Increase 18.0%
Net debt	**3,653**	4,349	Decrease 16.0%
Net gearing ratio[3]	**27%**	31%	Decrease 4.0%

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

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

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

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


WE CONNECT
EACH OTHER

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

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

FINANCIAL RESULTS OF 2021

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

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

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

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

REVIEW OF OPERATIONS IN 2021

Year 2021 was the commencing year of the "14th Five-Year-Plan" period. Over the year, the Group implemented a new development philosophy and formulated its development goals for the next five years alongside new development initiatives. The Group actively positioned itself in major national development plans such as "Belt and Road" and Guangdong-Hong Kong-Macao Greater Bay Area as an enterprise based in Hong Kong and Macau, as it strived to expand its business scope and geographical presence with innovation, synergy and accelerated development to deliver new value to shareholders and make new contributions to the society.

Bolstering technology R&D to drive qualitative corporate development

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

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

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

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

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

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

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

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

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

Maintaining industry leadership in Macau and continuing to make contributions to the construction of "Digital Macau" and Macau's digital economic development

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

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

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

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

Focused on economic digitalisation and corporate digital transformation, the Group accelerated its progress in the construction of intelligent network and enhancement of user experience, as it facilitated deep integration of products and business scenarios to solidify the digital infrastructure and fulfil the new requirements of digital economic development. The Group's subsidiary CPC was actively engaged in the application of artificial intelligence technologies and augmented reality technologies to accelerate the digital and intelligent transformation and upgrade of business products and assist enterprises to monitor network operation status in a more accurate and timely manner and to optimise their structures. An IT service management platform with additional intelligent features was built to deliver new values and experience to corporate customers.

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

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

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

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

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

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

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

In 2021, the Group diligently implemented various epidemic prevention and control measures in the corporate spirit of "solidarity, coordination, inclusivity and charity", in order to genuinely safeguard the health and safety of staff and the stable operation of our telecoms networks. In view of Macau's epidemic situation, CTM launched special concessionary measures two times during the year to waive the monthly fees of fixed-line voice and internet services for small and medium business users and residential users located within Macau's red code zones, so that they could use the internet for learning, work and entertainment and be relieved of the pressure brought about by the epidemic. Moreover, to take care of the internet access needs of students who were not able to leave Macau for the time being or students in quarantine upon their return to Macau, CTM provided to them free 4G mobile data prepaid cards or 30GB mobile data service, so that they could stay connected with their families and follow news and updates on the epidemic.

Procuring sound efforts in investor relations

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

OUTLOOK FOR 2022

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

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

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

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

According to its policy address, the Macau SAR Government will issue 5G licenses in 2022. CTM will continue to optimise and improve its 5G network and ancillary systems to ensure the prompt launch of 5G services ahead of its peers in the market. CTM will actively commence the research and development of 5G + cloud applications and continue to invest in the construction of "Digital Macau" on the back of its network strengths and excellent operating and servicing ability, working in close collaboration with various sectors in the community to drive the development of smart city in Macau and make ongoing contributions to the economic development and digital transformation of the city.

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

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

Enhancing corporate customer servicing ability to assist in digitalisation of industries

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

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

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

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

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

The Group will continue to enhance learning and training to forge first-rate management teams, first-rate business teams and first-rate engineering, technical and R&D teams in line with the building of the corporate culture of "Wisdom and Integrity for Fostering Prosperity", seeking to attract talents with prosperous business results, a good corporate culture and a sound corporate mechanism, such that they will genuinely appreciate the bright prospects offered by the enterprise, the vibrancy of the corporate culture and the superiority of the corporate mechanism, such that more power and strengths will be devoted to corporate development.

Procuring proper epidemic prevention and control on an ongoing basis

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

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

Xin Yue Jiang
Chairman
Hong Kong, 15 March 2022

WE CONNECT THE WORLD

MOBILE SALES & SERVICES

In 2021, the Group made strong efforts to expand its products, market and network for mobile services, being the first carrier in Macau to deliver full 5G network coverage as well as the first to launch the eSIM service as it continued to maintain a leading position in the Macau market. We were also vigorously engaged in business innovation for mobile cross-border service, in a bid to overcome the impact of the COVID-19 pandemic on international roaming services.

Sustained leading position in Macau's mobile market

As at the end of December 2021, Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") stayed firmly at the top of Macau's mobile market with a 45.6% overall market share and a 47.0% share of the 4G mobile market. Sound growth was reported in the local Internet of Things ("IoT") business, which reported a 38% year-on-year growth in the scale of IoT terminal. CTM's terminal sales in 2021 increased by 58% over the same period last year as it seized the opportunity to meet the demand in the terminal market.

CTM continued to expand in the international roaming market. Currently, it has extended its 4G roaming service coverage to 217 countries and regions and entered into agreements for concessionary data roaming rates with more than 369 overseas carriers. It was the first carrier to provide international roaming voice services with high sound quality in collaboration with 2 Hong Kong network carriers, as it continued to maintain its edge as an industry leader.

During the year, CTM successfully completed registration of all prepaid card customers before the stipulated timeline in active implementation of the requirements under Macau's Cybersecurity Law.

Delivering full indoor and outdoor 5G coverage in Macau as scheduled to embrace 5G era with dominant strengths

The Group completed its Phase II 5G network construction in Macau as scheduled and became the first carrier in Macau to deliver full indoor and outdoor coverage. We also actively introduced 5G products to expedite the penetration of 5G equipment among mobile users, while rolling out smart city applications with our business partners in active planning for the pioneering launch of 5G service in 2022 to lay a solid foundation for gaining advantage with a leading position in the future 5G market.

CTM continued to carry out 5G roaming tests and entered into 5G roaming agreements with carriers in different countries and regions. CTM had completed 5G roaming tests with 51 overseas network carriers (covering 34 countries/regions) as at the end of December 2021 and now stands ready to provide services promptly upon the issuance of 5G licenses to bring forth Macau's 5G era at a faster pace.

Galvanising leading position in cross-border mobile communication service platform market while exploring new businesses

On the back of its extensive technical experience, the Group consistently upgraded its cross-border mobile communication service platform for mobile carriers, maintaining its leading position in the market while diversifying into new business segments. During the year, the Group achieved new breakthrough in the IPX business as it entered into an IPX cooperation agreement with a world-class mobile carrier while successfully commencing the IPX service with a leading mobile carrier in Vietnam, in further enhancement of the Group's business competence in this area.

INTERNET SERVICES

The Group registered continuous income growth as it enhanced its servicing ability in close tandem with market demands for internet services.

Assuring top-ranking market share in broadband service market while actively driving development of content business

As at the end of 2021, CTM maintained its top-ranking in Macau's broadband services with a 97.1% market share. It also reported a residential fibre broadband penetration rate of over 97.6%. Sound growth was reported in the market of personal customers, as the demand for multimedia contents and intelligent home services continued to rise. Against the backdrop of smart transformation, the spectrum of commercial customers requiring smart applications was also expanding. In 2021, 17% of CTM's broadband customers signed up for service upgrades, driving the ongoing growth of the overall internet business.

CTM entered into a digital content strategic cooperation framework agreement with China Mobile International Limited to commence comprehensive strategic cooperation of the two companies in digital contents, bringing into play the advantage of CTM's integrated network to further develop and expand the new digital content business in Macau's personal and family market segments. As at the end of 2021, CTM had successively launched a variety of high-standard content services, such as TVB anywhere, HMVOD entertainment video and MGTV international, among others, in collaboration with various partners; the TVB Anywhere Android TV™ box and service was also launched during the year in a comprehensive effort to advance the development of the content service business.

Stable revenue growth for data centre business with smooth completion of CITIC Telecom Tower Data Centre expansion

The Group reported stable growth in its data centre business in 2021. The construction of CITIC Telecom Tower Data Centre Phase III (B) was smoothly completed. Market response upon its launch has been positive and we are currently investigating business options with potential partners. This project phase has obtained Tier III accreditation for data centre infrastructure issued by Uptime Institute, a standardisation organisation for data centres, which has further enhanced market confidence and recognition for the Group's data centres.

Substantial growth in business revenue on the back of corporate demand for internet services

CITIC Telecom International CPC Limited ("CPC"), a subsidiary of the Group, has launched nine Cloud Computing solutions in close tandem with market requirements to complement our 19 Cloud Services Centres in Greater China, Singapore, Japan, North America, Europe and South Africa and two security operation centres in the formation of a cross-regional Cloud Computing servicing network and professional service regime that provides assistance to customers in the management of information systems and protection of information security on a round-the-clock basis to prepare them for the new challenges from digital transformation. Backed by increasing corporate demand for Internet access services, as well as expansion of the SD-WAN (software-defined wide area network) business and growth in the cloud data centre business, the Internet business reported substantial income growth in 2021.

INTERNATIONAL TELECOMMUNICATIONS SERVICES

Through vigorous development of the enterprise messaging service platform, global data volume trading platform and cross-border mobile communication service platform, the Group is committed to the provision of optimal connectivity to telecoms carriers, OTT carriers as well as corporate and personal customers.

Ongoing growth for enterprise messaging business

The Group maintained its position as a leading provider of enterprise messaging services in the region, as it consistently enhanced its servicing ability and expanded scope of its business coverage in close tandem with market demands for enterprise messaging services to secure ongoing growth in business volume and revenue as well as ongoing revenue contributions to the Group.

Continuous upgrade of global data volume trading platform "DataMall 自由行" and enrichment of IoT business application scenario

The COVID-19 pandemic has hindered the development of the data volume business as many countries and regions have been forced to implement lockdowns or travel restrictions. The Group seized the opportunities arising when the pandemic came under control and enhanced marketing targeted at the traveling population in a timely manner in association with its partners to alleviate the impact of the pandemic.

In 2021, the Group launched its first Internet of Vehicles project in Southeast Asia, which is currently in sound operation. Moreover, the Group actively developed new business scenarios such as the Bootstrap IMSI, mobile payment and mobile office, to enrich its IoT products and bring about new customers and new contributions for the data volume business as a whole.

Decline in revenue for international voice business

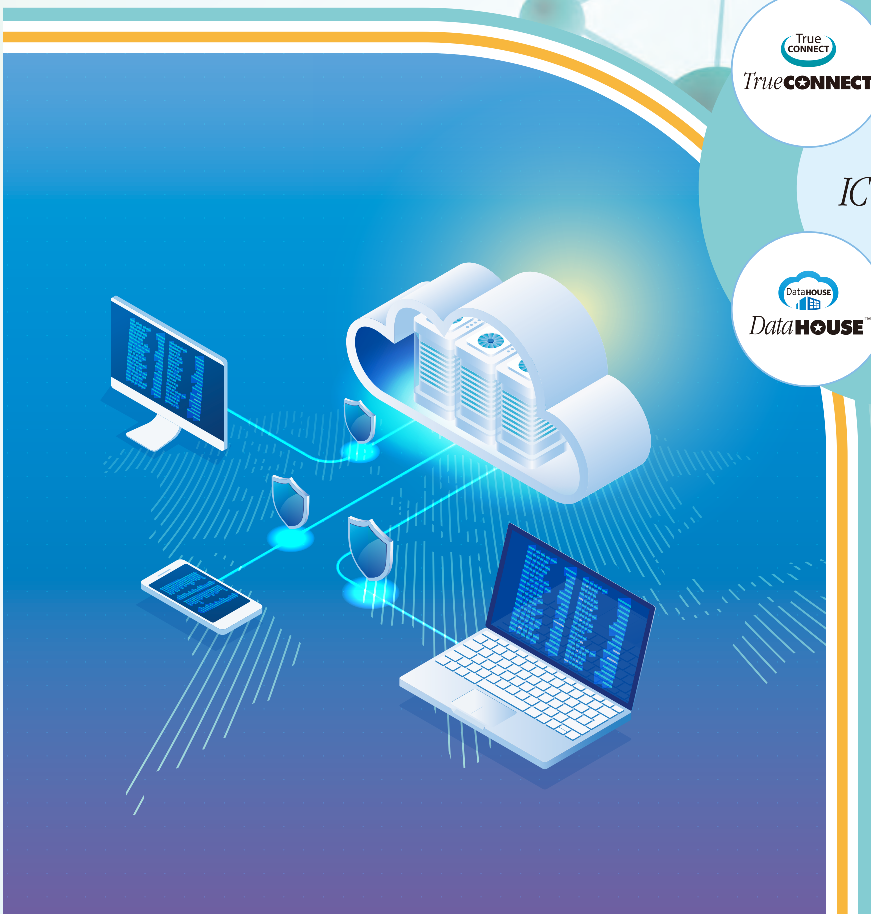
While the decline in the international voice wholesale business continued under the impact of the COVID-19 pandemic services, the Group continued to consolidate the scale and reassured the quality of its international voice business to provide stable and reliable voice services to customers around the world.

ENTERPRISE SOLUTIONS

Through its relevant subsidiaries, the Group provides multinational corporations and local corporate customers with a full range of communication solutions. With the implementation of "ICT-MiiND", a more prospective strategy, we are in the process of transforming from an ICT service provider to an enabler of digital transformation driven by intelligent technologies.

Full-effort development of corporate service market in close response to customer requirements

CPC, the Group's subsidiary, strived to maintain its advantage in the traditional connection business, while making vigorous efforts to develop innovative businesses on the back of its advantage as an internationalised operation, such as the intelligence enablement of "cloud, network, and security" products, in order to advance corporate business development. The ongoing



evolution of the ICT market in the wake of the epidemic, underpinned by mobility and digitalisation, has prompted corporations to engage in transformation and quality enhancement. CPC expanded its SD-WAN solution business in a timely manner by launching innovative services to help corporate customers address the challenge of mobility and digitalisation.

During the year, CPC continued to extend the business coverage of TrueCONNECT™, its virtual private network service, which currently covers more than 160 countries or regions globally with close to 160 PoPs. CPC was also vigorously advancing the SD-WAN business and its gateway coverage. As at the end of December 2021, close to 60 SD-WAN gateway nodes were deployed worldwide, including 42 in Greater China covering major commercial regions and the Greater Bay Area, and another 6 gateway nodes covering major ASEAN countries.

CPC consistently enriched its product lines with the launch of a diverse range of solutions in collaboration with a number of partners with leading technologies, while actively optimising its existing enhancing products and services to enhance product competitiveness. New solutions to address different market needs were rolled out, such as the TrueCONNECT™ SASE safe access service edge solutions, activation of the 19th SmartCLOUD™ cloud computing service centre, and launch of the private cloud solution and TrustCSI™ Endpoint Detection and Response management service developed through an ultra-integrated server.

Further enrichment of smart application products and deployment of multi-cloud architecture by CTM to advance the development of Digital Macau

The Macau City Smart Database (Big Data Platform) developed by CTM on a proprietary basis has rendered strong support for data analysis and policy-making for relevant departments of the Macau SAR Government to enhance the level of intelligentisation in city governance. It has also supported precision marketing in corporate development to drive the "Internet+" development in Macau.

With the construction of CTM Integrated Cloud, a multi-cloud architecture, through the active introduction of industry-leading technologies and platforms, CTM has been engaged in the R&D and launch of various smart applications befitting Macau's requirements leveraging the advantage of its 5G cloud-net integration, while also enhancing its cyber information security operations centre (SOC) service, in a full effort to support the digital and smart transformation of enterprises with greater convenience and efficiency and bring closer the fulfilment of the vision of a "Digital Macau".

CTM actively complemented the Macau SAR Government to promote the "smart catering management", developed the e-cashier "smart catering management system" and became a Macau Government-approved system supplier. By the end of 2021, more than 130 systems had been sold with success. CTM has also introduced online conference and exhibition to serve government conference and exhibition projects and the elderly care platform for elderly homes to further assist the digital transformation of the industry. In the coming year, we will focus on the construction of artificial intelligence and big data platforms to make contributions to 5G and smart applications.

Ongoing expansion of business areas for corporate service in Southeast Asia

In 2021, the Group continued to drive the development of its ICT business in Southeast Asia through large-scale regional cloud, internet and technology projects. During the year, our Southeast Asian subsidiary continued to make contributions to the development of intelligent transportation in Singapore, as its successfully renewed the contract for a large ICT project in the country, while winning the IT system service project of Singapore's Ministry of Social and Family Development on the back of its technological competence to further deepen its expansion in the Singapore market. The Group's subsidiary in the Philippines has become operational and diversified into new business sectors. The Group's subsidiary in Indonesia has commenced the process of local ISP license application in a bid to explore new business frontiers.

To better serve corporate customers in industries subject to stringent regulation, our Southeast Asian subsidiary enhanced its cooperation with well-known international IT companies to enrich its supply of private cloud and hybrid cloud services leveraging the advantage afforded by its data centre network and internet connectivity in the region, with a view to expanding its customer base and increasing its income.

FIXED LINE SERVICES

Slowdown in decline of fixed-line voice business

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

OVERVIEW

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

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

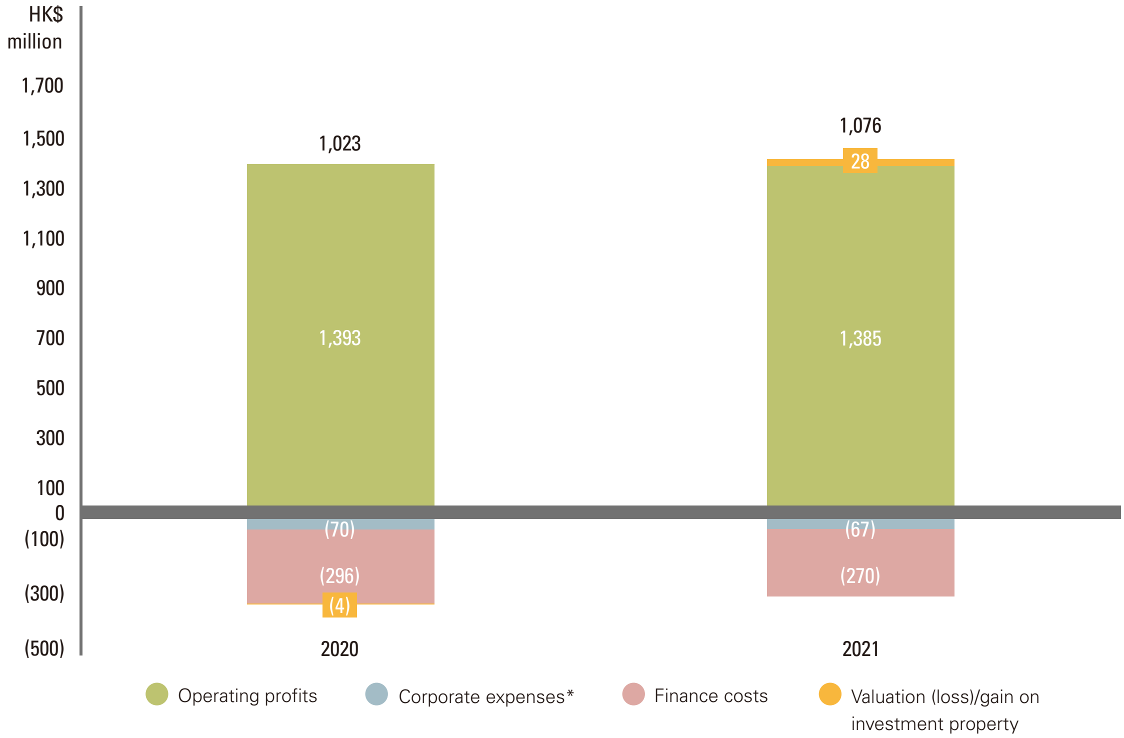
The Group's total revenue was up by 6.3% year-on-year to HK$9,486 million for the year ended 31 December 2021. Revenue from telecommunications services totaled HK$7,905 million which was comparable with last year.

Summary of Financial Results

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

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

Profit attributable to equity shareholders of the Company



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

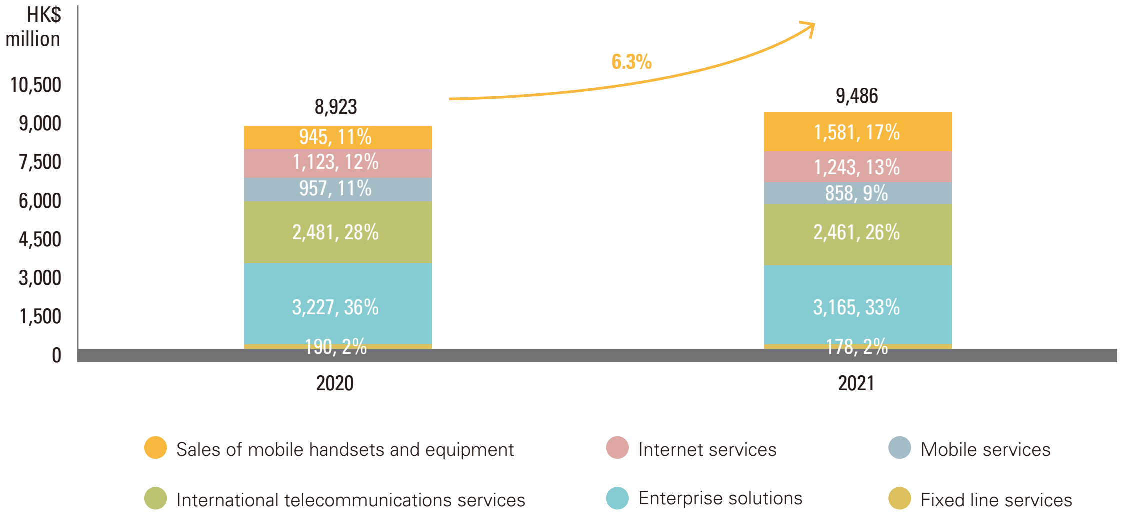
Profit attributable to equity shareholders of the Company for the year ended 31 December 2021 increased by 5.2% or HK$53 million to HK$1,076 million when compared to the previous year. Excluding the valuation gain on investment property of HK$28 million (2020: valuation loss of HK$4 million), profit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

Revenue by Services

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

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

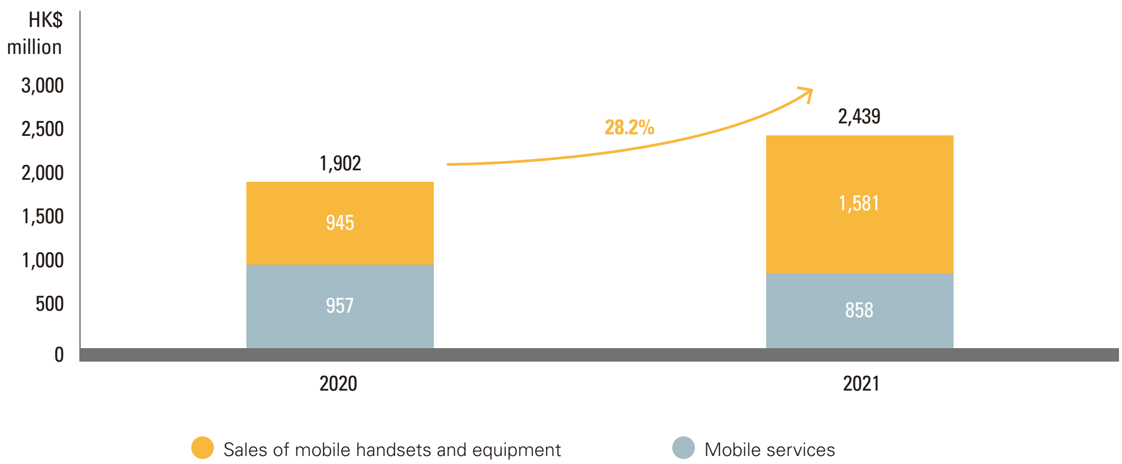
The Group's total revenue including revenue from telecommunications services and the sales of mobile handsets and equipment increased by 6.3% which amounted to HK$9,486 million.



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

Mobile sales & services

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



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

The overall number of subscribers as at 31 December 2021 was over 581,000 (31 December 2020: over 720,000) of which approximately 178,000 (31 December 2020: over 347,000) were prepaid customers and over 403,000 (31 December 2020: approximately 373,000) being postpaid subscribers. The drop in the number of subscribers was mainly driven by the cancellation of inactive prepaid cards in 2020 after the enactment of Macau's Cybersecurity Law which requires the real-name registration for all telecommunications and internet users. 100.0% (31 December 2020: around 100.0%) of total mobile subscribers were 4G subscribers.

Internet services

Internet services revenue amounted to HK$1,243 million for the year which represented a year-on-year increase of 10.7% or HK$120 million. The increase was mainly driven by business internet requirements and the increase in revenue from fibre broadband service as a result of the service upgrade by existing customers and around 1.8% increase in the number of broadband users to approximately 200,000 subscribers when compared to the previous year.

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

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

International telecommunications services

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

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

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

Enterprise solutions

Enterprise solutions revenue decreased by 1.9% from HK$3,227 million in the previous year to HK$3,165 million for the year ended 31 December 2021. The decrease was mainly due to lower project revenue from government, resorts and other enterprises in Macau and Southeast Asia due to various lockdown measures implemented by the government in the respective country/region which caused delays in the progress of a number of projects. However, the Group continued to experience encouraging growth in enterprise solutions services in Mainland China.

Fixed line services

In line with global trends of declining fixed IDD traffic volumes and the decrease in fixed residential lines, fixed line services revenue was down by 6.3% year-on-year to HK$178 million for the year ended 31 December 2021.

Results for the year

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

Revenue

The Group's revenue from telecommunications services amounted to HK$7,905 million, a slight decrease of 0.9% when compared to the previous year. Total revenue including mobile handsets and equipment sales amounted to HK$9,486 million for the year, representing a year-on-year increase of 6.3% which was a result of the surge in mobile handsets and equipment sales.

Valuation gain/(loss) on investment property

Certain floors of the property held by the Group were leased out to third parties and an affiliate of the Group. These floors were revalued as at 31 December 2021 by the Group's independent surveyors with a valuation gain of HK$28 million (2020: valuation loss of HK$4 million).

Cost of sales and services

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

Depreciation and amortisation

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

Staff costs

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

Other operating expenses

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

Finance costs

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

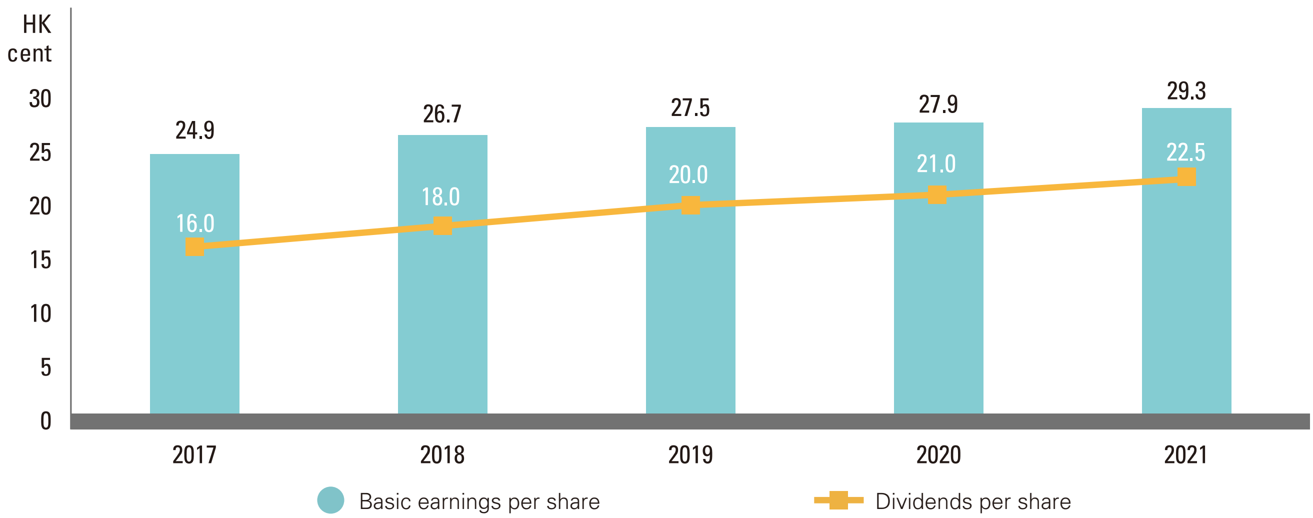
Income tax

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

Earnings and Dividends per share

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

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



Cash flows

In HK$ million	Year ended 31 December 2021	2020	Increase/(Decrease)	
Source of cash:				
Cash inflows from business operations	**2,394**	2,542	(148)	(5.8%)
Other cash inflows	**60**	28	32	>100.0%
Sub-total	**2,454**	2,570	(116)	(4.5%)
Use of cash:				
Net capital expenditure*	**(532)**	(787)	(255)	(32.4%)
Dividends paid to equity shareholders and non-controlling interests	**(800)**	(743)	57	7.7%
Capital and interest elements of lease rentals paid	**(179)**	(164)	15	9.1%
Payment of borrowing costs	**(244)**	(280)	(36)	(12.9%)
Net cash outflows from borrowings	**(421)**	(407)	14	3.4%
Increase in other deposits	**(361)**	–	361	N/A
Sub-total	**(2,537)**	(2,381)	156	6.6%
Net (decrease)/increase in cash and cash equivalents	**(83)**	189	N/A	N/A

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

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

Capital expenditure

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

Capital commitments

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

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

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

FINANCIAL RISK

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

1. Debt and leverage

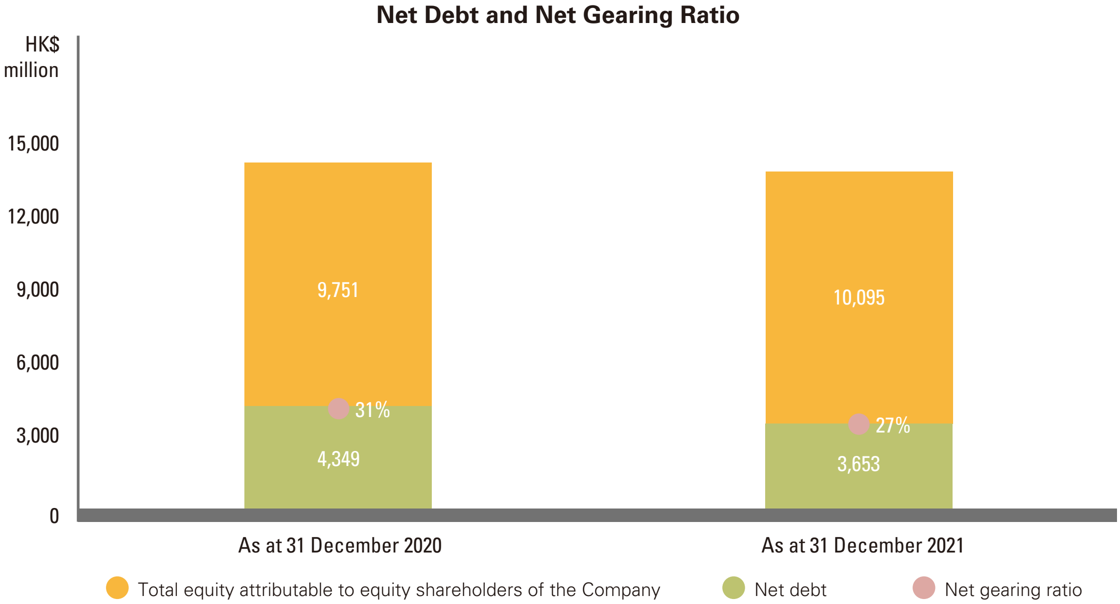
As the Group's net debt decreased to HK$3,653 million, the net gearing ratio decreased from 31% as at 31 December 2020 to 27% as at 31 December 2021.

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

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

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

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

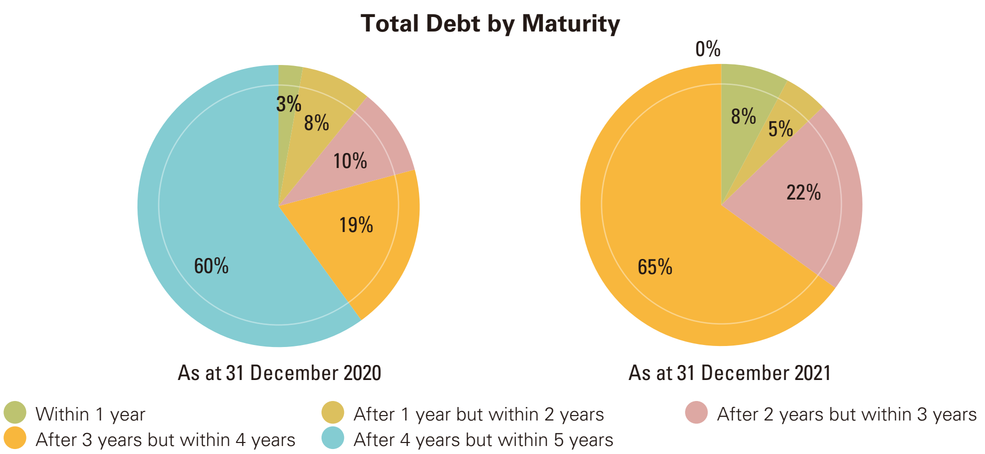


The Group's total debt decreased to HK$5,446 million which was mainly due to the early repayment of bank loans amounted to HK$460 million from its surplus cash during the year, which was partly offset by certain new bank loans drawn down for the business growth in Singapore. During the year, the Group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

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

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

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 loans	431	235	1,185	14	12	**1,877**
US$450 million 6.1% guaranteed bonds	–	–	–	3,500	–	**3,500**
	431	235	1,185	3,514	12	**5,377**
Interest payable	69	–	–	–	–	**69**
	500	**235**	**1,185**	**3,514**	**12**	**5,446**



* The above graph excludes the amount of interest payable.

Available sources of financing

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

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

As at 31 December 2021, the Group had available trading facilities of HK$451 million. The amount of HK$87 million was utilised as guarantees for performance to customers/the Macau Government and costs payable to telecoms operators and others.

The utilised facilities of approximately HK$7 million were required to be secured by pledged deposits as at 31 December 2021.

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

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

2. Liquidity risk management

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

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

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

3. Loan covenants

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

4. Contingent liabilities

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

5. Performance bonds, guarantees and pledged assets

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

In HK$ million	**31 December 2021**	31 December 2020
Performance bonds provided to the Macau Government and other customers	**85**	83
Other guarantees	**2**	4
Total	**87**	87

As at 31 December 2021, bank deposits of HK$6 million (2020: HK$9 million) were pledged to secure parts of the facilities of the Group.

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

As at 31 December 2021, the Company issued guarantees of HK$540 million (2020: HK$672 million) for its subsidiaries in respect of the various forms of facility lines from financial institutions.

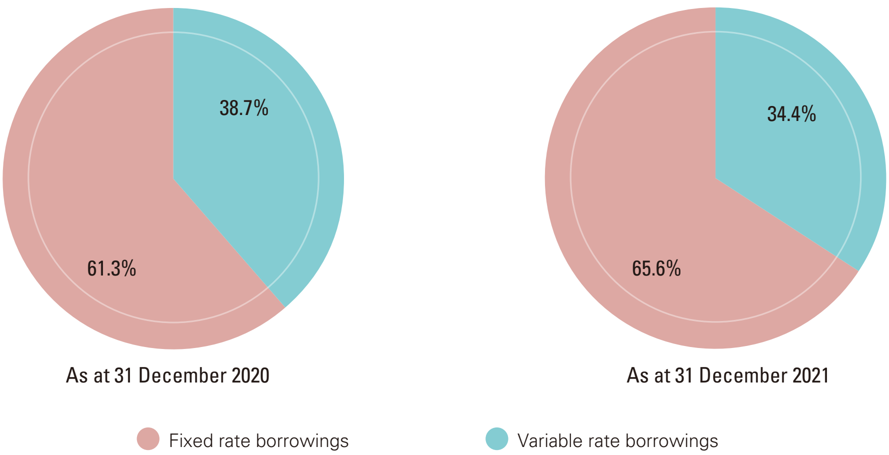
Certain property, plant and equipment of Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") are designated for the provision of basic infrastructure of public telecommunications services. They may need to be shared with other licensed telecommunications operators or the Macau Government with fair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

6. Interest rate risk

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

Interest rate risk is managed by fixed rate borrowing or through use of interest rate swap, if necessary. As at 31 December 2021, approximately 65.6% (2020: approximately 61.3%) of the Group's borrowings, excluding interest payable, were linked to fixed interest rates. During the year, the Group did not enter into any interest rate swap arrangement.

Total Debt



* The above graph excludes the amount of interest payable.

Effective interest rates

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

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

7. Foreign currency risk

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

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

8. Credit risk

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

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

The Group has certain concentration risk in respect of trade debtors and contract assets due from the Group's five largest customers who accounted for approximately 16.3% (2020: approximately 23.2%) of the Group's total trade debtors and contract assets as at 31 December 2021. The credit risk exposure to the balances of trade debtors and contract assets has been and will continue to be monitored by the Group on an ongoing basis.

9. Counterparty risk

The Group's exposure to credit risk arising from cash and deposits is limited because the Group mainly deals with the companies engaged in financing activities which have good credit ratings with prestigious credit ratings companies (such as Moody's Investors Service, Standard & Poor's and Fitch Group), or the note-issuing banks in Hong Kong and Macau, or its group companies. As at 31 December 2021, the Group has maintained cash and deposits of HK$1,783 million (2020: HK$1,482 million) in the above-mentioned entities, representing approximately 99.4% (2020: approximately 97.6%) of the total cash and deposits of the Group. To achieve a balance between maintaining the flexibility of the Group's operations and minimising the exposure to credit risk arising from cash and deposits, the Group has a pre-defined policy and regular review on the rest of the cash portfolio. It is considered that the Group is exposed to a low credit risk in this respect.

ECONOMIC ENVIRONMENT

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

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

OPERATIONAL RISK

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

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

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

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

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

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

SECURITY OR PRIVACY BREACHES

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

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

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

COMPETITIVE MARKETS

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

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

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

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

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

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

OTHER EXTERNAL RISKS AND UNCERTAINTIES

1. Impact of laws and regulations

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

2. Impact of new accounting standards

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

3. Natural disasters or events and terrorism

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

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

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

	As at 31 December				
	2017 HK$ million	2018 HK$ million	2019 HK$ million	2020 HK$ million	**2021 HK$ million**
Assets and liabilities					
Investment property	686	629	648	639	**667**
Property, plant and equipment	2,626	2,767	2,435	2,705	**2,625**
Right-of-use assets	–	–	695	706	**654**
Intangible assets	1,722	1,554	1,385	1,219	**1,064**
Goodwill	9,729	9,718	9,713	9,733	**9,721**
Interest in a joint venture	6	9	9	9	**11**
Non-current contract assets	–	41	36	31	**23**
Non-current contract costs	–	–	–	–	**25**
Non-current finance lease receivables	–	–	–	–	**5**
Non-current other receivables and deposits	208	120	112	181	**103**
Deferred tax assets	81	68	66	77	**72**
Net current assets	1,289	912	1,027	816	**755**
Net defined benefit retirement obligation	(68)	(99)	(60)	(29)	**(12)**
Deferred tax liabilities	(245)	(248)	(233)	(226)	**(211)**
Other non-current liabilities	(7,604)	(6,575)	(6,408)	(6,052)	**(5,326)**
NET ASSETS	8,430	8,896	9,425	9,809	**10,176**
Capital and reserves					
Share capital	4,280	4,403	4,628	4,646	**4,704**
Reserves	4,116	4,452	4,748	5,105	**5,391**
Total equity attributable to equity shareholders of the Company	8,396	8,855	9,376	9,751	**10,095**
Non-controlling interests	34	41	49	58	**81**
TOTAL EQUITY	8,430	8,896	9,425	9,809	**10,176**
Net debt					
Total debt[1]	7,826	6,857	6,278	5,868	**5,446**
Less: Cash and deposits	(1,636)	(1,049)	(1,313)	(1,519)	**(1,793)**
NET DEBT	6,190	5,808	4,965	4,349	**3,653**

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

	For the year ended 31 December				
	2017 HK$ million	2018 HK$ million	2019 HK$ million	2020 HK$ million	**2021 HK$ million**
Results					
Revenue	7,451	9,464	9,014	8,923	**9,486**
Profit before taxation	1,061	1,141	1,249	1,263	**1,355**
Income tax	(165)	(173)	(229)	(224)	**(248)**
Profit for the year	896	968	1,020	1,039	**1,107**
Attributable to:					
Equity shareholders of the Company	881	951	1,002	1,023	**1,076**
Non-controlling interests	15	17	18	16	**31**
Profit for the year	896	968	1,020	1,039	**1,107**
Basic earnings per share (HK cents)	24.9	26.7	27.5	27.9	**29.3**
Diluted earnings per share (HK cents)	24.8	26.7	27.4	27.9	**29.2**
Dividends per share					
Interim dividend (HK cents)	3.0	4.0	5.0	5.0	**5.5**
Final dividend (HK cents)	13.0	14.0	15.0	16.0	**17.0**
Total dividends per share (HK cents)	16.0	18.0	20.0	21.0	**22.5**

Key Corporate Governance Performance Overview

BOARD

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

EFFECTIVENESS

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

SHAREHOLDERS

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

ACCOUNTABILITY

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

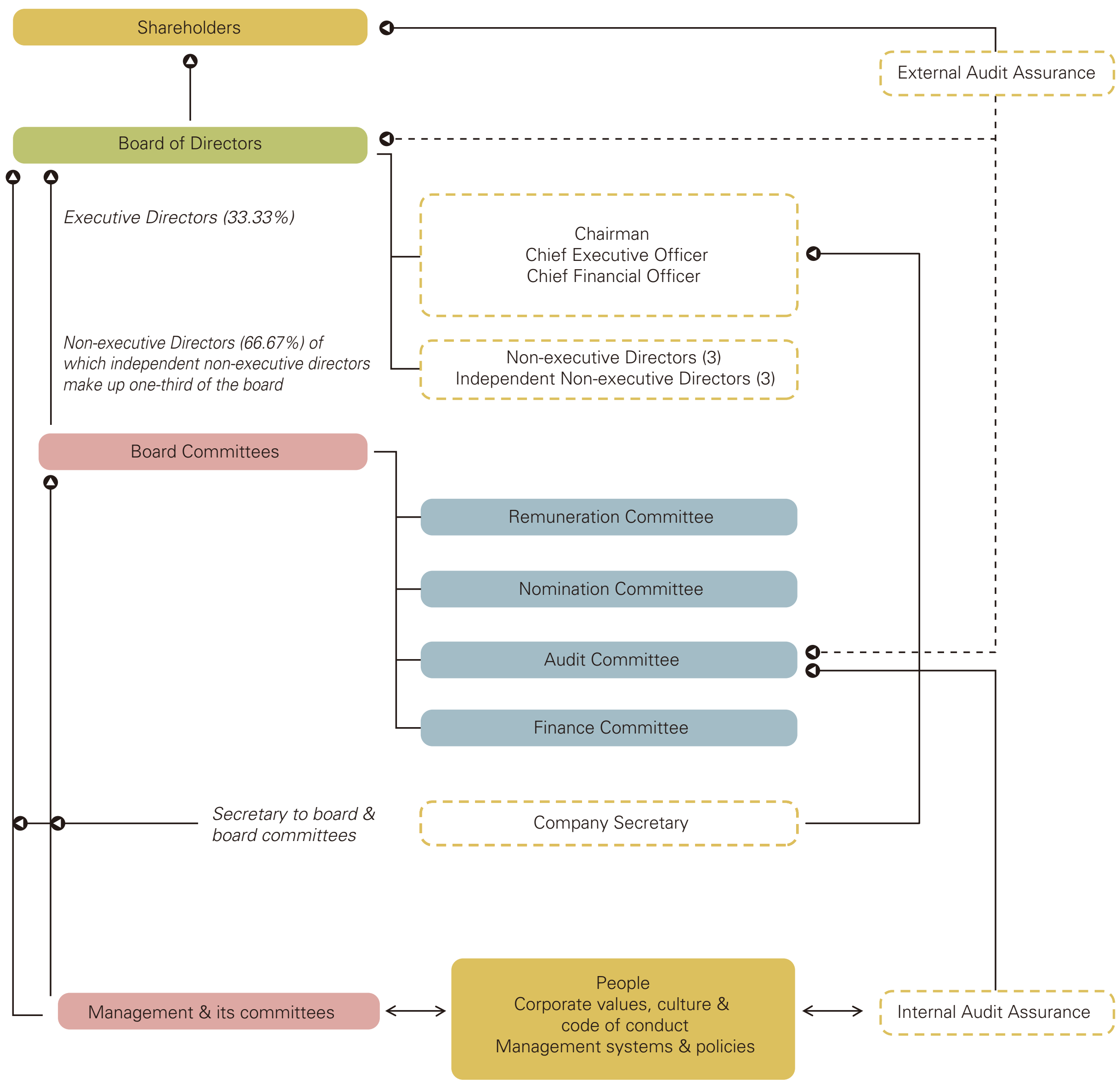
Corporate Governance Practices

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

This report describes how the Company has applied its corporate governance practices to its everyday activities. Save as disclosed below, the Company has fully complied with the applicable code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2021. As disclosed in the announcement of the Company dated 9 December 2021, following the retirement of Mr. Liu Li Qing, the total number of independent non-executive directors was below three and less than one-third of the Board and also the Nomination Committee did not comprise a majority of independent non-executive directors. In this respect, the Company had actively tried to identify a suitable candidate with appropriate background and qualification to fill the vacancy. Mr. Wen Ku was consequently appointed as the independent non-executive director with effect from 1 February 2022. Following his appointment, there are three independent non-executive directors, representing one-third of the Board. The Nomination Committee then comprises a majority of independent non-executive directors and therefore the relevant requirements have been fulfilled. In addition, Mr. Liu Jifu was unable to attend the annual general meeting of the Company held on 14 May 2021 (the "2021 AGM") as he had other engagement. In this respect, the other non-executive directors and independent non-executive directors had attended 2021 AGM in order to develop a balanced understanding of the views of shareholders and to respond to questions and enquiries, if any, in relation to their work.

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

Corporate Governance Structure



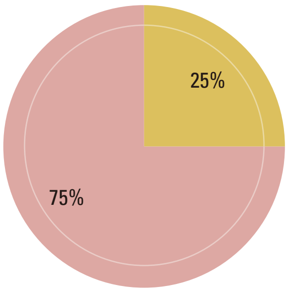
Board of Directors

Key features of our Board

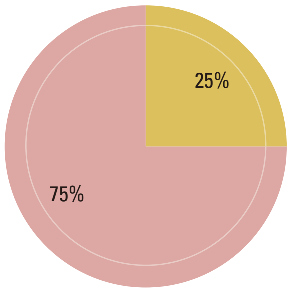
Independence

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

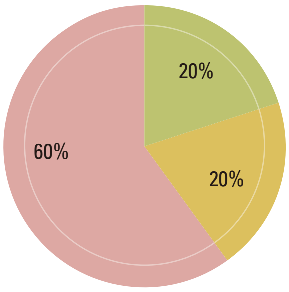
Audit Committee



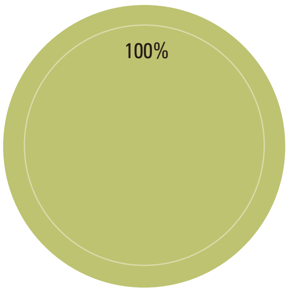
Remuneration Committee



Nomination Committee



Finance Committee

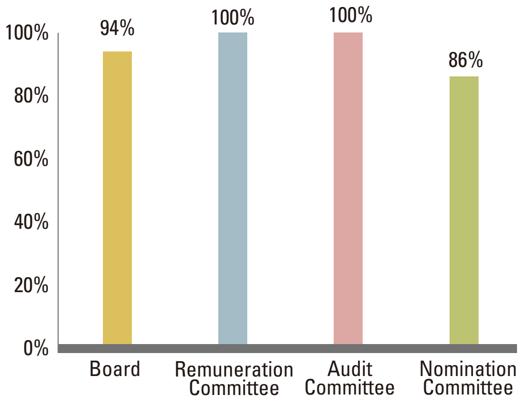


Executive director Non-executive director Independent non-executive director

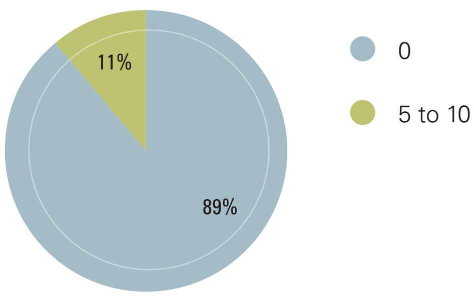
Commitment

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

Attendance Rate at Meetings



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



Attendance at Meetings

The following table summarises directors' attendance at Board and committees' meetings and general meeting held in 2021:

✔ Attended ✘ Absent – Not Applicable

	Meetings Held/Attended				
	BOARD (Total: 4)	**REMUNERATION COMMITTEE** (Total: 1)	**AUDIT COMMITTEE** (Total: 2)	**NOMINATION COMMITTEE** (Total: 3)	**GENERAL MEETING (Note 4)** (Total: 1)
Executive Directors					
Mr. Xin Yue Jiang – *Chairman*	✔✔✔✔	–	– –	✔✔✔	✔
Mr. Cai Dawei – *Chief Executive Officer*	✔✔✔✔	–	– –	– – –	✔
Mr. Esmond Li Bing Chi – *Chief Financial Officer*	✔✔✔✔	–	✔✔ (Note 1)	– – –	✔
Non-executive Directors					
Mr. Wang Guoquan (Note 2)	✔✔✔✘	–	– –	– – –	✔
Mr. Liu Jifu	✔✔✔✔	✔	– –	✔✔✔	✘
Mr. Fei Yiping	✘✔✔✔	–	✔✔	– – –	✔
Independent Non-executive Directors					
Mr. Liu Li Qing (Note 3)	✔✔✔ –	–	✔✔	✔✘ –	✔
Mr. Zuo Xunsheng	✔✔✔✔	✔	✔✔	✔✔✔	✔
Mr. Lam Yiu Kin	✔✔✔✔	✔	✔✔	✘✔✔	✔

Notes:

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

2. Mr. Wang Guoquan was appointed as a non-executive director of the Company with effect from 4 March 2021.

3. Mr. Liu Li Qing retired as the independent non-executive director, the chairman of Remuneration Committee and a member of Audit Committee and Nomination Committee of the Company with effect from 9 December 2021.

4. The Company's external auditor also attended the 2021 AGM.

Overall Accountability

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

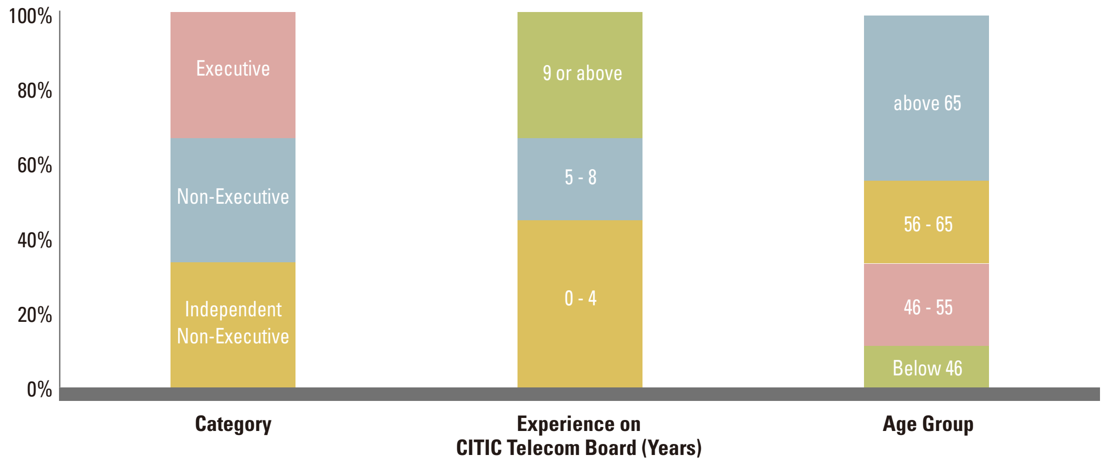
During the year, the Board has performed a self-evaluation of its performance and reviewed the contribution required from a director to perform his responsibilities. The Board is of the view that all directors have given sufficient time and attention to the Group's affairs and the Board operates effectively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

Board Composition, Diversity and Balance

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

The Board currently comprises three executive directors and six non-executive directors of whom three are independent as defined in the Listing Rules. The directors are of diverse academic background in the areas of telecommunications, engineering, science, accounting, economics, business administration and management. Brief biographical particulars of the directors are set out on pages 71 to 73 of this Annual Report. The Company believes that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business.

Board Diversity Statistics



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

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

During the year of 2021,

(i) Mr. Liu Zhenjun resigned as a non-executive director of the Company with effect from 4 March 2021 and Mr. Wang Guoquan was appointed in his stead. Thus, in accordance with the Articles of Association of the Company, Mr. Wang was re-elected as director at the 2021 AGM; and

(ii) Mr. Liu Li Qing retired as an independent non-executive director of the Company with effect from 9 December 2021.

In addition, Mr. Esmond Li Bing Chi retired as an executive director and Chief Financial Officer of the Company with effect from 1 February 2022 and Mr. Luan Zhenjun was appointed as an executive director and Chief Financial Officer of the Company in his stead. Also, Mr. Wen Ku was appointed as an independent non-executive director of the Company with effect from 1 February 2022.

As Mr. Wen Ku and Mr. Luan Zhenjun were appointed by the Board as directors of the Company subsequent to the 2021 AGM, in accordance with the Articles of Association of the Company, they will hold office only until the forthcoming AGM of the Company (the "2022 AGM") and will be eligible for re-election at the 2022 AGM.

Roles of the Board

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

Board Responsibilities and Delegation

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

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

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

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

Details of the responsibilities, membership, attendance and activities during the year of each Board committee are set out on pages 51 to 61 of this Annual Report.

Board Meetings and Attendance

The Board meets regularly to review the financial and operating performance of the Group and to discuss future strategy. Four regular Board meetings were held in 2021. At the Board meetings, the Board reviewed significant matters including, inter alia, the Group's annual and interim financial statements, annual budget, proposals for final and interim dividends, annual report and interim report, connected transactions, changes to the terms of reference of the Audit Committee and the risk management report. At least 14 days' notice is given to all directors for all regular Board meetings and all directors are given the opportunity to include matters for discussion in the agenda. The agenda and Board papers for each meeting are sent to all directors more than 3 days in advance of every regular Board meeting. All minutes of the Board meetings are kept by the company secretary of the Company and are available to all directors for inspection.

The attendance record of each director at the Board meetings in 2021 is set out in the table on page 52 of this Annual Report.

Chairman and Chief Executive Officer

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

Directors' Continuing Professional Development Programme

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

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

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

Directors	Type of continuous professional development programme
Executive Directors	
Mr. Xin Yue Jiang	A, B, C
Mr. Cai Dawei	A, B, C
Mr. Esmond Li Bing Chi	A, B, C
Non-executive Directors	
Mr. Liu Zhengjun (resigned with effect from 4 March 2021)	A, C
Mr. Wang Guoquan (appointed with effect from 4 March 2021)	A, B, C
Mr. Liu Jifu	A, B, C
Mr. Fei Yiping	A, B, C
Independent Non-executive Directors	
Mr. Liu Li Qing (retired with effect from 9 December 2021)	A, B, C
Mr. Zuo Xunsheng	A, B, C
Mr. Lam Yiu Kin	A, B, C

Notes:

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

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

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

Board Committees

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

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

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

Remuneration Committee

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

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

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

Membership and Attendance	
Members*	**Attendance/ Number of Meeting**
Independent Non-executive Directors	
Mr. Liu Li Qing – *Chairman* (retired with effect from 9 December 2021)	N/A
Mr. Zuo Xunsheng – *Chairman* (appointed as Chairman with effect from 9 December 2021)	1/1
Mr. Lam Yiu Kin	1/1
Non-executive Director	
Mr. Liu Jifu	1/1

* Mr. Wen Ku was appointed as member with effect from 1 February 2022.

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

Details of the Company's remuneration policies are set out in the Sustainability Report on page 106 of this Annual Report, and directors' emoluments and retirement benefits are disclosed on pages 170 to 171 and pages 195 to 199 of this Annual Report. Share options granted under the Company's share option plan are disclosed on pages 86 to 88 and pages 200 to 202 of this Annual Report.

The remuneration paid to the directors of the Company, by name, for the year ended 31 December 2021 is set out in note 7 to the financial statements. The remuneration paid to the senior management, by band, for the year ended 31 December 2021 is set out below:

Remuneration of senior management other than directors paid/payable during the year ended 31 December 2021

Total Remuneration Bands – Year 2021	Number of Executives
HK$3,000,001 – HK$6,000,000	1
HK$6,000,001 – HK$9,000,000	1
HK$18,000,001 – HK$21,000,000	1

Discretionary bonuses included in the above table are related to the term of service in 2020 of senior management (other than directors), which were determined and paid during the year.

Audit Committee

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

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

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

The Audit Committee held two meetings in 2021. The agenda and accompanying committee papers were sent to the committee members more than 3 days prior to each meeting.

The Audit Committee discussed with the management and the external auditor on the key audit matters summarised below and procedures performed by the external auditor. Please refer to pages 130 to 132 of this Annual Report for details of procedures performed by the external auditor.

Key Audit Matters	How did the Audit Committee address the matters
Impairment assessment of goodwill	The Audit Committee considered the methodology, estimates and assumptions used in assessing the impairment of goodwill. The Audit Committee was satisfied that the methodology, estimates and assumptions adopted were considered appropriate.
Revenue recognition	The Audit Committee considered the implemented policies and internal controls in connection with the Group's revenue cycles and was satisfied that adequate internal controls are in place to ensure the accuracy, existence and completeness of the Group's revenue recognition. The Audit Committee was satisfied that the key internal controls were operating effectively throughout 2021.

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

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

Membership and Attendance

Members*	**Attendance/ Number of Meetings**
Independent Non-executive Directors	
Mr. Lam Yiu Kin – *Chairman*	2/2
Mr. Liu Li Qing (retired with effect from 9 December 2021)	2/2
Mr. Zuo Xunsheng	2/2
Non-executive Director	
Mr. Fei Yiping	2/2

* Mr. Wen Ku was appointed as member with effect from 1 February 2022.

During 2021, the Audit Committee has considered, inter alia, the external auditors' proposed audit fees; discussed with the external auditors their independence and the nature and scope of the audit; reviewed the interim and annual financial statements of the Group, particularly judgmental areas, before submission to the Board; reviewed the risk management and internal control system and the internal audit plan, findings and management's response; reviewed the Group's adherence to the code provisions in the Code and reviewed the risk management report before submitting to the Board for approval. The Audit Committee reviewed the Group's Sustainability Report to ensure compliance with regulatory requirements. The Audit Committee recommended the Board to adopt the interim and annual financial statements for 2021. The Audit Committee has also performed the corporate governance duties as set out in its terms of reference.

Nomination Committee

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

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

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

Three meetings were held in 2021. The composition of the Nomination Committee during the year as well as the meeting attendance of the committee members are as follows:

Membership and Attendance

Members*	**Attendance/ Number of Meetings**
Executive Director	
Mr. Xin Yue Jiang – *Chairman*	3/3
Non-executive Director	
Mr. Liu Jifu	3/3
Independent Non-executive Directors	
Mr. Liu Li Qing (retired with effect from 9 December 2021)	1/2
Mr. Zuo Xunsheng	3/3
Mr. Lam Yiu Kin	2/3

* Mr. Wen Ku was appointed as member with effect from 1 February 2022.

In 2021, the Nomination Committee reviewed the director nomination policy. The Nomination Committee has also reviewed and made recommendations to the Board on the appointment of new directors and has assessed the independence of independent non-executive directors and made recommendations to the Board on the re-election of the directors retiring at the 2021 AGM. The recommendations were made after considering the composition of the Board, the director nomination policy and the board diversity policy of the Company, with due regard to the overall effective function of the Board as a whole. The relevant members of the Nomination Committee abstained from voting when his own nomination was being considered. The Nomination Committee also reviewed the structure, size and diversity of the Board and discussed the measurable objectives, including knowledge, appropriate professional qualifications, relevant business background and experience, skills, related management expertise and agreed that these measurable objectives were achieved for the diversity on the Board which contributed to the corporate strategy and the business development of the Company.

Finance Committee

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

The Finance Committee currently comprises three executive directors, namely, Mr. Xin Yue Jiang, Mr. Cai Dawei and Mr. Luan Zhenjun. In 2021, a few resolutions in writing were passed by the Finance Committee to approve the opening or closure of bank accounts and the financial transactions of the Company such as acceptance of banking facilities.

Accountability and Audit

Financial Reporting

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

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

The responsibilities of the external auditor with respect to the financial statements for the year ended 31 December 2021 are set out in the Independent Auditor's Report on pages 129 to 134 of this Annual Report.

External Auditors and their Remuneration

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

During the year, the fees charged by PwC for the audit of the Company and its subsidiaries amounted to approximately HK$6,000,000. In addition, approximately HK$4,000,000 was charged by PwC for non-audit services. The non-audit services mainly consist of taxation services, interim review, advisory and other professional services. The fees charged by other auditors of the Group for audit services and non-audit services during the year amounted to approximately HK$2,000,000 and less than HK$1,000,000 respectively.

Risk Management and Internal Control

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

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

Risk management and internal control system features

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

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

Management process for significant risks

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

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

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

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

The Group's significant risks can be found in the "Risk Management" section on pages 38 to 46 of this Annual Report.

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

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

Risk factors	Impacts to the Group	Risk Mitigation Measures
Interest rate risk	The Group is exposed to interest rate risk through the impact of rate changes on interest from long term borrowings. The Group may be affected by changes in the prevailing interest rates of the global credit market. Any increase in interest rate in connection with the currencies the Group borrows will increase the Group's finance costs and may adversely affect the Group's financial condition and results of operations.	• Performing regular review to achieve a balance between minimising the Group's overall cost of fund and managing large interest rate movements, as well as having regard to the floating/fixed rate mix appropriate to its current business portfolio.
Outbreak of the COVID-19 pandemic	The outbreak will threaten the health of our employees and customers, and may impact the customers in reducing the use of Group's services.	• Heightening employees' vigilance and implementing employee work flexibility. • Carrying out precautionary measures (e.g. regular disinfection, wearing preventive equipment, etc.) to safeguard the health of our staff and customers. • Leveraging the Group's disaster recovery services and remote access solutions to help enterprise customers fight against the coronavirus, which is both aligned with our corporate social responsibility and to cultivate customer's habit on using these services.

Monitoring the effectiveness of risk management and internal control system

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

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

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

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

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

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

Internal Audit

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

Business Ethics

Code of conduct

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

Whistle-blowing policy

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

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

Inside Information/Price-Sensitive Information

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

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. All directors confirmed that they have complied with the required standard set out in the Model Code throughout 2021. The interests held by individual directors in the Company's securities at 31 December 2021 are set out in the Directors' Report on pages 87 to 89 of this Annual Report.

Good Employment Practices

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

Communication with shareholders

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

Information Disclosure on Corporate Website

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

During 2021, the Company has issued announcements in respect of, inter alia, some connected transactions which can be viewed on the Company's website (www.citictel.com).

Dividend Policy

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

General Meetings with Shareholders

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

Voting by Poll

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

Investor Relations

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

Shareholders' Rights

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

Convening of general meeting

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

The request –

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

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

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

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

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

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

Procedures for directing shareholders' enquiries to the Board

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

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

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

Procedures for putting forward proposals at general meetings by shareholders

- Circulating a resolution for an AGM

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

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

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

  The request –

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

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

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

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

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

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

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

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

  The request –

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

  (b) must identify the statement to be circulated;

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

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

- Proposing a candidate for election as a Director

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

Constitutional Documents

There are no changes in the constitutional documents of the Company in 2021.

Non-Competition Undertaking

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

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

DIRECTORS

Executive Directors

#^ **Mr. Xin Yue Jiang**, aged 73, has been appointed as the Chairman of the Company from 19 March 2009. He joined the Company in January 2008 as executive director and Vice Chairman of the Board. Mr. Xin is also the Chairman of Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") and CITIC Telecom International CPC Limited ("CPC"), both being subsidiaries of the Company. Mr. Xin graduated from China Naval Aeronautic Engineering Institute and Central University of Finance and Economics and obtained a Master degree in Economics and Management from the Graduate School of Chinese Academy of Social Sciences. After serving a substantial period of time in the government of the People's Republic of China (the "PRC") in which Mr. Xin was involved in the administration of science, technology information and economics, Mr. Xin joined in succession various major conglomerates as senior management, researcher or chief engineer. When Mr. Xin was with China Netcom (Hong Kong) Operations Limited, he held the position of Senior Vice President and Senior Consultant. Mr. Xin had also participated in the planning, implementation and management of many different important state projects. Mr. Xin thus possesses extensive knowledge and experience in science and technology information, business operation and management, and capital market operation. Since 1985, Mr. Xin has joined many different overseas studies and visits, and gained many valuable experiences in promoting co-operation with overseas enterprises, technology exchange, product research and development, and product marketing. Mr. Xin has long participated in the study and research of corporate governance and corporate culture, in particular the characteristics of Western economy and the corporate governance practices adopted by overseas enterprises, and has made significant achievement in that regard.

^ **Mr. Cai Dawei**, aged 45, has been an executive director and the Chief Executive Officer of the Company since 28 February 2020. He is also the Vice Chairman of CPC and China Enterprise ICT Solutions Limited ("CEC", a subsidiary of the Company) and Corporate Representative of the Company in the board of CTM. Mr. Cai joined the Company in August 2009. He was a member of Corporate Management as from July 2015 and was appointed as the Vice President of the Company in December 2016. He was also a director of CTM for the period from June 2013 to January 2019, participating profoundly in the management and innovative development of CTM. Mr. Cai obtained a Bachelor degree in Telecom Engineering from Beijing University of Posts and Telecommunications in 1998, and received a Master degree in Business Administration from the University of International Business and Economics in 2005. Prior to joining the Company, Mr. Cai held various positions within China Telecommunications Corporation and China Netcom Corporation during 1998 to 2009, and he was Vice President of China Netcom (Hong Kong) Operations Limited. To date, Mr. Cai has over 23 years' practical experience in the field of telecommunications, and has a deep understanding and achievement in business operation and management, communication and information technology development, new business expansion and network operation management.

^ **Mr. Luan Zhenjun**, aged 55, has been a director of the Company since 1 February 2022. He is also a director of CTM, CPC and CEC. Prior to joining the Group, Mr. Luan has been a director of CITIC Pacific Limited[2], certain member companies of CITIC Pacific involved in property, special steel, tunnel management and medical, etc., certain member companies of CITIC Limited[3,9] involved in iron ore mining, property and holding interests in McDonald's mainland China and Hong Kong businesses, and also a director of CITIC Pacific Special Steel Group Co., Ltd.[7], CITIC Finance Company Limited[5] and CITIC Finance International Limited[5]. The handover and resignation procedures in relation to these positions of Mr. Luan are still in progress[Note]. Mr. Luan was also the deputy director-general of the finance department of CITIC Group Corporation[1], the Vice President of the treasury department of CITIC Limited, the Vice President and Treasurer of CITIC Pacific and a director of Dah Chong Hong Holdings Limited[8]. Mr. Luan has over 20 years of experience in treasury management.

Note: The above information is updated to the latest practicable date prior to the printing of this Annual Report. As for the changes after that date, the Company will make disclosures in 2022 Interim Report in accordance with the requirements of the Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange

Non-Executive Directors

Mr. Wang Guoquan, aged 49, has been a director of the Company since 4 March 2021. Mr. Wang is currently the Vice President of CITIC Group, and concurrently serves as the Vice President of CITIC Limited and CITIC Corporation Limited[4], Chairman of CITIC Agriculture., LTD.[5], and Deputy Chairman of the Board and a non-executive director of Asia Satellite Telecommunications Holdings Limited. Mr. Wang obtained an executive master degree of business administration (EMBA) from Business School, Renmin University of China. Mr. Wang had successively served as the Deputy General Manager and the General Manager of China Telecom Hebei branch and the General Manager of the marketing department of China Telecommunications Corporation. He became the Vice President of China Telecommunications Corporation since December 2018. Then, he was the Executive Vice President of China Telecom Corporation Limited ("China Telecom")[9] from March 2019 and an Executive Director of China Telecom from August 2019, both until December 2020. From May 2017 to August 2019, he was a Director of Besttone Holding Co., Ltd.[11]. Mr. Wang has extensive experience in management and the telecommunications industry.

[Δ#] **Mr. Liu Jifu**, aged 78, has been a director of the Company since November 2010. He is also the Chairman of the Supervisory Board of CTM. Mr. Liu is a director of CITIC Pacific, CITIC Hong Kong (Holdings) Limited[4] and CITIC International Financial Holdings Limited[4]. Mr. Liu previously served as an executive director of CITIC Limited. He was with the Financial and Economics Research Institute in the Chinese Academy of Social Sciences, an executive director of China Everbright Group Limited, and the Chairman of China Everbright Travel Inc and China PINGHE Import & Export Co., Ltd.

* **Mr. Fei Yiping**, aged 58, has been a director of the Company since June 2016. He is also a director and the chief financial officer of CITIC Pacific, a Vice Chairman and President of CITIC Pacific China Holdings Limited[6], a non-executive director of Frontier Services Group Limited[9], an executive director and general manager of Rainbow Wisdom Investments Limited[4], a director of Dah Chong Hong, CITIC Finance Company Limited[5] and CTM, and also a director of certain member companies of CITIC Pacific involved in special steel, property, energy and medical and a director of certain member companies of CITIC Limited involved in iron ore mining, property and its interests in McDonald's mainland China and Hong Kong businesses (including, inter alia, Grand Foods Holdings Limited), and also the Chairman of the Audit, Compliance and Risk Management Committee of Grand Foods Holdings Limited. Mr. Fei was also a non-executive director of the Company during the period from January 2010 to February 2013. Mr. Fei is a graduate from Beijing Science and Technology University and received a Master in Business Administration from the University of Edinburgh in the United Kingdom. Mr. Fei is a FCPA of CPA Australia. He has over 25 years experience in accounting and financial management. He has been with CITIC Group since 1991. Between 2001 and 2008, Mr. Fei first acted as treasurer and director of CitiSteel USA, Inc. and then as vice president of CITIC USA Holdings, Inc. and chief representative of CITIC Group in New York. When he returned to China in 2008, he became deputy director-general of the finance department of CITIC Group.

Independent Non-Executive Directors

[*Δ#] **Mr. Zuo Xunsheng**, aged 71, joined the Company as an independent non-executive director in April 2014. He obtained an EMBA degree from Guanghua School of Management of Peking University in 2004. From July 1993 to October 1997, Mr. Zuo served as the Director of the former Bureau of Telecommunications of Jinan City, Shandong Province. From October 1997 to May 2000, he served as the Director of the former Posts and Telecommunications Bureau of Shandong Province. He was the President of the former Shandong Telecommunications Company from May 2000 to April 2002.

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

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

*Δ# **Mr. Lam Yiu Kin**, aged 67, joined the Company as an independent non-executive director in June 2017. Mr. Lam is a fellow member of each of the Association of Chartered Certified Accountants, the Institute of Chartered Accountants in England and Wales, the Chartered Accountants of Australia and New Zealand, and Hong Kong Institute of Certified Public Accountants ("HKICPA"). He graduated from The Hong Kong Polytechnic University with a higher diploma in Accountancy in 1975. He was conferred an Honorary Fellow of The Hong Kong Polytechnic University in 2002.

Mr. Lam has over 46 years of extensive experience in accounting, auditing and business consulting. Mr. Lam was previously a member of the Listing Committee and the Financial Reporting Advisory Panel of the Stock Exchange from 1997 to 2003, a committee member of HKICPA from 1994 to 2009, and a partner of PricewaterhouseCoopers from 1993 to 2013. Mr. Lam was an adjunct professor in the School of Accounting and Finance of The Hong Kong Polytechnic University from 2008 to 2016.

Mr. Lam is currently an independent non-executive director of each of (i) Global Digital Creations Holdings Limited[10]; (ii) Spring Asset Management Limited as the manager of Spring Real Estate Investment Trust[9]; (iii) Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.[9,12]; (iv) Shougang Century Holdings Limited[9] (formerly known as Shougang Concord Century Holdings Limited); (v) COSCO SHIPPING Ports Limited[9]; (vi) Nine Dragons Paper (Holdings) Limited[9]; (vii) WWPKG Holdings Company Limited[10]; and (viii) Topsports International Holdings Limited[9]. Mr. Lam was an independent non-executive director of Vital Innovations Holdings Limited[9] until 31 October 2020 and an independent non-executive director of Bestway Global Holding Inc. whose shares were withdrawn from listing on the Stock Exchange on 12 October 2021, until 31 December 2021.

*Δ# **Mr. Wen Ku**, aged 61, joined the Company as an independent non-executive director in February 2022. He obtained a doctorate degree of Business Administration (DBA) from The Hong Kong Polytechnic University in 2000, a master degree of Business Administration (MBA) from Norwegian School of Management in 1998 and a master degree of Science from Beijing University of Posts and Telecommunications in 1987. Mr. Wen was granted the title of professorate senior engineer in 2000. Since 1987, Mr. Wen had successively served as the Deputy Director of the Network Management Center, Director of the Network Management Center, Director of the Data Communications Bureau, Shandong Province and the Deputy Chief Engineer of Posts and Telecommunications Administration, Shandong Province. He became the Network Management Center Director of the Directorate General of Telecommunications of the MPT[A] in 1995; the Deputy Director General of Department of Science and Technology of the MPT[A] in September 1997; the Deputy Director General of Department of Science and Technology of the MII[B] in 1998; the Deputy Director General of the Department of Telecommunications Administration Bureau of the MII[B] in 2001; the Director General of Department of Science and Technology of the MII[B] in 2002; the Director General of Department of Science and Technology of the MIIT[C] in 2008; the Director General of Information Communication Development Department of the MIIT[C] in November 2013 and Vice Chairman and Secretary General of China Communications Standards Association in April 2021. Mr. Wen has extensive experience in information and communications technology, development and in supervision and management in telecommunications.

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

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

1 *"CITIC Group", the ultimate controlling shareholder of the Company*
2 *"CITIC Pacific", the controlling shareholder of the Company and a subsidiary of CITIC Group*
3 *the controlling shareholder of the Company and a subsidiary of CITIC Group*
4 *a subsidiary of CITIC Group*
5 *a subsidiary of CITIC Limited*
6 *a subsidiary of CITIC Pacific*
7 *a fellow subsidiary of the Company and listed on Shenzhen Stock Exchange*
8 *"Dah Chong Hong", a fellow subsidiary of the Company whose shares were withdrawn from listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 January 2020*
9 *listed on the Main Board of the Stock Exchange*
10 *listed on the Growth Enterprise Market of the Stock Exchange*
11 *listed on the Shanghai Stock Exchange in the PRC*
12 *listed on the STAR Market of the Shanghai Stock Exchange in the PRC on 19 June 2020*

SENIOR MANAGEMENT

Mr. Poon Fuk Hei, aged 56, is the Executive Vice President of the Company, Chief Executive Officer ("CEO") and Chairman of the Executive Committee of CTM. Mr. Poon joined CTM in 1987, who became the CEO of CTM in 2007 and has been playing a pivotal role for the sustainable development of CTM.

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

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

Mr. Wong Ching Wa, aged 47, is the Vice President of the Company. Mr. Wong joined the Company in January 2008 as director of China business department and was responsible for China market and business development of the head office. Mr. Wong is a director of CTM, a director and the CEO of CPC and a director and President of CEC. Mr. Wong obtained a Bachelor degree of Telecom Engineering Management from Beijing Information Technology College in 1996 and a Master degree of Engineering Management from Sichuan University in 2002. Mr. Wong previously held management positions in different telecoms and technology companies in the PRC. Before joining the Company, he was the General Manager of operations management department of China Netcom (Hong Kong) Operations Limited. To date, Mr. Wong has more than 25 years experience in the telecoms industry.

Mr. Ip Hon Chung, Dickson, aged 51, is the Chief Technology Officer of the Company. Mr. Ip joined the Company in November 2006. He was responsible for the areas of engineering, information technology, business and management information system and development. He obtained a Bachelor degree in Information Engineering from the Chinese University of Hong Kong ("CUHK") in 1994 and received a Master degree in Information Engineering from CUHK in 1998. Prior to joining the Company, he held various technical positions in New World PCS Ltd. To date, Mr. Ip has over 26 years practical experience in the field of telecommunications and information technology.

The directors have pleasure in submitting their Annual Report together with the audited financial statements for the year ended 31 December 2021.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 14 to the financial statements. A fair review of the business of the Company and further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, important events affecting the Group occurred since the end of the financial year 2021, if any, and indication of likely future developments of the Group's business, can be found in the Chairman's Statement, the Business Review, the Financial Review and the Risk Management set out on pages 14 to 19, pages 22 to 30, pages 31 to 37 and pages 38 to 46 of this Annual Report respectively. This discussion forms part of this Directors' Report.

The environmental, employees, customers and suppliers matters and compliance with relevant laws and regulations that have a significant impact on the Company can be found in the Risk Management, the Corporate Governance and the Sustainability Report as set out on pages 38 to 46, pages 48 to 70 and pages 95 to 128 of this Annual Report respectively.

DIVIDENDS

The directors declared an interim dividend of HK5.5 cents (2020: HK5.0 cents) per share in respect of the year ended 31 December 2021 which was paid on 29 September 2021. The directors recommended, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 23 May 2022 (the "Annual General Meeting"), the payment of a final dividend of HK17.0 cents (2020: HK16.0 cents) per share in respect of the year ended 31 December 2021 payable on 13 June 2022 to shareholders on the Register of Members at the close of business on 31 May 2022.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	5.1%	
Five largest customers in aggregate	17.0%	
The largest supplier		23.0%
Five largest suppliers in aggregate		61.7%

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

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$1,184,000 (2020: HK$889,000).

DIRECTORS

The directors of the Company who held office during the year ended 31 December 2021 and up to the date of this report were:

Mr. Xin Yue Jiang
Mr. Cai Dawei
Mr. Luan Zhenjun (appointed with effect from 1 February 2022)
Mr. Esmond Li Bing Chi (retired with effect from 1 February 2022)
Mr. Wang Guoquan (appointed with effect from 4 March 2021)
Mr. Liu Zhengjun (resigned with effect from 4 March 2021)
Mr. Liu Jifu
Mr. Fei Yiping
Mr. Liu Li Qing (retired with effect from 9 December 2021)
Mr. Zuo Xunsheng
Mr. Lam Yiu Kin
Mr. Wen Ku (appointed with effect from 1 February 2022)

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

In addition, pursuant to Article 104(A) of the Articles of Association of the Company, Messrs. Xin Yue Jiang and Liu Jifu shall retire by rotation in the Annual General Meeting. All, being eligible, offer themselves for re-election.

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31 December 2021 or during the period from 1 January 2022 to the date of this Report are available on the Company's website at www.citictel.com.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2021, there were no service contracts which were not determinable by the employer within one year without payment of compensation (other than statutory compensation) between any company in the Group and any director of the Company proposed for re-election at the Annual General Meeting.

INDEMNITY OF DIRECTORS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

Connected transaction and continuing connected transactions conducted in the financial year ended 31 December 2021 are disclosed in accordance with the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as follows:

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

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

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

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

	For the financial year ended 31 December 2021	**For the period from 1 January to 6 August 2022**
RMB (in million)	53.33	35.77

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

   The aggregate service fees paid by CEC to CITIC Networks under the Supplemental Agreement for the year ended 31 December 2021 was approximately RMB19.71 million.

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

   Under the 2018 DCH Tenancy Agreement, the monthly rental (exclusive of government rent, rates and management charges and other outgoings) is approximately HK$1,178,000 and the monthly management charges is approximately HK$192,000.

   The annual cap (including the aggregate rentals, the management charges and other outgoings) payable by DCH Holdings to the Group under the 2018 DCH Tenancy Agreement was HK$9,000,000 for the period from 1 January 2021 to 31 May 2021.

As the 2018 DCH Tenancy Agreement expired on 31 May 2021, Neostar, as landlord, and DCH Holdings, as tenant, had entered into a new tenancy agreement (the "2021 DCH Tenancy Agreement") on 26 May 2021 to renew the 2018 DCH Tenancy Agreement for a new term of three years from 1 June 2021 to 31 May 2024 (both days inclusive).

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

The annual caps for the fees (including the aggregate rentals, the management charges and other outgoings) payable by DCH Holdings to the Group under the 2021 DCH Tenancy Agreement are set out below:

	For the period from 1 June to 31 December	For the financial years ending 31 December		For the period from 1 January to 31 May
	2021	2022	2023	2024
HK$ (in million)	11.0	18.5	19.0	8.5

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

The aggregate amounts (including the aggregate rentals, the management charges and other outgoings) paid by DCH Holdings under (i) the 2018 DCH Tenancy Agreement for the period from 1 January 2021 to 31 May 2021; and (ii) the 2021 DCH Tenancy Agreement for the period from 1 June 2021 to 31 December 2021 were approximately HK$6.9 million and HK$9.7 million respectively.

3. On 11 June 2018, the Company entered into a framework agreement (the "2018 Framework Agreement") with CITIC Group for a term from 11 June 2018 to 31 May 2021 (both days inclusive), which set out, inter alia, the basis upon which the Company and its subsidiaries (the "Group") shall provide the services as defined hereunder to CITIC Group, its subsidiaries and associates (excluding the Group) (collectively the "CITIC Group Members") in its ordinary and usual course of business.

   As the 2018 Framework Agreement expired on 31 May 2021, the Company and CITIC Group entered into a new framework agreement (the "2021 Framework Agreement") on 1 June 2021, pursuant to which members of the Group shall continue to provide the services as defined hereunder to the CITIC Group Members for a term of three years from 1 June 2021 to 31 May 2024 (both days inclusive). The terms of the 2021 Framework Agreement as described below are basically the same for both the 2018 Framework Agreement and the 2021 Framework Agreement, unless otherwise specified.

a) *Internet Data Centre Services (the “Data Centre Services”)*

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

The Data Centre Services shall generally be provided on the basis of the Group’s standard service order form, which has incorporated the general terms and conditions of service of the relevant members of the Group. Subject to the guidelines and terms and conditions set out in the 2018 Framework Agreement and the 2021 Framework Agreement respectively, the terms and conditions of such standard service order form may be modified to cater for specific requirements of some customers, when necessary.

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

The annual cap for the provision of the Data Centre Services contemplated for the period from 1 January 2021 to 31 May 2021 under the 2018 Framework Agreement was HK$30.9 million; and the annual caps for provision of Data Centre Services contemplated under the 2021 Framework Agreement are set out below:

	For the period from 1 June to 31 December 2021	**For the financial years ending 31 December 2022**	**2023**	**For the period from 1 January to 31 May 2024**
HK$ (in million)	10.7	26.8	36.4	20.6

The aggregate service fees paid by the CITIC Group Members under (i) the 2018 Framework Agreement for the period from 1 January 2021 to 31 May 2021; and (ii) the 2021 Framework Agreement for the period from 1 June 2021 to 31 December 2021 in relation to the Data Centre Services were approximately HK$4.9 million and HK$6.8 million respectively.

b) *Virtual Private Network Services (the “VPN Services”)*

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

* *The transmission of voice applies to the 2018 Framework Agreement only*

The VPN Services shall generally be provided on the basis of the Group’s standard service order form, which has incorporated the general terms and conditions of service of the relevant members of the Group. Subject to the guidelines and terms and conditions set out in the 2018 Framework Agreement and the 2021 Framework Agreement respectively, the terms and conditions of such standard service order form may be modified to cater for specific requirements of some customers, when necessary.

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

The annual cap for the provision of the VPN Services contemplated for the period from 1 January 2021 to 31 May 2021 under the 2018 Framework Agreement was HK$39.5 million; and the annual caps for the provision of the VPN Services contemplated under the 2021 Framework Agreement are set out below:

	For the period from 1 June to 31 December 2021	For the financial years ending 31 December 2022	2023	For the period from 1 January to 31 May 2024
HK$ (in million)	21.3	51.4	67.4	35.4

The aggregate service fees paid by the CITIC Group Members under (i) the 2018 Framework Agreement for the period from 1 January 2021 to 31 May 2021; and (ii) the 2021 Framework Agreement for the period from 1 June 2021 to 31 December 2021 in relation to the VPN Services were approximately HK$11.3 million and HK$16.7 million respectively.

c) *The Internet Access Services*

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

The Internet Access Services shall generally be provided on the basis of the Group's standard service order form, which has incorporated the general terms and conditions of service of the relevant members of the Group. Subject to the guidelines and terms and conditions set out in the 2018 Framework Agreement and the 2021 Framework Agreement respectively, the terms and conditions of such standard service order form may be modified to cater for specific requirements of some customers, when necessary.

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

The annual cap for the provision of the Internet Access Services contemplated for the period from 1 January 2021 to 31 May 2021 under the 2018 Framework Agreement was HK$14.1 million; and the annual caps for the provision of the Internet Access Services contemplated under the 2021 Framework Agreement are set out below:

	For the period from 1 June to 31 December 2021	For the financial years ending 31 December 2022	2023	For the period from 1 January to 31 May 2024
HK$ (in million)	6.3	19.1	31.7	20.6

The aggregate service fees paid by the CITIC Group Members under (i) the 2018 Framework Agreement for the period from 1 January 2021 to 31 May 2021; and (ii) 2021 Framework Agreement for the period from 1 June 2021 to 31 December 2021 in relation to the Internet Access Services were approximately HK$2.9 million and HK$4.4 million respectively.

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

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

The maximum amounts (including the rentals, the management charges, other charges and other outgoings such as rentals for car parking spaces to be leased by Tendo to CTI from time to time) payable by CTI to Tendo under the 2018 Main Premises Tenancy Agreement for the period from 1 January 2021 to 19 September 2021 was HK$8,500,000.

The aggregate amounts paid by CTI to Tendo under the 2018 Main Premises Tenancy Agreement for the period from 1 January 2021 to 19 September 2021 was approximately HK$7.9 million.

Pursuant to a main premises renewal option agreement dated 21 August 2015 entered into between CTI and Tendo, upon expiration of the 2018 Main Premises Tenancy Agreement on 19 September 2021, CTI shall have the option to renew the lease of the Main Premises for a further term commencing from 20 September 2021 to 19 September 2024 subject to the terms thereof (the "Option").

On 13 September 2021, CTI exercised the Option and entered into a new tenancy agreement (the "2021 Main Premises Tenancy Agreement") with Tendo for renewing the 2018 Main Premises Tenancy Agreement in respect of the Main Premises for a new term of three years from 20 September 2021 to 19 September 2024 (both days inclusive), with an aggregate monthly rental of (i) approximately HK$822,000 for the period from 20 September 2021 to 19 September 2023; and (ii) approximately HK$834,000 for the period from 20 September 2023 to 19 September 2024 (the "Rent"). CTI shall also pay its share of management charges in respect of the Main Premises, being approximately HK$79,000 per month, subject to revision. CTI shall also be responsible for the payment of its own utility charges, government rates and government rent in respect of the Main Premises during the term of the 2021 Main Premises Tenancy Agreement. The amounts of the management charges and utility charges payable monthly by CTI to Tendo under the 2021 Main Premises Tenancy Agreement, and other outgoings in respect of the Main Premises (such as rentals for car parking spaces to be leased by Tendo to CTI from time to time) payable by CTI to Tendo during the term of the 2021 Main Premises Tenancy Agreement ("Other Charges") payable by CTI to Tendo shall not exceed HK$2,000,000 for each of (1) the period from 20 September 2021 to 31 December 2021; (2) the financial year ending 31 December 2022; (3) the financial year ending 31 December 2023; and (4) the period from 1 January 2024 to 19 September 2024.

In accordance with HKFRS 16 applicable to the Group, the payment to be made by the Group contemplated under the 2021 Main Premises Tenancy Agreement comprise different components and hence different accounting treatments will apply. The Group will recognise the Rent as an acquisition of right-of-use asset taking into account the aggregate discounted amount of the Rent in accordance with HKFRS 16, which is estimated to be approximately HK$29,200,000 (subject to audit). Such acquisition of right-of-use asset will constitute a one-off connected transaction for the Company under Chapter 14A of the Listing Rules.

The Other Charges will be recognised as expenses in the Group's profit and loss accounts in the periods in which they are incurred, and the payment of such expenses will be regarded as a continuing connected transaction for the Company. The payment of the Other Charges constitutes a de minimis transaction and is fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

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

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

	For the financial year ended 31 December 2021	**For the period from 1 January to 23 June 2022**
RMB (in million)	250.60	144.10

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

   The aggregate service fees paid by CEC-HK and CPC to CEC under the Service Agreement for the year ended 31 December 2021 was approximately RMB5.3 million.

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

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

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

   Throughout the year of 2021, the highest balance of the funds advanced by CPC to CEC under the Funding Support Agreement was RMB15 million.

7. On 18 February 2020, CEC and 廣東盈通網絡投資有限公司 (Guangdong Eastern Fibernet Investment Company Limited) ("Guangdong Eastern Fibernet") entered into a services agreement (the "2020 SDH Services Agreement"), pursuant to which CEC shall engage Guangdong Eastern Fibernet as service provider for the provision of Synchronous Digital Hierarchy ("SDH", a kind of telecommunications technology for signal transmission) circuit services, such as leasing of circuits and racks for data networking (the "SDH Services") to CEC for a term of three years from 19 February 2020 to 18 February 2023.

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

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

	For the financial year ended 31 December 2021	**For the financial year ending 31 December 2022**	**For the period from 1 January to 18 February 2023**
RMB (in million)	16.50	19.80	3.25

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

   The aggregate service fees paid by CEC to Guangdong Eastern Fibernet under the 2020 SDH Services Agreement for the year ended 31 December 2021 was approximately RMB9.5 million.

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

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

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

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

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

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

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

The aggregate amount paid to Hang Luen Chong under the Management Services Agreement for the year ended 31 December 2021 was approximately HK$12.9 million.

9. On 30 September 2021, the Company entered into a financial services framework agreement with each of (i) China CITIC Bank International Limited ("China CITIC Bank International"); (ii) CITIC Finance Company Limited ("CITIC Finance"); and (iii) CITIC Finance International Limited ("CITIC Finance International") (collectively, the "Financial Services Framework Agreements"), pursuant to which members of the Group will engage China CITIC Bank International, CITIC Finance and CITIC Finance International respectively for the provision of deposit and settlement services for a term of three years from 30 September 2021 to 29 September 2024 (both days inclusive). The consideration for the transactions contemplated under the Financial Services Framework Agreements shall be paid in accordance with the specific terms as agreed in the separate agreements to be entered into between the relevant member of the Group and China CITIC Bank International, CITIC Finance or CITIC Finance International from time to time.

a) Deposit Services

The interest rates for the deposits to be placed with each of China CITIC Bank International, CITIC Finance and CITIC Finance International by the Group shall not be lower than the highest interest rates for comparable category of deposits offered by other major commercial banks with which the relevant member of the Group has established business relationship.

The aggregate amounts of the maximum daily outstanding balance of deposits (including accrued interests) to be placed by the Group with China CITIC Bank International, CITIC Finance and CITIC Finance International pursuant to the Financial Services Framework Agreements is HK$372 million for each of (1) the period from 30 September 2021 to 31 December 2021; (2) the financial year ending 31 December 2022; (3) the financial year ending 31 December 2023; and (4) the period from 1 January 2024 to 29 September 2024.

b) *Settlement Services*

Pursuant to the Financial Services Framework Agreements, the Group shall engage China CITIC Bank International, CITIC Finance and CITIC Finance International respectively for the provision of settlement services. The service fees to be charged by each of China CITIC Bank International, CITIC Finance and CITIC Finance International for the provision of settlement services to the Group shall not be higher than the lowest service fees for comparable category of settlement services charged by other major commercial banks with which the relevant member of the Group has established business relationship.

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

Each of China CITIC Bank International, CITIC Finance and CITIC Finance International is a subsidiary of CITIC Limited. Accordingly, each of China CITIC Bank International, CITIC Finance and CITIC Finance International is a connected person of the Company.

The highest aggregate amounts of the daily outstanding balance of deposits (including accrued interests) placed by the Group with China CITIC Bank International, CITIC Finance and CITIC Finance International pursuant to the Financial Services Framework Agreements for the period from 30 September 2021 to 31 December 2021 was approximately HK$364 million.

Review of the Continuing Connected Transactions:

The independent non-executive directors of the Company have reviewed the aforesaid continuing connected transactions conducted in the year ended 31 December 2021 and confirmed that the transactions had been entered into

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*" and with reference to Practice Note 740 (Revised) "*Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Group on pages 77 to 85 of this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Related Party Transactions:

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

SHARE OPTION PLAN

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

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

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

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

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

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

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

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

Particulars of the outstanding share options granted under the Plan and their movements during the year ended 31 December 2021 are as follows:

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

The first 50% of the share options granted on 24 March 2015 have expired at the close of business on 23 March 2021. The above outstanding options granted and accepted under the Plan can be exercised in whole or in part within 5 years from the date of commencement of the exercise period. No options were granted nor cancelled during the year ended 31 December 2021.

A summary of the movements of the share options during the year ended 31 December 2021 is as follows:

A. Directors of the Company

			Number of share options				
Name of director	Date of grant	Exercise period	Balance as at 1.1.2021	Exercised during the year ended 31.12.2021	Lapsed during the year ended 31.12.2021	Balance as at 31.12.2021	Percentage to the number of issued shares %
Xin Yue Jiang	24.3.2015	24.3.2016 – 23.3.2021	1,787,500	–	1,787,500	–	
	24.3.2015	24.3.2017 – 23.3.2022	1,787,500	1,787,000 *(Note 1)*	–	500	
	24.3.2017	24.3.2018 – 23.3.2023	1,787,500	1,787,000 *(Note 1)*	–	500	
	24.3.2017	24.3.2019 – 23.3.2024	1,787,500	1,787,000 *(Note 1)*	–	500	
						1,500	0.00004
Esmond Li Bing Chi	24.3.2015	24.3.2017 – 23.3.2022	726,000	726,000 *(Note 2)*	–	–	
						–	–
Liu Jifu	24.3.2015	24.3.2017 – 23.3.2022	1,000,000	1,000,000 *(Note 3)*	–	–	
	24.3.2017	24.3.2019 – 23.3.2024	1,000,000	–	–	1,000,000	
						1,000,000	0.027
Fei Yiping	24.3.2017	24.3.2018 – 23.3.2023	500,000	–	–	500,000	
	24.3.2017	24.3.2019 – 23.3.2024	500,000	–	–	500,000	
						1,000,000	0.027

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

		Number of share options			
Date of grant	**Exercise period**	**Balance as at 1.1.2021**	**Exercised during the year ended 31.12.2021** *(Note 4)*	**Lapsed during the year ended 31.12.2021** *(Note 5)*	**Balance as at 31.12.2021**
24.3.2015	24.3.2016 – 23.3.2021	8,229,567	789,000	7,440,567	–
24.3.2015	24.3.2017 – 23.3.2022	12,110,750	3,984,000	117,000	8,009,750
24.3.2017	24.3.2018 – 23.3.2023	11,506,000	3,014,000	145,000	8,347,000
24.3.2017	24.3.2019 – 23.3.2024	15,604,000	3,522,000	165,000	11,917,000

Notes:

1. The weighted average closing price of the shares immediately before the dates on which Mr. Xin Yue Jiang exercised the options was HK$2.73.

2. The weighted average closing price of the shares immediately before the dates on which Mr. Esmond Li Bing Chi exercised the options was HK$2.78.

3. The weighted average closing price of the shares immediately before the date on which Mr. Liu Jifu exercised the options was HK$2.85.

4. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$2.78.

5. These are in respect of options i) granted to some employees under continuous contracts who have subsequently resigned; or ii) lapsed upon expiry of the relevant share options.

DIRECTORS' INTERESTS IN SECURITIES

The interests of the directors of the Company in shares of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as at 31 December 2021 as recorded in the register required to be kept under section 352 of the SFO were as follows:

1. Shares in the Company and Associated Corporations

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

2. Share Options in the Company

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

Save as disclosed above, as at 31 December 2021, none of the directors of the Company had nor were they taken to or deemed to have, under Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, the interests of the substantial shareholders, other than the directors of the Company or their respective associates, in the shares of the Company as recorded in the register of interests in shares and short positions required to be kept under section 336 of the SFO were as follows:

Name	**Number of shares of the Company**	**Percentage to the number of issued shares** %
CITIC Group	2,129,345,175	57.82
CITIC Polaris Limited	2,129,345,175	57.82
CITIC Glory Limited	2,129,345,175	57.82
CITIC Limited	2,129,345,175	57.82
CITIC Corporation Limited	2,129,345,175	57.82
CITIC Investment (HK) Limited	2,129,345,175	57.82
Silver Log Holdings Ltd.	2,129,345,175	57.82
CITIC Pacific Limited ("CITIC Pacific")	2,129,345,175	57.82
Crown Base International Limited	2,129,345,175	57.82
Effectual Holdings Corp.	2,129,345,175	57.82
CITIC Pacific Communications Limited	2,129,345,175	57.82
Douro Holdings Inc.	2,129,345,175	57.82
Ferretti Holdings Corp.	2,129,345,175	57.82
Ease Action Investments Corp.	2,129,345,175	57.82
Peganin Corp.	2,129,345,175	57.82
Richtone Enterprises Inc.	2,129,345,175	57.82

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

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

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

The Company and the controlling shareholders of the Company have entered into the following contracts of significance which were subsisting during the year ended 31 December 2021:

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

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

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

Apart from the above and the transactions as mentioned in the section of "Connected Transaction and Continuing Connected Transactions", none of the Company or any of its subsidiaries has entered into any other contract of significance with the Company's controlling shareholders or their subsidiaries which were subsisting during the year ended 31 December 2021.

EQUITY-LINKED AGREEMENTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

BORROWINGS AND ISSUE OF GUARANTEED BONDS

On 5 March 2013, CITIC Telecom International Finance Limited (“CITIC Telecom International Finance”), a wholly-owned subsidiary of the Company, issued US$450 million 6.1% guaranteed bonds due 2025 (the “Bonds”) to professional investors pursuant to a subscription agreement made between the Company (as guarantor), CITIC Telecom International Finance and CITIC Securities Corporate Finance (HK) Limited, Deutsche Bank AG, Singapore Branch, Standard Chartered Bank and UBS AG, Hong Kong Branch on 26 February 2013 for financing part of the consideration paid by the Company in respect of the acquisition of 79% interest in Companhia de Telecomunicações de Macau, S.A.R.L. The Bonds are listed on the Stock Exchange on 6 March 2013. All of the Bonds remained outstanding as at 31 December 2021.

Particulars of borrowings of the Group as at 31 December 2021 are set out in note 23 to the financial statements.

SHARE CAPITAL

During the year ended 31 December 2021, a total of 18,396,000 shares of the Company were issued upon the exercise of share options granted under the Plan as mentioned in the section of “Share Option Plan”.

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

CONFIRMATION OF INDEPENDENCE

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

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 47 of this Annual Report.

PROPERTY

Particulars of the property held for investment of the Group are shown on page 217 of this Annual Report.

RETIREMENT SCHEMES

The Group operates a defined benefit retirement plan and several defined contribution retirement plans. Particulars of the retirement schemes are set out in note 25 to the financial statements.

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

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

AUDITOR

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

By Order of the Board
Xin Yue Jiang
Chairman

Hong Kong, 15 March 2022

FORWARD LOOKING STATEMENTS

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

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

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

WE CONNECT THE GREEN

SUSTAINABILITY REPORT

Our Sustainability Core Values

The Group is committed to fulfilling its corporate social responsibility as an indispensable part of its core business strategy and philosophy. The Group has set the principle of "People and Community" as the foundation of its sustainability vision, and is dedicated to integrating this vision into our daily operations to drive sustainable business development.

The Group has taken an active approach to contribute in various sustainability aspects, including environmental protection, employee training and development, operating practices and community engagement. We strive to work in collaboration with our stakeholders, and create win-win situations for the Group, our shareholders, customers, employees, business partners, and the community.

Board Statement on Environmental, Social and Governance Matters

The Board takes full responsibility for the environmental, social and governance ("ESG") issues of the Group. The Board is responsible for overseeing corporate ESG strategy, performance and reporting. The Board delegates its Audit Committee to provide oversight of ESG matters of the Group. The Audit Committee is in charge of formulating and reviewing the ESG directions and strategies, monitoring and reviewing the identification and management of material issues and progress of our sustainability targets, and reviewing our sustainability reports to ensure compliance. The Audit Committee holds meeting twice a year on the Group's ESG issues and provides reports regularly to the Board to ensure that an effective management and internal control system is in place.

The Group identifies, assesses and prioritizes the importance of various ESG issues relating to the Group and its stakeholders through ongoing consultation with internal and external stakeholders. Mitigation measures are developed and implemented in accordance with the prioritization of these issues and are highlighted in the Group's sustainability report to address stakeholders' concerns. For details of the stakeholder engagement process and the results of the materiality analysis, please refer to the "Materiality Analysis" section of this report.

Sustainability Governance Structure

The Group maintains a robust corporate governance system, which lays a solid foundation for the Group's sustainable business growth. The Group's well-organised sustainability governance structure leads us in the journey of sustainable development, creating long-term business value.

The Group has an established sustainability governance structure under the leadership of the Board. With clear terms of reference, each management unit is delegated with specific roles and responsibilities in managing the ESG matters relating to the Group. The Board oversees the sustainability development direction and strategy, and receives training from time to time as required in relation to corporate sustainability. The Audit Committee is responsible for formulating sustainability strategies, and reviewing the progress of the Group's sustainability targets, results of materiality analysis and compliance of the sustainability report.

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

Communication with Stakeholders

The Group strives to maintain effective communications with its stakeholders through various channels, with the intention of collecting their valuable opinions on our sustainability performance. Stakeholder engagement is not merely a process to understand our stakeholders' opinion and expectation, but also serves as a channel for us to actively share the Group's plans and efforts in sustainable development, achieving a more comprehensive and close collaboration with them, leading to mutually beneficial results for both the Group and its stakeholders.

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

Materiality Analysis

The Group has conducted a materiality analysis to prioritize the material ESG topics to the Group and its stakeholders.

Step 1: Identification of ESG topics relevant to the Group's business

– Identify industry-relevant ESG topics through peer benchmarking

Step 2: Materiality analysis

– Invite different stakeholders to evaluate the importance of the identified ESG topics, and analyse result via scientific approaches

Step 3: Management validation

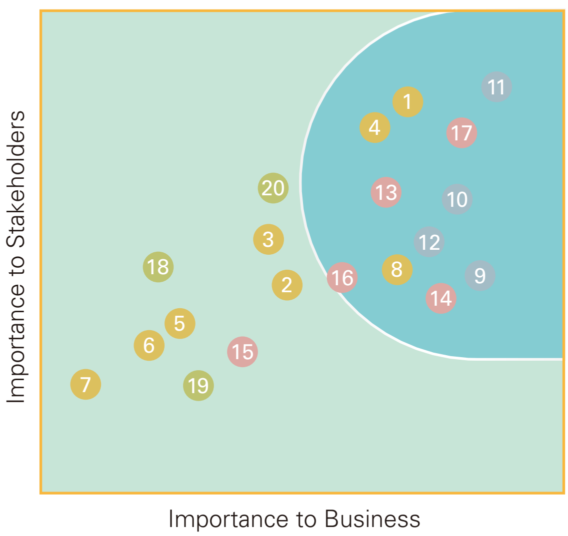
– CITIC Telecom's management review and endorse the result of materiality analysis

Step 4: Material confirmation

– Develop the final list of material topics, and prioritize for reporting in response to stakeholder concerns

This year, the Group has updated the list of material topics according to the results of benchmarking against industry practices, facilitating a better management and disclosure regarding our sustainable development progress. "Climate Change Management" and "Supply Chain Management" are identified as new material topics. The Group has also raised up the materiality ranking of "Community investment", and renamed the material issue of "Anti-corruption" to "Business Ethics". Upon validation by management, the relevant materiality of each topic is presented in the materiality matrix in accordance to their importance to stakeholders and business.

2021 CITIC Telecom Materiality Matrix



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

Responsible Operational Management

With the vision of becoming an advanced Internet-based telecommunications enterprise, the Group is committed to developing high-quality communication and data transmission products and services, facilitating connection between people and things anywhere and anytime. We strive to enhance the advancement of society development and a higher quality of life. The Group will continue to adhere to our core value of "Wisdom and Integrity for Fostering Prosperity". We aim to add value by diligently improving and providing quality products, to abide by high standards of corporate integrity and to work together with different sectors of the society to pursue common interests and goals.

Products and Services Innovation

To cope with the upcoming trends and demands of advanced information technology, the Group is committed to developing and providing innovative products and services in the mobile communications industry, Internet, Internet of Things (IoT), integrated ICT, etc., to seize opportunities and developing competitive advantages in emerging services.

The Group formulated the Technology Innovation Committee to support the Group's research and development in innovative technology and product development in August 2009. During the reporting year, the Group successfully held the "3rd Innovation and R&D Conference", where the Group reviewed scientific research, commended outstanding projects, and identified future work plans and direction. We will continue to focus on exploring innovative products and services in the areas of Artificial Intelligence (AI), Augmented Reality (AR), 5G network, IoT, and cloud technology, bringing our customers business opportunities in this era of ongoing digital transformation.

"Digital Macau 2.0"Smart City – 5G Development

The Group is dedicated to leverage its advantage and scale in serving the community. We proactively invest in resources and work in collaboration with industrial partners to introduce and provide world-leading intelligent applications and technology, fostering the development of Smart City in Macau.

This year, the Group's subsidiary in Macau has completed its 5G network construction and become the first carrier to provide complete 5G network connection in Macau. On top of the 5G network infrastructure, we provide eSIM service, serving as the first carrier in Macau to accelerate the progress in smart transformation and the adaption of IoT. Furthermore, we launch the "ePOS System" which combined with the advanced Internet Broadband service, Wi-Fi service, and the enhanced "Macau Goodhand 2.0" e-commerce platform for driving digital transformation among small and medium enterprises, and assisting them in optimizing business development.

In the meantime, the subsidiary in Macau has worked closely with external authorities in exploring innovative application of digital services. It has signed the "5G Mobile Communication Technology Cooperation Agreement" and "Autonomous Driving System and Application Cooperation Agreement" with the University of Macau to facilitate research in 5G-based communications technology and leveraging 5G network in autonomous driving and the Internet of Vehicles in Macau.

Looking forward, we will continue to invest resources in exploring the fields of communication technology, cloud computing, data centre and smart city applications, driving the development of Digital Macau.

"DataHOUSE™ AR Remote Hand Solution" Phase 2 – AI-AR Integration

In this year, the partnership between the Group's subsidiary and the Hong Kong Applied Science and Technology Research Institute Company Limited (ASTRI) continue to bring AR Remote Hand Solution into phase 2.

Through combining AI-AR capabilities, we leverage computer vision techniques, Cognitive Object Recognition System (CORS), development of middleware for AR glasses and machine-learning algorithms to integrate virtual, big data, AI, and physical data into the heads-up display of the AR Glasses. Putting all our efforts together, we aim to create viable commercial applications that benefit different industries, which include:

1. *Streamlining maintenance and inspection for utilities*

   The AI-AR integrated service will provide field workers with better computer vision capabilities. Users can access manuals and analyze data and graphs for maintenance using the AR glasses while receiving immediate alerts of any wrong steps.

2. *Business operations planning*

   Illustrating this function with supply chain management, the integrated service can provide workers with extra information during operations. The frontline staff can use data visualizations and object mapping to identify goods quickly and accurately for loading and unloading.

3. *Predictive customer experience*

   AI and AR facilitate enterprises to use predictive and prescriptive data to understand customers' requirements in advance and deliver exceptional customer experiences.

Commitment to Premium Products and Services

Adhering to the philosophy that "quality is the lifeblood of an enterprise", we focus on providing high-quality transnational telecommunications and ICT services. We design, build, operate and maintain reliable communication networks to create value for our customers.

Our pursuit of service quality is reflected through different stages of our service. In order to provide attentive and thoughtful customer service experiences, we set up key indicators of customer service and carry out internal testing for our services and user experience before the provision of products and services, so as to ensure our products and services with top quality. To keep track on the performance and quality of our services, we actively and regularly collect customer feedback, and conduct monthly customer visits, to continuously optimize our products and services quality. The subsidiary in Macau, as a good example, has established a Quality Management Committee and delegated a dedicated Quality Assurance department to frequently monitor, analyse, and evaluate service quality which could support business quality improvement in the long run.

Customer Satisfaction Survey

The Group's subsidiary in Macau conducted an annual customer satisfaction survey in June 2021. For the convenience of the customer, the survey was conducted via an online questionnaire. About 1,100 online questionnaires were completed during the survey.

The overall results showed improved customer satisfaction and loyalty scores by our customers towards the Company. According to the analysis results and recommendations, targeted improvement action plans were formulated to continuously improve overall customer satisfaction and loyalty

In addition, the Group's customer service team set up a customer complaint mechanism to follow up complaints in a timely manner. We investigate root causes of each customer complaint case through in depth analysis and prompt communication with the customers. And the relevant departments propose improvement plans to prevent the reoccurrence of similar cases in order to enhance customer satisfaction. The Group received a total of 549 complaints on our products and services in this year.

To realise the Group's philosophy, "quality is the lifeblood of an enterprise", we rely on our management system with high quality standard. The Group's subsidiary has obtained several relevant international certifications, including ISO 9001 Quality Management System and ISO 20000 Information Technology Service Management System, demonstrating the Group's dedications and efforts to enhance service quality.

The Group has also received different awards related to product and service quality in recognition of its efforts among the industry:

- The Group's subsidiary obtained the "International Customer Relationship Excellence Award" organised by the Asia Pacific Customer Service Association for 14 consecutive years .
- The Group's subsidiary received the "Outstanding ICT Solution Provider 2020" awarded by Quamnet.

High Standards of Business Ethics

Adhering to business ethics with law-abiding and honesty is the foundation of our Group's operation. The Group strictly abides by the laws, regulations, and policies against bribery, extortion, fraud, and money laundering, and the Group has formulated its Code of Conduct and a series of policies on business ethics and personal conduct, including the Measures for Executive's Integrity and Treatment of Violations, which clearly stipulate that directors and employees are prohibited from engaging in bribery, insider trading, acceptance of illegal gifts and commissions, with an internal declaration system to avoid potential conflicts of interest.

The Group has also formulated Anti-Money Laundering Management Practices, and established an anti-money laundering management structure, in which the responsibilities as well as reporting channels and handling procedures in case of any violations are clearly laid out. With these measures, every employee is familiar with the Group's high ethical standards and strict requirements for employees' personal integrity.

According to the existing corporate governance structure, the Audit Committee of the Group is chaired by an independent non-executive Director. Under his leadership, the Audit Committee oversees matters related to the Group's business ethics standards. The Audit Committee is also responsible for reviewing and monitoring the Code of Conduct, and receiving reports on implementation and compliance status of the Code of Conduct at least once a year, ensuring that the Group adheres to the highest standard of business ethics.

To enhance directors' and employees' awareness on integrity and anti-corruption, and understanding of relevant laws and regulations, the Group regularly provides a series of business ethics training to employees at all levels, including the Board, management and general staff, to enhance corporate governance efficiency. During this year, we continue to organise several compliance trainings such as "Understanding The China-Hong Kong and International Anti-Money Laundering Regulations" and "Anti-corruption Practices Sharing and Seminars" to ensure that staff fully understand the relevant laws and regulations and how to prevent issues such as commercial crime, money laundering, and bribery. These activities strengthen the Group's corporate culture of adhering to high business ethics standards. We also include a brief introduction to the Code of Conduct in New Employee Orientation Training, and regularly remind all employees to reaffirm business ethics compliance. We strictly require all employees to adhere to our business ethics and integrity standards. The Group provided 330 hours of anti-corruption training for both directors and staff in this year.

The Group has established "Whistleblowing Policy" for all employees to report issues on business ethics within the Group. Under the mechanism, employees can report suspected case of fraud, bribery, corruption, misconduct or violations against the Group's Code of Conduct. Employees can file anonymous reports to the Head of Internal Control, the Chairman of the Group or the Chairman of the Audit Committee by email, mail or in writing. The Group is committed to protecting the confidentiality of the whistleblowers' personal information and taking a zero-tolerance attitude towards all retaliatory behaviors such as discrimination, harassment, intimidation, punishment, or solicitation. For employees that are discovered to be involved in retaliatory behavior, the Group will impose internal disciplinary action. The cases will also be transferred to the judicial department for follow-up. In accordance with the "Whistleblowing Policy", all received reports will be recorded, and investigated by the Head of the Group's Internal Control Department to determine the need for further investigation, and results will then be reported to the Chairman of the Group. The Audit Committee of the Group will review and monitor the whistleblowing policy and mechanism to ensure its effectiveness.

To know more about our compliance and risk assessment processes, please refer to the Risk Management of the Annual Report (pages 38 to 46).

Protection of Intellectual Property

It is essential to have a robust system so as to stimulate scientific research and protect the rights and interests and motivation of the innovators. In view of this, the Group has established the "Intellectual Property Rights Protection Policy", which clearly regulates that employees shall comply with intellectual property laws and regulations under reasonable scope of control, including but not limited to the copyright, trademark, and patent related regulations. We require written license agreements from our employees when using any intellectual properties, including trademarks and logos. We also provide an introduction to the Copyright Ordinance during New Employee Orientation Training with an emphasis of the importance of protecting intellectual property.

Protection of Customer and Personal Data Privacy

The Group is well aware of our responsibility to protect the privacy and personal data of our customers and employees. The Group strictly abides by the laws and regulations in the regions that we operate. The Group has formulated the Statement of Personal Data Collection and Processing for Customers and Employees. We also regularly update the system and guidelines for privacy protection to ensure the security of our personal data.

In accordance with the requirements of the Information Security Policy, the Group upholds the principle of suitability and guarantees that only the necessary personal data will be collected in a lawful and fair manner, and we will not disclose customers' information to other third parties without obtaining the customers' consent or under the requirement of the laws. At the same time, we also update the permissions for data access, update, deletion, and leverage security software such as Data Loss Prevention (DLP) and Endpoint Detection & Response (EDR) systems to manage customer information to prevent unauthorized misuse of customer information. In addition, we ensure the proper handling and destruction of relevant documents and equipment containing personal data to minimize the risk of leakage of private information.

Employees must strictly comply with the Group's Code of Conduct on customer privacy and personal data security. We regularly organise trainings on communication network security and privacy protection to enhance the awareness of employees in various departments on the policies of personal data, privacy protection and communication network security, and to ensure that they clearly understand the procedures for properly handling customer data. During the year, the Group provided employee training on General Data Protection Regulation (GDPR) Compliance Guidelines, Information Security Policy, and various types of privacy and personal data security training, totaling 885 hours.

The Group recognizes the importance of stable and effective information security management system. To this end, the Group's subsidiary has conducted and passed third-party information security audits, obtained ISO/IEC 27001 information security management system certification, and become the first Infrastructure as a Service (IaaS) provider in Hong Kong to obtain ISO/IEC 27017 for cloud service security.

During the year, the Enterprise Information Security Division of the subsidiary in Macau completed a series of information security infrastructure development and upgrades to better fulfill the Cybersecurity Law in Macau SAR. Highlighted works include upgrade of password protection and anti-virus system, which protect customers' privacy and personal data from being leaked or misused.

Sustainable Supply Chain Management

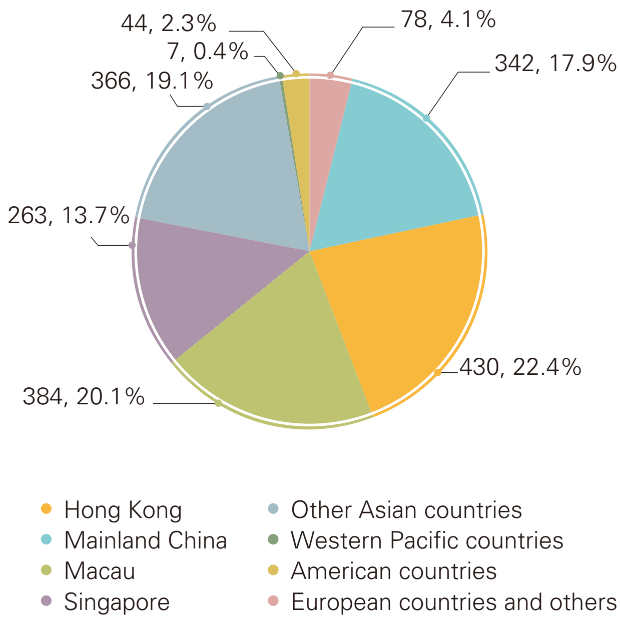
The Group, as an international enterprise, operates around the world and there are branches in different countries and regions. The Group actively cooperates with local suppliers to fulfill its business ethics commitments and social responsibilities, and jointly builds open, transparent, and sustainable business relationships.

The Code of Conduct of the Group clearly stipulates that employees in the procurement team must comply with professional standards and anti-corruption policies and regulations. They are required to uphold the fair principle in the procurement and tendering process. The procurement team strictly adheres to internal supply chain monitoring and management measures to prevent bribery, rebate, fraud, or other misconduct during the procurement and tendering process. Employees in the procurement team are also required to declare interests with suppliers every year to avoid any conflict of interest. All of these are effective measures to ensure that the entire procurement and supplier management process are carried out under the principle of fair procurement.

The Group has formulated the Supplier Management Procedures to standardize the supplier selection, review, assessment, and management processes. Throughout the supply chain management, we introduce various evaluation mechanisms to ensure that our suppliers provide products and services of a high quality, and to effectively assess and monitor potential risks in the supply chain. The Group has also included anti-corruption clauses in supplier contracts, which prohibit any form of bribery and conflicts of interest. We will terminate the partnership with suppliers that violate the stated terms of the contract.

In addition, the Group continues to promote the practice of a green supply chain, and is committed to select products and services in the most cost-effective and environmental-friendly manner. We have formulated standards and requirements of green procurement to incorporate sustainable development, environmental protection, energy conservation, and emission reduction considerations into the supplier selection process. We give priority to suppliers who can demonstrate excellent sustainable development performance. We aim to guide our supply chain partners in fulfilling their social responsibilities through the management principles of a green supply chain. In order to advocate our partners to join us in achieving sustainable development and green supply chain, we also invite suppliers to complete sustainability questionnaires and sign environmental partnership agreements.

Number and geographical distribution of suppliers engaged in 2021



Support to Telecommunications Industry Development

The Group believes that development of innovative technology relies on collaboration among the industry. The Group actively cooperates with strategic partners in application aspects such as communication technology, cloud computing, big data, AI and AR/VR to grasp potential opportunities in the industry.

The Group continues to support international and local industry events and associations, such as Communications Association of Hong Kong. It has also jointly established the Greater Bay Area 5G Industry Alliance, the Macao Cross-Border E-commerce Industry Association, and the Zhuhai-Macao Cross-border Digital Service Alliance with industrial partners to promote product and service innovation in the industry and achieve win-win situations for the Group and its partners in the telecommunications industry. In addition, the Group's subsidiary in Macau also serves as one of the representatives of the Asia-Pacific Telecommunication Union (APT), and is committed to providing innovative international services to the Asia-Pacific region through cooperation with its partners in the Union.

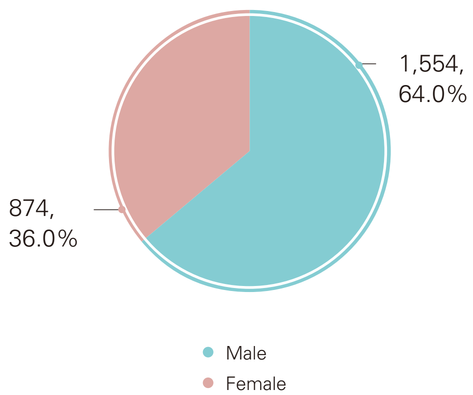
Building a Strong "CITIC Telecom Team"

The Group has built an international "CITIC Telecom Team" and continues to create great results for the Group.

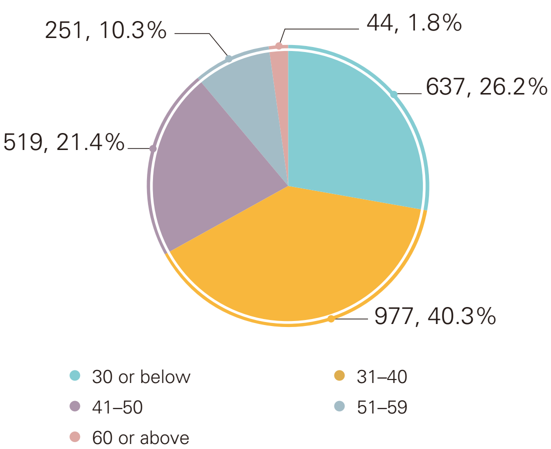
Composition of the Strong "CITIC Telecom Team"

	Year 2021	Year 2020
Hong Kong	**523**	527
Mainland China	**669**	660
Macau	**1,000**	1,007
Singapore	**118**	125
Other Asian countries	**106**	96
American countries	**12**	16
European countries and others	**72**	76
Number of employees	**2,500**	2,507

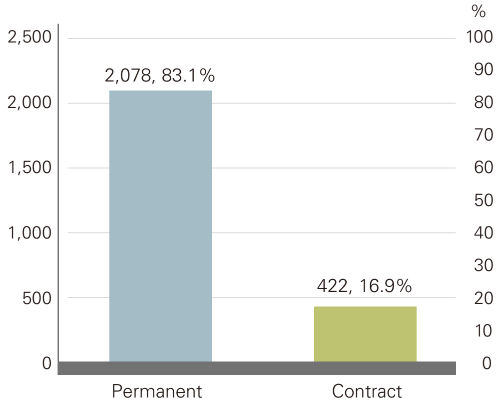
Employee distribution by gender[1]



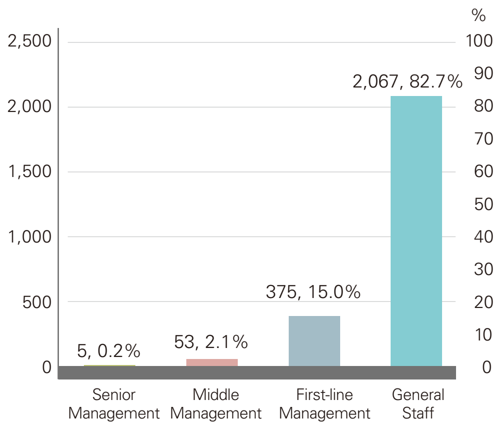
Employee distribution by age[1]



Employee distribution by employment contract



Employee distribution by employment type



Equal Opportunities

The Group strictly adheres to the laws relating to equal opportunities and anti-discrimination. We are committed to creating a fair corporate culture and eliminating any form of discrimination or unfair treatment. Based on the capability of candidates, we offer our employees and job seekers with equal opportunities and do not discriminate any candidate in the recruitment, promotion, and career development regardless of their family status, gender, gender identity, race, age, religion, disability, or other personal differences unrelated to the requirements of the position. The Group's subsidiary has signed the "Racial Diversity & Inclusion Charter for Employers".

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

The Group aspires to create an equal workplace culture and requires all employees to understand and implement the practice of equal employment and respect each other. We introduce our corporate philosophy of equal employment to new employees during our New Employee Orientation Training. The Group's subsidiary has appointed Equal Employment Officers for implementing equal opportunities related policies and measures throughout the company and regularly invite speakers from Equal Opportunities Commission to provide training to employees.

This year, the Group was awarded the "Equal Opportunity Employer for Family Status Equality" to recognise our efforts in promoting the values of equal opportunities, diversity, and inclusion in the workplace.

平等機會僱主
Equal Opportunity Employer
家庭崗位平等
Family Status Equality

Employee Retention

The Group has always treated our employees as the most important asset and an important cornerstone of our development. We attract and recruit outstanding talents from various channels, including online recruitment platforms, recruitment consultant companies, employee referral programs, recruitment days and participation in campus recruitment activities.

We have taken a series of measures to retain talent, including providing comprehensive training, career development, and internal promotion opportunities , and reviewing and improving employee compensation and benefits schemes in a timely manner. We also proactively organise employee communication activities to listen to employees, and to enhance job satisfaction and retention rate. The Group lost 383 employees during the year, representing a turnover ratio of 15.3%.

Every year, our headquarters presents the awards of "the Best Manager" and "the Best Employee" with reference to the annual appraisal result and comprehensive performance assessment of employees. The Group has also set up a Long Service Award , expressing our gratitude to employees for their long-term service and contribution, and to enhance the sense of belonging of employees.

Employee Turnover Statistics

Employee turnover rate by geographical region

	Year 2021	
	No. of employees	Turnover rate
Hong Kong	98	3.9%
Mainland China	110	4.4%
Macau	103	4.1%
Singapore	40	1.6%
Other Asian countries	15	0.6%
American countries	4	0.2%
European countries and others	13	0.5%
Total	383	15.3%

Employee turnover rate by gender[2]

	Year 2021	
	No. of employees	Turnover rate
Male	257	10.3%
Female	113	4.5%

Employee turnover rate by age[2]

	Year 2021	
	No. of employees	Turnover rate
30 or below	150	6.0%
31–40	131	5.2%
41–50	60	2.4%
51–59	11	0.4%
60 or above	18	0.7%

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

Remuneration and Benefits

The Group provides competitive remuneration and benefits to attract and retain talent. In order to reward outstanding employees, we adopt a remuneration system linked to work performance and contribution to the Group, and to motivate them to strive for excellent work performance and enhance the overall talent quality of the Group in the long run. The Group conducts annual reviews of employee compensation and benefits levels and adjusts them according to business needs.

We provide a variety of benefits to all employees, including medical cover, labor insurance, different allowances and holidays, in accordance with the labor-related laws in the regions where we operate. Employees at the Hong Kong headquarters also enjoy comprehensive benefits such as dental services, retirement plans, commuter bus services, lunch arrangements, gifts for newborn children and shopping discounts.

The Group also actively assists employees in deploying retirement plans in advance to enjoy stable retirement life. During the reporting year, the Group was awarded the top recognition as the "Best All-around MPF employer" by the Mandatory Provident Fund Authority. The Group also received the "Good MPF Employer", "E-contribution Award" and "MPF Support Award", in recognition of our continuous efforts in optimizing retirement benefits for employees.

Open and Two-way Communication

The Group advocates a corporate culture of openness and mutual trust to enhance employees' sense of success and commitment. We actively engage in two-way communication with our employees and continuously collect their opinions and suggestions through different methods, including the intranet communication platform, collection boxes at each floor, and regular employee seminars at the Group's headquarters.

In addition, we believe that the establishment of a communication channel between management and employees can drive us to promote an open and mutual trust culture. To this end, the Group encourages employees to voice out their concerns at any time to their supervisors or managers of any level, or to communicate their views directly to the Group management. On behalf of the Board, the management will actively follow up on the opinions from employees and respond appropriately, and we aim to transfer complaints and opinions into opportunities in enhancing the Group's corporate governance.

Employee Seminar 2021

The Group organised Employee Seminar 2021 to actively listen to the opinions from employees in order to strengthen our policy and management. Our Corporate Management will evaluate the suggestions and provide regular feedback.

The Group respects employees' collective bargaining rights. We actively communicate with employee unions in accordance with the relevant laws in the regions where the Group operates. The employee collective bargaining legislation does not apply to the Group's Hong Kong headquarters; however, we actively engage with our employees to listen to their valuable opinions.

Occupational Health and Safety

The Group adheres to high standards of occupational health and safety and strictly complies with the relevant laws and regulations in the regions where it operates, and is committed to providing a healthy, safe and positive working environment for employees to ensure that they can work with peace of mind.

The Group has formulated "Health and Safety Policy", which clarifies the responsibilities of ensuring occupational health and safety, including conducting risk management, delegating appropriate persons for health and safety responsibilities, providing employee trainings, and formulating fire prevention, emergency plans and incident report . Apart from that, we have also developed a series of "Safety Guideline at Work" according to job requirements which includes the use of personal protection tools, and precautions for work involving high occupational risks such as the use of crane, ladder and nails. The relevant guidelines are clearly communicated to the relevant employees to ensure their occupational health and safety.

In order to raise the employees' awareness to occupational health and safety, we regularly publish health and safety information, organise work safety seminars and fire drills. The Group's subsidiary will also regularly cooperate with professional third parties to organise occupational safety and health certificate training courses to equip employees with knowledge and skills to ensure their own safety.

During the year, coronavirus pandemic still poses a huge threat to the world. The Group recognises the importance of preventing and controlling the epidemic and makes timely and corresponding measures in accordance with the changes of the epidemic.. We regularly organise epidemic prevention and control meetings to discuss and formulate the company's epidemic prevention work. At a time when the epidemic is severe, We have different work arrangements including work from home, shift working schedule and flexible working arrangement for employees depending on the nature of their work. Meanwhile, we continue to provide masks and disinfectant supplies to employees especially for front line employees, and organise epidemic prevention drill on a need basis. With all actions and measures, we aim at protecting the health of our employee and their family members.

During the year, there was no fatalities at work, and the number of working days lost due to work injuries was 590 days.

Occupational Health and Safety Statistics

	Year 2021	Year 2020	Year 2019
Lost days due to work injury	**590.0**	589.5	383.5
Number of work-related fatalities	**0**	0	0

Work-life Balance

The Group also attaches great importance to the physical and mental health of employees, and is committed to promoting work-life balance, encouraging employees to take advantage of their spare time to participate in leisure activities. We aim to assist our employees to strike a balance between work and family, thereby enhancing work morale, building team spirit and strengthening the sense of belonging to the Group.

The Group previously organised various employee leisure activities, inviting employees and their friends and family members to join outings, and arranging interest classes for employees. We advocate healthy living among our employees, help them to release pressure after busy work to enhance their physical and mental health. In addition, the Group held and participated in various outdoor sports activities, ball games, and other industry sports activities to improve the physical fitness of employees and create bonding among them.

During the reporting year, due to the pandemic, the Group continued to advocate the epidemic prevention strategies of local governments and suspended large-scale activities such as outings, outdoor sports activities, and ball games. The Group promotes the importance of healthy living in alternative ways, including renting the indoor sports centres for basketball and badminton games after work, organising diverse interest classes and online talks to share fitness or nutrition tips and take care of the well-being of employees in an all-around way.

Horticultural Therapy Workshop

We organised "Horticultural Therapy Workshop", inviting employees to make dried flower photo frames with colleagues, aiming to deepen their understanding of horticultural therapy activities and relieve stress through art.

The Group's Subsidiary in Macau – Celebrating the 40th Anniversary

This year marks the 40th anniversary of the Group's Subsidiary in Macau. While under the premise of abiding by the epidemic prevention policy, we held celebratory activities for employees to increase their sense of identification with the company and team cohesion.

The Group is committed to creating family-friendly workplaces. The Group's subsidiaries set up nursery rooms at the offices to cater to the needs of working mothers while enhancing the culture of corporate and family integration.

The Group's efforts to create a pleasant workplace for employees is well recognised by the community. We received the following awards during the reporting year:

- "Happy Company 2021" and "Happy Company 5+" by the Hong Kong Productivity Council and Promoting Happiness Index Foundation
- "Joyful@Healthy Workplace Best Practices Award – Outstanding Award" and "Joyful@Healthy Workplace Charter" by the Hong Kong Occupational Safety & Health Council, the Labour Department and the Department of Health


好心情@健康工作間約章

Joyful@Healthy Workplace Charter

中信國際電訊(信息技術)有限公司

CITIC Telecom International CPC Limited

Charter Statement

We value having a joyful and healthy workforce.
We believe that having a joyful and healthy workforce is the cornerstone for the long term success of the organisation.
We pledge to promote physical and mental well-being among ourselves with emphasis on the following areas:

1. Healthy eating 2. Physical activity 3. Mental wellbeing

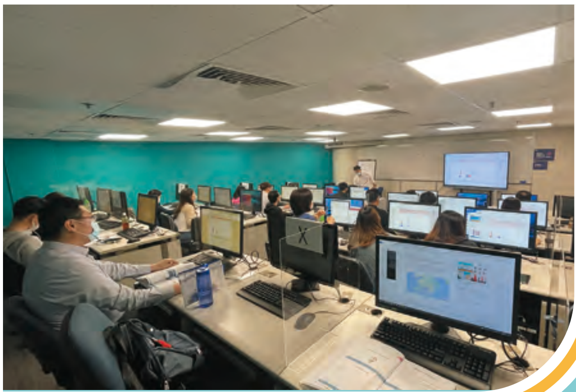
19-5-2020

Training and Development

The Group attaches great importance to the personal development and growth of its employees and takes "optimisation of professional performance, motivation of staff's potentials, and revitalisation of learning culture" as its talent development goals. To this end, we are committed to offering diverse learning platforms and career development opportunities, investing in internal and external training and development projects to encourage employees to add value to themselves and equip them with world-leading professional skills telecommunications services. We conduct employee performance evaluation on a regular basis, and provide professional development and promotion opportunities to outstanding employees, and drive the Group's business development.

The Group proactively organises diverse training programs to enhance employees' competitiveness, with topics covering high-level management skills, anti-corruption and compliance, technical skills enhancement, and soft skills training on information technology, financial management, and language courses. We also hold different learning activities to foster the exchange of knowledge and skill sets between employees of different operating regions, strengthening the Company's business integration.

To keep employees' capability on par with the latest technology trends and industry standards, we provide appropriate and timely training on software and hardware skills according to market trends, including training on big data analysis, block chain technology and AI. In terms of soft skills, the Group's subsidiary launched team building activities and communication trainings quarterly, enhancing their collaboration and communication skills to boost work efficiency. The Group also encourages and subsidizes employees to participate in after-work training according to their personal development needs, helping them to realize their potential and achieve better work performance.



Internship and young talent schemes

The Group organises internships to provide training opportunities for youth from time to time. The internship aims to attract and train young management talents and technical professionals who aspire to develop their skills in the telecommunications industry. Additionally, the management trainee program provides comprehensive training to nurture future managers, offering them on-job trainings in different departments and corporate projects to enhance their understanding of the operations of various businesses units of the Group. The program also provides professional skills and soft skills training to develop participants' communication and leadership skills, exploring their potential to take on management positions in the future. The Group also offers a technical trainee program, which focuses on the training of professional technical skills to cultivate the next generation of telecommunication professionals.

The Group's subsidiary in Macau – Youth Development Programme 2021

From July to August, the Group's Macau subsidiary organised its annual branding event "Youth Development Programme 2021", offering youngsters with internship opportunities to acquire insights and work experiences at various departments of the Company. The Programme aims motivate local talents to pursuit a career in telecommunication industry, and foster the sector development.

Telecommunications Opportunities Programme (TOP)

The Group actively recruits young talents from different channels, including participating in the "Telecommunications Opportunities Programme (TOP)" commissioned by the Commerce and Economic Development Bureau (CEDB) and administered by the Hong Kong Federation of Youth Groups (HKFYG). Through this Programme, the Group employed recent university graduates. The participants are cultivated to take up full-time positions in different roles in the Company.

Training for middle management

We believe that actively exploring and developing the strengthens of our management is one of the keys to drive the Group's growth. The Group is committed to offering promotion opportunities to elite performers of our management training program. The Group's subsidiary offered tailor-made development programs to middle management, including classroom training, project case study, external and internal coaching support. In addition, we also hold cross-departmental team management workshops and training activities to enhance the team spirit between management and general staff of different business units. There were total 700 training hours in this year for our middle management of the Group to further strengthen their team spirit and leadership skills.

Continuous professional development of the Board and senior management

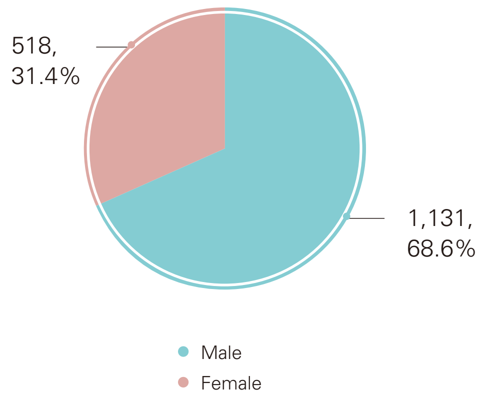
The Group provides continuous professional training to each Board member and senior management at a top priority. This year, we organised training on the latest development regarding the Listing Rules and other applicable regulatory requirements for the Board members. Apart from that, we supported our Board members and senior management to attend external industry seminars and international conferences to broaden their industry and professional knowledge.

In recognition of the ongoing support and achievements in the aspects of training and development, we were awarded by different institutions. The Group continued to obtain the award of the "ERB Manpower Developer Award" by the Employees Retraining Board. Our subsidiary received the "ATD Excellence in Practice Award: Leadership/Management Development Award 2021 – Successors in ICT (Integrated Competencies Training)" by the Association for Talent Development.

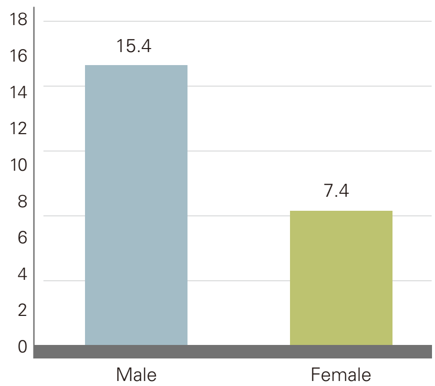
Employee Training and Development Statistics

	Year 2021
Number of trained employees:	**1,713**
Percentage of employees trained:	**68.5%**
Total number of training hours:	**31,153 hours**
Average training hours per employee:	**12.5 hours**

The percentage of employees trained by gender[3]

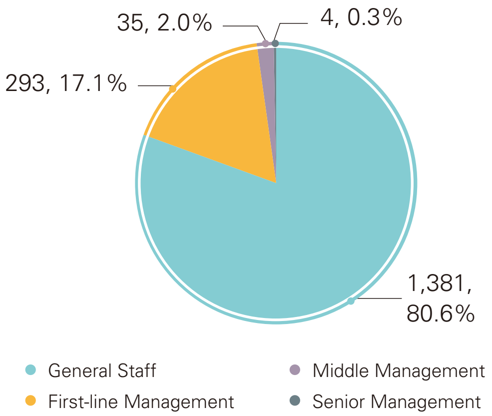


The average training hours per employee by gender[3]

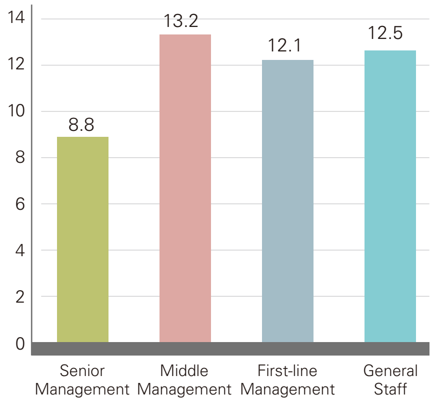


3 As personal data privacy is protected by the General Data Protection Regulation (GDPR) and relevant regulations in the United Kingdom, the statistics of our European and British employees are not included in percentage of employees trained and average training hours completed per employee breakdown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

The percentage of employees trained by employee category



The average training hours per employee by employee category



Caring for the Environment

The Group has put great emphasis on environmental protection. The Group formulates and continuously enhances its environmental policies on energy conservation and emission reduction. We adhere to responsible operation, adopt environmental management practices, and promote sustainable development. To improve our environmental performance, we have formulated the Group's environmental policy to reduce energy consumption, waste generation and greenhouse gas emissions, mainly from our offices, data centres and other network operations, so as to reduce the environmental impact of our operations.

"CITIC Telecom Green Policy"

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

Our Response to Climate Change

Climate change presents opportunities and risks to the Group's operations, and the Group is dedicated to enhancing climate risk management and performance to strengthen our resilience and adaption to climate change. Considering the frequency of typhoons in Hong Kong and Macau, we will do our utmost to prevent potential damage to our facilities during extreme weather conditions by relocating or adding defensive measures. Our employees will stay at their positions during extreme wind and rain to ensure the normal operation and minimise the impact of extreme weather events.

To strengthen climate risk management and identify the impact of climate change on the business, the Group engaged a third-party consultant to conduct a climate-related risk assessment in 2020, and we completed the first phase of the risk assessment by using climate models to analyse various physical and transition risks. The results of the assessment provided preliminary management suggestions for responding to the identified climate risks, which forms the foundation of our climate risk management framework.

The assessment results showed that the Group faces a number of short, medium and long-term physical and transition risks. On physical risks, strong winds/cyclones and floods could impact the Group's business in Hong Kong, Macau and South and East China, while Macau's retail shops and remote user line units (RLU) may also be severely affected by floods due to their geography and locations. On transition risks, the telecommunications industry is also affected by government policies and industry initiatives aligning with the Paris Agreement. In particular, Mainland China, where the Group has significant business operations, is actively pushing the telecommunications industry to improve the energy efficiency of its equipment. Although the telecommunications industry is not a high-emission sector and the carbon and energy performance of most of the Group's operating areas is not strictly regulated, the environmental performance of the telecommunications industry is expected to receive more attention in the future due to the rapid development of green data centres in the market.

In future policy planning, the telecommunications industry will be regarded as an important tool to achieve carbon reduction goals, and the energy consumption of industry operations, data centres, and more low-carbon information technology solutions will be needed. In line with the industry to establish green data centres and the trend of voluntary certification schemes in various operating regions, these green data centre standards may become mandatory technical standards, bringing additional technical risks to enterprises. As a result, the Group will continue to closely monitor market trends and developments in the future, take positive actions to examine its ability to deal with extreme weather events, enhance the Group's energy performance in the long run and strengthen its climate resilience to align with local telecommunications development and carbon reduction strategies.

Community disaster relief and protection work

To reduce the impact and damage caused by typhoons on the Group's operations, the Group has formulated a mechanism where we will immediately activate an emergency early warning mechanism and prepare for typhoon protection and make preparations for flooding prevention, such as adding sluice gate devices to the computer rooms in low-lying areas, deploying mobile power generation equipment for remote computer rooms, reinforcing mobile base station facilities, and upgrading the backup power capacity to avoid flooding of various facilities. We will also closely monitor the operation of the communication network during the typhoon to minimize the impact on the Group's communications services. After the typhoon, we continue to assist local customers affected by flooding, and carry out maintenance and refurbishment of various communication services to ensure that telecommunications services can be restored as soon as possible after any power shortage.

In the future, the Group will continue to refine and deepen its climate-related risk analysis work, review and enhance its climate risk management mechanism to respond more effectively to various extreme weather events.

Construction and Operation of Environmentally Friendly Green Data Centres

One of the core businesses of the Group is data centre operation. To promote environmentally friendly and green data centres, we have always considered energy conservation and emissions reduction measures in the construction of telecom chambers and procurement of our systems. Through the implementation of various green measures, we strive to reduce the energy consumption and carbon emissions in our operations.

Telecom chamber construction and system facilities planning

We have taken different measures to improve the energy efficiency of the telecom chamber and related systems. As the air-conditioning system and cabinet power supply system are the main sources of power consumption, we use high energy efficiency systems and components to reduce energy consumption. Our air-conditioning system and components adopt an advanced computer room air-conditioning (CRAC) system equipped with EC Fan and Smart Control to continuously monitor temperature and humidity in the data centre, and automatically regulate the cooling system's operation. We also purchase air-conditioning systems with excellent heat dissipation capabilities. Our cabinet power supply systems also use uninterruptable power source (UPS) systems and power distributor cabinets that comply with environmental requirements such as ISO 14006 Eco-design, European Union (EU), the Restriction of Hazardous Substances Directive (RoHS), and the Electrical and Electronic Equipment Waste Directive (WEEE) to reduce environmental impact.

High-performance hardware equipment used in the data centre of CITIC Telecom Tower

In designing the data centre of the CITIC Telecom Building, the Group adopted various energy-saving hardware equipment to enhance energy efficiency and to save energy and reduce emissions. For example, when planning the computer room, we adopted a special platform design to reduce the opportunity of cold and hot air mixing and used a high-performance wind stopper to control the airflow into the room to avoid outdoor humidity affecting the room temperature of the data centre.

In terms of cabinet equipment, we modify the high-output air volume floor plate in front of the cabinet with high heat discharge, develop the cold air flow, and install a divider door and partition between the cabinet rows to reduce the mixture of hot air and loss of cold air which helps to decrease the load of the air conditioner.

In terms of the air-conditioning system, the data centre uses cold water supply temperature regulation to analyze the cooling demand of the cabinet according to the overall use of the cabinet and adjust the cold water supply temperature; while the air-conditioning unit spray system device uses water mist to evaporate the hot gas of the unit and reduce the power required for the cooling system.

Energy conservation measures for our Macau subsidiary

The Group's subsidiary in Macau adopted cold aisle containment solution in the design of the cooling system for telecom equipment rooms and data centres, which reduced power consumption of the CRAC system by 20%. Our flagship Pedro Coutinho store adopted a central air-conditioning system equipped with a maglev compressor, which also reduced energy consumption by 20%, and with the automatic atomization and heat dissipation device of the central air-conditioning system unit, it effectively improved the efficiency coefficient of the air-conditioning system.

Energy-saving measures for daily operations

To further integrate energy conservation and emissions reduction into the daily operation of data centres, the Group has adopted green planning for the management system, continuously optimizing the operation of the data centre and reducing unnecessary power consumption.

Our data centre is equipped with a real-time monitoring system, which provides a holistic user interface for operation monitoring and energy use management. The interface displays the operating status of various electrical and mechanical systems, allowing operators to easily obtain the operating data of the equipment and analyze it. This allows timely control of the mechanical and electrical equipment, whilst closely monitoring the overall load condition of the data centre, leading to better energy management and operation efficiency. When encountering abnormal operating conditions, the system will issue a risk warning to prevent the occurrence of equipment failure and avoid accidental waste of electricity. The network-enabled system can collect information from external sources such as weather forecasts in real-time, which can assist operators to make appropriate adjustments to the air-conditioning unit, effectively control indoor temperature and humidity, and better manage the energy consumption and performance of the data centre.

CLP's online platform for electricity meters monitors data centre electricity consumption

The Group closely monitors data usage in our data centres and manage electricity usage with the help of an intelligent meter online platform developed by CLP. When an abnormality in electricity consumption is detected, our staff immediately investigate the incident and makes adjustments to avoid wasting electricity.

We also strive to help our customers improve their energy consumption management by understanding their monthly energy consumption data through the Electricity Report management system to help them plan and carry out energy conservation work. In the future, we will continue to carry out energy conservation research and optimization projects, and will also add more energy-saving designs and elements to build a green data centre when expanding our business.

Eco-friendly and Green Office

The Group's CITIC Telecom Green Policy promotes a green office, and we practice 4R environmental management in each office, regularly monitoring the electricity consumption, paper consumption, and water consumption in the office, and propose solutions to improve our environmental performance. Our environmental management system is well established, and our subsidiary has successfully obtained ISO 14001 environmental management system certification to manage the environmental performance. To enhance the environmental awareness of employees, we have set up an "environmental protection corner" on the intranet, and each employee can retrieve environmental protection information regularly updated to promote environmental protection.

During the year, we have set environmental targets for our Hong Kong business. Through historical data analysis, forecasting of future factors and peer benchmarking, we have set quantitative targets for electricity consumption, e-waste recycling and waste paper recycling at our Hong Kong office.

Group environmental targets

Electricity consumption	• To reduce the PUE at our data centres of Hong Kong headquarters 9% by Year 2026, against the Year 2020 baseline
Non-hazardous waste – waste paper	• To increase waste paper recycling of Hong Kong headquarters by 8% by Year 2025, against the Year 2020 baseline
Hazardous waste – computers and electronic equipment	• Hong Kong headquarters will maintain 100% recycling of (own use) computer and electronic waste through recycling distributors for proper disposal and reuse in Year 2022

Reduce energy consumption

The Group has taken a series of measures to improve the energy performance of our offices, giving priority to energy-efficient products and technologies when replacing electrical appliances and equipment, and using more energy-efficient LED bulbs throughout the office to reduce electricity consumption. The central air-conditioning system in our offices and telephone network equipment rooms is equipped with a magnetic float compressor to reduce the energy consumption of the air-conditioning system. We have also installed a Battery Monitoring System to facilitate real-time observation of the battery performance. The battery can be used till the end of the product lifecycle.

The Hong Kong headquarters has started to implement various electricity consumption reduction initiatives to reduce the PUE of our data centres aiming at achieving our target of 9% reduction by Year 2026, using Year 2020 as the baseline. We will closely monitor the progress of the target and continue to improve our electricity consumption performance.

"CTM Buddy" mobile application interface

Reduce paper waste

The Group encourages employees to reduce paper consumption by encouraging the use of double-sided printing and setting up recycling bins next to photocopiers to recycle waste paper. We provide digital services to our customers and introduced E-Systems for our internal management processes including the use of Office Automation System, e-leave, e-pay slip, e-appraisal and various e-forms to reduce paper usage. The Group's Macau subsidiary has also been actively promoting a paperless customer experience by launching an electronic billing and online service platform for customers to access the telecommunications services, which allows customers to directly use the "CTM Buddy" mobile app, "ctm.net Platform" or "CTM WeChat public account" to view and pay the bills, replacing the traditional bills and reducing paper waste.

Reduce water use

To avoid wasting water, we use automatic sensor faucets at our facilities, and circulate information on environmental friendly initiatives and water conservation at relevant locations such as pantries and regularly email water conservation tips to raise staff awareness and promote water conservation.

Increase waste recycling

To encourage employees to reduce waste, we set up recycling bins in the office to recycle all kinds of waste. At the same time, we have developed guidelines for the proper disposal of electronic products, in line with the Government's Producer Responsibility Scheme for Waste Electrical and Electronic Products, to ensure the correct disposal of regulated electrical and electronic products. We have set guidelines to ensure the proper and legal disposal of regulated electrical equipment ("REE"). Disposal must be carried out by local authorized recyclers and comply with the local regulation and environmental requirements. An official recycling certificate (i.e. WEEE Waste Handling Certificate or other local authorized recycle certificate) must be provided by the recycler after disposal of REE. During the year, the Hong Kong office also continued to participate in the Toner & Ink Cartridges Recycling & Reuse Programme organised by Friends of the Earth to properly dispose of such hazardous waste.

The Group set e-waste recycling and waste paper recycling targets at Hong Kong headquarters. We target to increase waste paper recycling by 8% by Year 2025, using Year 2020 as the baseline; and to maintain 100% recycling of (self-use) computer and e-waste through a recycler for proper disposal and reuse in Year 2022 to avoid resource waste and further pollution to the environment.

Environmental Performance Data[4]

Use of Resources	Units	Year 2021	Year 2020	Difference
Energy consumption				
Electricity	kWh	**62,108,647**	58,285,393	6.6%[5]
Petrol	litres	**100,768**	97,305	3.6%
Diesel	litres	**9,167**	7,954	15.2%[6]
Intensity of energy consumption	GJ/million HKD telecommunications revenue	**28.765**	26.756	7.5%
Water consumption				
Water consumption	m^3	**23,026**	20,246	13.5%[7]
Intensity of water consumption	m^3/million HKD telecommunications revenue	**2.914**	2.538	14.8%

4 As the numbers for each indicator in Year 2020 and 2021 were rounded, the actual year-to-year percentage change might be slightly different from that of the percentage of the numbers illustrated.

5 During the year, the Group purchased new electrical appliances for business development purpose. In addition, the demand of network connection increased during pandemic. As a result, the Group's electricity consumption increased compared to Year 2020.

6 During the year, our Macau subsidiary increased the use of back-up power generators to cope with power outage during the renovation of the power supply system and typhoon season. As a result, the Group's diesel consumption increased compared to Year 2020.

7 During the year, the Group adopted high hygiene standards and conducted more frequent cleaning of its operating locations. As a result, the Group's water consumption increased compared to Year 2020.

Waste Generation	Units	Year 2021	Year 2020	Difference
Non-hazardous waste generation				
Paper	kg	**34,074**	N/A	N/A
Metal scrap	kg	**4,610**	N/A	N/A
Other non-hazardous waste[8]	pc	**177**	N/A	N/A
Hazardous waste generation				
Computer, communications and electrical appliances	pc	**52,060**	N/A	N/A
Industrial batteries	pc	**509**	N/A	N/A
Toner and ink cartridges	pc	**128**	N/A	N/A

Waste Recycling	Units	Year 2021	Year 2020	Difference
Non-hazardous waste recycling				
Paper	kg	**2,176**	1,478	47.2%
Metal scrap	kg	**4,610**	N/A	N/A
Other non-hazardous waste	pc	**177**	N/A	N/A
Hazardous waste recycling				
Computers, communications and electrical appliances	pc	**52,060**	25,490	104.2%[9]
Industrial batteries	pc	**509**	416	22.4%
Toner and ink cartridges	pc	**128**	117	9.4%

Greenhouse Gas (GHG) Emissions[10]	Units	Year 2021	Year 2020	Difference
Scope 1: Direct GHG emissions	tonnes of CO_2-equivalent	**268.2**	500.2	–46.4%[11]
Scope 2: Energy indirect GHG emissions	tonnes of CO_2-equivalent	**40,056.7**	40,125.1	–0.2%[12]
Scope 3: Other indirect GHG emissions	tonnes of CO_2-equivalent	**167.5**	192.2	–12.9%[13]
Total GHG emissions	tonnes of CO_2-equivalent	**40,492.4**	40,817.6	–0.8%
Intensity of GHG emissions	tonnes of CO_2-equivalent/ million HKD telecommunications revenue	**5.122**	5.116	0.1%

8 Other non-hazardous waste included wooden cable drum.

9 During the year, the Group disposed of a large number of broken and obsolete modems because of business needs. As a result, the total number of recycled computers, communications and electrical appliances increased significantly compared to Year 2020.

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

11 The scope 1 GHG emissions of the Group decreased compared to Year 2020 as we reduced consumption of refrigerants and use of fire extinguisher in this year.

12 During the year, the Group increased electricity consumption; however, with adjustment of adopted carbon emission factors, the scope 2 GHG emissions decreased compared to 2020.

13 The scope 3 GHG emissions of the Group decreased compared to Year 2020 as the amount of recycled paper increased significantly in this year.

Environmental Activities

To promote environmental awareness to employees and the general public, the Group continued to support and respond to the initiatives of environmental organisations and groups during the year, organising and participating in several environmental protection activities .

We are actively promoting energy-saving habits to the public, and this year the Group and our subsidiary in Macau continued to participate in the "Earth Hour 2021 – Let Oceans Shine", which we hope to engage the public to reflect on the relationship between humans and the ocean, encourage changes in personal habits and reduce ecological footprint. To continue this meaningful event in this year, we launched an "Earth Hour" event at lunchtime on the last Friday of each month from June to September to contribute to environmental protection awareness.

During the year, we carried out a series of recycling activities to encourage our employees to practice our environmental protection concept. We held "CITIC Telecom Sustainable Event – Toy Recycling Campaign" to encourage employees to donate unused and in good condition toys to charity, and then send them to children from underprivileged families or for charity sale, which achieving reducing wastage and encouraging recycling. We also organised "CITIC Telecom Sustainable Event –Mooncake Box Recycling Program" during the mid-autumn festival to encourage our colleagues to have good environmental protection practice. All collected mooncake boxes and plastic trays from our employees were handed over to the "Green Community" recycling station under the Environmental Protection Department, and then transported to suitable downstream recyclers for follow-up treatment.

To promote green culture and low-carbon lifestyle, we also held activities such as pot planting competition and "Green Mid-Autumn Festival Food 2021" to establish employees with green living habits. During the year, we conducted different environmental workshops, such as coffee grounds tie-dyeing and reuse workshops, to teach staff how to upgrade and upcycle to reduce waste. In addition, we continued to participate in the Green Council's Hong Kong Green Day to educate our staff to contribute to environmental protection.

Environmental Awards and Certifications

The Group's environmental protection measures have been recognized and affirmed by the industry. This year, the Group was awarded Hong Kong Green Organization Certification – Energy Certificate (basic level) for our significant achievement in energy saving, and the Group's subsidiary was awarded "Green Office" and "Eco-Healthy Workplace" labels by the World Green Organization. All of these show that the green measures we have implemented in different areas have achieved recognizable results and contribution.

Supporting for the Community

2021 Highlight: Community Service

We have leveraged our passion to promote community development through volunteering and philanthropic donations as the COVID-19 pandemic did not stop our Group from taking part in community services in 2021. Our CITIC Telecom International Volunteer Service Team continued to strengthen the connection between our Company and the society and help the people in need. This year, the team contributed over 430 hours in voluntary service while the Group made charitable donations of over HK$1.18 million.

Leveraging Our Strengths to Support Community Development

Our Group continued to encourage our employees to participate in community services, through which we can leverage our expertise and resources in communication and information technology to provide a better quality of life for the society, and uphold the principles of rewarding the society and serving the community.

Contribute to the Community with Volunteering and Recycling Programmes

During the year, our Hong Kong Headquarters organised a total of 4 volunteering and recycling programmes, engaging disadvantaged groups in the community and promoting waste reduction activities and circular economy principles. The "CITIC Telecom Sustainable Event – Toy Recycling Campaign" was held to encourage colleagues to donate unused toys at home. A total of 6 boxes with around 120 toys were donated to charities to be transferred to children of grassroots families or sold for charity. The "CITIC Telecom Sustainable Event – Mooncake Box Recycling Program" was put in place to encourage colleagues to adopt the Company's environmental protection philosophy while celebrating the Mid-Autumn Festival. 2 crates with a total of 31 boxes/cans or plastic trays were collected and delivered to the Environmental Protection Department's GREEN@COMMUNITY where the waste is passed on to downstream recyclers for further treatment.

Our Company also collaborated with Chinese YMCA of Hong Kong to organise the "Mid-Autumn Festival Goodie Bags Giving" and "Colorful Handmade Soap Making" volunteer activities. In these activities, volunteers distributed festive goodie bags to underprivileged families and made handmade soap with children from grassroots families in Kwun Tong. Our volunteer team members show support and care while bringing joy to families and children in the community.

Caring for the Underprivileged through our Volunteer Team of the Macau subsidiary

Our Macau subsidiary has been leveraging their resources to the community. During the year, the subsidiary participated in various activities, including providing support to the World Vision "Macau Famine 2021"; organising colleagues to join Macau Special Olympics "MSO Charity Football Tournament 2021"; supporting a charity golf event organised for Associacao de Idosos, Deficientes Intelectuais e Seus Familiars, aiming at joining hands with the underprivileged to spread harmony among the community.

The volunteer team of the Macau subsidiary is also dedicated in serving the community. The volunteer team visited and supported the Cats' Paradise of Anima Macau; teamed up with Chói Nong Hap Kuan Sé Hong Lin Chi Ka to celebrate Mother's Day; and collaborated with FAOM Chong Pak Chi Ka to celebrate the Lunar New Year, and teaching the elderly how to make use of the "CTM Buddy" mobile apps, making an extra effort to help those in need in the community.

Supporting Youth Development

The Group acknowledges the importance of nurturing our younger generation to prepare them to be future leaders of our society. Therefore, we have been collaborating with schools and youth groups to organise a variety of activities to help teenagers widen their horizons and unleash their potential in all aspects.

To deepen students' understanding and interest in the telecommunication industry, we closely work with different schools to organise online sharing sessions, site visits and tours, to introduce students to understand the actual operations of the industry and market trends.

In line with the local government policies to promote technology, our subsidiary in Macau held briefing sessions for students to promote 5G technology and smart city concepts, strengthening teenagers' understanding towards the telecommunication industry. In addition, the annual CTM Youth Development Program was held in July 2021, offering youngsters internship opportunities at various departments of CTM, providing them with opportunities to gain further insights into the ICT industry while aiming to foster more local talent.

Our Group continued to reward students with outstanding performance by offering scholarships for various universities in this year. Through the CTM Scholarship, the subsidiary in Macau provided financial support for students in need. Our Singapore subsidiary also continued to offer the CITIC Telecom Scholarship at the Singapore Polytechnic, providing financial aid for students who are interested in environmental studies. With the financial support through our scholarship, we aim at allowing students to focus on their studies and supporting their research. In return, the students will contribute to society with their expertise in the future.

Graduate Recruitment Scheme

The Group actively recruited young talent from multiple channels, including participating in online job fairs organised by local universities; the "New Graduates-New Opportunities Scheme" co-organised by the Hong Kong Chinese Enterprises Association and the Labour Department; and the "Telecommunications Opportunities Programme (TOP)" commissioned by the Commerce and Economic Development Bureau and administered by the Hong Kong Federation of Youth Groups. Our Group employed several university graduates into full-time positions in the Company through the abovementioned channels.

In addition to solve manpower issues of the Company through the schemes, we could bring fresh minds to the industry. The schemes aim at providing young talent with employment and training opportunities, helping them to better equip themselves for future career path.

Internship Programme and Job Shadowing Activity

The Group's subsidiary collaborated with Hong Kong Federation of Youth Groups (HKFYG) and universities to offer internship opportunities and job shadowing activity for students, providing them with a better understanding of our company's operation, updated ICT knowledge and latest outlook on industry development.

Cultivating Outstanding Talent in ICT

This year, the Macau subsidiary continued to share information about 5G technology with the public through multiple channels, including exhibitions, lectures and school visits. We also co-organised briefings and study tours with institutions, including visits to CTM and CTM's 5G Planet as well as internship and training opportunities to cultivate local industry talent.

In the meantime, we spare no effort in supporting various academic competitions, including the "5G·Smart Solutions Design Competition Award Ceremony", "Robot Master 2021" and the "National Youth UAV Competition", advocating students to learn.

Promotion of telecommunications services

The Group is committed to promoting telecommunication services for all, catering to the needs of the underprivileged to offer services, creating a more harmonious and inclusive community.

"Digital Macau" to Provide Emergency Support

The subsidiary in Macau spares no effort to promote "Digital Macau". We continuously invest into ICT infrastructure and introduce latest technologies to enhance the application of smart services to daily lives of the public. We launched e-SIM service, "e POS System".

The COVID-19 pandemic enabled us with the opportunity to identify and support people in need in the community by providing free telecommunication services. To ensure people can receive updated information related to the pandemic, we provide 24/7 free CTM Wi-Fi service at Covid-19 testing stations during the universal community test programme, and we also waive the monthly rental charge of internet and fixed-line services for those impacted residents in red code zones. Moreover, we provide extra free data usage to foreign students and returning students during quarantine for communication and remote learning purpose.

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

- Launching the Caring Plan of Telecom Service for disability assessment certificate holders, offering them preferential mobile communications and internet services, to encourage them to live a wonderful life via utilization of Internet.
- Providing special offers for the elderly to assist them in maintaining contact in today's modern society, by covering the purchase of smartphones and accessories, prepaid cards and mobile monthly plans.

Developing of the mSchool, a dedicated communication platform between schools and parents that rides on the "Education Cloud" technology, aiming at minimising geographical and time barriers in communication, pushing forward the development of a smart campus.

Through the popularisation of telecommunications services, the Group offers more timely and diversified services to its users, the underprivileged, and different stakeholders.

50222 Hiker SMS Tracking Service

The Group continued to collaborate with major telecommunication operators to provide full support to the 50222 SMS Tracking Service, serving the community through telecommunications services. 50222 is a SMS-based life-saving tool for hikers, where hikers can report their location by sending a free SMS to "50222" according to marked posts along the country trail. In case rescue is needed, the Hong Kong Government's emergency services can pinpoint the locations more effectively and accurately by referring to the latest track number sent by the hiker.

Awards and Commendations

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

- The Group was awarded the "10 Years Plus Caring Company" from the Hong Kong Council of Social Service, commending our contribution in caring for employees, community and environment.
- The Group received the "Social Capital Builder Award" by the Community Investment and Inclusion Fund of the Labour and Welfare Bureau, for our effort in cross industry collaboration and in building social capital for Hong Kong.
- The Group obtained the "Certificate of Appreciation of Sport-Friendly Action" from the Chinese YMCA of Hong Kong, recognising our effort in promoting employee's participation in sports.
- The Macau subsidiary was awarded the "Excellent Corporate Volunteer Team" by the Macau Volunteer Association, in recognition of our active participation and contribution to the local community.

10 years+ 商界展關懷 caringcompany

運動友善 Sport-Friendly

CIIF 2020-22 Social Capital Builder Awards 社會資本動力獎

Environmental, Social and Governance Reporting Guide

Compliance with Reporting Standards

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

Reporting and Data Scope

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

Content Index

Key aspects	General disclosures and KPIs		Section/statement	Referencing page number
A. Environment				
Aspect A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Caring for the Environment The Group is not aware of any material non-compliance with relevant laws and regulations that have a significant impact on the Group during the reporting period.	Pages 111–118
	KPI A1.1	The types of emissions and respective emissions data.	Given the Group does not generate a significant amount of emissions during operation, this topic was regarded non-material in the materiality analysis, and thus such data is not disclosed.	Not applicable
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Caring for the Environment	Page 116
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Caring for the Environment	Page 116

Key aspects	General disclosures and KPIs		Section/statement	Referencing page number
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Caring for the Environment	Page 116
	KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Given the Group does not generate a significant amount of emissions during operation, the Group has not set emissions targets.	Not applicable
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled,and a description of reduction target(s) set and steps taken to achieve them.	Caring for the Environment	Pages 111, 114–117
Aspect A2: Use of resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Caring for the Environment	Page 111
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Caring for the Environment	Page 115
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Caring for the Environment	Page 115
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Caring for the Environment	Pages 111–118
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	The Group does not have any issue in sourcing water that is fit for purpose.	Not applicable
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Given the Group's operations do not involve significant amount of packaging materials, this topic was regarded non-material in the materiality analysis, and thus such data is not disclosed.	Not applicable
Aspect A3: The environment and natural resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Caring for the Environment	Page 111
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Caring for the Environment	Pages 111–116

Key aspects	General disclosures and KPIs		Section/statement	Referencing page number
Aspect A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Caring for the Environment	Page 112
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Caring for the Environment	Page 112
B. Social				
Employment and labour practices				
Aspect B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Responsible Operational Management, Building a Strong CITIC Telecom Team The Group is not aware of any material non-compliance with relevant employment laws and regulations that have a significant impact on the Group during the reporting period.	Pages 104–108
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Building a Strong CITIC Telecom Team	Page 104
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Building a Strong CITIC Telecom Team	Page 105
Aspect B2: Health and safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Building a Strong CITIC Telecom Team The Group is not aware of any material non-compliance with relevant laws and regulations that have a significant impact on the Group during the reporting period.	Pages 106–107
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Building a Strong CITIC Telecom Team	Page 107
	KPI B2.2	Lost days due to work injury.	Building a Strong CITIC Telecom Team	Page 107
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Building a Strong CITIC Telecom Team	Pages 106–108

Key aspects	General disclosures and KPIs		Section/statement	Referencing page number
Aspect B3: Development and training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Building a Strong CITIC Telecom Team	Pages 108–111
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Building a Strong CITIC Telecom Team	Pages 110–111
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Building a Strong CITIC Telecom Team	Pages 110–111
Aspect B4: Labour standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Building a Strong CITIC Telecom Team The Group is not aware of any non-compliance with relevant laws and regulations on preventing child or forced labour.	Page 106
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Given the Group's operations do not expose to significant risk of child and forced labour, this topic was regarded non-material in the materiality analysis, and thus such data is not disclosed.	Not applicable
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Given the Group's operations do not expose to significant risk of child and forced labour, this topic was regarded non-material in the materiality analysis, and thus such data is not disclosed.	Not applicable

Key aspects	General disclosures and KPIs		Section/statement	Referencing page number
Operating practices				
Aspect B5: Supply chain management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Responsible Operational Management	Page 103
	KPI B5.1	Number of suppliers by geographical region.	Responsible Operational Management	Page 103
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Responsible Operational Management	Page 103
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Responsible Operational Management	Page 103
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Responsible Operational Management	Page 103
Aspect B6: Product responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Responsible Operational Management The Group is not aware of any material non- compliance with relevant laws and regulations on product responsibility that have a significant impact on the Group during the reporting period.	Pages 99–102
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Given the Group's operations do not expose to significant risk of product recalls, this topic was regarded non-material in the materiality analysis, and thus such data is not disclosed.	Not applicable
	KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Responsible Operational Management	Page 101
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Responsible Operational Management	Page 102
	KPI B6.4	Description of quality assurance process and recall procedures.	Responsible Operational Management	Page 100
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Responsible Operational Management	Page 102

Key aspects	General disclosures and KPIs		Section/statement	Referencing page number
Aspect B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Responsible Operational Management	Pages 101–102
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	The Group is not aware of any material non-compliance with relevant laws and regulations on anti-corruption that have a significant impact on the Group during the reporting period.	Not applicable
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Responsible Operational Management	Pages 101–102
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	Responsible Operational Management	Page 101
Aspect B8: Community investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Caring and Support for the Community	Pages 119–122
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Caring and Support for the Community	Pages 119–122
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Caring and Support for the Community	Page 119

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of CITIC Telecom International Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 135 to 216, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

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

- Impairment assessment of goodwill

- Revenue recognition

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill	
Refer to note 13 to the consolidated financial statements. As at 31 December 2021, the carrying value of the Group's goodwill amounting to HK$9,721 million was allocated to cash generating units ("CGUs") comprising of: (i) Telecoms business – Macau, (ii) Enterprise solutions (outside Macau), and (iii) Other telecommunications services. Goodwill is subject to management's impairment assessments annually and when there is an indication of impairment. In carrying out the impairment assessments, the recoverable amount of each CGU is determined by management based on value-in-use calculation using cash flow projections. Significant judgments are required by management to estimate the future cash flows of the Group's CGUs and to determine the key assumptions, including the services revenue growth rates and long-term growth rates used in the cash flow projections, and the discount rates applied to bring the future cash flows back to their present values. Management concluded that there was no impairment in respect of the goodwill based on the results of their impairment assessments.	Our procedures in relation to the management's impairment assessments of goodwill included: • Evaluating the reasonableness of management's identification of CGUs based on our understanding of the Group's business; • Assessing the methodology applied by management in the preparation of the discounted cashflow forecasts with reference to the requirements of the prevailing accounting standards; • Evaluating the discounted cashflow forecasts prepared by management, including the reasonableness of the key assumptions used, by taking into account our understanding, experience, knowledge of the business and observable market data of the telecommunications sector and the Group's future business plans, and assessing the reasonableness of the discount rates with the involvement of our valuation expert; • Comparing the revenue, cost of sales and services and other operating expenses included in discounted cashflow forecasts prepared in the prior year with the current year's performance and making enquiries to management as to the reasons for any significant variation identified to assess management's historical estimation accuracy; and • Performing sensitivity analyses on the key assumptions where we flexed the long-term growth rates and the discount rates as these are the key assumptions against which the recoverable amounts are most sensitive to. Based on available evidence and our work performed, we found the assumptions and estimates used in the goodwill impairment assessments by management to be supportable.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition	
Refer to note 3 to the consolidated financial statements. The Group recognised revenue of HK$4,740 million from the provision of mobile services, internet services, international telecommunications services and fixed line services during the year ended 31 December 2021. We considered revenue recognition a key audit matter as significant effort was spent in auditing revenue recognised by the Group based on information generated from the telecommunications systems. These systems were complex, processed large volume of transactions with a large combination of different products sold and services provided and there were regular changes in price during the year.	Our procedures performed in addressing the risk of material misstatement in revenue recognition in relation to the use of complex IT systems included: • Obtaining an understanding and evaluating the design, implementation and operating effectiveness of the key internal controls over the capturing, processing and recording of revenue; • Testing the IT environment in which billing, rating and other relevant supporting systems reside; and • Testing, on a sample basis, the revenue transactions by tracing the transactions from the telecommunications systems to supporting documents, such as customer contracts, underlying invoices and settlement, where applicable. Based on available evidence and our work performed, we found the revenue recognised with the use of complex IT systems to be supportable.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

15 March 2022

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 $ million	2020 $ million
Revenue	3(a)	**9,486**	8,923
Valuation gain/(loss) on investment property	10(a)	**28**	(4)
Other income	4	**36**	39
Cost of sales and services	5(a)	**(5,459)**	(5,040)
Depreciation and amortisation	5(b)	**(897)**	(915)
Staff costs	5(c)	**(1,082)**	(982)
Other operating expenses		**(488)**	(462)
		1,624	1,559
Finance costs	5(d)	**(270)**	(296)
Share of profit of a joint venture		**1**	–
Profit before taxation	5	**1,355**	1,263
Income tax	6(a)	**(248)**	(224)
Profit for the year		**1,107**	1,039
Attributable to:			
Equity shareholders of the Company		**1,076**	1,023
Non-controlling interests		**31**	16
Profit for the year		**1,107**	1,039
Earnings per share (HK cents)	9		
Basic		**29.3**	27.9
Diluted		**29.2**	27.9

The notes on pages 140 to 216 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 27(b).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 $ million	2020 $ million
Profit for the year		**1,107**	1,039
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit liability	25(a)(v)	**16**	28
Deferred tax recognised on the remeasurement of net defined benefit liability	6(c)	**(2)**	(3)
		14	25
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments:			
– exchange differences on translation of financial statements of operations outside Hong Kong		**–**	49
Other comprehensive income for the year		**14**	74
Total comprehensive income for the year		**1,121**	1,113
Attributable to:			
Equity shareholders of the Company		**1,089**	1,094
Non-controlling interests		**32**	19
Total comprehensive income for the year		**1,121**	1,113

The notes on pages 140 to 216 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

(Expressed in Hong Kong dollars)

	Note	2021 $ million	2020 $ million
Non-current assets			
Investment property	10	**667**	639
Property, plant and equipment	10	**2,625**	2,705
Right-of-use assets	11	**654**	706
Intangible assets	12	**1,064**	1,219
Goodwill	13	**9,721**	9,733
Interest in a joint venture	15	**11**	9
Non-current contract assets	19(a)	**23**	31
Non-current contract costs	17	**25**	–
Non-current finance lease receivables	18	**5**	–
Non-current other receivables and deposits	20	**103**	181
Deferred tax assets	6(c)	**72**	77
		14,970	15,300
Current assets			
Inventories	16	**103**	61
Contract costs	17	**2**	7
Finance lease receivables	18	**4**	–
Contract assets	19(a)	**255**	343
Trade and other receivables and deposits	20	**1,248**	1,104
Current tax recoverable	6(b)	**7**	3
Cash and deposits	21(a)	**1,793**	1,519
		3,412	3,037
Current liabilities			
Trade and other payables	22	**1,645**	1,457
Contract liabilities	19(b)	**184**	176
Bank and other borrowings	23	**500**	240
Lease liabilities	24	**140**	139
Current tax payable	6(b)	**188**	209
		2,657	2,221
Net current assets		**755**	816
Total assets less current liabilities		**15,725**	16,116
Non-current liabilities			
Non-current contract liabilities	19(b)	**1**	2
Non-current bank and other borrowings	23	**4,946**	5,628
Non-current lease liabilities	24	**356**	391
Non-current other payables	22	**23**	31
Net defined benefit retirement obligation	25(a)	**12**	29
Deferred tax liabilities	6(c)	**211**	226
		5,549	6,307
NET ASSETS		**10,176**	9,809
CAPITAL AND RESERVES			
Share capital	27(c)	**4,704**	4,646
Reserves		**5,391**	5,105
Total equity attributable to equity shareholders of the Company		**10,095**	9,751
Non-controlling interests		**81**	58
TOTAL EQUITY		**10,176**	9,809

Approved and authorised for issue by the board of directors on 15 March 2022.

Xin Yue Jiang
Director

Cai Dawei
Director

The notes on pages 140 to 216 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company							
	Note	Share capital $ million	Capital reserve $ million	Property revaluation reserve $ million	Exchange reserve $ million	Retained profits $ million	Total $ million	Non-controlling interests $ million	Total equity $ million
Balance as at 1 January 2021		**4,646**	**35**	**53**	**14**	**5,003**	**9,751**	**58**	**9,809**
Changes in equity for 2021:									
Profit for the year		**–**	**–**	**–**	**–**	**1,076**	**1,076**	**31**	**1,107**
Other comprehensive income for the year		**–**	**–**	**–**	**(1)**	**14**	**13**	**1**	**14**
Total comprehensive income for the year		**–**	**–**	**–**	**(1)**	**1,090**	**1,089**	**32**	**1,121**
Dividend paid to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**(9)**	**(9)**
Shares issued under share option plan	26(b)(ii)	**58**	**(12)**	**–**	**–**	**–**	**46**	**–**	**46**
Dividends approved in respect of the previous financial year	27(b)(ii)	**–**	**–**	**–**	**–**	**(589)**	**(589)**	**–**	**(589)**
Release upon lapse of share options	26(b)(ii)	**–**	**(6)**	**–**	**–**	**6**	**–**	**–**	**–**
Dividends declared in respect of the current financial year	27(b)(i)	**–**	**–**	**–**	**–**	**(202)**	**(202)**	**–**	**(202)**
		58	**(18)**	**–**	**–**	**(785)**	**(745)**	**(9)**	**(754)**
Balance as at 31 December 2021		**4,704**	**17**	**53**	**13**	**5,308**	**10,095**	**81**	**10,176**
Balance as at 1 January 2020		4,628	40	53	(32)	4,687	9,376	49	9,425
Changes in equity for 2020:									
Profit for the year		–	–	–	–	1,023	1,023	16	1,039
Other comprehensive income for the year		–	–	–	46	25	71	3	74
Total comprehensive income for the year		–	–	–	46	1,048	1,094	19	1,113
Dividend paid to non-controlling interests		–	–	–	–	–	–	(10)	(10)
Shares issued under share option plan	26(b)(ii)	18	(4)	–	–	–	14	–	14
Dividends approved in respect of the previous financial year	27(b)(ii)	–	–	–	–	(550)	(550)	–	(550)
Release upon lapse of share options	26(b)(ii)	–	(1)	–	–	1	–	–	–
Dividends declared in respect of the current financial year	27(b)(i)	–	–	–	–	(183)	(183)	–	(183)
		18	(5)	–	–	(732)	(719)	(10)	(729)
Balance as at 31 December 2020		4,646	35	53	14	5,003	9,751	58	9,809

The notes on pages 140 to 216 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	**2021 $ million**	2020 $ million
Operating activities			
Cash generated from operations	21(e)	**2,676**	2,780
Tax paid:			
– Hong Kong Profits Tax paid		**(130)**	(89)
– Macau Complementary Tax paid		**(122)**	(129)
– Tax paid for jurisdictions outside Hong Kong and Macau		**(31)**	(25)
Tax refunded:			
– Hong Kong Profits Tax refunded		**–**	5
– Tax refunded for jurisdictions outside Hong Kong and Macau		**1**	–
Net cash generated from operating activities		**2,394**	2,542
Investing activities			
Payment for the purchase of property, plant and equipment		**(532)**	(788)
Proceeds from the sale of property, plant and equipment		**–**	1
Decrease in pledged deposits		**2**	–
Increase in other deposits		**(361)**	–
Interest received		**12**	14
Net cash used in investing activities		**(879)**	(773)
Financing activities			
Proceeds from new bank and other borrowings	21(f)	**1,684**	493
Proceeds from new shares issued under share option plan		**46**	14
Payment for transaction costs on bank and other borrowings	21(f)	**–**	(1)
Repayment of bank and other borrowings	21(f)	**(2,105)**	(900)
Other borrowing costs paid	21(f)	**(244)**	(279)
Capital element of lease rentals paid	21(f)	**(159)**	(147)
Interest element of lease rentals paid	21(f)	**(20)**	(17)
Dividends paid to equity shareholders of the Company		**(791)**	(733)
Dividend paid to non-controlling interests		**(9)**	(10)
Net cash used in financing activities		**(1,598)**	(1,580)
Net (decrease)/increase in cash and cash equivalents		**(83)**	189
Cash and cash equivalents as at 1 January		**1,510**	1,304
Effect of foreign exchange rate changes		**(1)**	17
Cash and cash equivalents as at 31 December	21(a)	**1,426**	1,510

The notes on pages 140 to 216 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise CITIC Telecom International Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") and the Group's interest in a joint venture.

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

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

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

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

(c) Changes in accounting policies

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Joint ventures

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

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

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

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

If an investment in a joint venture becomes an investment in an associate, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

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

(f) Goodwill

Goodwill represents the excess of

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment property

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

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

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

(h) Property, plant and equipment

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

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

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

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

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

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

– Freehold land is not depreciated.

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

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

– Telecommunications equipment is depreciated over 2 to 20 years.

– Other assets are depreciated over 2 to 5 years.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment (continued)

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

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

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

(i) Intangible assets (other than goodwill)

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

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

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

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

(j) Leased assets

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leased assets (continued)

(i) As a lessee

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

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

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

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

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

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

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

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

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

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

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

The initial fair value of refundable rental deposits is accounted for separately from the right-of use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leased assets (continued)

(i) As a lessee (continued)

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

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

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

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

(ii) As a lessor

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

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

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

When the Group lease out assets under finance lease, the present value of lease receipts is recognised as a receivable. Each lease receipt is allocated between the receivables and interest income. The interest element of the lease receipt is recognised in the consolidated income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivables for each period.

When the Group lease out assets under operating lease, the assets are included in the consolidated statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies. Revenue arising from operating lease is recognised in the consolidated income statement in installments over the accounting periods covered by the lease term.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial assets

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

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

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

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

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

Debt instruments

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

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

(l) Offsetting financial instruments

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

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

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

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

– lease receivables.

Measurement of ECLs

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

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

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

– variable-rate financial assets: current effective interest rate; and

– lease receivables: discount rate used in the measurement of the lease receivables.

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

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

ECLs are measured on either of the following bases:

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Significant increases in credit risk

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

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

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

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

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

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

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

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

Basis of calculation of interest income

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

Credit-impaired financial assets

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

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

– significant financial difficulties of the debtor;

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

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

– right-of-use assets;

– intangible assets;

– goodwill;

– interest in a joint venture; and

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

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

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– Recognition of impairment losses

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

– Reversals of impairment losses

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

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

(n) Inventories

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

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

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

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

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

(o) Contract costs

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Contract costs (continued)

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

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

(p) Contract assets and contract liabilities

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

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

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

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

(q) Trade and other receivables and deposits

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 1(m)(i)).

Insurance reimbursement is recognised and measured in accordance with note 1(w)(i).

(r) Cash and cash equivalents

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

(s) Trade and other payables

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Interest-bearing borrowings

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

(u) Employee benefits

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

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

The Group's cost in respect of defined contribution plans for the year is charged to the profit or loss for the year. Forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) are used to reduce the current year's level of contributions.

(ii) Defined benefit retirement plan obligations

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits (continued)

(iii) Share-based payments

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

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

(v) Income tax

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Income tax (continued)

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

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

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

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

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

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

  - the same taxable entity; or

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

(w) Provisions, contingent liabilities and onerous contracts

(i) Provision and contingent liabilities

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Provisions, contingent liabilities and onerous contracts (continued)

(ii) Onerous contracts

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

(x) Revenue and other income

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

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

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

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

(i) Revenue from telecommunications services

Revenue with contracted fees is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs and is based on output method, either as the service allowance units are used or as time elapses, because it reflects the pattern by which the Group satisfy the performance obligation through the transfer of services to the customers.

(ii) Sale of mobile handsets and equipment

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

(iii) Revenue from business solution projects

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue and other income (continued)

(iv) Rental income from investment properties

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

(v) Interest income

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

(y) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

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

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

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

(z) Borrowing costs

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

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

(aa) Government grants

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

(ac) Segment reporting

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

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

2 CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES

Notes 10(c), 13, 25, and 28 contain information about the assumptions and their risk factors relating to valuation of investment property, goodwill impairment, defined benefit retirement obligation and financial instruments. Other significant sources of estimation uncertainty are as follows:

(a) Impairment of assets

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

The impairment provisions for trade debtors and contract assets are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the customer's credit worthiness and past collection history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see note 28(a).

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

(b) Business solution projects

As explained in note 1(x)(iii), revenue from business solution projects is recognised over time. Such revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the business solution activities undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached, the related contract assets disclosed in note 19(a) do not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total costs or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(c) Depreciation and amortisation

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

2 CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(d) Income tax

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

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

(e) Determining the lease term and discount rate

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

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

(i) Disaggregation of revenue

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

	Note	**2021 $ million**	2020 $ million
Revenue from contracts with customers			
Disaggregated by major service lines or products:			
Mobile services	(i)	**858**	957
Internet services	(ii)	**1,243**	1,123
International telecommunications services	(iii)	**2,461**	2,481
Enterprise solutions	(iv)	**3,165**	3,227
Fixed line services	(v)	**178**	190
Fees from the provision of telecommunications services		**7,905**	7,978
Sales of mobile handsets and equipment		**1,581**	945
		9,486	8,923

Notes:

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

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

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

(iv) Enterprise solutions broadly include enterprise solutions services, business solution projects, virtual private network services, sales of related products and others.

(v) Fixed line services broadly include domestic and international fixed telephony services and others.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (continued)

(i) Disaggregation of revenue (continued)

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

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

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

	2021 **$ million**	2020 $ million
Within 1 year	**2,064**	2,074
Over 1 year	**1,105**	1,129
	3,169	3,203

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

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

(b) Segment reporting

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

(i) Segment results, assets and liabilities

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

– Segment assets include all assets, with the exception of investment property, interest in a joint venture, deferred tax assets, current tax recoverable, and other corporate assets. Segment liabilities include trade and other payables, contract liabilities, lease liabilities and net defined benefit retirement obligation attributable to the operating activities of the segment.

– Revenue and expenses are allocated to the reportable segment with reference to sales generated by the segment and the expenses incurred by the segment or which otherwise arise from the depreciation or amortisation of assets attributable to the segment.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Reconciliation of reportable segment profit

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

(iii) Reconciliations of reportable segment assets and liabilities

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

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(iv) Geographic information

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

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

4 OTHER INCOME

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

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

5 PROFIT BEFORE TAXATION

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

(a) Cost of sales and services

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

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

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

(b) Depreciation and amortisation

	2021 $ million	2020 $ million
Depreciation charge		
– property, plant and equipment (note 10(a))	**562**	582
– right-of-use assets (note 11)	**177**	165
Amortisation (note 12)	**158**	168
	897	915

(c) Staff costs (including directors' emoluments (note 7))

	2021 $ million	2020 $ million
Contributions to defined contribution retirement plans	**76**	55
Expenses recognised in respect of defined benefit retirement plan (note 25(a)(v))	**8**	9
Total retirement costs	**84**	64
Salaries, wages and other benefits (note)	**998**	918
	1,082	982

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

5 PROFIT BEFORE TAXATION (CONTINUED)

(d) Finance costs

	2021 $ million	2020 $ million
Interest on bank and other borrowings	**240**	271
Interest on lease liabilities (note 21(f))	**20**	17
Other finance charges	**10**	9
Other interest expense (note 25(a)(v))	**1**	2
	271	299
Less: interest expense capitalised into construction in progress*	**(1)**	(3)
	270	296

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

(e) Other items

	2021 $ million	2020 $ million
Auditors' remuneration		
– audit services	**8**	8
– non-audit services	**4**	3
	12	11
Impairment losses for trade debtors and contract assets (note 28(a))	**1**	24
Net loss on disposal of property, plant and equipment	**3**	2
Gain on surrender of leases	**–**	(2)
Net foreign exchange gain	**(3)**	(12)

6 INCOME TAX

(a) Income tax in the consolidated income statement represents:

	2021 $ million	2020 $ million
Current tax		
Hong Kong Profits Tax		
– Provision for the year	**101**	93
– Over-provision in respect of prior years	**–**	(3)
	101	90
Macau Complementary Tax		
– Provision for the year	**124**	124
– Over-provision in respect of prior years	**(1)**	(1)
	123	123
Jurisdictions outside Hong Kong and Macau		
– Provision for the year	**35**	31
– (Over)/under-provision in respect of prior years	**(1)**	3
	34	34
Deferred tax		
Origination and reversal of temporary differences (note 6(c))	**(10)**	(23)
	248	224

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

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

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

6 INCOME TAX (CONTINUED)

(a) Income tax in the consolidated income statement represents: (continued)

Reconciliation between actual tax expense and accounting profit at applicable tax rates:

	2021 **$ million**	2020 $ million
Profit before taxation	**1,355**	1,263
Notional tax on profit before taxation, calculated at the rates applicable to profits in the cities or countries concerned	**198**	173
Tax effect of non-deductible expenses	**61**	68
Tax effect of non-taxable income	**(8)**	(18)
Tax effect of unused tax losses not recognised	**–**	5
Tax effect of temporary differences previously not recognised and recognition of previous unused tax losses	**–**	(3)
Over-provision in respect of prior years	**(2)**	(1)
Others	**(1)**	–
Actual tax expense	**248**	224

(b) Current taxation in the consolidated statement of financial position represents:

	2021 **$ million**	2020 $ million
Current tax recoverable	**(7)**	(3)
Current tax payable	**188**	209
	181	206

6 INCOME TAX (CONTINUED)

(c) Deferred tax assets and liabilities recognised:

The components of deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Intangible assets arising from business combination $ million	Depreciation allowances in excess of the related depreciation $ million	Defined benefit retirement obligation $ million	Future benefits of tax losses $ million	Others $ million	Total $ million
Deferred tax arising from:						
As at 1 January 2020	169	101	(7)	(99)	3	167
(Credited)/charged to profit or loss (note 6(a))	(21)	12	–	(5)	(9)	(23)
Charged to reserves	–	–	3	–	–	3
Exchange adjustments	1	1	–	–	–	2
As at 31 December 2020	149	114	(4)	(104)	(6)	149
As at 1 January 2021	**149**	**114**	**(4)**	**(104)**	**(6)**	**149**
(Credited)/charged to profit or loss (note 6(a))	**(20)**	**20**	**–**	**(3)**	**(7)**	**(10)**
Charged to reserves	**–**	**–**	**2**	**–**	**–**	**2**
Exchange adjustments	**–**	**–**	**1**	**(1)**	**(2)**	**(2)**
As at 31 December 2021	**129**	**134**	**(1)**	**(108)**	**(15)**	**139**

Reconciliation to the consolidated statement of financial position

	2021 $ million	2020 $ million
Net deferred tax assets recognised in the consolidated statement of financial position	**(72)**	(77)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**211**	226
	139	149

(d) Deferred tax assets not recognised

In accordance with the accounting policies set out in note 1(v), the Group has not recognised deferred tax assets in respect of unused tax losses of $95,000,000 (2020: $105,000,000) as at 31 December 2021 as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities. $54,000,000 (2020: $57,000,000) of the tax losses do not expire under the current tax legislation, and $41,000,000 (2020: $48,000,000) of the tax losses will expire after 1 to 20 years.

7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance (Cap. 622) and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

	2021							
	Directors' fees $ million	Basic salaries and allowances $ million	Discretionary bonuses $ million	Benefits in kind $ million	Retirement scheme contributions $ million	Sub-total $ million	Share-based payments $ million	Total $ million
Executive directors								
Xin Yue Jiang #/Δ	–	4.56	4.16	0.35	–	9.07	–	9.07
Cai Dawei #	–	2.69	6.49	0.06	0.02	9.26	–	9.26
Li Bing Chi, Esmond #/*	–	2.68	6.35	0.11	0.12	9.26	–	9.26
Non-executive directors								
Wang Guoquan (appointed on 4 March 2021)	–	–	–	–	–	–	–	–
Liu Zhengjun (resigned on 4 March 2021)	–	–	–	–	–	–	–	–
Liu Jifu	–	–	–	–	–	–	–	–
Fei Yiping	–	–	–	–	–	–	–	–
Independent non-executive directors								
Liu Li Qing (retired on 9 December 2021)	0.32	–	–	–	–	0.32	–	0.32
Zuo Xunsheng	0.34	–	–	–	–	0.34	–	0.34
Lam Yiu Kin	0.34	–	–	–	–	0.34	–	0.34
Total	1.00	9.93	17.00	0.52	0.14	28.59	–	28.59

\# Directors' emoluments determined and paid during the year included certain directors' discretionary bonuses related to their term of service in 2020 (the "2020 discretionary bonuses"). The 2020 discretionary bonuses for Messrs. Xin Yue Jiang, Cai Dawei and Li Bing Chi, Esmond were $4,170,000, $3,200,000 and $3,130,000 respectively.

Δ The unpaid portion of the performance related bonuses for 2021 will be determined based on an evaluation to be conducted and finalised in 2022. Such emoluments, when finalised, will be disclosed on an individual name basis in the consolidated financial statements for the year ending 31 December 2022.

* With effect from 1 February 2022, Mr. Li Bing Chi, Esmond retired as an executive director of the Company and Mr. Luan Zhenjun was appointed as an executive director in his stead.

7 DIRECTORS' EMOLUMENTS (CONTINUED)

	2020							
	Directors' fees $ million	Basic salaries and allowances $ million	Discretionary bonuses $ million	Benefits in kind $ million	Retirement scheme contributions $ million	Sub-total $ million	Share-based payments $ million	Total $ million
Executive directors								
Xin Yue Jiang#	–	4.56	–	0.22	–	4.78	–	4.78
Cai Dawei (appointed on 28 February 2020)#	–	2.20	–	0.05	0.02	2.27	–	2.27
Lin Zhenhui (resigned on 28 February 2020)	–	0.94	0.30	0.01	–	1.25	–	1.25
Li Bing Chi, Esmond#	–	2.62	–	0.06	0.12	2.80	–	2.80
Non-executive directors								
Liu Zhengjun	–	–	–	–	–	–	–	–
Liu Jifu	–	–	–	–	–	–	–	–
Fei Yiping	–	–	–	–	–	–	–	–
Independent non-executive directors								
Liu Li Qing	0.34	–	–	–	–	0.34	–	0.34
Zuo Xunsheng	0.34	–	–	–	–	0.34	–	0.34
Lam Yiu Kin	0.34	–	–	–	–	0.34	–	0.34
Total	1.02	10.32	0.30	0.34	0.14	12.12	–	12.12

The unpaid portion of their performance related bonuses for 2020 have been finalised in 2021 and such emoluments are disclosed on an individual name basis in directors' emoluments for 2021 (see note 7).

The above tables included emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries, and emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the period of his/her being as a director. The above emoluments are included in staff costs as presented in note 5(c).

A number of the Company's directors were granted share options of the Company. Details of the share option plans are set out in note 26.

The discretionary bonuses of the Group were determined and approved by the Company's remuneration committee with reference to the performance of the Group and the respective directors.

During the years ended 31 December 2021 and 2020, no emoluments were paid by the Company to any of the directors as an inducement to join or upon joining the Company or as compensation for loss of office, and none of the directors has waived or agreed to waive any emoluments.

During the years ended 31 December 2021 and 2020, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable, no consideration was provided to or receivable by third parties for making available directors' services, and there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities.

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the years ended 31 December 2021 and 2020.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2020: one) directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2020: four) individuals are as follows:

	2021 $ million	2020 $ million
Salaries and other emoluments	**6.73**	10.85
Discretionary bonuses	**19.43**	6.08
Retirement scheme contributions	**0.48**	0.53
	26.64	17.46

The emoluments of the two (2020: four) individuals with the highest emoluments are within the following bands:

	2021 Number of individuals	2020 Number of individuals
$		
3,500,001 – 4,000,000	**–**	2
4,500,001 – 5,000,000	**–**	1
5,000,001 – 5,500,000	**–**	1
6,000,001 – 6,500,000	**1**	–
20,000,001 – 20,500,000	**1**	–

Discretionary bonuses included in the above table are related to the term of service in 2020 of the highest paid individuals, which were determined and paid during the year.

During the years ended 31 December 2021 and 2020, no emoluments were paid by the Company to any of the highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office.

9 EARNINGS PER SHARE

	2021 $ million	2020 $ million
Profit attributable to equity shareholders of the Company	**1,076**	1,023

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

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

10 INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Land and buildings held for own use $ million	Telecommunications equipment $ million	Other assets (note 10(e)) $ million	Construction in progress $ million	Sub-total $ million	Investment property (notes 10(c) and 10(d)) $ million	Total $ million
Cost or valuation:							
As at 1 January 2020	323	4,986	447	153	5,909	648	6,557
Additions	–	100	12	732	844	–	844
Disposals	–	(261)	(25)	–	(286)	–	(286)
Reclassification	–	225	9	(234)	–	–	–
Transfer from investment property to land and buildings held for own use	2	–	–	–	2	(2)	–
Transfer from investment property to right-of-use assets (note 11)	–	–	–	–	–	(3)	(3)
Fair value adjustment	–	–	–	–	–	(4)	(4)
Exchange adjustments	2	27	6	–	35	–	35
As at 31 December 2020	327	5,077	449	651	6,504	639	7,143
Representing:							
Cost	327	5,077	449	651	6,504	–	6,504
Valuation – 2020	–	–	–	–	–	639	639
	327	5,077	449	651	6,504	639	7,143
As at 1 January 2021	**327**	**5,077**	**449**	**651**	**6,504**	**639**	**7,143**
Additions	**–**	**127**	**20**	**344**	**491**	**–**	**491**
Disposals	**–**	**(232)**	**(8)**	**–**	**(240)**	**–**	**(240)**
Reclassification	**–**	**195**	**8**	**(203)**	**–**	**–**	**–**
Transfer to intangible assets (note 12)	**–**	**–**	**–**	**(4)**	**(4)**	**–**	**(4)**
Fair value adjustment	**–**	**–**	**–**	**–**	**–**	**28**	**28**
Exchange adjustments	**3**	**(8)**	**(7)**	**–**	**(12)**	**–**	**(12)**
As at 31 December 2021	**330**	**5,159**	**462**	**788**	**6,739**	**667**	**7,406**
Representing:							
Cost	**330**	**5,159**	**462**	**788**	**6,739**	**–**	**6,739**
Valuation – 2021	**–**	**–**	**–**	**–**	**–**	**667**	**667**
	330	**5,159**	**462**	**788**	**6,739**	**667**	**7,406**
Accumulated depreciation:							
As at 1 January 2020	67	3,114	293	–	3,474	–	3,474
Charge for the year (note 5(b))	10	530	42	–	582	–	582
Written back on disposals	–	(258)	(25)	–	(283)	–	(283)
Exchange adjustments	–	23	3	–	26	–	26
As at 31 December 2020	77	3,409	313	–	3,799	–	3,799
As at 1 January 2021	**77**	**3,409**	**313**	**–**	**3,799**	**–**	**3,799**
Charge for the year (note 5(b))	**10**	**513**	**39**	**–**	**562**	**–**	**562**
Written back on disposals	**–**	**(229)**	**(8)**	**–**	**(237)**	**–**	**(237)**
Exchange adjustments	**2**	**(7)**	**(5)**	**–**	**(10)**	**–**	**(10)**
As at 31 December 2021	**89**	**3,686**	**339**	**–**	**4,114**	**–**	**4,114**
Net book value:							
As at 31 December 2021	**241**	**1,473**	**123**	**788**	**2,625**	**667**	**3,292**
As at 31 December 2020	250	1,668	136	651	2,705	639	3,344

10 INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Transfers

During the year ended 31 December 2020, due to the change of use, part of the Group's investment property was transferred to land and buildings held for own use (which is included in property, plant and equipment) and ownership interests in leasehold land held for own use (which is included in right-of-use assets).

As a result, the fair value of $2,000,000 and $3,000,000 at the date of transfer became the deemed costs of land and buildings held for own use and ownership interests in leasehold land held for own use respectively for subsequent accounting.

(c) Fair value measurement of investment property

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment property measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value as at 31 December 2021	**Fair value measurements as at 31 December 2021 categorised into**		
	$ million	**Level 1 $ million**	**Level 2 $ million**	**Level 3 $ million**
Recurring fair value measurement				
Investment property:				
– Industrial – Hong Kong	**667**	**–**	**–**	**667**

	Fair value as at 31 December 2020	Fair value measurements as at 31 December 2020 categorised into		
	$ million	Level 1 $ million	Level 2 $ million	Level 3 $ million
Recurring fair value measurement				
Investment property:				
– Industrial – Hong Kong	639	–	–	639

10 INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Fair value measurement of investment property (continued)

(i) Fair value hierarchy (continued)

During the year ended 31 December 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The Group's investment property was revalued as at 31 December 2021. The valuation was carried out by an independent firm of surveyors, Centaline Surveyors Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

(ii) Information about Level 3 fair value measurements

	Valuation technique	Major unobservable input	Input amount	Relationship of unobservable inputs to fair value
Investment property **Industrial – Hong Kong**	**Direct comparison approach**	**Market unit rate**	**$3,852 per square foot** (2020: $3,680 per square foot)	**The higher the market unit rate, the higher the fair value**

The fair value of investment property located in Hong Kong is determined by using direct comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for timing factors, size, quality and location of the investment property.

The movement during the year in the balance of the Level 3 fair value measurement is as follows:

	2021 **$ million**	2020 $ million
Investment property – Industrial – Hong Kong:		
As at 1 January	**639**	648
Transfer to land and buildings held for own use (note 10(a))	**–**	(2)
Transfer to ownership interests in leasehold land held for own use (note 11)	**–**	(3)
Fair value adjustment (note 10(a))	**28**	(4)
As at 31 December	**667**	639

Fair value adjustment of investment property is recognised in the line item "valuation gain/(loss) on investment property" on the face of the consolidated income statement.

The fair value adjustment recognised in profit or loss for the year arise from the investment property held during the reporting period.

10 INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Investment property

The Group leases out investment property under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods are as follows:

	2021 **$ million**	2020 $ million
Within 1 year	**21**	13
After 1 year but within 2 years	**20**	–
After 2 years but within 3 years	**6**	–
	47	13

(e) Other assets include electronic data processing equipment, furniture and fixtures, motor vehicles, leasehold improvements and office equipment.

(f) Certain property, plant and equipment of Companhia de Telecomunicações de Macau S.A.R.L. ("CTM") are designated for the provision of basic infrastructure of public telecommunications services. They may need to be shared with other licensed telecommunications operators or the Macau Government with fair compensation, or, upon termination of the concession agreement, assigned in favour of the Macau Government. In 2021, the Macau Government has agreed with CTM the extension of the concession agreement for an additional 2-year period, from 1 January 2022 until 31 December 2023, subject to the Macau Government's unilateral right to early termination on 31 December 2022. CTM will discuss with the Macau Government and the Macao Post and Telecommunications Bureau about the operation and provision of basic infrastructure of public telecommunications network and service, and the status of the concession agreement related assets after the end of the term.

11 RIGHT-OF-USE ASSETS

	Ownership interests in leasehold land held for own use (note (i)) $ million	Other properties leased for own use (note (ii)) $ million	Other assets (note (iii)) $ million	Total $ million
Cost:				
As at 1 January 2020	229	625	48	902
Additions	–	182	–	182
Surrenders	–	(60)	–	(60)
Transfer from investment property (note 10(a))	3	–	–	3
Exchange adjustments	–	25	1	26
As at 31 December 2020	232	772	49	1,053
As at 1 January 2021	**232**	**772**	**49**	**1,053**
Additions	**–**	**118**	**–**	**118**
Surrenders and expiry of leases	**–**	**(98)**	**(8)**	**(106)**
Exchange adjustments	**–**	**11**	**(1)**	**10**
As at 31 December 2021	**232**	**803**	**40**	**1,075**
Accumulated depreciation:				
As at 1 January 2020	28	157	22	207
Charge for the year (note 5(b))	8	140	17	165
Surrenders	–	(31)	–	(31)
Exchange adjustments	–	6	–	6
As at 31 December 2020	36	272	39	347
As at 1 January 2021	**36**	**272**	**39**	**347**
Charge for the year (note 5(b))	**9**	**160**	**8**	**177**
Surrenders and expiry of leases	**–**	**(97)**	**(8)**	**(105)**
Exchange adjustments	**–**	**2**	**–**	**2**
As at 31 December 2021	**45**	**337**	**39**	**421**
Net book value:				
As at 31 December 2021	**187**	**466**	**1**	**654**
As at 31 December 2020	196	500	10	706

11 RIGHT-OF-USE ASSETS (CONTINUED)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2021 **$ million**	2020 $ million
Depreciation charge	**177**	165
Interest on lease liabilities (note 5(d))	**20**	17
Expense relating to short-term leases	**62**	68

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 21(g) and 24, respectively.

(i) Ownership interests in leasehold land held for own use

The Group holds an industrial building in Hong Kong. The Group is the registered owner of this property interest, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire this property interests from its previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its offices, retail stores, cell sites and data centres through tenancy agreements. The leases typically run for an initial period of over 1 to 6 years, with the exception of three rental contracts which have been entered into for the period of 15 years.

Some leases include an option to renew the lease for an additional period after the end of the non-cancellable lease term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised (discounted)		**Potential future lease payments under extension options not included in lease liabilities (undiscounted)**	
	2021 **$ million**	2020 $ million	**2021** **$ million**	2020 $ million
Data centre – Hong Kong	**–**	–	**–**	30
Offices – outside Hong Kong	**–**	–	**19**	18
	–	–	**19**	48

(iii) Other assets

Other assets include leased circuits and equipment under leases expiring from over 1 to 5 years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

12 INTANGIBLE ASSETS

	Customer relationships $ million	Trade names/ trademarks $ million	Computer software $ million	Total $ million
Cost:				
As at 1 January 2020	1,636	805	24	2,465
Exchange adjustments	2	1	–	3
As at 31 December 2020	1,638	806	24	2,468
As at 1 January 2021	**1,638**	**806**	**24**	**2,468**
Transfer from property, plant and equipment (note 10(a))	**–**	**–**	**4**	**4**
Write-off	**(56)**	**–**	**–**	**(56)**
Exchange adjustments	**(1)**	**–**	**–**	**(1)**
As at 31 December 2021	**1,581**	**806**	**28**	**2,415**
Accumulated amortisation:				
As at 1 January 2020	856	203	21	1,080
Charge for the year (note 5(b))	133	32	3	168
Exchange adjustments	1	–	–	1
As at 31 December 2020	990	235	24	1,249
As at 1 January 2021	**990**	**235**	**24**	**1,249**
Charge for the year (note 5(b))	**126**	**31**	**1**	**158**
Write-off	**(56)**	**–**	**–**	**(56)**
As at 31 December 2021	**1,060**	**266**	**25**	**1,351**
Net book value:				
As at 31 December 2021	**521**	**540**	**3**	**1,064**
As at 31 December 2020	648	571	–	1,219

13 GOODWILL

	2021 $ million	2020 $ million
Cost and carrying amount:		
As at 1 January	**9,733**	9,713
Exchange adjustments	**(12)**	20
As at 31 December	**9,721**	9,733

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units identified as follows:

	2021 $ million	2020 $ million
Telecoms business – Macau	**8,894**	8,891
Enterprise solutions (outside Macau)	**249**	258
Other telecommunications services	**578**	584
	9,721	9,733

The recoverable amounts of the cash-generating units are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three-year period. For the subsequent two years of the model, data from the financial budgets is extrapolated generally using simplified assumptions such as macro-economic and industry assumptions. Cash flows after the first five-year period are extrapolated generally using expected annual long-term growth rates, in order to calculate the terminal value.

Key assumptions used for the value-in-use calculations are as follows:

	2021	2020
Services revenue growth rates	**3.7%–8.3%**	1.9%–5.2%
Long-term growth rates	**3.0%**	3.0%
Discount rates	**9.1%–10.4%**	7.7%–10.2%

The average services revenue growth rates and long-term growth rates used for the respective cash-generating units are based on past performance and management's expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the respective cash-generating units. Any adverse change in the key assumptions could reduce the recoverable amount below carrying amount.

A reasonable possible change in the above assumptions would not result in impairment and as such disclosure of sensitivity analysis is not considered as necessary.

14 INTERESTS IN SUBSIDIARIES

(a) The following list contains only the particulars of principal subsidiaries of the Group.

Name of company	Place of incorporation/ operation	Particulars of issued and fully paid-up capital	Proportion of ownership interest		Principal activity
			Held by the Company	Held by subsidiaries	
Acclivis Technologies and Solutions Pte. Ltd.	Republic of Singapore	Singaporean Dollars ("SGD") 16,500,000*	–	100%	Provision of telecommunications services
China Enterprise ICT Solutions Limited ("CEC") ****	The People's Republic of China	Renminbi ("RMB") 84,620,000	–	49% (note (i))	Provision of value-added telecommunications services
China Enterprise Netcom Corporation Limited	Hong Kong	HK$100*	–	100%	Provision of telecommunications and technology services
CITIC Telecom CPC Estonia OÜ	Republic of Estonia	Euro ("EUR") 20,001*	–	100%	Provision of telecommunications services
CITIC Telecom CPC Netherlands B.V.	Netherlands	EUR131,056.71*	–	100%	Provision of wired telecommunications services and investment holding
CITIC Telecom CPC Poland Sp.zo.o.	Republic of Poland	Polish Zloty 56,000*	–	100%	Provision of telecommunications services
CITIC Telecom International CPC Limited	Hong Kong	HK$402,712,186*	–	100%	Provision of telecommunications services
CITIC Telecom International CPC Japan Limited	Japan	Japanese Yen ("JPY") 10,000,000*	–	100%	Provision of telecommunications services
CITIC Telecom International CPC (Malaysia) Sdn. Bhd.	Malaysia	Malaysian Ringgit ("MYR") 500,000*	–	100%	Provision of telecommunications services
CITIC Telecom International CPC (Singapore) Pte. Ltd.	Republic of Singapore	SGD2,000,000*	–	100%	Provision of telecommunications services
CITIC Telecom International (Data) Limited	Hong Kong	HK$2*	–	100%	Provision of data and other telecommunications services
CITIC Telecom International (Japan) Ltd.	Japan	JPY10,000,000*	–	100%	Provision of telecommunications services
CITIC Telecom International Limited	Hong Kong	HK$2*	100%	–	Provision of telecommunications services
CITIC Telecom (UK) Limited	United Kingdom	Pound Sterling 2*	–	100%	Provision of telecommunications services

14 INTERESTS IN SUBSIDIARIES (CONTINUED)

(a) The following list contains only the particulars of principal subsidiaries of the Group. (continued)

Name of company	Place of incorporation/ operation	Particulars of issued and fully paid-up capital	Proportion of ownership interest		Principal activity
			Held by the Company	Held by subsidiaries	
ComNet Investment Limited	Hong Kong	HK$2*	–	100%	Property and equipment holding, and investment holding
ComNet Telecom (Canada) Ltd.	Canada	Canadian Dollars 101**	–	100%	Provision of telecommunications services
ComNet Telecom (HK) Limited	Hong Kong	HK$2*	–	100%	Provision of telecommunications services
Pacific ComNet (M) Sdn. Bhd.	Malaysia	MYR700,000*	–	100%	Provision of telecommunications services
ComNet Telecom International Limited	Hong Kong	HK$2*	–	100%	Provision of telecommunications services
Companhia de Telecomunicações de Macau, S.A.R.L.	Macau	MOP 150,000,000*	99%	–	Provision of telecommunications services
Neostar Investment Limited	Hong Kong	HK$2*	–	100%	Property holding
Pacific Internet (S) Pte. Ltd.	Republic of Singapore	SGD500,000*	–	100%	Provision of telecommunications services
Pacific Internet (Thailand) Limited	Thailand	Thai Baht 188,176,100*	–	100%	Provision of telecommunications services
中信電訊(上海)科技有限公司***	The People's Republic of China	RMB26,600,000	100%	–	Provision of telecommunications services

Notes:

(i) The Group has consolidated the results of CEC as the Group is exposed and has rights to variable returns from its involvement with CEC and has the ability to affect those returns through its power over CEC.

* Represents ordinary shares.

** 100 Class A preference shares and 1 common share – the rights of which are set out in the Articles of ComNet Telecom (Canada) Ltd. respectively.

*** Registered as wholly foreign owned enterprise under the law of the People's Republic of China.

**** Registered as limited liability company under the law of the People's Republic of China.

(b) The Group had no subsidiaries which have material non-controlling interests for the years ended 31 December 2021 and 2020.

15 INTEREST IN A JOINT VENTURE

As at 31 December 2021, the Group's 85% equity interest in a joint venture of $11,000,000 (2020: $9,000,000) comprised an investee company.

The principal activity of this investee company is investment holding and has a wholly-owned subsidiary which is principally engaged in the provision of telecommunications services.

The equity interest in this company is accounted for as a joint venture in the consolidated financial statements under the equity method as the Group and the other shareholder of this investee company share joint control over the entity and have rights to the net assets of the entity.

16 INVENTORIES

Inventories in the consolidated statement of financial position mainly comprise mobile handsets and equipment and business solutions projects' parts.

As at 31 December 2021, the carrying amount of inventories of $103,000,000 (2020: $61,000,000) is stated as cost.

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2021 $ million	2020 $ million
Carrying amount of inventories sold	**1,950**	1,412
Reversal of provision for inventories	**(1)**	–
	1,949	1,412

17 CONTRACT COSTS

Contract costs capitalised as at 31 December 2021 primarily relate to the incremental sales commissions paid to employees or agents whose selling activities resulted in customers entering into contracts for the provision of telecommunications services. Contract costs are recognised as part of "costs of sales and services" in the consolidated income statement in the period in which revenue from the related contracts is recognised. The amount of capitalised costs recognised in profit or loss during the year was $7,000,000 (2020: $7,000,000). There was no impairment in relation to the capitalised costs during the year (2020: Nil).

The Group applies the practical expedient in paragraph 94 of HKFRS 15 and recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less from the initial recognition of the asset.

18 FINANCE LEASE RECEIVABLES

The following table shows the maturity analysis of the minimum finance lease receivables:

	2021 $ million	2020 $ million
Within 1 year	**4**	–
After 1 year but within 2 years	**4**	–
After 2 year but within 3 years	**2**	–
Total contractual undiscounted finance lease receivables	**10**	–
Less: Unearned finance income	**(1)**	–
Net amount of finance lease receivables	**9**	–
Less: Allowances for impairment losses	**–**	–
Carrying amount of finance lease receivables	**9**	–
Present value of minimum finance lease receivables:		
Within 1 year	**4**	–
After 1 year but within 2 years	**4**	–
After 2 year but within 3 years	**1**	–
	5	–
	9	–

During the year ended 31 December 2021, the Group entered into finance lease arrangements as a lessor for computer hardware and peripheral equipment. The terms of finance leases are for 3 years. The relevant assets will pass to the lessee at the end of the lease term. All interest rates inherent in the leases are fixed at the contract date over the lease terms and ranged from 2.14% to 2.21% per annum.

Finance lease receivables are secured over the computer hardware and peripheral equipment leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

19 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2021 $ million	2020 $ million
Arising from international telecommunications services	**52**	145
Arising from sales of mobile handsets and equipment bundled with services	**102**	133
Arising from business solution projects	**124**	96
	278	374
Represented by:		
Non-current portion	**23**	31
Current portion	**255**	343
	278	374
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "trade and other receivables and deposits" (note 20)	**758**	812

The carrying amount of contract assets is considered to be the same as its fair value.

Typical payment terms which impact on the amount of contract assets recognised are as follows:

– International telecommunications services

The Group provides international telecommunications services to telecommunications operators. The Group and certain telecommunications operators enter into contracts with minimum commitments on either transaction amount or unit of traffic to be processed and contract term would usually last for over three months. Such contracts involve large amount of transactions and both parties are required to verify and reconcile the transactions details received from the counter party against their own records. Once the verification and reconciliation work have been completed, the Group will issue an invoice to the telecommunications operator. The Group's right to the consideration is generally unconditional upon the completion of verification and reconciliation work from both parties as well as the issuance of invoice.

– Sales of mobile handsets and equipment bundled with services

The Group offers packages to the customer which include the bundle sales of mobile handsets and equipment and provision of services. In this situation, the Group offers a discount that allows the customer to buy mobile handsets and equipment and pay the cash selling price over contract period after delivery, which is normally over twelve months. The mobile handsets and equipment are delivered to the customer at the inception of the contract and the Group recognises transaction price allocated to the mobile handsets and equipment as revenue. The portion of revenue recognised in excess of cash receipt at the inception of the contract represents a consideration for mobile handsets and equipment transferred which has not yet been due and paid by the customer and will be received by installment over the contract period. The Group's right to the consideration is conditional on the provision of service over the contract period.

– Business solution projects

Business solution project is one of the businesses of enterprise solutions. The Group's business solution projects include payment schedules which require stage payments over the project period once milestones are reached. This gives rise to contract assets when the revenue recognised on the project exceeds the amount of the payment made by customer.

19 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	2021 $ million	2020 $ million
Billings in advance of performance		
– Business solution projects	**36**	36
– Other telecommunications services	**149**	142
	185	178
Represented by:		
Non-current portion	**1**	2
Current portion	**184**	176
	185	178

The carrying amount of contract liabilities is considered to be the same as its fair value.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

– Business solution projects

The Group's business solution projects include payment schedules which require advance payments from customers for the projects. This gives rise to contract liabilities when the amount of the payment made by customer exceeds the revenue recognised on the project.

– Other telecommunications services

The Group's telecommunications services normally include payment schedules which require advance payments from customers for the services. This gives rises to contract liabilities until revenue recognised on the services are provided.

Revenue which was included in the contract liabilities balance at the beginning of the year amounting to $163,000,000 (2020: $166,000,000), was recognised during the year ended 31 December 2021.

20 TRADE AND OTHER RECEIVABLES AND DEPOSITS

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

The carrying amount of trade and other receivables and deposits is considered to be the same as its fair value.

As at 31 December 2021 and 2020, included in other receivables and deposits were the following:

(i) prepayment of $26,000,000 (2020: $32,000,000) for certain telecommunications services. Such costs are deferred and amortised on a straight-line basis over the underlying service period of 15 years; and

(ii) an advance payment paid to the ultimate holding company for the acquisition of the remaining equity interest in a subsidiary of RMB62,000,000 (equivalent to approximately $76,000,000) (2020: RMB62,000,000 (equivalent to approximately $74,000,000)).

Ageing analysis

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

	2021 $ million	2020 $ million
Within 1 year	**749**	791
Over 1 year	**9**	21
	758	812

Trade debtors are due within 7 to 180 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade debtors are set out in note 28(a).

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2021 $ million	2020 $ million
Cash at bank and in hand	**1,203**	1,234
Time deposits with banks	**229**	285
Other deposits (note 21(d))	**361**	–
Cash and deposits in the consolidated statement of financial position (note 21(b))	**1,793**	1,519
Less: pledged deposits (note 21(c))	**(6)**	(9)
Less: other deposits (note 21(d))	**(361)**	–
Cash and cash equivalents in the consolidated cash flow statement	**1,426**	1,510

The carrying amount of cash and deposits is considered to be the same as its fair value.

(b) Included in cash and deposits were $214,000,000 (2020: $235,000,000) placed in financial institutions in Mainland China and the remittance of these funds out of Mainland China is subject to exchange restrictions imposed by the Government of the People's Republic of China (the "PRC Government").

(c) As at 31 December 2021, bank deposits of $6,000,000 (2020: $9,000,000) were pledged to secure parts of the banking facilities of the Group.

(d) As at 31 December 2021, other deposits of $361,000,000 has been deposited in CITIC Finance International Limited, a fellow subsidiary of the Group which is principally engaged in the provision of treasury management services. These unsecured cash deposits carry interest at market rates and can be withdrawn by the Group on demand or in accordance with the terms of agreement.

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

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

	Note	2021 $ million	2020 $ million
Profit before taxation		**1,355**	1,263
Adjustments for:			
Depreciation and amortisation	5(b)	**897**	915
Valuation (gain)/loss on investment property	10(a)	**(28)**	4
Net loss on disposal of property, plant and equipment	5(e)	**3**	2
Gain on surrender of leases	5(e)	**–**	(2)
Share of profit of a joint venture		**(1)**	–
Finance costs	5(d)	**270**	296
Interest income	4	**(13)**	(14)
Foreign exchange loss		**5**	3
		2,488	2,467
Changes in working capital:			
(Increase)/decrease in inventories		**(42)**	83
Increase in contract costs		**(20)**	–
(Increase)/decrease in trade and other receivables and deposits		**(66)**	164
Increase in finance lease receivables		**(9)**	–
Decrease in contract assets		**96**	136
Increase/(decrease) in trade and other payables		**224**	(71)
Increase in contract liabilities		**7**	5
Decrease in net defined benefit retirement obligation		**(2)**	(4)
Cash generated from operations		**2,676**	2,780

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(f) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank and other borrowings $ million (note 23)	Lease liabilities $ million (note 24)	Total $ million
As at 1 January 2021	**5,868**	**530**	**6,398**
Changes from financing cash flows:			
Proceeds from new bank and other borrowings	**1,684**	**–**	**1,684**
Repayment of bank and other borrowings	**(2,105)**	**–**	**(2,105)**
Capital element of lease rentals paid	**–**	**(159)**	**(159)**
Interest element of lease rentals paid	**–**	**(20)**	**(20)**
Other borrowing costs paid	**(244)**	**–**	**(244)**
Total changes from financing cash flows	**(665)**	**(179)**	**(844)**
Exchange adjustments	**(7)**	**8**	**1**
Other changes:			
Increase in lease liabilities from entering into new leases during the year	**–**	**118**	**118**
Surrenders	**–**	**(1)**	**(1)**
Interest on lease liabilities (note 5(d))	**–**	**20**	**20**
Interest expenses and other finance charges	**250**	**–**	**250**
Total other changes	**250**	**137**	**387**
As at 31 December 2021	**5,446**	**496**	**5,942**

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(f) Reconciliation of liabilities arising from financing activities (continued)

	Bank and other borrowings $ million (note 23)	Leases liabilities $ million (note 24)	Total $ million
As at 1 January 2020	6,278	506	6,784
Changes from financing cash flows:			
Proceeds from new bank and other borrowings	493	–	493
Repayment of bank and other borrowings	(900)	–	(900)
Payment for transaction costs on bank and other borrowings	(1)	–	(1)
Capital element of lease rentals paid	–	(147)	(147)
Interest element of lease rentals paid	–	(17)	(17)
Other borrowing costs paid	(279)	–	(279)
Total changes from financing cash flows	(687)	(164)	(851)
Exchange adjustments	(3)	20	17
Other changes:			
Interest in lease liabilities from entering into new leases during the year	–	182	182
Surrenders	–	(31)	(31)
Interest on lease liabilities (note 5(d))	–	17	17
Interest expenses and other finance charges	280	–	280
Total other changes	280	168	448
As at 31 December 2020	5,868	530	6,398

(g) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2021 $ million	2020 $ million
Within operating cash flows	**62**	68
Within financing cash flows	**179**	164
	241	232

These above amounts relate to lease rentals paid.

22 TRADE AND OTHER PAYABLES

	2021 $ million	2020 $ million
Trade creditors	**1,023**	817
Other payables and accruals	**645**	671
	1,668	1,488
Represented by:		
Non-current portion	**23**	31
Current portion	**1,645**	1,457
	1,668	1,488

The carrying amount of trade and other payables is considered to be the same as its fair value.

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

	2021 $ million	2020 $ million
Within 1 year	**794**	609
Over 1 year	**229**	208
	1,023	817

23 BANK AND OTHER BORROWINGS

	2021 $ million	2020 $ million
Bank and other loans	**1,877**	2,299
Guaranteed bonds at 6.1% due 2025 (note 23(b))	**3,500**	3,496
	5,377	5,795
Interest payable	**69**	73
	5,446	5,868

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

	2021 $ million	2020 $ million
Within 1 year or on demand	**500**	240
After 1 year but within 2 years	**235**	449
After 2 years but within 5 years	**4,711**	5,179
	4,946	5,628
	5,446	5,868

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

(a) Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position and financial performance ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants or in any case of an event of default, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2021 and 2020, the Group was in compliance with the relevant requirements.

(b) On 5 March 2013, a wholly-owned subsidiary of the Company issued US$450,000,000 (equivalent to approximately $3,510,000,000) bonds with a maturity of twelve years due on 5 March 2025 (the "Guaranteed Bonds"). The Guaranteed Bonds were unconditionally and irrevocably guaranteed by the Company.

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

24 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2021		2020	
	Present value of the lease payments $ million	**Total lease payments $ million**	Present value of the lease payments $ million	Total lease payments $ million
Within 1 year	**140**	**153**	139	159
After 1 year but within 2 years	**94**	**104**	110	116
After 2 years but within 5 years	**141**	**160**	119	140
After 5 years	**121**	**132**	162	178
	356	**396**	391	434
	496	**549**	530	593
Less: total future interest expenses		**(53)**		(63)
Present value of lease liabilities		**496**		530

Except for lease covenants mainly related to the maintenance and use of the leased assets that are commonly found in lease arrangements, there are no other covenants or restrictions imposed by the lease agreements. The leased assets may not be used as security for borrowing purposes.

25 EMPLOYEE RETIREMENT BENEFITS

(a) Defined benefit retirement plan

A subsidiary of the Company, CTM, makes contributions to a defined benefit retirement plan, CTM Staff Provident Fund (the "Fund"). The Fund was established on 1 January 2003. The Fund is registered with Autoridade Monetária de Macau ("AMCM") and is under the management of Macau Pension Fund Management Co. Ltd.. The members of the Fund are all the employees who were members of the original staff provident fund. No new members joined the Fund after 1 May 2002. The members are required to make contributions to the Fund at 5% of their relevant income. CTM is required to make contributions to the Fund in accordance with an independent actuary's recommendation based on periodic actuarial valuations. CTM is also obliged to make any extraordinary contributions which may be deemed necessary by Macau Pension Fund Management Co. Ltd. when there are insufficient assets in the Fund to meet the liabilities of the Fund or when such insufficiency is anticipated. Upon retirement or resignation, each member is entitled to receive a lump sum payment calculated on the basis of a multiplying factor ranging from 0.6 to 2 times the final monthly salary and the number of service year that the member has served with CTM.

The latest independent actuarial valuation of the Fund was as at 31 December 2021 and was prepared by qualified staff of Willis Towers Watson, who are members of the Society of Actuaries of the United States of America, using the projected unit credit method. The actuarial valuation indicates that CTM's obligation under the Fund is 97% (2020: 92%) covered by the plan assets held by the trustees as at 31 December 2021. The Fund exposes the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk, and market (investment) risk.

(i) The amounts recognised in the consolidated statement of financial position are as follows:

	2021 **$ million**	2020 $ million
Present value of plan obligations	**347**	346
Fair value of plan assets	**(335)**	(317)
	12	29

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay $11,000,000 in contributions to the Fund in 2022.

25 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(a) Defined benefit retirement plan (continued)

(ii) Plan assets consist of the following:

	2021 **$ million**	2020 $ million
Cash and money market	**14**	12
Bonds		
– Government bonds	**61**	59
– Corporate bonds	**80**	80
	141	139
Equity securities		
– Asia	**15**	15
– North America	**132**	119
– Europe	**31**	29
– Other areas	**2**	3
	180	166
	335	317

All of the equity securities and bonds have quoted prices in active markets. The bonds have a credit rating of A- to AAA.

At the end of each reporting period, a study is performed by the Fund's asset manager in which the consequences of the strategic investment policies are analysed. The strategic investment policy of the Fund can be summarised as follows:

– a strategic assets mix comprising 50% equity securities, 45% bonds and 5% other investments;

– interest rate risk is managed by duration limitation; and

– foreign currency risk is managed by allocation guideline.

25 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(a) Defined benefit retirement plan (continued)

(iii) Movements in the present value of the defined benefit obligation

	2021 $ million	2020 $ million
As at 1 January	**346**	378
Remeasurements:		
– Experience adjustments	**(1)**	(9)
– Actuarial losses arising from changes in financial assumptions	**7**	–
	6	(9)
Benefits paid by the Fund	**(26)**	(47)
Employees' contributions	**4**	4
Current service cost	**8**	9
Interest cost	**10**	11
Exchange adjustments	**(1)**	–
As at 31 December	**347**	346

The weighted average duration of the defined benefit obligation is 5 years (2020: 5 years).

(iv) Movements in plan assets

	2021 $ million	2020 $ million
As at 1 January	**317**	318
Employer's and employees' contributions paid to the Fund	**15**	18
Benefits paid by the Fund	**(26)**	(47)
Administrative expenses	**(1)**	(1)
Interest income	**9**	9
Return on plan assets, excluding interest income	**22**	19
Exchange adjustments	**(1)**	1
As at 31 December	**335**	317

25 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(a) Defined benefit retirement plan (continued)

(v) Amounts recognised in the consolidated income statement and consolidated statement of comprehensive income are as follows:

	2021 $ million	2020 $ million
Current service cost	**8**	9
Net interest on net defined benefit liability	**1**	2
Administrative expenses	**1**	1
Total amounts recognised in profit or loss	**10**	12
Actuarial losses/(gains)	**6**	(9)
Return on plan assets, excluding interest income	**(22)**	(19)
Total amounts recognised in other comprehensive income	**(16)**	(28)
Net defined benefit gain	**(6)**	(16)

The current service cost and the net interest on net defined benefit liability are recognised in the following line items in the consolidated income statement:

	2021 $ million	2020 $ million
Staff costs (note 5(c))	**8**	9
Other operating expenses	**1**	1
Finance costs (note 5(d))	**1**	2
	10	12

25 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(a) Defined benefit retirement plan (continued)

(vi) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	2021	2020
Discount rate	**2.6%**	3.0%
Future salary growth	**3.0%**	3.0%

The below analysis shows how the defined benefit obligation as at 31 December 2021 would have increased/(decreased) as a result of a 0.25% (2020: 0.25%) change in the significant actuarial assumptions:

	2021		2020	
	Increase in 0.25% $ million	**Decrease in 0.25% $ million**	Increase in 0.25% $ million	Decrease in 0.25% $ million
Discount rate	**(4)**	**4**	(5)	5
Future salary growth	**4**	**(4)**	4	(4)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

(b) Defined contribution retirement plans

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $30,000. Contributions to the plan vest immediately.

CTM also operates the Defined Contribution Fund which was set up under the terms of Decree Law 6/99/M and registered with AMCM. The Defined Contribution Fund is for all full time Macau employees who joined CTM after 1 May 2002. The Defined Contribution Fund is under the management of Macau Pension Fund Management Co. Ltd.. The employees and CTM are each required to make contributions to the Defined Contribution Fund at 5% of the employee's relevant income. Contributions to the Defined Contribution Fund vest immediately.

Employees employed by the Group outside Hong Kong and Macau are covered by the appropriate local defined contribution schemes pursuant to the local labour rules and regulations.

26 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(a) Share option plan of an intermediate holding company

CITIC Limited, an intermediate holding company of the Company, adopted the CITIC Pacific Share Incentive Plan 2011 (the "Plan 2011") on 12 May 2011. The Plan 2011 was valid and effective until 11 May 2021. The options granted under the Plan 2011 is exercisable till the end of exercise period. No option was granted to directors or employees of the Group for their services to the Group under the Plan 2011. None of the directors or employees of the Group had options subsisting as at 31 December 2021 under the Plan 2011.

(b) Share option plan of the Company

The Company has a share option plan ("CITIC Telecom International Plan") which was adopted on 17 May 2007 whereby the directors of the Company are authorised, at their discretion, to offer any person employed by the Company or any of its subsidiaries and any person who is an officer or director (whether executive or non-executive) of the Company or any of its subsidiaries options to subscribe for shares in the Company to recognise their contributions to the growth of the Company. The CITIC Telecom International Plan was valid and effective for a period of ten years till 16 May 2017. Each option gives the holder the right to subscribe for one ordinary share of the Company.

Particulars of the outstanding share options granted under the CITIC Telecom International Plan to directors, officers and employees of the Company and its subsidiaries are as follows:

Date of grant	Number of share options granted	Exercise price per share	Exercise period
24 March 2015	43,756,250	$2.612 (Note (i))	From 24 March 2016 to 23 March 2021
24 March 2015	43,756,250	$2.612 (Note (i))	From 24 March 2017 to 23 March 2022
24 March 2017	45,339,500	$2.45 (Note (ii))	From 24 March 2018 to 23 March 2023
24 March 2017	45,339,500	$2.45 (Note (ii))	From 24 March 2019 to 23 March 2024

Notes:

(i) The closing price of the Company's ordinary shares on the date of grant was $2.61 per share.

(ii) The closing price of the Company's ordinary shares on the date of grant was $2.37 per share.

The first 50% of the share options granted on 24 March 2015 have expired at the close of business on 23 March 2021.

26 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Share option plan of the Company (continued)

(i) *The terms and conditions of the outstanding options granted under the CITIC Telecom International Plan are as follows, whereby all options are settled by physical delivery of shares:*

	Exercise price per share	Number of options	Vesting condition	Expiry date	Number of share options outstanding as at 31 December 2021	2020
Options granted to directors:						
– on 24 March 2015	$2.612	6,819,000	Fully vested on 24 March 2016	Expired at the close of business on 23 March 2021	**–**	1,787,500
– on 24 March 2015	$2.612	6,819,000	Fully vested on 24 March 2017	Expire at the close of business on 23 March 2022	**500**	2,787,500
– on 24 March 2017	$2.45	7,319,000	Fully vested on 24 March 2018	Expire at the close of business on 23 March 2023	**500,500**	2,287,500
– on 24 March 2017	$2.45	7,319,000	Fully vested on 24 March 2019	Expire at the close of business on 23 March 2024	**1,500,500**	3,287,500
Options granted to officers and employees[Δ]**:**						
– on 24 March 2015	$2.612	36,937,250	Fully vested on 24 March 2016	Expired at the close of business on 23 March 2021	**–**	8,229,567
– on 24 March 2015	$2.612	36,937,250	Fully vested on 24 March 2017	Expire at the close of business on 23 March 2022	**8,009,750**	12,836,750*
– on 24 March 2017	$2.45	38,020,500	Fully vested on 24 March 2018	Expire at the close of business on 23 March 2023	**8,347,000**	11,506,000
– on 24 March 2017	$2.45	38,020,500	Fully vested on 24 March 2019	Expire at the close of business on 23 March 2024	**11,917,000**	15,604,000
					30,275,250	58,326,317

Δ Number of options outstanding as at 31 December 2020 and 31 December 2021 include those options granted to former employees of the Company who had resigned/retired/passed away.

* Number of options outstanding as at 31 December 2020 include those options granted to an employee of the Company who was subsequently appointed as an executive director of the Company on 6 August 2019.

26 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Share option plan of the Company (continued)

(ii) The number and weighted average exercise prices of the outstanding share options are as follows:

	2021		2020	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**$2.52**	**58,326,317**	$2.52	64,883,817
Exercised during the year (note 27(c))	**$2.52**	**(18,396,000)**	$2.54	(5,377,000)
Lapsed during the year	**$2.61**	**(9,655,067)**	$2.53	(1,180,500)
Outstanding at the end of the year	**$2.49**	**30,275,250**	$2.52	58,326,317
Exercisable at the end of the year	**$2.49**	**30,275,250**	$2.52	58,326,317

During the year ended 31 December 2021, options for 18,396,000 (2020: 5,377,000) shares were exercised, options for 9,655,067 (2020: 1,180,500) shares have lapsed and no option (2020: Nil) has been cancelled. The value of vested options lapsed during the year ended 31 December 2021 was $6,000,000 (2020: $1,000,000) and was released directly to retained profits.

The weighted average closing price at the date of exercise of share options exercised during the year was $2.77 (2020: $2.78). The options outstanding as at 31 December 2021 had a weighted average exercise price of $2.49 (2020: $2.52) and a weighted average remaining contractual life of 1.40 years (2020: 1.94 years).

During the year ended 31 December 2021, the proceeds from new shares issued under share option plan was $46,000,000 (2020: $14,000,000).

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital $ million	Capital reserve $ million	Retained profits $ million	Total $ million
Balance as at 1 January 2020		4,628	96	2,946	7,670
Changes in equity for 2020:					
Total comprehensive income for the year		–	–	931	931
Shares issued under share option plan	26(b)(ii)	18	(4)	–	14
Dividends approved in respect of the previous financial year	27(b)(ii)	–	–	(550)	(550)
Release upon lapse of share options	26(b)(ii)	–	(1)	1	–
Dividends declared in respect of the current financial year	27(b)(i)	–	–	(183)	(183)
Balance as at 31 December 2020 and 1 January 2021		**4,646**	**91**	**3,145**	**7,882**
Changes in equity for 2021:					
Total comprehensive income for the year		**–**	**–**	**989**	**989**
Shares issued under share option plan	26(b)(ii)	**58**	**(12)**	**–**	**46**
Dividends approved in respect of the previous financial year	27(b)(ii)	**–**	**–**	**(589)**	**(589)**
Release upon lapse of share options	26(b)(ii)	**–**	**(6)**	**6**	**–**
Dividends declared in respect of the current financial year	27(b)(i)	**–**	**–**	**(202)**	**(202)**
Balance as at 31 December 2021		**4,704**	**73**	**3,349**	**8,126**

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

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

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

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

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

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

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

	Note	2021 No. of shares	2021 Amount $ million	2020 No. of shares	2020 Amount $ million
Ordinary shares, issued and fully paid:					
As at 1 January	(i)	**3,664,616,882**	**4,646**	3,659,239,882	4,628
Shares issued under share option plan	(ii)	**18,396,000**	**58**	5,377,000	18
As at 31 December	(i)	**3,683,012,882**	**4,704**	3,664,616,882	4,646

Notes:

(i) The holders of ordinary shares are entitled to receive dividends as declared from time to time and every member shall have one vote per share on a poll at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) During the year ended 31 December 2021, 18,396,000 (2020: 5,377,000) ordinary shares were issued at a weighted average exercise price of $2.52 (2020: $2.54) per ordinary share to share option holders who had exercised their options. These new shares issued rank pari passu with the then existing ordinary shares in issue.

(d) Nature and purpose of reserves

(i) Capital reserve

The capital reserve represents the portion of the grant date fair value of unexercised share options granted to directors or employees of the Group under the Company's share option plan that has been recognised in accordance with the accounting policies adopted for share-based payments set out in note 1(u)(iii).

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 1(y).

(iii) Property revaluation reserve

The property revaluation reserve represents the surplus on revaluation of land and buildings held for own use upon change of use to investment property and is dealt with in accordance with the accounting policies adopted for land and buildings held for own use in note 1(h).

(e) Distributability of reserves

As at 31 December 2021, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance, was $3,349,000,000 (2020: $3,145,000,000). After the end of the reporting period, the directors proposed a final dividend of HK17.0 cents (2020: HK16.0 cents) per share, amounting to $626,000,000 (2020: $586,000,000). This dividend has not been recognised as a liability at the end of the reporting period.

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital management

The Group's primary objective on capital management is to safeguard the Group's ability to continue as a going concern, while at the same time continues to provide returns for shareholders.

The Group regularly reviews its capital structure to maintain a balance between the enhancement of shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Adjustments are made to the capital structure as necessary in response to changes in economic conditions.

The capital structure of the Group consists of its total equity attributable to equity shareholders of the Company, comprising share capital and reserves as disclosed in the consolidated financial statements. The Group's net gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (which includes current and non-current bank and other borrowings), less cash and deposits. Total capital is total equity attributable to equity shareholders of the Company, as shown in the consolidated statement of financial position, plus net debt.

The Group's net gearing ratio as at 31 December 2021 and 2020 is as follows:

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

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade debtors and contract assets. The Group's exposure to credit risk arising from other receivables and deposits are considered to be low as the counterparty has capacity to meet its contractual cash flow obligation. Therefore, applying the expected credit risk model resulted in an immaterial impact on the provision for doubtful debts for other receivables and deposits.

The Group's exposure to credit risk arising from cash and deposits is limited because the Group mainly deals with the companies engaged in financing activities which have good credit ratings with prestigious credit ratings companies (such as Moody's Investors Service, Standard & Poor's and Fitch Group), or the note issuing banks in Hong Kong and Macau, or its group companies, and the Group has a pre-defined policy and regular review on the rest of the cash portfolio, therefore, it is considered that the Group is exposed to a low credit risk in this respect.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

The Group applies a simplified approach to recognise lifetime expected credit loss for finance lease receivables. Given the track record of regular cash flow received by the Group, the directors are of the opinion that the risk of default by these counterparties is not significant and does not expect any losses from non-performance by the counterparties. Therefore, the credit risk of finance lease receivables is assessed to be immaterial and no provision was made as at 31 December 2021.

Other than those disclosed in note 30, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of those financial guarantees at the end of the reporting period is disclosed in the note 30.

Trade debtors and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 5.9% (2020: 12.1%) and 16.3% (2020: 23.2%) of the total trade debtors and contract assets was due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are due within 7 to 180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade debtors and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The loss allowance based on past due status is further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade debtors and contract assets:

	2021			2020		
	Expected loss rate	**Gross carrying amount $ million**	**Loss allowance $ million**	Expected loss rate	Gross carrying amount $ million	Loss allowance $ million
Current (not past due)	**0.3%**	**829**	**(2)**	0.1%	819	(1)
1–180 days	**5.9%**	**195**	**(11)**	5.2%	313	(16)
181–365 days	**29.4%**	**23**	**(7)**	28.7%	28	(8)
More than 365 days	**49.4%**	**18**	**(9)**	18.2%	63	(12)
		1,065	**(29)**		1,223	(37)

The various Group companies have different credit policies, depending on the requirements of their markets and the businesses in which they operate. Analyses of the age of debtors are prepared and closely monitored with a view to minimising credit risk associated with receivables.

Expected loss rates are based on the corresponding historical losses experience up to 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade debtors and contract assets (continued)

Movement in the loss allowance account in respect of trade debtors and contract assets during the year is as follows:

	2021 $ million	2020 $ million
Balance as at 1 January	**37**	36
Amounts written off	**(9)**	(24)
Impairment losses recognised (note 5(e))	**1**	24
Exchange adjustments	**–**	1
Balance as at 31 December	**29**	37

(b) Liquidity risk

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

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which is based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2021						2020					
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or on demand $ million	**More than 1 year but less than 2 years $ million**	**More than 2 years but less than 5 years $ million**	**More than 5 years $ million**	**Total contractual undiscounted cash flow $ million**	**Carrying amount as at 31 December $ million**	Within 1 year or on demand $ million	More than 1 year but less than 2 years $ million	More than 2 years but less than 5 years $ million	More than 5 years $ million	Total contractual undiscounted cash flow $ million	Carrying amount as at 31 December $ million
Trade and other payables	**1,639**	**-**	**-**	**-**	**1,639**	**1,639**	1,452	-	-	-	1,452	1,452
Bank and other borrowings	**500**	**-**	**-**	**-**	**500**	**500**	240	-	-	-	240	240
Lease liabilities	**153**	**104**	**160**	**132**	**549**	**496**	159	116	140	178	593	530
Non-current bank and other borrowings	**166**	**468**	**5,058**	**-**	**5,692**	**4,946**	174	694	5,764	-	6,632	5,628
	2,458	**572**	**5,218**	**132**	**8,380**	**7,581**	2,025	810	5,904	178	8,917	7,850

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

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

(i) Interest rate risk profile

The following table details the interest rate risk profile of the Group's borrowings, excluding interest payable, at the end of the reporting period:

	2021 Effective interest rate	**2021** $ million	2020 Effective interest rate	2020 $ million
Fixed rate borrowings:				
Guaranteed bonds	**6.1%**	**3,500**	6.1%	3,496
Bank and other loans	**3.2%**	**26**	3.2%	54
	6.1%	**3,526**	6.1%	3,550
Variable rate borrowings:				
Bank and other loans	**1.2%**	**1,851**	1.5%	2,245
Exposure	**1.2%**	**1,851**	1.5%	2,245
Total borrowings	**4.4%**	**5,377**	4.3%	5,795
Fixed rate borrowings as a percentage of total borrowings		**65.6%**		61.3%

(ii) Sensitivity analysis

As at 31 December 2021, it is estimated that a general increase of 50 (2020: increase/decrease of 25) basis points in interest rates, with all other variables held constant, would have decreased the Group's profit for the year and retained profits by approximately $9,000,000 (2020: (decreased)/increased by $6,000,000). Other components of consolidated equity would not be affected (2020: Nil) by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit for the year and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit for the year and retained profits is estimated as an annualised impact on interest expenses of such a change in interest rates. The analysis is performed on the same basis for 2020.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk

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

A substantial portion of the Group's revenue and cost of sales and services are denominated in USD, MOP, HKD, RMB and SGD. The majority of the Group's current assets, current liabilities and transactions are denominated in USD, MOP, HKD, RMB and SGD. As the HKD is linked to the USD and the MOP is pegged to the HKD, it will not pose significant foreign currency risk between HKD, USD and MOP to the Group. The Group will monitor closely all possible exchange rate risks and implement the necessary hedging arrangement to mitigate risk from any significant fluctuation in foreign exchange rates.

(ii) *Hedge of net investment in foreign subsidiaries*

A foreign currency exposure arises from the Group's net investment in its Singaporean subsidiaries that have Singapore dollar as its functional currency. The risk arises from the fluctuation in spot exchange rates between the Singapore dollar and the Hong Kong dollar, which causes the carrying amount of the net investment to vary. The Group's Singapore dollar denominated bank and other loan is designated as a hedging instrument for the changes in the value of the net investment that is attributable to changes in the HKD/SGD spot rate.

(iii) *Exposure to currency risk*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HKD, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency and the exposure arising from other loan that is designated as a hedge of the Group's net investment in its subsidiaries in Singapore (see (ii) above) are excluded.

	Exposure to foreign currencies (expressed in HKD)	
	RMB 2021 $ million	RMB 2020 $ million
Trade and other receivables and deposits	**94**	161
Cash and deposits	**73**	42
Trade and other payables	**(15)**	(9)
	152	194

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(iv) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit for the year and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. Other components of consolidated equity would not be affected (2020: Nil) by the changes in the foreign exchange rates.

	2021		2020	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit for the year and retained profits $ million**	Increase/ (decrease) in foreign exchange rates	Effect on profit for the year and retained profits $ million
RMB	**10%**	**14**	10%	17
	(10%)	**(14)**	(10%)	(17)

Results of the analysis as presented in the above table represented an aggregation of the instantaneous effects on each of the Group's entities' profit for the year and equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency and other loan that is designated as a hedge of the Group's net investment in its subsidiaries in Singapore (see (ii) above). The analysis is performed on the same basis for 2020.

(e) Fair value measurement

No disclosure of fair value is required as all of the Group's financial instruments are carried at amounts not materially different from their values as at 31 December 2021 and 2020.

29 COMMITMENTS

Capital commitments outstanding at the end of the reporting period not provided for in the consolidated financial statements were as follows:

	2021 $ million	2020 $ million
Contracted for	**67**	121
Authorised but not contracted for	**86**	180
	153	301

30 PERFORMANCE BONDS

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

	2021 **$ million**	2020 $ million
Performance bonds provided to customers of business solutions projects	**77**	75
Performance bonds provided to others	**8**	8
	85	83

In respect of above, no provision has been made in the consolidated financial statements. As at 31 December 2021, the directors do not consider it probable that a claim will be made against the Group under any of the performance bonds. The maximum liability of the Group at the end of the reporting period is the total amount guaranteed by the performance bonds of $85,000,000 (2020: $83,000,000).

31 MATERIAL RELATED PARTY TRANSACTIONS

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

(i) Recurring transactions

	2021 **$ million**	2020 $ million
Internet data centre services fee received/receivable from fellow subsidiaries	**11**	12
Virtual private network services fee received/receivable from fellow subsidiaries	**24**	20
Internet access services fee received/receivable from fellow subsidiaries	**6**	6
Telecommunications services and related expenses paid/payable to		
– a fellow subsidiary	**(24)**	(23)
– an associate of the ultimate holding company	**(11)**	(11)
Professional fees paid/payable to a controlling shareholder for the provision of internal audit and company secretarial services	**(5)**	(5)
Interest on lease liabilities paid/payable to fellow subsidiaries	**–**	(1)
Building management fees, water and electricity fees, air conditioning charges and car parking spaces rental paid/payable to fellow subsidiaries	**(14)**	(14)
Rental income and building management charges received/receivable from a fellow subsidiary	**17**	17

The directors are of the opinion that the above transactions with related parties were conducted on normal commercial terms in the ordinary course of business and the terms are fair and reasonable so far as the shareholders of the Company are concerned. The professional fees paid by the Group were reimbursement of costs incurred by the related party, the prices which the Group paid for the relevant services were fair and reasonable with reference to market price.

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

	2021 $ million	2020 $ 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	**76**	74
Lease liabilities due to fellow subsidiaries	**(29)**	(9)
Balance of deposits with fellow subsidiaries	**363**	3
Bank and other borrowings from fellow subsidiaries	**(1,560)**	–

(iii) Assets leased out under operating leases to a fellow subsidiary

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods are as follows:

	2021 $ million	2020 $ million
Within 1 year	**14**	6
After 1 year but within 2 years	**14**	–
After 2 years but within 3 years	**6**	–
	34	6

The leases related to a fellow subsidiary typically runs for an initial period of 3 years and the related commitments are included in note 10(d).

(iv) Leasing arrangement

On 13 September 2021, the Group entered into a three-year lease in respect of certain leasehold properties from a fellow subsidiary. The amount of rent payable by the Group under the lease is approximately $822,000 per month from 20 September 2021 to 19 September 2023 and approximately $834,000 per month from 20 September 2023 to 19 September 2024, which was determined with reference to the current rental and prevailing open market rates for similar properties in the vicinity. At the commencement date of the lease, the Group recognised a right-of-use asset and a lease liability of $29,000,000.

(b) Transactions with other government-related entities

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

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

- rendering and receiving services; and

- financial services arrangements.

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

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

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

	2021 $ million	2020 $ million
Interest income from deposits	**4**	5
Finance costs on bank and other borrowings	**(7)**	(14)
Fees received/receivable from the provision of telecommunications services	**1,182**	1,200
Fees paid/payable for cost of sales and services	**(1,927)**	(1,773)
Purchase of property, plant and equipment	**(1)**	(6)

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

	2021 $ million	2020 $ million
Bank deposits	**514**	498
Trade debtors	**94**	176
Contract assets	**51**	146
Trade and other payables	**(334)**	(274)
Bank and other borrowings	**–**	(468)

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

(c) Key management personnel emoluments

Emoluments for key management personnel of the Group are as follows:

	2021 $ million	2020 $ million
Short-term employee benefits	**39**	45
Post-employment benefits	**1**	1
	40	46

Total emoluments are included in "staff costs" (see note 5(c)).

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2021 $ million	2020 $ million
Non-current assets			
Property, plant and equipment		**3**	4
Investments in subsidiaries		**11,169**	11,169
Deferred tax assets		**9**	9
		11,181	11,182
Current assets			
Trade and other receivables and deposits		**2,009**	1,992
Cash and deposits		**183**	158
		2,192	2,150
Current liabilities			
Trade and other payables		**286**	176
Bank and other borrowings		**30**	4
Current tax payable		**–**	1
		316	181
Net current assets		**1,876**	1,969
Total assets less current liabilities		**13,057**	13,151
Non-current liabilities			
Non-current other payables		**3,568**	3,565
Non-current bank and other borrowings		**1,363**	1,704
		4,931	5,269
NET ASSETS		**8,126**	7,882
CAPITAL AND RESERVES	27(a)		
Share capital		**4,704**	4,646
Reserves		**3,422**	3,236
TOTAL EQUITY		**8,126**	7,882

Approved and authorised for issue by the board of directors on 15 March 2022.

Xin Yue Jiang
Director

Cai Dawei
Director

33 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 27(b)(i).

34 IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTY

As at 31 December 2021, the directors consider the immediate parent and the ultimate controlling party of the Group to be Ease Action Investments Corp., which is incorporated in the British Virgin Islands, and CITIC Group Corporation, which is a wholly state-owned company in the PRC, respectively. The intermediate holding company, CITIC Limited, which is incorporated and listed in Hong Kong, produces financial statements available for public use.

35 IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties to the world. The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures. These contingency measures include adopting safety and health measures for staff (including social distancing requirement and working from home). At this stage, the impact on the Group's businesses and results was not significant. The Group will keep the contingency measures under review as the situation evolves.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvement to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

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

PROPERTY HELD FOR INVESTMENT

Location	Existing use	Term of lease
4 Lorry Parking Spaces on 1st Floor, 2 Lorry Parking Spaces on 2nd Floor, 1 Lorry Parking Space on 3rd Floor, 19th Floor, Unit 2101 to 2104 and 2108 on 21st Floor and 22nd Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong	Lorry Parking Space and Ancillary Office	Medium
5th to 11th Floors, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong	Industrial	Medium

GLOSSARY

4G	4G is the fourth generation of broadband cellular network technology, succeeding 3G
5G	5th generation mobile networks
AI	Artificial Intelligence
Big Data	Big data refer to the use of predictive analytics, user behavior analytics, or certain other advanced data analytics methods that extract value from data
Bootstrap IMSI	Bootstrap IMSI is the profile pre-installed on the IoT device and provide out of box data connectivity
Cloud/Cloud computing	Cloud/Cloud computing is a model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (e.g. networks, servers, storage, applications and services etc.) that can be rapidly provisioned and released with minimal management effort or service provider interaction
EEP	Enterprise Engagement Platform
EPL	Ethernet private line (EPL) provides a point-to-point high transparency Ethernet connection between two sites
eSIM	Embedded-SIM
ICT	Information and Communications Technology (ICT), an umbrella term that includes any communication device or application, encompassing: radio, television, cellular phones, computer and network hardware and software, satellite systems etc., as well as the various services and applications associated with them
ICT-MiiND	Fusing deep ICT expertise, decades of practical experience, global carrier-class infrastructure with network, information security, and Cloud computing solutions, ICT-MiiND strategy creates a smarter IT service management platform that combines intelligent algorithms, powerful computing capabilities and cutting-edge disruptive technologies, providing enterprises innovative and intelligent modules that integrated customized industry service scenarios
Internet of Things	The Internet of Things (IoT) is the network of physical devices, vehicles, home appliances and other items embedded with electronics, software, sensors, actuators, and connectivity which enables these objects to connect and exchange data
Internet of Vehicles	Internet of Vehicles (IoV) is a network of vehicles equipped with sensors, software, and the technologies that mediate between them with the aim of connecting & exchanging data over the Internet according to agreed standards
IPX	IP Packet Exchange (IPX), a network architecture connecting carriers and operators to provide a private interconnection that can support both bilateral and multilateral types of connections
ISP	Internet Service Provider

MMS	Multimedia Messaging Service
OTT	Over-the-top (OTT) refers to the delivery of content and/or services over the internet and bypasses traditional distribution
PoP(s)	Point(s)-of-Presence, connection facilities co-located in the data centres of other telecoms operators that consist primarily of transmission equipment with which calls and data are routed to and from the Group's hub
SD-WAN	SD-WAN is an acronym for software-defined networking in a wide area network (WAN). An SD-WAN simplifies the management and operation of a WAN by decoupling (separating) the networking hardware from its control mechanism
SIMN	Single IMSI Multiple Number (SIMN) service, a Mobile VAS which allows mobile operators' subscribers to hold multiple overseas mobile phone numbers on their existing SIM cards, providing frequent travelers and mobile roamers the choice of saving roaming charges in SIMN-enabled regions
SMS	Short Message Service (SMS), a service available on most digital mobile phones that permits the sending of short messages between mobile phones, other handheld devices and even landline telephones
VoLTE	Voice Over LTE (VoLTE) means connection of voice call through 4G LTE network
VPN	Virtual Private Network (VPN), a network that uses a public telecommunication infrastructure, such as the Internet, to provide remote offices or individual users with secure access to their organisation's network

CORPORATE INFORMATION

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WEBSITE

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

STOCK CODES

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

SHARE REGISTRAR

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

FINANCIAL CALENDAR

Closure of Register:	18 May 2022 to 23 May 2022 and 27 May 2022 to 31 May 2022
Annual General Meeting:	23 May 2022, 10:00 a.m. 24th Floor Admiralty Centre I 18 Harcourt Road, Hong Kong
Final Dividend Payable:	13 June 2022

ANNUAL REPORT 2021

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

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

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

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