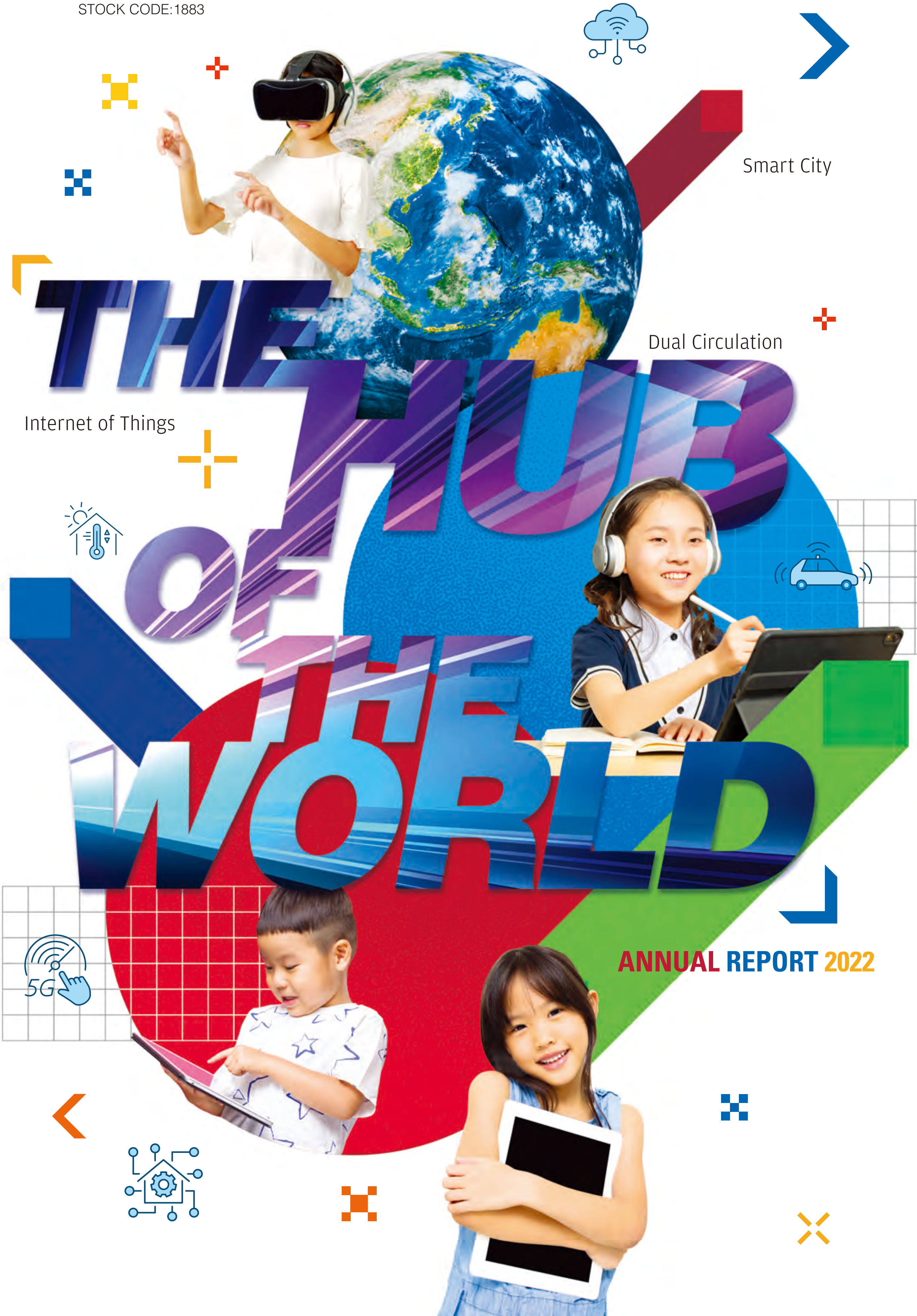
中信國際電訊
CITIC TELECOM INTERNATIONAL

STOCK CODE:1883

THE HUB OF THE WORLD



ANNUAL REPORT 2022

ABOUT US

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

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

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

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

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

"Wisdom and Integrity for Fostering Prosperity" is the core value of the Group. The Group has established branch organisations in 22 countries and regions with more than 2,500 employees and over 160 PoPs globally. The Group's business covers more than 150 countries and regions, and connects to over 600 operators in the world and serves over 3,000 MNCs and 40,000 local enterprises. The Group has R&D teams in various cities including Hong Kong, Macau, Zhuhai, Chengdu, etc. The Group has a number of ISO quality and network security accreditations, and also received awards and commendations from multiple organisations in recognition of caring to employees and environment for years.

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

MISSION

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

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 2022

JANUARY

- China Enterprise ICT Solutions Limited ("CEC")'s Intelligent SD-WAN service won the "Communications Industry Golden Zizhu Award – 2021 Outstanding Product Technology Solution" issued by Communications Weekly
- CEC's CeOne-CONNECT Private Network Service won the "2021 Best Network Service Solution Award" issued by Communications World Weekly
- CEC won the "Best MPLS Private Network Solution Provider Award" jointly issued by China Enterprise IT Award Committee and D1NET

FEBRUARY

- CEC's CeOne-CONNECT Hybrid (SD-WAN) won the "2021 Innovative Product Award" jointly issued by B.P Business Partner and 2021 Business Partners of Digital Development Conference Organizing Committee
- Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") signed the 5G Application Collaboration Intention Agreement with Macau Live Broadcast Association, through CTM network to create a network platform for live streaming industry, nurture the economic ecology of live broadcasting in Macau

MARCH

- CEC received the "2020 Guangdong Province Integrity Enterprise" certificate issued by the Guangdong Provincial Enterprise Confederation and Guangdong Provincial Association of Entrepreneurs
- CEC won the "2021 Remote Intelligent Operations and Maintenance Leading Company" award issued by China ITSS Media Platform
- CEC received the "2021 Top 100 Intelligent Operations and Maintenance" and "2021 Top 10 Data Center Operations and Maintenance" Certificates of Honor issued by China ITSS Media Platform

MILESTONES 2022

APRIL

- CITIC Telecom International CPC Limited ("CPC") won the "Outstanding ICT Solution Provider 2021" at the "Quamnet Outstanding Enterprise Awards 2021" held by Quamnet
- CEC won the "Jin Jianbang · Double Carbon Pioneer Award 2022" jointly issued by Cybersecurity & Informatization Magazine and 365Master.com
- In response to the needs of the COVID-19 normalisation, CTM launched the AI health code application – "Administrative AI" to help enterprises to manage employees' health information intelligently
- Acclivis Technologies and Solutions Pte. Ltd. ("Acclivis") won the "2021 IBM Innovation Award (Build)" on the back of the partnership with IBM for IBM Cloud Satellite. The partnership helps enterprises manage data sovereignty and compliance in hybrid cloud environments in highly regulated industries
- Acclivis won the "2021 Commercial Partner of the Year" at "Red Hat's ASEAN Partner Synergy Awards"

MAY

- "DataMall自由行", a global mobile data trading platform – Officially launched application specific data service plan supported by DPI (Deep Packet Inspection) technology
- Launched bilateral Single IMSI Multiple Number VoLTE Roaming function between mobile network operators in Hong Kong and China
- CPC won the "Outstanding Network Security Management Service and Cloud Solutions Award" at the "Capital Outstanding E-Commerce Awards 2022" by Capital Magazine
- CPC's DataHOUSE™ AI-AR Remote Hand won the "AI-Data Center Award" at the "Singapore Business Review Technology Excellence Awards 2022" organised by Singapore Business Review
- CPC's AI-driven TrueCONNECT™ Hybrid won the "Telecommunications Award" at "Singapore Business Review International Business Awards 2022" organised by Singapore Business Review

- A subsidiary of Acclivis secured an Internet Service Provider (ISP) licence in Indonesia

JUNE

- CPC won the "Distinguished Innovative Corporate Solutions Provider Award" at the "Corporate Brand Awards of Excellence 2022" by Hong Kong Economic Journal
- CPC won the "CC-Global Awards 2022 – Best Innovative Valued Added Service Provider" award by Carrier Community
- CEC's Data Science & Innovation Team won the overall 1st Runner-up in the "3rd Alibaba Cloud AIOps Competition" organised by Alibaba Cloud Tianchi
- CEC's Research and Development Team won the 1st Runner-up in the "3rd Shandong Provincial Data Application Innovation and Entrepreneurship Competition" with the contest question on "Pedestrian re-recognition and tracking". The competition was organised by the Shandong Provincial Big Data Bureau

MILESTONES 2022

JULY

- Signed a strategic collaboration agreement with a renowned mobile network operator in Asia to launch high quality IPX services. This collaboration created synergy and enhanced the competitiveness of our IPX products to expand into the global IPX market
- CEC's CeOne-CONNECT SD-WAN Infrastructure and Value-added services, and Secure Access Service Edge (SASE) services received the "SD-WAN Ready 2.0" certificates issued by Beijing Main Laboratory of Cloud Computing Standards and Testing Verification, and the Standards Promotion Committee of the China Communications Standards Association of China Academy of Information of Communications Technology
- CEC's SD-WAN solution won the "SD-WAN Innovation Pioneer Award" issued by the Computing and Network Convergence Industry and Standards Promotion Committee of the China Communications Standards Association (CCSA TC621)
- CEC's SD-WAN solution won the "SD-WAN+ Cloud Network Convergence Outstanding Service Award" issued by the Computing and Network Convergence Industry and Standards Promotion Committee of the China Communications Standards Association (CCSA TC621)
- CEC won the "NIO Business Resources Partner System Efficiency Award" issued by NIO Inc.
- Being the first telecoms operator in Hong Kong and Macau joining the World Internet Conference as Senior Member, CTM deepened the telecoms technology exchanges between Macau, China and the world

AUGUST

- CPC's DataHOUSE™ AI-AR Remote Hand won the "Top Innovation of the Year" at the "Visionary Spotlight Award 2022" by ChannelVision Magazine
- CEC won the "Excellent SD-WAN Provider of Intelligent Manufacturing in China 2021" issued by e-works
- CEC's Internet Data Centre AR Remote Hand remote operations and maintenance service won the "Excellent Recommended Product of China Intelligent Manufacturing 2021" award issued by e-works
- CEC's TrustCSI Industrial Control Security Service won the "2021 Excellent Recommended Product of China Intelligent Manufacturing" award issued by e-works
- CEC won the "2021 Digital Enterprise Outstanding Service Provider Award" issued by the Association of Chief Information Officers of Anhui Province
- CEC won the "Excellent Digital Solutions Provider of 2022" award issued by the 8th China Industry Internet Conference
- Acclivis has partnered with Tencent Cloud to provide public cloud solutions to enterprise customers in Southeast Asia

SEPTEMBER

- With our AI- AR Remote Hand Service, CPC won the "Telecommunications Award" at the "Hong Kong Business (HKB) National Business Awards 2022" organised by Hong Kong Business magazine
- CPC won the "Business Eminence Awards 2022" organised by Dun & Bradstreet Singapore
- Pacific Internet (S) Pte. Ltd. named by Enterprise World as one of the Top 5 Asia's Leading Internet Service Providers to watch in 2022

MILESTONES 2022

OCTOBER

- CPC's AI Cognitive Object Recognition System won the "Best in Future of Operations Award" at the IDC Future Enterprise Awards 2022 (Hong Kong)
- CPC won the "Fast Enterprise Award" at the Asia Pacific Enterprise Awards 2022 organised by Enterprise Asia
- CEC received the "2021 Guangdong Province Integrity Enterprise" certificate issued by the Guangdong Provincial Enterprise Confederation and Guangdong Provincial Association of Entrepreneurs

NOVEMBER

- CPC won the 20th International Customer Relationship Excellence Awards from Asia Pacific Customer Service Consortium. The winning categories are "Customer Service Manager of the Year 2022 (Service Center)" and "Customer Service Analyst of the Year 2022 (Service Center)"
- CTM was granted the first 5G Licence in Macau by Macau Special Administrative Region Government
- CTM was awarded the first prize in the "Special International Invitational Track of the 5th Bloom Cup 5G Application Competition" with their "5G Cloud Live Broadcasting Car Racing Application" solution

DECEMBER

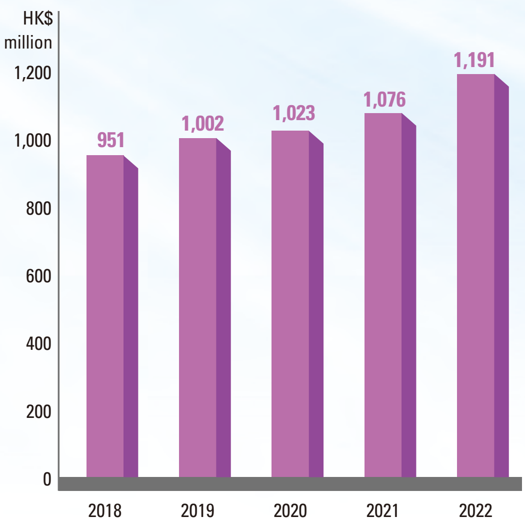
- CPC's Innovative AI Visual Security solution has won the "Cybersecurity Excellence Gold Award" at the Communications Association of Hong Kong (CAHK) STAR Awards 2022
- CPC won the "Cyber Security Award" and "AI Innovation Award" at the Asia Communication Awards (ACA) 2022
- CEC's next generation SOC – TrustCSI™ Managed Security Services won the "2022 Star of Cyber Security Product" Award issued by Cybersecurity & Informatization Magazine and 365Master.com
- CEC's Research and Development Team was champion in "The Mail Notification Schedule Extraction Challenge" and "The Medical Invoice Elements Recognition Challenge", and was 2nd Runner-up in the "Nucleic Acid Test Report Recognition Challenge" in the "2022 iFLYTEK A.I. Developer Competition". The competition was organised by the iFLYTEK Co., Ltd, China Information Industry Association and National Intelligent Voice Innovation Center
- CEC's Information Technology Services & Data Science Department received the "CMMI MATURITY LEVEL-3" certificate issued by the CMMI® Institute Partner and Guangzhou Tongbang Information Technology Co., Ltd
- CTM hosted the "Inauguration Ceremony of 5G New Era" and "Ushering Into Digital Macau 3.0 Forum", and held the launch ceremony of "Macau 5G Smart Service Development Alliance", joining hands with pioneer representatives of various sectors to deepen the collaboration of 5G applied ecology


WE
CONNECT
THE
PEOPLE

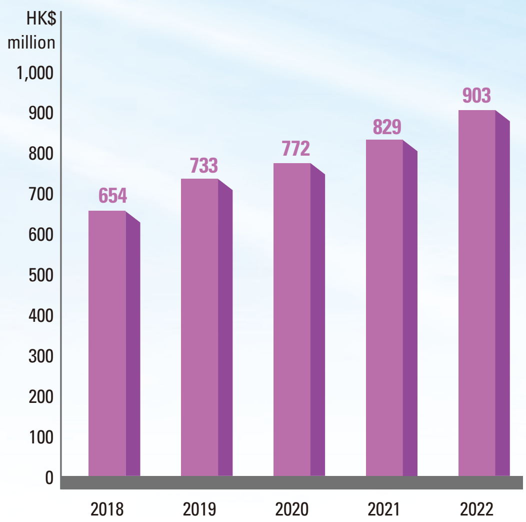
FINANCIAL HIGHLIGHTS

- Profit attributable to equity shareholders of the Company for the year 2022 amounted to HK$1,191 million, a year-on-year increase of 10.7%.
- Dividends per share for the year 2022 totaled HK24.5 cents, a year-on-year increase of 8.9%.
- The Group's net debt as at 31 December 2022 was HK$2,534 million, a decrease of 30.6% 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 2022 includes final dividend payable based on the number of shares in issue as at 31 December 2022 which may differ from the number of shares at the closing date of the register of members.

FINANCIAL HIGHLIGHTS

In HK$ million	2022	2021	
Revenue			
Revenue from telecommunications services	**8,831**	7,905	Increase 11.7%
Sales of mobile handsets and equipment	**1,280**	1,581	Decrease 19.0%
	10,111	9,486	Increase 6.6%
Profit attributable to equity shareholders of the Company	**1,191**	1,076	Increase 10.7%
EBITDA[1]	**2,657**	2,509	Increase 5.9%
Earnings per share (HK cents)			
Basic	**32.3**	29.3	Increase 10.2%
Diluted	**32.3**	29.2	Increase 10.6%
Dividends per share (HK cents)			
Interim dividend	**6.0**	5.5	Increase 9.1%
Final dividend	**18.5**	17.0	Increase 8.8%
	24.5	22.5	Increase 8.9%
Total assets	**18,181**	18,382	Decrease 1.1%
Total equity attributable to equity shareholders of the Company	**10,373**	10,095	Increase 2.8%
Total debt[2]	**4,520**	5,446	Decrease 17.0%
Less: Cash and deposits	**(1,986)**	(1,793)	Increase 10.8%
Net debt	**2,534**	3,653	Decrease 30.6%
Net gearing ratio[3]	**20%**	27%	Decrease 7.0%

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


AIA


WE
CONNECT
EACH
OTHER

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

The year of 2022 has been extraordinary. Against manifold challenges such as the severe impact of the pandemic and austere and complicated international economic conditions, our team was united to overcome all adversities with unwavering persistence in innovative development, and created new niches to garner new achievements, ultimately we charted new horizons in our overall corporate development and reported record-high operating results.

I am pleased to announce the Group's annual results for 2022.

FINANCIAL RESULTS OF 2022

The Group reported HK$10,111 million in total revenue for 2022, representing an approximately 6.6% growth compared to HK$9,486 million for the corresponding period of the previous year.

Profit attributable to equity shareholders of the Company for 2022 amounted to HK$1,191 million (including the revaluation gain on investment property for 2022 of HK$9 million), increasing by 10.7% as compared to HK$1,076 million (including the revaluation gain on investment property for 2021 of HK$28 million) for the corresponding period of the previous year.

Basic earnings per share for 2022 amounted to HK32.3 cents, representing a 10.2% growth as compared to 2021.

The Board recommended a final dividend of HK18.5 cents per share for 2022. Together with the 2022 interim dividend of HK6.0 cents per share, total dividends per share for 2022 amounted to HK24.5 cents, representing a 8.9% growth over the corresponding period of the previous year.

OPERATIONS REVIEW IN 2022

In 2022, the Group actively devoted in major national development plans such as "Belt and Road Initiative" and Guangdong-Hong Kong-Macao Greater Bay Area, as it resolutely fulfilled its strategic positioning of "Root in Chinese mainland market, take Hong Kong and Macau as the base and connection and expedite international expansion and coverage", and all business teams of the Group worked together to build a new pattern of corporate development, thus achieved new heights in operating results.

Maintaining leading position in the Macau market as being the first carrier to launch 5G to unveil the new initiative of "Strengthening Macau through digitalisation"

First launch of 5G commercial use in Macau market. Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") was awarded the 5G licence of Macau on 7 November 2022 and officially launched its 5G service on 14 November 2022, being the first carrier to offer 5G services in Macau. We promoted 5G brand recognition. On 14 December 2022, the Group hosted the "Inauguration Ceremony of 5G New Era" and "Ushering Into Digital Macau 3.0 Forum", and provided a new driving force for Macau's economic and social development. We led to seize the 5G market share. We had more than 10,000 registered 5G users on the launching day, and we had over 50,000 registered 5G users by the end of the first month. At present (By 15 March 2023), CTM had more than 150,000 registered 5G users. We constructed 5G ecosystem. CTM has invited its partners to form the "Macau 5G Smart Service Development Alliance" in a bid to deepen cooperation in the 5G application ecosystem by joining forces with various sectors.

We assisted Macau to achieve the fastest broadband downloading speed in the world as indicated in the annual global broadband speed survey report published by an international website cable.co.uk in September 2022, Macau leapfrogged from the 7^{th} in 2021 to the top in the world in terms of average broadband downloading speed at the rate of 262.74Mbps.

Accelerating digital transformation and enhancing comprehensive business competitiveness

The Group strengthened its existing business, actively pursued innovation, seized the opportunity brought by the arising needs of contact-free messages during the epidemic, and vigorously expanded the enterprise messaging service market. We built the core capability of scientific and technological innovation, upgraded the global data volume trading platform "DataMall 自由行" and the cross-border Single IMSI Multiple Number (SIMN) platform, supported Internet of Things corporate clients to equip more overseas resources with new technologies to accelerate the development of global data business. We carried out digital and intelligent transformation, improved IT service management system and information security management system, passed ISO 20000 and ISO 27001 annual certification, upgraded SmartOM platform, expanded application scenarios to improve system operation and maintenance efficiency and quality.

Winning the trust of customers with wide range of products and professional services, and earned multiple prestigious international awards

CITIC Telecom International CPC Limited ("CPC"), a subsidiary of the Group, leads the trend of product development with innovation. CPC's SD-WAN SASE product has successfully passed multiple tests of "SD-WAN Ready 2.0 SASE Service" from Beijing Main Laboratory of Cloud Computing Standards and Testing Verification, and the Standards Promotion Committee of the China Communications Standards Association of China Academy of Information of Communications Technology. The product was awarded the "SD-WAN Ready 2.0" certificate and its technical strength was highly recognised by the industry authority. CPC won the "Best Innovative Value Added Services Provider" in the "CC-Global Awards 2022" issued by an authoritative telecommunications industry organisation, affirming CPC's innovation capability and service level.

Promoting product capabilities to underpin vigorous development of new markets, products and businesses

We extended the market coverage to Southeast Asia. We have successfully received the ISP business permit in Indonesia, registered the "Pacific Internet" brand in Vietnam, secured a new contract for the construction of ICT facilities in Malaysia which was more than half-completed. We entered into an agreement with a partner for cooperation in Southeast Asia to jointly provide premium cloud service and ICT solutions to corporate customers in the region.

Enhancing investment in technological innovation to foster key competence in digitalisation and intelligentisation

In fulfilment of the "ICT-MiiND" development strategy, the Group has persisted in the dual emphasis on proprietary R&D and third-party cooperation to bolster its strengths in technology R&D, accelerate digital transformation of the enterprise and procure solid achievements in technological innovation. Our core R&D competence has been further enhanced. In 2022, we received 1 invention patent from the Hong Kong Intellectual Property Department for "SD-WAN Analysis System and its operating method" and submitted 8 new patent applications and 3 software copyright applications; 4 copyrights were secured. The foundation of our R&D team has been strengthened. Our R&D team in the Guangdong-Hong Kong-Macao Greater Bay Area is becoming stronger with a more comprehensive system. As at the end of December 2022, the Group has 334 R&D staff, representing a growth of 17% compared to the same period last year. Our operational and management competence has been optimised. Internal coordination in scientific R&D has been strengthened with developments in Big Data and AI applications, while smart control and management has been adopted to facilitate network service and business operation as a means to improve operating efficiency.

CHAIRMAN'S STATEMENT

Improving the standard of quality management and abilities in professional services

In full implementation of the philosophy of "Quality is the vitality of an enterprise", the Group has enhanced the awareness for quality and formulated stringent quality control regimes and regulations to upgrade the quality of its network service and customer service on all fronts, so as to win the trust of customers on the back of supreme servicing capabilities. The Group has optimised the allocation of its information security service team and established a security management service platform with its partners, in a major effort to enhance the quality of information security services. CTM has improved its service quality and customer experience to maintain a high level of customer satisfaction. During the most critical periods of the pandemic, CTM provided instant support to customers via a 24-hour service hotline, while offered comprehensive online self-help services to effectively simplify processes at physical outlets and shorten the waiting time.

Fulfilling corporate social responsibility and enhancing international influence

We supported anti-epidemic measures with full force. The Group worked to "benefiting the society and increasing speed at reduced tariffs" in tandem with the Macau SAR Government's call for the development of a digital economy and actively empowered the construction and development of the digital society, as it transmitted more than 120 million free messages containing information on anti-epidemic measures to Macau citizens, and provided uninterrupted network assurance for Hong Kong citizens with the transmission of more than 140 million messages containing information on anti-epidemic measures. We swiftly organised a network assurance team to provide 7x24 on-site duty service at the server room in multiple cities in the Chinese mainland, against all kinds of difficulties to safeguard its network operations and to ensure safety. We have actively participated in international organisations and major international events. CTM was invited to be a Senior Member of the World Internet Conference and attended the inauguration ceremony on 12 July 2022. CTM attracted much attention in the market as it co-hosted and addressed the "Sub-Forum on Internet Development in Chinese mainland, Taiwan, Hong Kong and Macau" at the "2022 World Internet Conference Wuzhen Summit" convened on 9 November 2022.

Increasing efforts in talent grooming to forge three international first-rate teams

Talent training and team building is an important task for the Group, which is committed to the building of a platform on which staff can "fulfil personal aspiration, pursue career development, realise individual potentials and secure greater happiness" and the creation of international first-rate management team, first-rate business team and first-rate engineering technical and R&D team. We sought to step up with talent development and enhance the core competitiveness of staff through the "2022 staff training programme" and trained up young business officers through the "management trainee programme", enhancing their sense of belongings and unity though various incentive measures.

Emphasising on investors relations to reaffirm investors' confidence

With a strong emphasis on investor relations and in firm adherence to the corporate objective of "be responsible to shareholders, staff, society and corporate development", the Group sought to enhance benefits for shareholders through corporate development and maintained close liaison with investors in different ways, while ensuring sound operating results and stable dividend payout despite the adverse impact of the pandemic to increase investors' understanding and confidence in the Group.

OUTLOOK FOR 2023

Looking to 2023, global economic development remains subject to uncertainties in various aspects. Nevertheless, opportunities as well as challenges coexist, in view of which the Group will stay clear-headed and persist in innovative development, as it strives to grow into a premier international internet-based integrated telecommunications enterprise.

Enriching the smart city application ecosystem with new developments for "Strengthening Macau through digitalisation"

As we maintain our dominant market position as the leading carrier in Macau, we fully leverage on the advantages afforded by our 5G network resources and our position as the first mover in commercial 5G services, to enrich 5G industrial application scenarios in collaboration with various sectors in the community. We will procure convergence of the upstream and downstream 5G industry chains to form a sound 5G industry ecosystem for the benefit of digitalisation and smart city development in Macau. In active support of the key policies of the Macau SAR Government, we will also diligently investigate development opportunities in the Guangdong-Macao In-Depth Cooperation Zone in Hengqin.

Enhancing R&D competence to drive corporate development

In ongoing implementation of our "ICT-MiiND" development strategy, we will strengthen and optimise our technological innovation regimes in Guangzhou, Hong Kong, Zhuhai (Macau) to enhance our capabilities in technological innovation and drive cross-regional technological integration and conversion. With a special emphasis on developing applications from frontier technologies such as AI and Big Data, we will drive the conversion of patent rights into marketable products and solutions, in order to enhance our corporate competitiveness and facilitate development of the enterprise.

Actively developing new markets, products, capabilities and customers whilst enhancing talent training to build three international first-rate teams

Talents represent our primary resources. CITIC Telecom will continue to increase its effort in talent training and devote major efforts to the creation of a world-class first-rate management team, first-rate business team and first-rate engineering technical and R&D team. We will promote the illustrious corporate culture of "Wisdom and Integrity for Fostering Prosperity" and reinforce "awareness for the big picture, for responsibilities, for service and for quality", driving the growth and development of the enterprise in united efforts in the corporate spirit of "solidarity, coordination, inclusivity and caring".

Maintaining sound investors relations for the benefit of qualitative corporate development

Through multiple approaches such as the general meeting, results announcement, and press releases, we maintain close liaison with investors and the media, announcing the Company's business results and future development plans in a timely and accurate manner to reaffirm investors' confidence, and foster a positive corporate image in advancement of the Group's long-term healthy and qualitative development.

In 2023, the Group will set new development goals carefully and formulate firm and powerful new development measures. We will persist in innovative development amid huge challenges, continue to execute the development under the requirements of the "14th Five-Year Plan", and seize the opportunities arising from the development of Guangdong-Hong Kong-Macao Greater Bay Area and "Belt and Road Initiative". We will focus on the regional development in the Greater Bay Area and Southeast Asia with a global vision, especially on developing new markets in Southeast Asia. We will work hard in detail with high spirits, striving to become a premier international enterprise. I would like to express my sincere gratitude to all shareholders, business partners and stakeholders in the community for their longstanding support and assistance, as well as to all members of our staff for their hard work and dedication.

Xin Yue Jiang
Chairman
Hong Kong, 16 March 2023


WE
CONNECT
THE
WORLD

BUSINESS REVIEW

MOBILE SALES & SERVICES

Sustained leading position in local mobile market after successfully secured 5G licence and officially launched 5G commercial application in Macau

As at the end of December 2022, Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") remained the top carrier in Macau's mobile market with over 554,000 users (including approximately 62,000 5G users), representing a 45.7% overall market share which was up by 0.1 percentage points compared to that at the end of 2021. Meanwhile, CTM also recorded sound growth in its local mobile Internet of Things ("IoT") business.

CTM has continued to expand in the international roaming market, as it launched bilateral 4G roaming with 385 overseas network operators, covering 218 countries and regions, and had VoLTE roaming covering 8 countries and regions. Meanwhile, CTM improved its 5G overseas network coverage. As of the end of December 2022, CTM launched bilateral 5G roaming with 80 overseas network operators, and unilateral outbound 5G roaming with 3 overseas operators covering 78 countries and regions.

Leveraging network capability to explore new industry applications

Leveraging its technical advantage, CTM extended its eSIM service launched last year to wearable devices. It serves as the only carrier in Macau that provides such a service.

CTM has enhanced its capability in 5G applications. At the Special International Invitational Track of the 5th "Bloom Cup" 5G Application Competition, CTM was awarded the first prize for its "5G Cloud Live Broadcasting Car Racing Application" solution.

To engage in more intensive cooperation in the 5G ecosystem, CTM has signed a letter of intent on cooperation in 5G applications with the Macau Live Streaming Association in connection with the building of a premium network platform for the live streaming industry, with a view to nurturing the live streaming sector and enriching the diversified development of economy in Macau.

Enhancing strategic cooperation and constructing high-quality IPX connection service platform to expand the 5G international roaming service market

The Group has continued to enhance its product capability and strengthen strategic collaboration with partner carriers, as it teamed up with a major mobile carrier in Asia to launch a high-quality IPX connection service platform in a joint effort to explore the global market.

BUSINESS REVIEW

INTERNET SERVICES

Macau ranks the top in average broadband downloading speed in the world, CTM leads the broadband market share in Macau

As at the end of 2022, 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 99.1%, thanks to major efforts to drive fibrelisation in broadband access. As indicated in the annual global broadband speed survey report published by the international website cable.co.uk in September 2022, Macau ranks the top in the world with an average broadband downloading speed of 262.74 Mbps.

Ongoing development of the new market for digital content services

In an active bid to advance the development of its content business, CTM has launched the brand new HomeMedia set-top box, combining home audio visual entertainment and e-commerce service, to expand in the new market segment of personal and family digital content in Macau. It aims at contributing to the development of smart living by leveraging its strengths in the integrated network.

Optimising data centres business with recorded solid growth in revenue

The Group provides data centre services in Chinese mainland, Hong Kong and Macau. The Hong Kong data centre has recorded robust sales growth, as CITIC Telecom Tower Data Centre Phase III (B) has achieved solid sales and successfully attracted a financial institution joining with a potential reservation of additional spaces in the new data hall.

Continuous growth in internet services revenue thanks to close partnership with corporate clients for addressing new demand

To stay close with market demands, CITIC Telecom International CPC Limited ("CPC"), a subsidiary of the Group, has further upgraded its internet service platforms in Beijing, Shanghai, Guangzhou and overseas to sustain revenue growth.

INTERNATIONAL TELECOMMUNICATIONS SERVICES

Seizing market opportunities to expand messaging service business

The Group has maintained its position as a leading provider of enterprise messaging services in the region. Seizing the opportunity arising from the increasing volume of contact-free messages during the pandemic, it continued to expand in the market for enterprise messaging service with robust efforts, and enhanced our servicing competence to secure growth in business volume and revenue as well as to sustain revenue contributions.

Enhancing competence in cross-border mobile communication service platform to achieve new breakthrough in mobile business

The Group supported the launch of the new bilateral VoLTE roaming function between Chinese mainland and Hong Kong and the P2A function for SIMN users by partner carriers. Robust efforts have been made to expand in the new IoT market, as the number of IoT service activations on the DataMall platform has increased substantially.

Revenue growth for international voice business

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

自由行®

DataMall

BUSINESS REVIEW

ENTERPRISE SOLUTIONS

Enriching product portfolio to explore new products and markets

CPC endeavours to upgrade its capabilities in the design, implementation and servicing of cloud network solutions. It has built a cloud network service team with its Scope of Work covering more than 170 items spanning network, virtualisation and application services, and extended its servicing ability in mainstream system maintenance.

To strengthen our competitiveness in the cloud market, the Group launched the SmartCLOUD™ container solutions across Chinese mainland, Hong Kong, Singapore and Europe to seize market share in the new segments.

To enhance its ability in professional security services, the Group successfully launched the "SD-WAN+SASE" integrated service and SOC – SIEM (security information and event management) service.

Expanding network coverage and enhancing business capabilities

During the year, CPC continued to extend the business coverage of TrueCONNECTTM, its virtual private network service, with more than 160 PoPs covering around 160 countries or regions globally, and seamlessly connecting the major commercial regions along the Belt and Road. CPC has also been vigorously advancing the SD-WAN business and its network coverage. As at the end of 2022, 60 SD-WAN gateway nodes were deployed worldwide, including 43 in Greater China region covering major commercial regions and the Greater Bay Area, along with another 7 covering major ASEAN countries.

To address the requirement of enterprises, CPC launched 11 Cloud Computing solutions to complement our 21 Cloud Services Centres in Greater China region, Singapore, Japan, North America, Europe and South Africa and 2 security operation centres, forming a cross-regional Cloud Computing servicing network and professional service regime, providing assistance to customers in information system management and information security on a round-the-clock basis to facilitate digital transformation.

Further enriching smart application portfolio to facilitate the development of Macau's digital economy

CTM has continued to enhance innovative application capability. Leveraging advanced technology such as AI, big data, and 5G network advantages, it has developed multiple one-stop innovative smart applications. CTM serves the Macau SAR Government and a number of corporate clients with such applications including the metaverse smart conference and exhibition platform, Macao World Heritage Monitoring Centre, 5G IoT management platform and drone performance with AR games for smart tourism, among others.

During the year, CTM's cloud service and cyber security service businesses recorded double-digit growth.

Actively exploring new opportunities in Enterprise Solution in the Southeast Asian market

The Group focused on the expansion of new businesses in the Southeast Asian market in 2022. During the year, it secured a local ICT facility construction service project in Malaysia, and a disaster recovery cloud service project with the governmental authorities of Singapore, as well as successfully delivered an innovative private cloud infrastructure facility compliant with regulatory requirements to a well-known financial institution in Singapore. It also developed an AI-based new production model that combines online AI technologies, AI video analysis and automated drone service platform to assist a large regional paint manufacturer and mechanical engineering company in automated painting.

BUSINESS REVIEW

FIXED LINE SERVICES

Decline of fixed-line voice business

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

FINANCIAL REVIEW

OVERVIEW

The Group's profit for the year ended 31 December 2022 increased 10.6% year-on-year to HK$1,224 million, profit attributable to equity shareholders of the Company increased by 10.7% year-on-year to HK$1,191 million, and basic earnings per share was up 10.2% to HK32.3 cents when compared to last year.

The Group's total revenue increased by 6.6% year-on-year to HK$10,111 million while revenue from telecommunications services increased by 11.7% to HK$8,831 million when compared to last year.

Summary of Financial Results

	Year ended 31 December			
In HK$ million	**2022**	2021	**Increase/(Decrease)**	
Revenue from telecommunications services	**8,831**	7,905	926	11.7%
Sales of mobile handsets and equipment	**1,280**	1,581	(301)	(19.0%)
Revenue	**10,111**	9,486	625	6.6%
Valuation gain on investment property	**9**	28	(19)	(67.9%)
Other income	**44**	36	8	22.2%
Cost of sales and services	**(5,775)**	(5,459)	316	5.8%
Depreciation and amortisation	**(914)**	(897)	17	1.9%
Staff costs	**(1,169)**	(1,082)	87	8.0%
Other operating expenses	**(541)**	(488)	53	10.9%
Profit from consolidated activities	**1,765**	1,624	141	8.7%
Finance costs	**(269)**	(270)	(1)	(0.4%)
Share of profit of a joint venture	**–**	1	(1)	N/A
Income tax	**(272)**	(248)	24	9.7%
Profit for the year	**1,224**	1,107	117	10.6%
Less: Non-controlling interests	**(33)**	(31)	2	6.5%
Profit attributable to equity shareholders of the Company	**1,191**	1,076	115	10.7%
EBITDA*	**2,657**	2,509	148	5.9%
Basic earnings per share (HK cents)	**32.3**	29.3	3.0	10.2%
Dividends per share (HK cents)	**24.5**	22.5	2.0	8.9%

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

FINANCIAL REVIEW

Profit attributable to equity shareholders of the Company

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

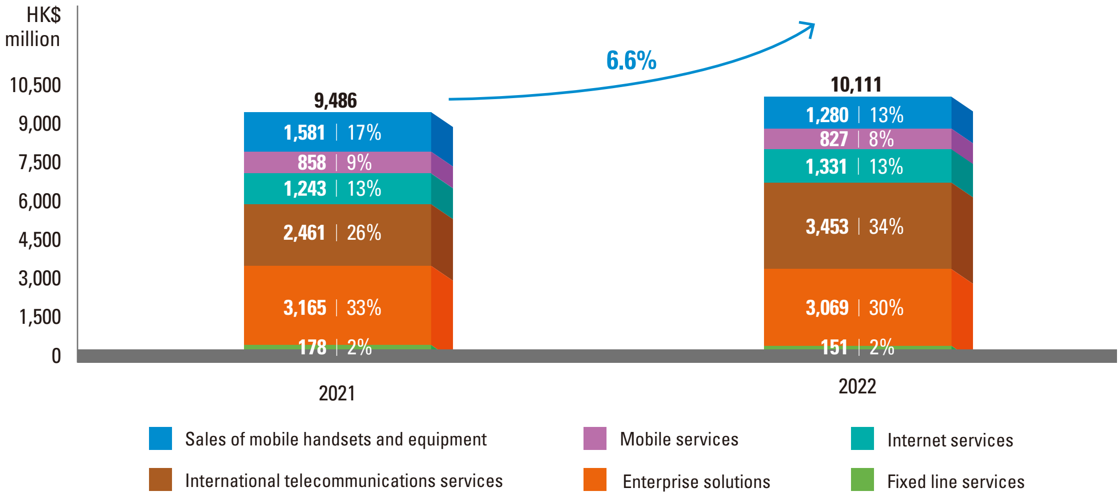
With the resurgence of COVID-19, the Group continued to seize new business opportunities under the new normal and proactively sort measures to enhance operation efficiency. Profit attributable to equity shareholders of the Company for the year ended 31 December 2022 increased by 10.7% or HK$115 million to HK$1,191 million when compared to the previous year. Excluding the valuation gain on investment property of HK$9 million (2021: HK$28 million), profit attributable to equity shareholders of the Company for the year would amount to HK$1,182 million (2021: HK$1,048 million), representing a year-on-year increase of 12.8%.

Revenue

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

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

The Group's total revenue including revenue from telecommunications services and the sales of mobile handsets and equipment increased by 6.6% year-on-year to HK$10,111 million.

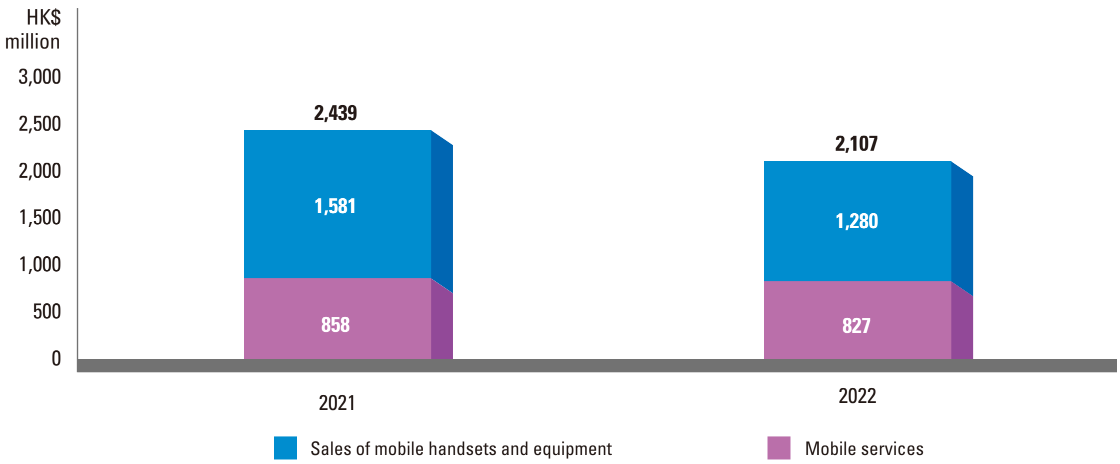


Revenue from telecommunications services for the year ended 31 December 2022 amounted to HK$8,831 million, which represented an increase of 11.7% or HK$926 million when compared to the previous year. The increase was mainly attributed to the growth in international telecommunications services and internet services revenue.

The Group's sales of mobile handsets and equipment for the year ended 31 December 2022 amounted to HK$1,280 million, which represented a decrease of 19.0% or HK$301 million when compared with the previous year. The decrease was due to the pandemic which adversely impacted on the supply of mobile handsets during the 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, other mobile value-added services and others.



FINANCIAL REVIEW

Mobile services revenue dropped 3.6% to HK$827 million when compared to the previous year due to the resurgence of COVID-19, which adversely impacted the Group's roaming related services revenue. Sales of mobile handsets and equipment dropped 19.0% year-on-year to HK$1,280 million.

The overall number of subscribers as at 31 December 2022 was over 554,000 (31 December 2021: over 581,000) representing a decrease of around 4.6% resulting from the drop in prepaid subscribers of around 37.6% year-on-year to approximately 111,000 (31 December 2021: approximately 178,000) subscribers mainly driven by lower inbound tourists in Macau and the enactment of Macau's Cybersecurity Law which requires the real-name registration for all telecommunications and internet users which follows the same trend of the overall Macau mobile market. The decrease was partly offset by the increase in postpaid subscribers of 9.9% to over 443,000 (31 December 2021: over 403,000) subscribers.

With the launch of the Group's 5G mobile service in Macau in mid-November 2022, total 5G mobile subscribers as at 31 December 2022 reached over 62,000 subscribers, representing approximately 11.2% of the Group's total mobile subscribers as at 31 December 2022.

Internet services

Certain business activities had shifted online and a number of companies expedited their digital transformation. The development of digital economy and the advancement of internet technology lead to higher business internet requirements and greater demand for internet and data centre services. Such development lead to a year-on-year increase of 7.1% or HK$88 million in revenue from internet services which amounted to HK$1,331 million. Furthermore, the increase of around 1.0% in the number of broadband users to over 202,000 subscribers (31 December 2021: approximately 200,000 subscribers) contributed to the increase in revenue from fibre broadband service when compared to last year.

As at 31 December 2022, the Group's internet market share and broadband market penetration rate in Macau were estimated at around 97.1% (31 December 2021: 97.1%) and 91.4% (31 December 2021: 91.2%) respectively.

International telecommunications services

International telecommunications services revenue including revenue from messaging services (including SMS), voice services and "DataMall 自由行" services, increased by 40.3% or HK$992 million year-on-year.

For the year ended 31 December 2022, due to increasing demand from corporate messaging delivery, messaging services revenue surged 52.4% or HK$880 million to HK$2,558 million when compared to the previous year, and voice services revenue increased by 15.7% or HK$118 million over the previous year to HK$868 million.

Revenue from "DataMall 自由行" services decreased by HK$6 million to HK$27 million when compared to the previous year due to the resurgence of COVID-19, where lockdown measures and travel restrictions continued to be imposed by certain governments around the world in their corresponding countries/regions throughout 2022.

Enterprise solutions

For the year ended 31 December 2022, enterprise solutions revenue decreased by 3.0% year-on-year to HK$3,069 million. The pandemic related disruptions have continued to adversely impact on the Macau's economy in 2022 which resulted in the decrease in project revenues from resorts and other enterprises, as well as the leased lines revenue in Macau. However, the Group continued to experience encouraging growth in enterprise solutions services in Chinese mainland and Southeast Asia.

Fixed line services

In line with global trends of declining fixed IDD traffic volumes and the decrease in fixed residential and business lines, fixed line services revenue was down by 15.2% year-on-year to HK$151 million for the year ended 31 December 2022.

Results for the year

Profit attributable to equity shareholders of the Company increased by 10.7% year-on-year or HK$115 million to HK$1,191 million mainly due to the combined effect of the following factors:

Revenue

The Group's revenue from telecommunications services increased by 11.7% or HK$926 million to HK$8,831 million. Total revenue including mobile handsets and equipment sales amounted to HK$10,111 million for the year, representing a year-on-year increase of 6.6%.

Valuation gain on investment property

Certain floors of the property held by the Group were leased out to third parties and an affiliate of the Group. These floors were revalued as at 31 December 2022 by the Group's independent surveyors with a valuation gain of HK$9 million (2021: HK$28 million).

Cost of sales and services

Cost of sales and services includes cost of provision of telecommunications services and cost of sales of mobile handsets and equipment. Cost of sales and services increased by 5.8% or HK$316 million to HK$5,775 million when compared to the previous year mainly due to the increase in revenue from telecommunications services with comparatively higher margin.

Depreciation and amortisation

Depreciation and amortisation expenses totaled HK$914 million for the year ended 31 December 2022, representing a year-on-year increase of 1.9%. With the launch of the 5G mobile service in Macau in mid-November 2022, depreciation of 5G related equipment was around HK$7 million.

Staff costs

Staff costs increased year-on-year by 8.0% or HK$87 million to HK$1,169 million mainly due to the average salary increment and the increase in headcount.

Other operating expenses

Other operating expenses for the year ended 31 December 2022 increased 10.9% or HK$53 million to HK$541 million when compared to the previous year. This was mainly due to an increase in trade debtors as a result of business growth during the year, which lead to an increase in allowance for doubtful debts accordingly.

Finance costs

Despite the significant increase in general bank's borrowing rates during the year, finance costs were comparable to last year which amounted to HK$269 million (2021: HK$270 million) due to the repayment of bank loans at the end of 2021 and during the year.

Income tax

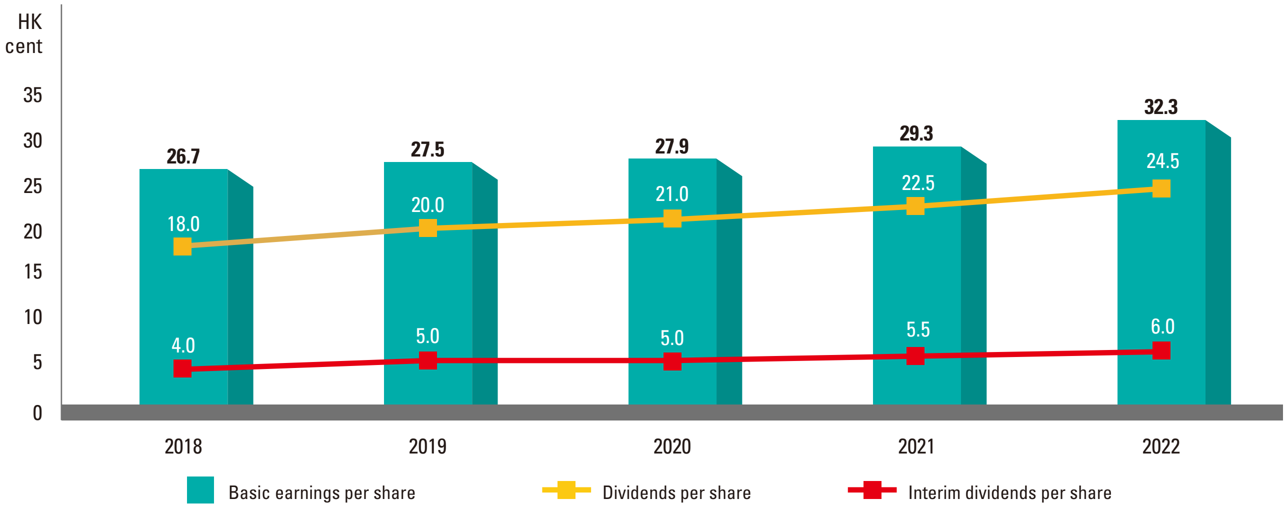
Income tax for the year amounted to HK$272 million, an increase of HK$24 million when compared to the previous year. Excluding finance costs, over or under-provision of taxes and any origination and reversal of temporary differences in relation to prior years, the effective tax rates for the years ended 31 December 2022 and 2021 were 15.5% and 15.3% respectively.

FINANCIAL REVIEW

Earnings and Dividends per share

Basic and diluted earnings per share were up 10.2% and 10.6% year-on-year to approximately HK32.3 cents and HK32.3 cents respectively for the year ended 31 December 2022.

The Company's Board of Directors has resolved to recommend to shareholders the payment of final dividend of HK18.5 cents per share which, together with the interim dividend of HK6.0 cents per share already paid, makes total dividends of HK24.5 cents per share for the year ended 31 December 2022. This represents an increase of 8.9% year-on-year.



Cash flows

In HK$ million	Year ended 31 December 2022	2021	Increase/(Decrease)	
Source of cash:				
Cash inflows from business operations	**2,723**	2,394	329	13.7%
Other cash inflows	**33**	60	(27)	(45.0%)
Sub-total	**2,756**	2,454	302	12.3%
Use of cash:				
Net capital expenditure*	**(323)**	(532)	(209)	(39.3%)
Dividends paid to equity shareholders and non-controlling interests	**(857)**	(800)	57	7.1%
Capital and interest elements of lease rentals paid	**(175)**	(179)	(4)	(2.2%)
Payment of borrowing costs	**(248)**	(244)	4	1.6%
Net cash outflows from borrowings	**(930)**	(421)	509	>100%
Increase in other deposits	**(364)**	(361)	3	0.8%
Sub-total	**(2,897)**	(2,537)	360	14.2%
Net decrease in cash and cash equivalents	**(141)**	(83)	58	69.9%

* 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$2,723 million cash inflow from its operations, with the use of cash mainly comprised of capital expenditure, net repayment of bank and other borrowings, lease payments and dividends distributions. In total, the Group recorded a net cash outflow of HK$141 million for the year ended 31 December 2022.

Capital expenditure

The Group's total capital expenditure for the year ended 31 December 2022 amounted to HK$325 million. During the year, HK$51 million was invested in 5G, HK$15 million was incurred for the Group's data centres' development and the remainder of the capital expenditure were mainly for network systems upgrade and expansion.

Capital commitments

As at 31 December 2022, the Group had outstanding capital commitments of HK$116 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$37 million was outstanding contractual capital commitments and HK$79 million was capital commitments authorised but for which contracts had yet to be entered into.

RISK MANAGEMENT

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

FINANCIAL RISK

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

1. Debt and leverage

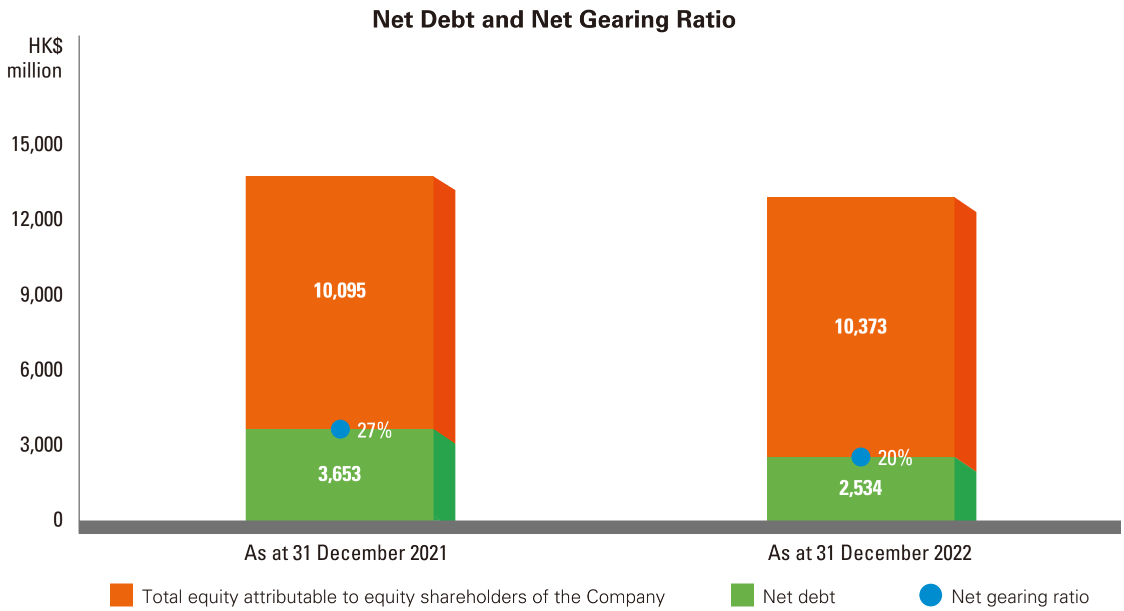
As the Group's net debt decreased to HK$2,534 million, the net gearing ratio decreased from 27% as at 31 December 2021 to 20% as at 31 December 2022.

As at 31 December 2022, 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	550	3,572	398	–	–	–	–	**4,520**
Less: Cash and deposits	(433)	(946)	(55)	(284)	(197)	(27)	(44)	**(1,986)**
Net debt/(cash)	**117**	**2,626**	**343**	**(284)**	**(197)**	**(27)**	**(44)**	**2,534**

As at 31 December 2022 and 2021, the Group's net gearing ratio was as follows:

In HK$ million	**31 December 2022**	31 December 2021
Total debt	**4,520**	5,446
Less: Cash and deposits	**(1,986)**	(1,793)
Net debt	**2,534**	3,653
Total equity attributable to equity shareholders of the Company	**10,373**	10,095
Total capital	**12,907**	13,748
Net gearing ratio	**20%**	27%

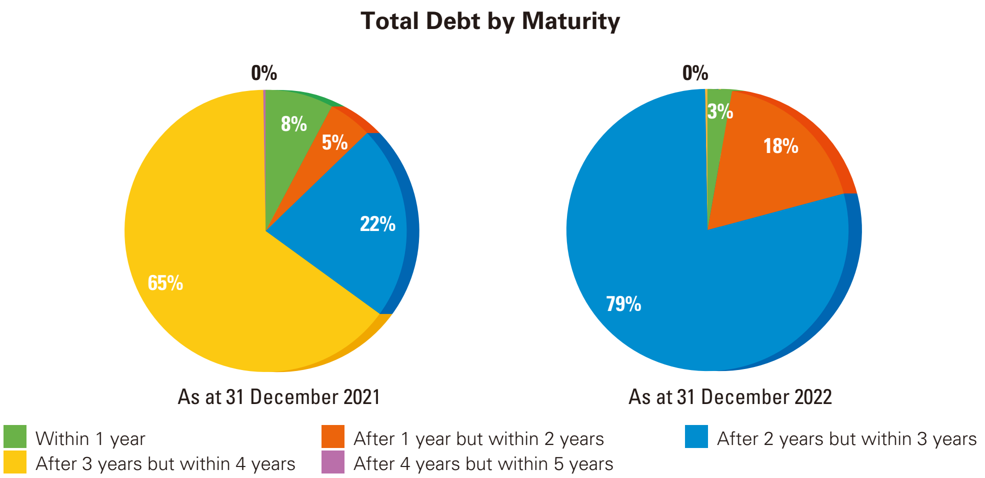


The Group's total debt decreased to HK$4,520 million which was mainly due to the net repayment of bank and other loans amounted to HK$930 million from its surplus cash during the year.

As at 31 December 2022, the total debt, excluding interest payable, amounted to HK$4,451 million, of which HK$114 million will be matured in the coming year, against cash and deposits of HK$1,986 million.

The maturity profile of the Group's total debt which includes interest payable as at 31 December 2022 was as follows:

In HK$ million	Within 1 year	After 1 year but within 2 years	After 2 years but within 3 years	After 3 years but within 4 years	Total
Bank and other loans	114	809	14	11	**948**
US$450 million 6.1% guaranteed bonds	–	–	3,503	–	**3,503**
	114	809	3,517	11	**4,451**
Interest payable	69	–	–	–	**69**
	183	**809**	**3,517**	**11**	**4,520**



* The above graph excludes the amount of interest payable.

RISK MANAGEMENT

Available sources of financing

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

The Group's cash balance as at 31 December 2022 was more than sufficient to cover the repayments of outstanding amount of total debt (excluding interest payable) of HK$114 million in the coming year and contractual capital commitments of HK$37 million as at 31 December 2022.

As at 31 December 2022, the Group had available trading facilities of HK$218 million. The amount of HK$89 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 2022.

As at 31 December 2022, the type of facilities of the Group was summarised as follows:

In HK$ million	**Total available facilities**	**Amount utilised**	**Amount unutilised**
Bank and other loans			
– Committed facilities:			
Term loans	848	848	–
– Uncommitted facilities:			
Short-term facilities	894	100	794
	1,742	948	794
Guaranteed bonds – Committed facility			
US$450 million 6.1% guaranteed bonds	3,510	3,510	–
Trading facilities – Uncommitted facilities	218	89	129
Total	**5,470**	**4,547**	**923**

2. Liquidity risk management

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

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

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

3. Loan covenants

Committed banking facilities contain certain covenants, undertaking, financial covenants, change in control clause and/or events of default provisions, which are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants or in any case of an event of default, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2022 and 2021, the Group was in compliance with the relevant requirements.

4. Contingent liabilities

As at 31 December 2022 and 2021, the Group had no significant contingent liabilities.

5. Performance bonds, guarantees and pledged assets

As at 31 December 2022 and 2021, performance bonds and other guarantees of the Group were as follows:

In HK$ million	31 December 2022	31 December 2021
Performance bonds provided to the Macau Government and other customers	**87**	85
Other guarantees	**2**	2
Total	**89**	87

As at 31 December 2022, bank deposits of HK$6 million (2021: HK$6 million) were pledged to secure parts of the facilities of the Group.

On 5 March 2013, CITIC Telecom International Finance Limited, a wholly-owned subsidiary of the Company, issued US$450 million (approximately HK$3,510 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 2022, the Company issued guarantees of HK$436 million (2021: HK$540 million) for its subsidiaries in respect of the various forms of facility lines from financial institutions.

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

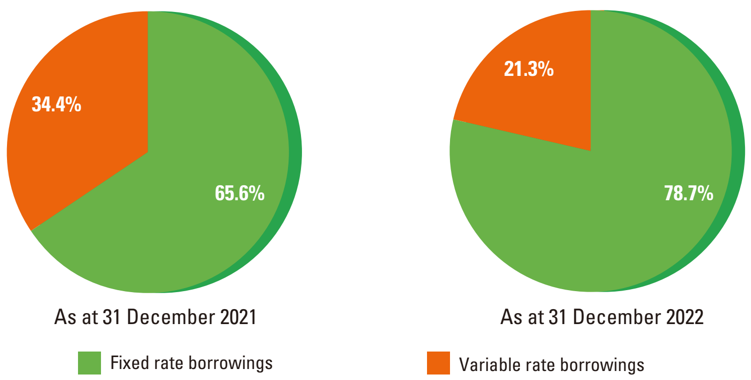
RISK MANAGEMENT

6. Interest rate risk

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

Interest rate risk is managed by fixed rate borrowing or through use of interest rate swap, if necessary. As at 31 December 2022, approximately 78.7% (2021: approximately 65.6%) 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 2022 and 2021, the effective interest rates, after the inclusion of amortisation of transaction costs, were as follows:

	31 December 2022	31 December 2021
Effective interest rate for fixed rate borrowings	**6.1%**	6.1%
Effective interest rate for variable rate borrowings	**5.5%**	1.2%
Effective interest rate for total borrowings	**6.0%**	4.4%

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 5.0% (2021: approximately 16.3%) of the Group's total trade debtors and contract assets as at 31 December 2022. 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 2022, the Group has maintained cash and deposits of HK$1,986 million (2021: HK$1,793 million), among which HK$1,982 million (2021: HK$1,783 million) was placed in the above-mentioned entities, representing approximately 99.8% (2021: approximately 99.4%) of the total cash and deposits of the Group. To achieve a balance between maintaining the flexibility of the Group's operations and minimising the exposure to credit risk arising from cash and deposits, the Group has a pre-defined policy and regular review on the rest of the cash portfolio. It is considered that the Group is exposed to a low credit risk in this respect.

RISK MANAGEMENT

ECONOMIC ENVIRONMENT

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

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

OPERATIONAL RISK

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

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

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

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

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

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

SECURITY OR PRIVACY BREACHES

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

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

RISK MANAGEMENT

OTHER EXTERNAL RISKS AND UNCERTAINTIES

1. Impact of laws and regulations

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

2. Impact of new accounting standards

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

3. Adopting to policy environment

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

4. Natural disasters or events and terrorism

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

The 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.

FIVE YEAR SUMMARY

	As at 31 December				
	2018 HK$ million	2019 HK$ million	2020 HK$ million	2021 HK$ million	**2022 HK$ million**
Assets and liabilities					
Investment property	629	648	639	667	**676**
Property, plant and equipment	2,767	2,435	2,705	2,625	**2,323**
Right-of-use assets	–	695	706	654	**599**
Intangible assets	1,554	1,385	1,219	1,064	**932**
Goodwill	9,718	9,713	9,733	9,721	**9,710**
Interest in a joint venture	9	9	9	11	**10**
Non-current contract assets	41	36	31	23	**26**
Non-current contract costs	–	–	–	25	**28**
Non-current finance lease receivables	–	–	–	5	**9**
Non-current other receivables and deposits	120	112	181	103	**150**
Deferred tax assets	68	66	77	72	**74**
Net current assets	912	1,027	816	755	**844**
Net defined benefit retirement obligation	(99)	(60)	(29)	(12)	**(61)**
Deferred tax liabilities	(248)	(233)	(226)	(211)	**(172)**
Other non-current liabilities	(6,575)	(6,408)	(6,052)	(5,326)	**(4,677)**
NET ASSETS	8,896	9,425	9,809	10,176	**10,471**
Capital and reserves					
Share capital	4,403	4,628	4,646	4,704	**4,720**
Reserves	4,452	4,748	5,105	5,391	**5,653**
Total equity attributable to equity shareholders of the Company	8,855	9,376	9,751	10,095	**10,373**
Non-controlling interests	41	49	58	81	**98**
TOTAL EQUITY	8,896	9,425	9,809	10,176	**10,471**
Net debt					
Total debt[1]	6,857	6,278	5,868	5,446	**4,520**
Less: Cash and deposits	(1,049)	(1,313)	(1,519)	(1,793)	**(1,986)**
Net debt	5,808	4,965	4,349	3,653	**2,534**

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

	For the year ended 31 December				
	2018 HK$ million	2019 HK$ million	2020 HK$ million	2021 HK$ million	**2022 HK$ million**
Results					
Revenue	9,464	9,014	8,923	9,486	**10,111**
Profit before taxation	1,141	1,249	1,263	1,355	**1,496**
Income tax	(173)	(229)	(224)	(248)	**(272)**
Profit for the year	968	1,020	1,039	1,107	**1,224**
Attributable to:					
Equity shareholders of the Company	951	1,002	1,023	1,076	**1,191**
Non-controlling interests	17	18	16	31	**33**
Profit for the year	968	1,020	1,039	1,107	**1,224**
Basic earnings per share (HK cents)	26.7	27.5	27.9	29.3	**32.3**
Diluted earnings per share (HK cents)	26.7	27.4	27.9	29.2	**32.3**
Dividends per share					
Interim dividend (HK cents)	4.0	5.0	5.0	5.5	**6.0**
Final dividend (HK cents)	14.0	15.0	16.0	17.0	**18.5**
Total dividends per share (HK cents)	18.0	20.0	21.0	22.5	**24.5**

CORPORATE GOVERNANCE

Key Corporate Governance Performance Overview

BOARD

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

EFFECTIVENESS

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

SHAREHOLDERS

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

ACCOUNTABILITY

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

Corporate Governance Practices

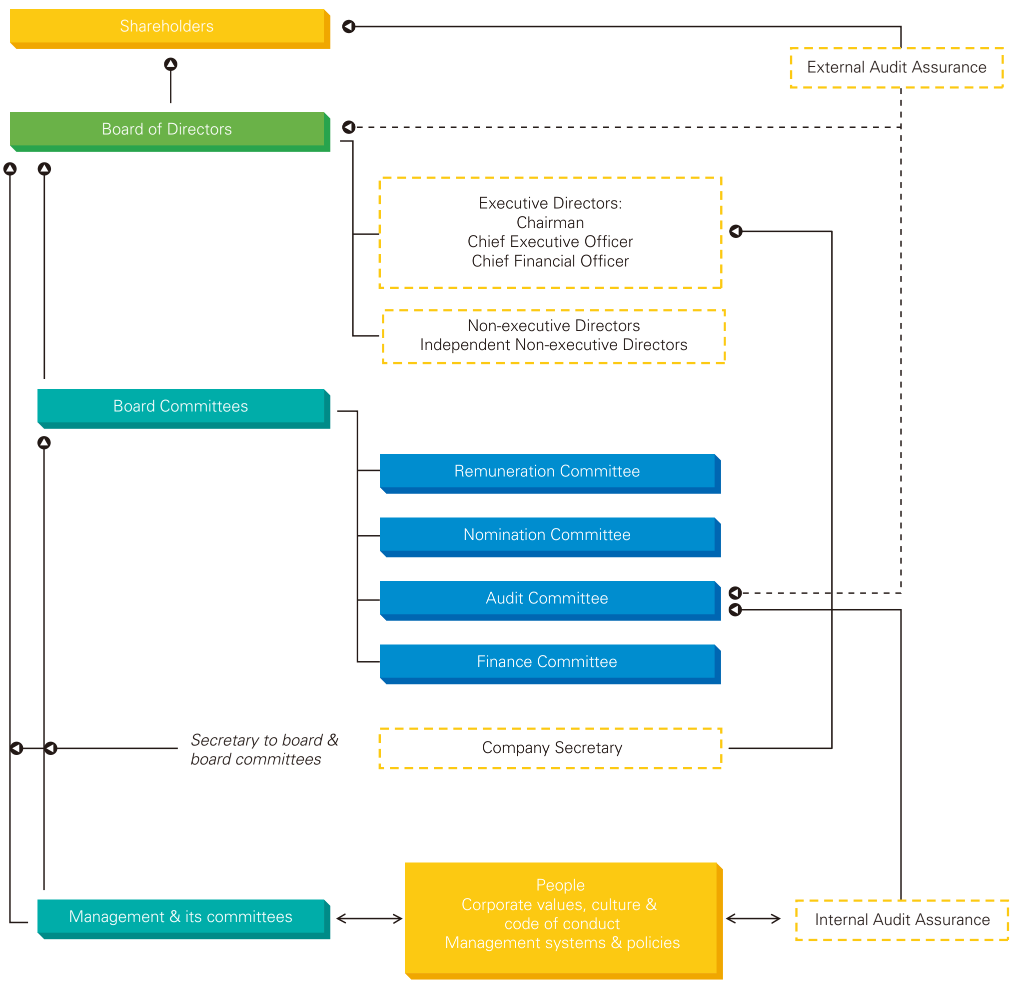
The Company is committed to maintaining high standards of corporate governance. The board of directors of the Company (the "Board") believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. At CITIC Telecom, we attach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

This report describes how the Company has applied its corporate governance practices to its everyday activities. Save as disclosed below, the Company has fully complied with the applicable code provisions in the Corporate Governance Code (the "Code") set out in 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 2022. Following the retirement of Mr. Liu Li Qing on 9 December 2021, Mr. Wen Ku was appointed as an independent non-executive director on 1 February 2022. As disclosed in the 2021 Annual Report of the Company, the total number of independent non-executive directors during this period 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. Following the appointment of Mr. Wen Ku as an independent non-executive director, 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.

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

CORPORATE GOVERNANCE

Corporate Governance Structure



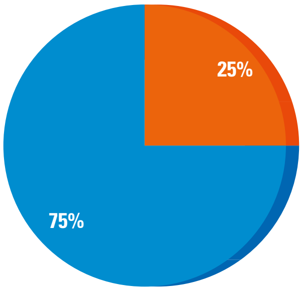
Board of Directors

Key features of our Board

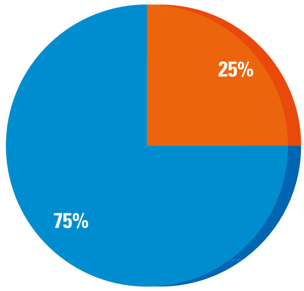
Independence

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

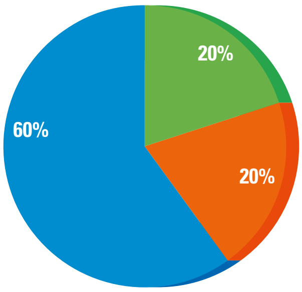
Audit Committee



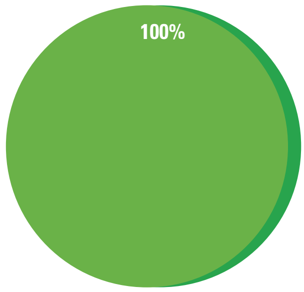
Remuneration Committee



Nomination Committee



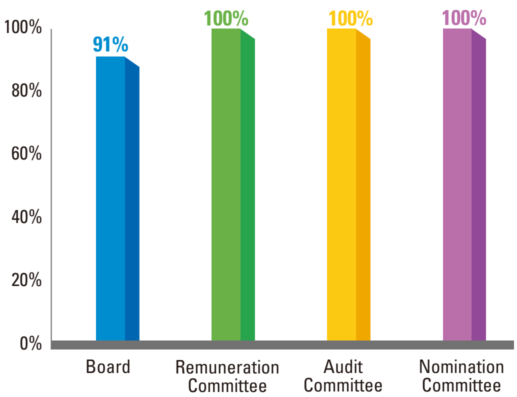
Finance Committee



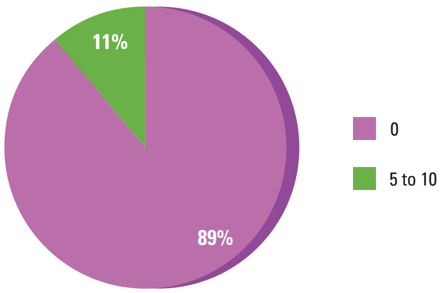
Commitment

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 Held in 2022



Directors' Other Directorships at Other Listed Companies Outside the CITIC Group as at 31 December 2022



CORPORATE GOVERNANCE

Attendance at Meetings

The following table summarises directors' attendance at Board and committee meetings and general meetings held in 2022:

✔ Attended ✘ Absent – Not Applicable

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

Notes:

1. Mr. Luan Zhenjun was appointed as an executive director and Chief Financial Officer of the Company with effect from 1 February 2022. He also attended the audit committee meetings as the Chief Financial Officer of the Company.

2. Mr. Wen Ku was appointed as independent non-executive director of the Company with effect from 1 February 2022.

3. The Company's external auditor also attended the 2022 AGM.

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

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.

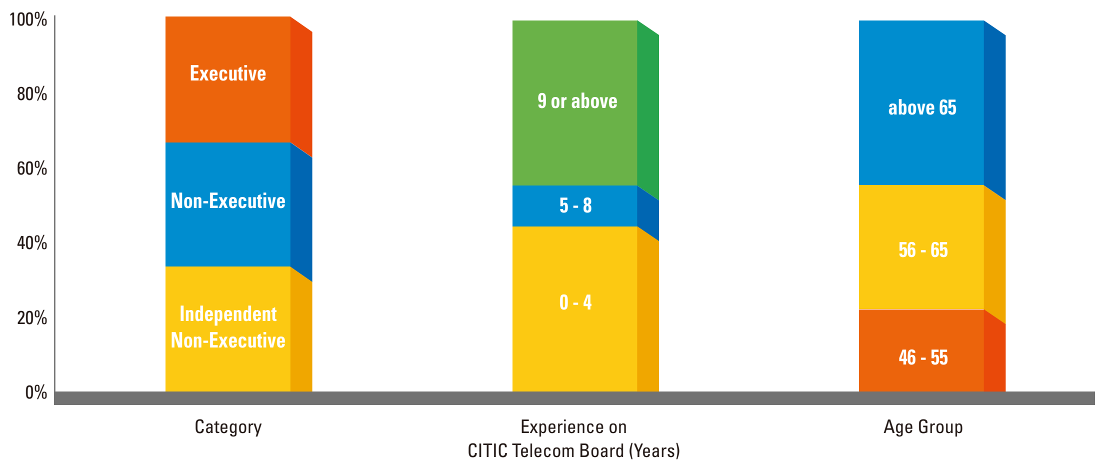
Board Composition, Diversity and Balance

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.

As at 31 December 2022, the Board comprised three executive directors and six non-executive directors of whom three are independent as defined in the Listing Rules. As disclosed in the announcement of the Company dated 16 March 2023, Mr. Cai Dawei resigned as an executive director and Chief Executive Officer of the Company, and ceased to be a member of the Finance Committee of the Board, with effect from 31 March 2023. Brief biographical particulars of the current directors are set out on pages 67 to 69 of this Annual Report.

The directors are of diverse academic background in the areas of telecommunications, engineering, science, accounting, economics, business administration and management and treasury management. The Company believes that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business. The Board will review the implementation of the Company's board diversity policy on annual basis to ensure its continued effectiveness. The Company will take steps to promote gender diversity at all levels of the Company, including but not limited to the Board and senior management levels. The Company will also continue to take initiatives to identify suitable candidates and use its best endeavours to ensure that at least one female director will be appointed by 31 December 2024 and to develop a pipeline of potential successors so as to achieve the gender diversity at the Board level.

Board Diversity Statistics as at 31 December 2022



CORPORATE GOVERNANCE

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

Each director has entered into an appointment letter with the Company. 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 2022, 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. In accordance with the Articles of Association of the Company, Mr. Luan and Mr. Wen were re-elected as directors at 2022 AGM.

Mr. Zuo Xunsheng, an independent non-executive director who has served the Company for more than nine years, will retire by rotation and, being eligible, has offered himself for re-election at the forthcoming AGM of the Company. The Nomination Committee is satisfied that Mr. Zuo has the required character, integrity and experience to continue fulfilling the role of an independent non-executive director and considers that his long service will not affect his exercise of independent judgment. Thus, the Nomination Committee is of the view that Mr. Zuo remains independent. In accordance with the Code, the re-election of Mr. Zuo will be subject to a separate resolution to be approved at the forthcoming AGM.

Mr. Lam Yiu Kin, an independent non-executive director of the Company, will retire by rotation and, being eligible, has offered himself for re-election at the forthcoming AGM of the Company. Notwithstanding Mr. Lam's engagement as an independent non-executive director for eight listed companies (including the Company), the Nomination Committee and the Board are of the view that Mr. Lam is able to devote sufficient time to act as an independent non-executive director of our Company on the basis that (i) he has confirmed he is able to and will devote sufficient time to discharge his duties and responsibilities as an independent non-executive director; (ii) he is not preoccupied with any full-time work and none of his current commitments as an independent non-executive director of the other listed companies would require his full-time involvement and he does not participate in the day-to-day operations of those listed companies; (iii) with his extensive experience and knowledge, particularly on corporate governance acquired and developed from his background and past experience (including his directorships in other listed companies), he is fully aware of the responsibilities and expected time involvement for independent non-executive directors; (iv) he has held directorships for over three years in the above listed companies; and (v) he has demonstrated that he is able to devote sufficient time to discharge his duties owed to each of these listed companies by attending board meetings and board committee meetings of these listed companies during their latest financial year, as disclosed in these listed companies' latest published annual reports. In accordance with the Code, the re-election of Mr. Lam will be subject to a separate resolution to be approved at the forthcoming 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 Company will review the implementation and effectiveness of the above mechanisms on an annual basis to ensure independent views and input are available to the Board.

The Board has delegated some of its functions to the Board committees, details of 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 47 to 57 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. Five Board meetings were held in 2022. 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 and discloseable transactions, changes to the terms of reference of the Remuneration Committee, the risk management report and the Company's Environment, Social and Governance ("ESG") matters. 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 2022 is set out in the table on page 48 of this Annual Report.

Chairman and Chief Executive Officer

During the year ended 31 December 2022, Mr. Xin Yue Jiang serves as the Chairman and Mr. Cai Dawei as the Chief Executive Officer of the Company. 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.

CORPORATE GOVERNANCE

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

Directors' Continuing Professional Development Programme

Each newly appointed director is provided with necessary induction and information to ensure that he has a proper understanding of the Group's operations and businesses as well as his responsibilities 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 Mayer Brown for the directors of the Company. The Company also updates directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices. The training and continuous professional development of directors and senior management during the year has been reviewed by the Board.

According to the records of the directors' participation in the continuous professional development programme kept by the Company, a summary of training received by the directors for the year ended 31 December 2022 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. Luan Zhenjun	A, B, C
Non-executive Directors	
Mr. Wang Guoquan	A, B, C
Mr. Liu Jifu	A, B, C
Mr. Fei Yiping	A, B, C
Independent Non-executive Directors	
Mr. Zuo Xunsheng	A, B, C
Mr. Lam Yiu Kin	A, B, C
Mr. Wen Ku	A, B, C

Notes:

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

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

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

Board Committees

During the year ended 31 December 2022, the composition of the Board committees are as follows:

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 (Note 2)
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 (Note 2)
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 (Note 2)
Finance Committee	• Three members	• Mr. Xin Yue Jiang • Mr. Cai Dawei (Note 3) • Mr. Luan Zhenjun (Note 1)

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

Notes:

1. Mr. Luan Zhenjun was appointed as an executive director and Chief Financial Officer of the Company, and a member of the Finance Committee of the Board, with effect from 1 February 2022.

2. Mr. Wen Ku was appointed as independent non-executive director of the Company, and a member of Audit Committee, Remuneration Committee and Nomination Committee of the Company, with effect from 1 February 2022.

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

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. During the year, the terms of reference of the Remuneration Committee were revised to include review and/or approval of matters relating to share schemes under Chapter 17 of the Listing Rules. The revised terms of reference setting out the Remuneration Committee's authority and its role and responsibilities are available on the Company's website (www.citictel.com) and the Stock Exchange's website.

The 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.

CORPORATE GOVERNANCE

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

Membership and Attendance

Members	Attendance/ Number of Meeting
Independent Non-executive Directors	
Mr. Zuo Xunsheng – *Chairman*	2/2
Mr. Lam Yiu Kin	2/2
Mr. Wen Ku (appointed with effect from 1 February 2022)	1/2
Non-executive Director	
Mr. Liu Jifu	2/2

The Remuneration Committee held two meetings during the year. The Remuneration Committee has reviewed and approved the remuneration of the newly appointed executive director. The Committee has also reviewed the remuneration policies and the remuneration proposals and approved, inter alia, the salaries and bonuses of the Chairman, Chief Executive 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.

Directors' emoluments and retirement benefits are disclosed on pages 178 to 179 and pages 203 to 207 of this Annual Report. Share options granted under the Company's share option plan are disclosed on pages 82 to 84 and pages 208 to 210 of this Annual Report.

The remuneration paid to the directors of the Company, by name, for the year ended 31 December 2022 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 2022 is set out below:

Remuneration of senior management other than directors paid/payable during the year ended 31 December 2022

Total Remuneration Bands – Year 2022	Number of Executives
HK$0 – HK$3,000,000	1
HK$3,000,001 – HK$6,000,000	1
HK$12,000,001 – HK$15,000,000	1

Remuneration Policy

The Group is committed to providing a fair and competitive employee remuneration package that will attract, motivate, retain and reward employees at all levels. The Remuneration Policy has been established and implemented to support the Group's strategic development. The policy is set out in the Sustainability Report on page 107 of this Annual Report. Remuneration policy and recommendation will be annually reported to the Remuneration Committee for approval.

Audit Committee

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

The terms of reference of the Audit Committee setting out the committee's authority and its role and responsibility 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 2022. 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 138 to 140 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 2022.

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.

CORPORATE GOVERNANCE

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

Membership and Attendance

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

During 2022, 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 2022. The Audit Committee has also performed the corporate governance duties and the ESG management duties as set out in its terms of reference.

Nomination Committee

The Nomination Committee is authorised by the Board to determine the policy for the nomination of directors, to set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship. The Nomination Committee is also responsible for reviewing the structure, size and diversity of the Board. The 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 was adopted by the Board in August 2018. The policy 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.

The Nomination Committee held two meetings in 2022. 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*	2/2
Non-executive Director	
Mr. Liu Jifu	2/2
Independent Non-executive Directors	
Mr. Zuo Xunsheng	2/2
Mr. Lam Yiu Kin	2/2
Mr. Wen Ku (appointed with effect from 1 February 2022)	1/2

In 2022, 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 2022 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.

As at 31 December 2022, the Finance Committee comprised three executive directors, namely, Mr. Xin Yue Jiang, Mr. Cai Dawei and Mr. Luan Zhenjun. In 2022, a few resolutions in writing were passed by the Finance Committee to approve the opening or closure of bank accounts.

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 2022 are set out in the Independent Auditor's Report on pages 137 to 142 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 34 to 42 of this Annual Report.

CORPORATE GOVERNANCE

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 unauthorised 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, staff qualifications and experience, training programmes and budget, of accounting, internal audit, financial reporting functions, as well as those relating to ESG performance and reporting.

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

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

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

CORPORATE GOVERNANCE

Internal Audit

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

Business Ethics

Cultures and Values

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

Code of conduct

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

Anti-corruption policy

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

While the Group has set in place policies, procedures, codes and guidelines to ensure that the highest standards of conduct and integrity are observed by employees, employees may still be aware of malpractice within the Group during employment. It is the obligation of all employees to report it in accordance with the procedures set out in the whistle-blowing policy.

Whistle-blowing policy

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

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

Inside Information/Price-Sensitive Information

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

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. All directors confirmed that they have complied with the required standard set out in the Model Code throughout 2022. The interests held by individual directors in the Company's securities at 31 December 2022 are set out in the Directors' Report on page 83 and page 84 of this Annual Report.

Good Employment Practices

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

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

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

Communication with Shareholders

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

Information Disclosure on Corporate Website

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

During 2022, the Company has issued announcements in respect of, inter alia, a discloseable transaction and 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.

CORPORATE GOVERNANCE

- 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 2022.

Non-Competition Undertaking

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

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

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

#^ **Mr. Xin Yue Jiang**, aged 74, 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. Luan Zhenjun**, aged 56, has been an executive director and Chief Financial Officer of the Company since 1 February 2022. He is also a director of CTM, CPC and China Enterprise ICT Solutions Limited ("CEC", a subsidiary of the Company). Prior to joining the Group, Mr. Luan was the Vice President, Treasurer of CITIC Pacific Limited[2] and a director of CITIC Pacific, certain member companies of CITIC Pacific, CITIC Pacific Special Steel Group Co., Ltd[7], certain member companies of CITIC Limited[3,9] and Dah Chong Hong Holdings Limited[8]. Mr. Luan is still a director of certain member companies of CITIC Limited[3,9] involved in iron ore mining, CITIC Finance Company Limited[5] and CITIC Finance International Limited[5]. The handover and resignation procedures in relation to these positions of Mr. Luan are in progress[Note]. Mr. Luan was also the deputy director-general of the finance department of CITIC Group Corporation[1] and the Vice President of the treasury department of CITIC Limited[3,9]. Mr. Luan has over 21 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 2023 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.

DIRECTORS AND SENIOR MANAGEMENT

Non-Executive Directors

Mr. Wang Guoquan, aged 50, has been a director of the Company since 4 March 2021. Mr. Wang is currently the Executive Director and Vice President of CITIC Group, and concurrently serves as the Executive Director and Vice President of CITIC Limited[3,9] and CITIC Corporation Limited[5], Chairman of CITIC Networks Co., Ltd.[4] and 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 79, has been a director of the Company since November 2010. He is also the Chairman of the Supervisory Board of CTM. Mr. Liu is a director of CITIC Pacific, CITIC Hong Kong (Holdings) Limited[6] and CITIC International Financial Holdings Limited[4]. Mr. Liu previously served as an executive director of CITIC Limited[3,9]. He was with the Financial and Economics Research Institute in the Chinese Academy of Social Sciences, an executive director of China Everbright Group Limited, and the Chairman of China Everbright Travel Inc and China PINGHE Import & Export Co., Ltd.

* **Mr. Fei Yiping**, aged 59, 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[3,9] involved in iron ore mining, property and its interests in McDonald's Chinese mainland and Hong Kong businesses (including, inter alia, Grand Foods Holdings Limited), and also the Chairman of the Audit, Compliance and Risk Management Committee of Grand Foods Holdings Limited. Mr. Fei was 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 26 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 72, 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 68, 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 47 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]; (v) COSCO SHIPPING Ports Limited[9]; (vi) Nine Dragons Paper (Holdings) Limited[9]; and (vii) Topsports International Holdings Limited[9]. Mr. Lam was an independent non-executive director of Vital Innovations Holdings Limited[9] (until 31 October 2020), WWPKG Holdings Company Limited[10] (until 2 August 2022), and Bestway Global Holding Inc. (until 31 December 2021, its shares were withdrawn from listing on the Stock Exchange on 12 October 2021).

*Δ# **Mr. Wen Ku**, aged 62, joined the Company as an independent non-executive director in February 2022. He obtained a doctorate degree of Business Administration (DBA) from The Hong Kong Polytechnic University in 2000, a master degree of Business Administration (MBA) from Norwegian School of Management in 1998 and a master degree of Science from Beijing University of Posts and Telecommunications in 1987. Mr. Wen was granted the title of professorate senior engineer in 2000. Since 1987, Mr. Wen had successively served as the Deputy Director of the Network Management Center, Director of the Network Management Center, Director of the Data Communications Bureau, Shandong Province and the Deputy Chief Engineer of Posts and Telecommunications Administration, Shandong Province. He became the Network Management Center Director of the Directorate General of Telecommunications of the MPT[A] in 1995; the Deputy Director General of Department of Science and Technology of the MPT[A] in September 1997; the Deputy Director General of Department of Science and Technology of the MII[B] in 1998; the Deputy Director General of the Department of Telecommunications Administration Bureau of the MII[B] in 2001; the Director General of Department of Science and Technology of the MII[B] in 2002; the Director General of Department of Science and Technology of the MIIT[C] in 2008; the Director General of Information Communication Development Department of the MIIT[C] in November 2013; Vice Chairman and Secretary General of China Communications Standards Association from April 2021 to June 2022, and Chairman of China Communications Standards Association in June 2022. Mr. Wen has extensive experience in information and communications technology, development and in supervision and management in telecommunications.

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

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

1 *"CITIC Group", the ultimate controlling shareholder of the Company*
2 *"CITIC Pacific", the controlling shareholder of the Company and a subsidiary of CITIC Group*
3 *the controlling shareholder of the Company and a subsidiary of CITIC Group*
4 *a subsidiary of CITIC Group*
5 *a subsidiary of CITIC Limited*
6 *a subsidiary of CITIC Pacific*
7 *a fellow subsidiary of the Company and listed on Shenzhen Stock Exchange*
8 *"Dah Chong Hong", a fellow subsidiary of the Company whose shares were withdrawn from listing on The Stock Exchange 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*

SENIOR MANAGEMENT

Mr. Poon Fuk Hei, aged 57, 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.

Under the leadership of Mr. Poon, CTM obtained the No. 1 5G license issued by the Macau SAR government in 2022, and officially launched 5G services within a week, once again leading the industry in Macau to become the first telecom operator to provide 5G services.

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 48, 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 26 years experience in the telecoms industry.

Mr. Ip Hon Chung, Dickson, aged 52, 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 27 years practical experience in the field of telecommunications and information technology.

DIRECTORS' REPORT

The directors have pleasure in submitting their Annual Report together with the audited financial statements for the year ended 31 December 2022.

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 2022, if any, and indication of likely future developments of the Group's business, can be found in the Chairman's Statement, the Business Review, the Financial Review and the Risk Management set out on pages 12 to 15, pages 18 to 26, pages 27 to 33 and pages 34 to 42 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 34 to 42, pages 44 to 66 and pages 91 to 136 of this Annual Report respectively.

DIVIDENDS

The directors declared an interim dividend of HK6.0 cents (2021: HK5.5 cents) per share in respect of the year ended 31 December 2022 which was paid on 30 September 2022. The directors recommended, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 24 May 2023 (the "Annual General Meeting"), the payment of a final dividend of HK18.5 cents (2021: HK17.0 cents) per share in respect of the year ended 31 December 2022 payable on 14 June 2023 to shareholders on the Register of Members at the close of business on 2 June 2023.

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	4.3%	
Five largest customers in aggregate	17.2%	
The largest supplier		25.2%
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 million (2021: HK$1 million).

DIRECTORS

The directors of the Company who held office during the year ended 31 December 2022 and up to the date of this report were:

Mr. Xin Yue Jiang
Mr. Cai Dawei (resigned with effect from 31 March 2023)
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
Mr. Liu Jifu
Mr. Fei Yiping
Mr. Zuo Xunsheng
Mr. Lam Yiu Kin
Mr. Wen Ku (appointed with effect from 1 February 2022)

Pursuant to Article 104(A) of the Articles of Association of the Company, Messrs. Fei Yiping, Zuo Xunsheng and Lam Yiu Kin 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 2022 or during the period from 1 January 2023 to the date of this Report are available on the Company's website at www.citictel.com.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2022, 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.

COMPETING INTERESTS

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

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

CITIC Networks was a non-wholly owned subsidiary of CITIC Group Corporation ("CITIC Group") in 2022 and became a wholly-owned subsidiary of CITIC Group from January 2023. It possesses operating licences for the provision of basic telecommunications services and value-added services under which CITIC Networks is permitted to provide lease or sale services for network elements and nation-wide internet access services, etc. in the People's Republic of China (the "PRC"). It now possesses a nation-wide optical fibre backbone network.

CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions conducted in the financial year ended 31 December 2022 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 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 China Enterprise ICT Solutions Limited ("CEC", a non-wholly owned subsidiary of the Company and in which CITIC Group, being the ultimate controlling shareholder of the Company, holds 45.09% equity interest) (the "2019 Service Agreement"), pursuant to which CEC-HK and CPC shall engage CEC as service provider for the provision of technical and support services in the PRC to the customers of CEC-HK and CPC to facilitate the provision of value-added telecoms services to these customers for a term of three years from 24 June 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.

   Upon expiry of the 2019 Service Agreement, CEC-HK and CPC entered into a service agreement with CEC (the "2022 Service Agreement") on 23 June 2022, pursuant to which CEC-HK and CPC shall continue to engage CEC to provide the abovementioned services for a term of three years from 24 June 2022 to 23 June 2025 (both days inclusive).

   Under the 2019 Service Agreement and the 2022 Service Agreement, a service fee shall be payable to CEC charged on the basis of cost plus a prevailing market rate (such prevailing market rate may vary depending on the nature and/or extent of the services required by CEC-HK and CPC) in providing such services to the customers of CEC-HK and CPC. The service fee payable to CEC shall be settled monthly.

   During the term of the 2022 Service Agreement, if customers of CEC require relevant services outside of the PRC, CEC shall exclusively refer such customers to CEC-HK or CPC and develop service solutions with CEC-HK or CPC for the provision of such services to its customers, subject to the compliance of applicable laws and regulations.

   The annual cap for the service fees payable by the Group to CEC for the period from 1 January 2022 to 23 June 2022 under the 2019 Service Agreement was RMB144.10 million; and annual caps for the service fees payable by the Group to CEC under the 2022 Service Agreement are set out below:

	For the period from 24 June to 31 December 2022	For the financial years ending 31 December 2023	2024	For the period from 1 January to 23 June 2025
RMB (in million)	5.60	12.30	13.50	7.40

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

   The aggregate service fees paid by CEC-HK and CPC to CEC under (i) the 2019 Service Agreement for the period from 1 January 2022 to 23 June 2022; and (ii) the 2022 Service Agreement for the period from 24 June 2022 to 31 December 2022 were approximately RMB3.16 million and RMB3.42 million respectively.

DIRECTORS' REPORT

2. On 7 August 2019, CEC and CITIC Networks entered into a supplemental agreement (the "Supplemental Agreement") to renew the telecoms services agreement entered into on 5 August 2016 for a further terms of three years from 7 August 2019 to 6 August 2022 (both days inclusive). Pursuant to the Supplemental Agreement, 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.

   Under the Supplemental Agreement, 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.

   Upon expiry of the aforesaid agreement, CEC and CITIC Networks entered into the telecoms services agreement (the "2022 Telecoms Services Agreement") on 5 August 2022 to continue to engage CITIC Networks for the provision of the Telecoms Services for a further term of three years from 7 August 2022 to 6 August 2025 (both days inclusive).

   Under the 2022 Telecoms Services Agreement, an estimated basic monthly service fee of approximately RMB1.90 million, subject to adjustment based on actual usage, shall be payable to CITIC Networks by CEC and it shall be settled monthly.

   The annual cap for the transactions under the Supplemental Agreement for the period from 1 January 2022 to 6 August 2022 was RMB35.77 million; and annual caps for the transactions under the 2022 Telecoms Services Agreement are set out below:

	For the period from 7 August to 31 December 2022	For the financial years ending 31 December 2023	2024	For the period from 1 January to 6 August 2025
RMB (in million)	14.44	38.11	41.92	26.90

   CITIC Networks, which was a non-wholly owned subsidiary of CITIC Group in 2022 and became a wholly-owned subsidiary of CITIC Group from January 2023, is a connected person of the Company.

   The aggregate service fees paid by CEC to CITIC Networks under (i) the Supplemental Agreement for the period from 1 January 2022 to 6 August 2022; and (ii) the 2022 Telecoms Services Agreement for the period from 7 August 2022 to 31 December 2022 were approximately RMB12.17 million and RMB7.75 million respectively.

3. 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 from 12 December 2019 to 11 December 2022 (both days inclusive). 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 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 the period from 1 January 2022 to 11 December 2022 was 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 period from 1 January 2022 to 11 December 2022, no funds were advanced by CPC to CEC under the Funding Support Agreement.

4. 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 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 2022	**For the period from 1 January to 18 February 2023**
RMB (in million)	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 2022 was approximately RMB10.2 million.

5. The Group, through Asia Pacific Internet Exchange Limited ("Asia Pacific", formerly known as ComNet Investment Limited, a wholly-owned subsidiary of the Company) and Neostar Investment Limited ("Neostar", a wholly-owned subsidiary of the Company), has ownership over the entire CITIC Telecom Tower.

   On 23 December 2020, Asia Pacific, Neostar and Hang Luen Chong Property Management Company, Limited ("Hang Luen Chong") entered into a management services agreement (the "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 2022	For the financial year ending 31 December 2023
HK$ (in million)	15.0	17.0

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

The aggregate amount paid to Hang Luen Chong under the Management Services Agreement for the year ended 31 December 2022 was approximately HK$13.0 million.

6. On 26 May 2021, Neostar as the landlord and Dah Chong Hong Holdings Limited ("DCH Holdings") as the tenant entered into a tenancy agreement (the "DCH Tenancy Agreement") in respect of the whole of 7th floor to 11th floor of CITIC Telecom Tower situated at 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong ("CITIC Telecom Tower") for a term of three years from 1 June 2021 to 31 May 2024 (both days inclusive).

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

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

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

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

The aggregate amounts (including the aggregate rentals, the management charges and other outgoings) paid by DCH Holdings under the DCH Tenancy Agreement for the year ended 31 December 2022 was approximately HK$16.6 million.

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

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

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

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

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

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

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

   The aggregate service fees paid by the CITIC Group Members for the year ended 31 December 2022 in relation to the Data Centre Services under the Framework Agreement was approximately HK$13.7 million.

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

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

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

DIRECTORS' REPORT

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

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

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

The aggregate service fees paid by the CITIC Group Members for the year ended 31 December 2022 in relation to the VPN Services under the Framework Agreement was approximately HK$31.7 million.

c) *The Internet Access Services*

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

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

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

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

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

The aggregate service fees paid by the CITIC Group Members for the year ended 31 December 2022 in relation to the Internet Access Services under the Framework Agreement was approximately HK$14.4 million.

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

8. On 30 September 2021, the Company entered into the 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 "Existing Financial Services Framework Agreements"), pursuant to which members of the Group could engage China CITIC Bank International, CITIC Finance and CITIC Finance International respectively for the provision of deposit and settlement services for a term of three years from 30 September 2021 to 29 September 2024 (both days inclusive).

   On 14 November 2022, the Company entered into a supplemental agreement with each of China CITIC Bank International, CITIC Finance and CITIC Finance International (collectively, the "2022 Supplemental Agreements") to amend and supplement each of the Existing Financial Services Framework Agreements as follows:

   (i) expand the scope of financial services to also include credit services; and

   (ii) reset the term such that the term of each of the Existing Financial Services Framework Agreements shall be for no more than three years, commenced from 30 December 2022 (the "Effective Date"), being the date on which the parties thereto has obtained their respective requisite authorisations or approvals in relation to the transactions contemplated thereunder, including the approval from the independent shareholders at the extraordinary general meeting of the Company, and ending on 29 December 2025, being the date immediately preceding the third anniversary of the Effective Date (both days inclusive).

   On 14 November 2022, the Company also entered into a financial services framework agreement with China CITIC Bank Corporation Limited ("CITIC Bank") ("CITIC Bank Financial Services Framework Agreement"), pursuant to which members of the Group could engage CITIC Bank and its subsidiaries in the PRC for the provision of deposit, settlement and credit services for a term of not more than three years, commenced from the Effective Date until (i) 31 December 2023 (both days inclusive), or (ii) 29 December 2025 (both days inclusive), being the date immediately preceding the third anniversary of the Effective Date, if the necessary approval from CITIC Bank's shareholders for continuing connected transactions with CITIC Limited and its subsidiaries beyond 31 December 2023 is obtained on or before 31 December 2023.

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

DIRECTORS' REPORT

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

a) *Deposit Services*

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

Under the Existing Financial Services Framework Agreements, the aggregate amounts of the maximum daily outstanding balance of deposits (including accrued interests) (the "Maximum Daily Balance") to be placed by the Group with any of China CITIC Bank International, CITIC Finance and CITIC Finance International shall not exceed HK$372 million for the period from 1 January 2022 to 29 December 2022. During the aforesaid period, the aggregate amounts of the Maximum Daily Balance placed by the Group with any of China CITIC Bank International, CITIC Finance and CITIC Finance International was approximately HK$370 million.

Under the 2022 Financial Services Framework Agreements, the aggregate amounts of the Maximum Daily Balance to be placed by the Group with any of the CITIC Financial Institutions shall not exceed HK$1.6 billion for each of the period from 30 December 2022 to 31 December 2022, the financial years ending 31 December 2023 and 2024, and the period from 1 January 2025 to 29 December 2025. During the period from 30 December 2022 to 31 December 2022, the aggregate amounts of the Maximum Daily Balance placed by the Group with any of the CITIC Financial Institutions was approximately HK$730 million.

b) *Settlement Services*

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

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

c) *Credit Services*

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

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

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

Review of the Continuing Connected Transactions:

The independent non-executive directors of the Company have reviewed the aforesaid continuing connected transactions conducted in the year ended 31 December 2022 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 73 to 80 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 "Continuing Connected Transactions", in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

SHARE OPTION PLAN

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

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

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

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

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

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

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

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

Particulars of the outstanding share options granted under the Plan and their movements during the year ended 31 December 2022 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 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 share options granted on 24 March 2015 have expired at the close of business on 23 March 2022. 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 2022.

A summary of the movements of the share options during the year ended 31 December 2022 is as follows:

A. Directors of the Company

Name of director	Date of grant	Exercise period	Number of share options				
			Balance as at 1.1.2022	Exercised during the year ended 31.12.2022	Lapsed during the year ended 31.12.2022	Balance as at 31.12.2022	Percentage to the number of issued shares %
Xin Yue Jiang	24.3.2015	24.3.2017 – 23.3.2022	500	–	500	–	
	24.3.2017	24.3.2018 – 23.3.2023	500	–	–	500	
	24.3.2017	24.3.2019 – 23.3.2024	500	–	–	500	
						1,000	0.00003
Liu Jifu	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 1.1.2022**	**Exercised during the year ended 31.12.2022** *(Note 1)*	**Lapsed during the year ended 31.12.2022** *(Note 2)*	**Balance as at 31.12.2022**
24.3.2015	24.3.2017 – 23.3.2022	8,009,750	2,205,000	5,804,750	–
24.3.2017	24.3.2018 – 23.3.2023	8,347,000	1,204,500	109,500	7,033,000
24.3.2017	24.3.2019 – 23.3.2024	11,917,000	1,858,500	154,000	9,904,500

Notes:

1. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$2.82.

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

DIRECTORS' INTERESTS IN SECURITIES

The interests of the directors of the Company in shares of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as at 31 December 2022 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 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 2022, 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 2022, 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	57.73
CITIC Polaris Limited	2,129,345,175	57.73
CITIC Glory Limited	2,129,345,175	57.73
CITIC Limited	2,129,345,175	57.73
CITIC Corporation Limited	2,129,345,175	57.73
CITIC Investment (HK) Limited	2,129,345,175	57.73
Silver Log Holdings Ltd.	2,129,345,175	57.73
CITIC Pacific Limited ("CITIC Pacific")	2,129,345,175	57.73
Crown Base International Limited	2,129,345,175	57.73
Effectual Holdings Corp.	2,129,345,175	57.73
CITIC Pacific Communications Limited	2,129,345,175	57.73
Douro Holdings Inc.	2,129,345,175	57.73
Ferretti Holdings Corp.	2,129,345,175	57.73
Ease Action Investments Corp.	2,129,345,175	57.73
Peganin Corp.	2,129,345,175	57.73
Richtone Enterprises Inc.	2,129,345,175	57.73

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 2022:

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 and Fei Yiping 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 "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 2022.

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 2022.

Particulars of borrowings of the Group as at 31 December 2022 are set out in note 23 to the financial statements.

SHARE CAPITAL

During the year ended 31 December 2022, a total of 5,268,000 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 2022 and the Company has not redeemed any of its shares during the year ended 31 December 2022.

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 43 of this Annual Report.

PROPERTY

Particulars of the property held for investment of the Group are shown on page 225 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, 16 March 2023

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 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.

Our Mission

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

The Group adheres to the vision and mission of the enterprise

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

Environmental, Social and Governance Strategies

As a responsible business, the Group has a strategic approach for environmental, social and governance issues. In the Group's business operation, we are committed to promoting sustainable development and creating value for society.

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

Board Statement on Environmental, Social and Governance Issues

The Board is fully responsible for the Group's environmental, social, and governance ("ESG") issues. The Board is in charge of overseeing corporate ESG strategy, performance and reporting. The Board delegated oversight of the Group's ESG matters to its Audit Committee. 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 meetings regularly on the Group's ESG issues and provides reports to the Board, to ensure the Group's sustainable development work is conducted under an effective management and internal control system.

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

Sustainability Governance Structure

The Group maintains a solid governance system that creates a strong foundation for the sustainable business growth of the Group. The well-organised governance structure on sustainability will guide us on achieving sustainable development and creates long-term business value.

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

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

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

Stakeholders Communication

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

Key stakeholders	Communication channel
Shareholders and investors	Group annual reports and announcements General meetings Investors' meetings Roadshows Group website Surveys
Customers	Regular visits and interviews Customers satisfaction surveys Collection and analysis of customer service benchmarks
Staff	Employee Seminar Staff training and development 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 different issues of sustainable development and their importance may vary according to the Group's operational development and stakeholders' expectations. We continue to adopt a four-stage assessment process to identify the environmental, social and governance issues, as well as ranking their priorities based on their importance.

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 analyses result via scientific approaches

Step 3

Management validation

The Group's management review and endorse the result of materiality analysis

Step 4

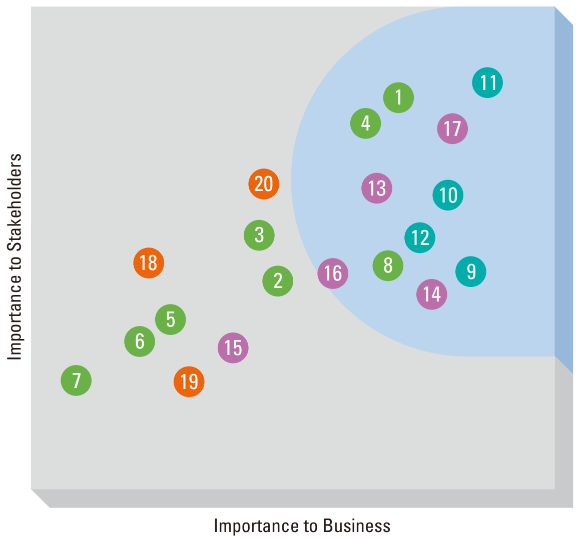
Material confirmation

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

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

2022 CITIC Telecom Materiality Matrix

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



Operation Management

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

Contribution to Society

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

Environmental Protection

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

Employee Training and Development

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

Employees Health and Safety

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

Building and strengthening the Team

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

Responsible Operational Management

The Group is committed to becoming an advanced internet-based telecommunications enterprise. We spare no effort to develop high quality communication and data transmission products and services. Living our core value of "Wisdom and Integrity for Fostering Prosperity", we are dedicated to continuously equip ourselves by learning, launching quality products with our wisdom and diligence, while adhering to high standards of corporate integrity, and working together with the community to create a better future.

Products and Services Innovation

In response to the development of information technology and the new demand for information transmission and telecommunications services from society, the Group has been actively developing and providing innovative products as well as services in the areas of mobile communications, the Internet, the Internet of Things and integrated ICT. This enables the Group to seize the enormous industry opportunities, thus strengthening the Group's core competitiveness.

In August 2009, the Group formulated the Constitution of Technology Innovation Committee to support the Group's exploration of technological innovation and product research and development. We regularly review our research work, proposed future development directions along with our work plan, and commended outstanding research projects. The Group would continue to seek creative and intelligent approaches in artificial intelligence (AI), augmented reality (AR), 5G networks, the Internet of Things and the cloud to help industries reap the benefits of digital transformation.

Driving the development of "Digital Macau 3.0"

The Group is dedicated to using innovative technologies and leveraging its strengths to invest in resources and collaborate with partners from diverse backgrounds to introduce and deliver world-leading intelligent applications and technology, in order to drive the development of Smart City.

Our subsidiary in Macau has completed the construction of 5G network, becoming the first telecommunications operator in Macau with full 5G signal coverage. Following the launch of the eSIM service and Smart Catering Retail System, "ePOS System" last year, we become the first carrier to provide such service in Macau, leading the industry to accelerate the development of IoT applications in Macau. In this year, we were granted 5G No.1 Licence issued by the Macau SAR Government in November 2022. 5G services was officially launched on the market, and more than 50,000 customers upgraded to 5G services in the first month.

We also actively develop 5G dedicated service and solutions to facilitate industrial transformation including finance, education, medical care, and government affairs. We support Macau to accelerate the development of digital transformation, build a higher level of smart city, digital Macau and realise a new chapter of digitalisation in Macau.

To popularise 5G and cultivate more local talents to participate in 5G application research and development, the subsidiary in Macau has set up various channels, including conferences, exhibitions, shop displays, 5G experience zones, etc., inviting organisations and students to visit. We will continuously promote the development of Digital Macau by a series of events.

Our Macau subsidiary is also exploring new frontiers of digitisation applications through outreach collaborations. The Company has signed the "5G Mobile Communication Technology Cooperation Agreement" and the "Autonomous Driving System and Application Collaboration Agreement" with the University of Macau to conduct joint research including 5G communication technology and the application of 5G technology in autonomous driving and the Internet of Vehicles.

In the future, we are looking forward to promoting the development of smart city in Macau through in-depth research in communication interconnection, cloud computing, data centres and smart city applications.

Gaining authoritative recognition in terms of artificial technology applications and technology integration

Our subsidiary in Hong Kong won the "iFLYTEK AI Developer Competition 2022" hosted by iFLYTEK Co., Ltd., China Information Industry Association and National Intelligent Voice Innovation Center. Three accolades namely:

- Championship in the "Schedule Information Extraction of Email Notifications Challenge"
- Championship in the "Information Recognition of Medical Invoices Challenge", and
- the second runner-up in the "Information Recognition of Nucleic Acid Test Reports Challenge"

As a technology research and development enterprise, we have been dedicated to artificial intelligence for years, and was able to apply and integrate various neural network models to bring artificial intelligence into real life and workplace. We stood out from others with highly accurate and efficient final solutions, gaining authoritative recognition in terms of artificial technology applications and technology integration.

One-stop information and communication technology (ICT) solution

Our subsidiary in Singapore provided leading private, public and hybrid cloud services as well as one-stop ICT solutions for enterprises in China and Southeast Asia in this year.

The combined platform will offer high-quality, high-performance and highly reliable cloud computing services and industry solutions available for verticals including financial services, entertainment, gaming, media and entertainment, retail and more.

We also provided a one-stop ICT platform featuring internet services, managed services and IT end user support to address the diverse and interconnected needs of every enterprise's digital transformation journey. This full-suite ICT platform will allow enterprises to enjoy a better customer experience through simplified IT management using AI and machine learning, and to also reap cost savings from the synergies expected from the business partnership.

This solution highlights our commitment to provide the most outstanding and high-quality cloud solutions worldwide. Through our collaboration, a comprehensive global cloud partnership ecosystem will be established to facilitate the digital transformation of enterprises.

Commitment to Premium Products and Services

"Quality is the lifeblood of an enterprise", with a strong commitment to quality products and services, the Group strives to provide high quality multinational telecommunications and ICT services. We can design, build, operate, and maintain a reliable communications network to help our customers create more value. The Group constantly focuses on the quality of customer service at all stages. To deliver attentive and thoughtful customer service experiences, we establish key indicators of customer service and conduct internal testing for our services and user experience prior to the distribution of products and services, ensuring the highest quality of our products and services. During the process of providing services, the Group actively collects feedback from customers, conducts regular reviews, and visits selected customers on a monthly basis in order to optimise the quality of products and services. For example, the subsidiary in Macau has set up a dedicated Quality Management Committee and a Quality Assurance Department to monitor and analyse the quality of services in multiple areas on an ongoing basis. The results of analysis will be used to evaluate the quality of services and provide a basis for business improvement in the future.

We are responsible for all advertisements of our products and services regardless of platform, format and region. Our advertising rigorously adheres to local laws and regulations in all operating regions, as well as the policies, terms of service, and restrictions of each advertising platform. Advertisements are produced with integrity and released in a respectful manner to all stakeholders.

On advertising risk management, the Group strictly follows the requirements of "Management Measures for Reporting Major Risk Incidents" in handling and reporting crisis events. we will also assign relevant employees to take crisis management courses as needed and set up a crisis management command group to establish effective internal and external communication and feedback management. Through the relevant initiatives, the Group can properly manage advertising risks and fulfill its commitment to providing quality products and services.

Customer Satisfaction Survey

The annual customer satisfaction survey was conducted by the Macau subsidiary in 2022. For the convenience of our customers, the survey was conducted in the form of an online questionnaire. During the survey period, approximately 1,100 online questionnaires were completed.

The results showed an improvement in both customer loyalty and satisfaction with our Macau subsidiary. Improvement plans have been formulated for key issues based on the analysis results and recommendations to enhance the customer loyalty and satisfaction.

SUSTAINABILITY REPORT

The Group's customer service team has set up a customer complaint mechanism to facilitate prompt communication with customers upon complaint receipt. To resolve customer complaint cases fundamentally, we understand and investigate the root causes of each customer complaint. The customer concerns are properly addressed through a series of corrective measures. The relevant department head of the Group would also propose improvement plans to prevent the recurrence of similar cases. Within the reporting period, the Group has received 446 complaints on the Group's products and services.

The Group has maintained a high standard of management system by practicing the idea that "quality is the lifeblood of an enterprise." The Group and subsidiaries have been awarded several international certifications and is one of the first management service providers in Hong Kong to obtain multiple certifications, such as ISO9001, ISO14001, ISO20000 and ISO27001. Our subsidiary is also one of the first Infrastructure as a Service (IaaS) suppliers in Hong Kong to obtain ISO27017 certification, as well as achieve the "CMMI Maturity Level 3 Certifications" by the CMMI Institute. The TrueCONNECT™ private network solutions of our subsidiary, including Software-defined Wide Area Network (SD-WAN) and Secure Access Service Edge (SASE) obtained the "SD-WAN Ready 2.0 Certificate", certified by the China Academy of Information and Communications Technology. Being one of the few service providers to obtain "SD-WAN Ready 2.0 Certificate", our service and management quality has been proven to reach the international leading position. In addition, we invite independent third parties each year to conduct information security audits based on ISO standard.

The Group's Hong Kong subsidiary has also obtained the following awards related to product and service quality:

- "International Customer Relationship Excellence Award" by the Asia Pacific Customer Service Association for 15 consecutive years
- Asia Communication Awards 2022 in the categories of Cybersecurity and AI Innovation, hosted by a British professional communication media, Total Telecom
- Communications Association of Hong Kong STAR Awards 2022 – "Cybersecurity Excellence Gold Award"
- "Fast Enterprise Award" at Asia Pacific Enterprise Awards 2022, organised by Enterprise Asia
- Business Eminence Awards 2022 from Dun & Bradstreet Singapore
- "Top Innovation of the Year" at the Visionary Spotlight Award 2022
- "Telecommunications Award" at the HKB National Business Awards 2022
- Hong Kong Winner of the "Best in Future of Operations Award" in IDC's Future Enterprise Awards 2022

High Standards of Business Ethics

We believe maintaining business ethics and operating with integrity is the foundation for the long-term development of our Group. The Group strictly complies with the relevant legal regulations and policies regarding the prevention of bribery, extortion, fraud and money laundering in the jurisdictions where it operates. On the other hand, the Group requires our employees to comply with the related regulations in the Group's disciplinary guidelines and conflict-of-interest system. The Group has also formulated "Code of Conduct", "Anti-corruption Policy" and a series of policies and guidelines on business ethics and personal conduct of employees. The "Anti-Corruption Policy" regulates and strictly requires all directors, officers and employees of the Group, its subsidiaries and local branches to comply with anti-corruption laws and regulations, and states clearly that the Group adopts a zero-tolerance attitude towards corruption; The Group's related third parties (such as contractors and suppliers) are encouraged to comply with the principles of this Policy. The "Measures for Executive's Integrity and Treatment of Violations" of the Group, clearly stipulates that directors and employees are prohibited from engaging in bribery, insider trading, acceptance of illegal gifts and commissions. We clearly explain the control measures for implementation and monitoring and the handling methods for violations of this regulation., as well as a strict internal declaration mechanism to avoid potential conflicts of interest. The Group attaches great importance to ethics. We have formulated "Anti-Money Laundering Management Practices", which establish an anti-money laundering management and monitoring structure, with clear assigned duties, reporting mechanism, and handling processes in the event of any violations. Every employee is well aware of the Group's adherence to ethical standards and strict requirements for employees' personal conduct.

The Group has maintained a sound monitoring structure for corporate governance. The Audit Committee under the Board, is chaired by an independent non-executive director overseeing matters relating to the Group's business ethics standards. The Audit Committee is responsible for reviewing and monitoring the policies and practices regarding compliance with laws and regulatory requirements, the "Code of Conduct", corporate governance policies and practices and compliance with the Code and compliance with information disclosed in corporate governance reports. The Group collects and reports the compliance status annually to ensure our compliance of stringent standards on personal conduct.

The Group emphasises on training of corporate business ethics and laws. To improve directors' and employees' knowledge of corruption prevention and understanding of relevant laws, the Group regularly offers a variety of business ethics trainings to staff at all levels, including the Board, management, and general staff for enhancing corporate governance effectiveness. Moreover, we continue to organise compliance trainings such as "Anti-Money Laundering Compliance Workshop", "Anti-corruption Practices Sharing and Seminars" and "Anti-corruption Seminar" in this year. Through these trainings, we ensure that the employees are well-versed in all work-related legislation, as well as the prevention of commercial crimes, money laundering, and bribery, so maintaining the Group's corporate culture of high ethical standards in business. Employees are required to sign a statement upon onboarding to demonstrate their awareness and compliance with the Group's corporate responsibility policy. New Employee Orientation Training includes enterprise risk management and compliance of the Prevention of Bribery Ordinance, anti-bribery and corruption, anti-money laundering and terrorist financing, data privacy, technology and cyber security, international trade compliance and protecting whistleblower policies. We emphasise the Group's core value, "Wisdom and Integrity for Fostering Prosperity" and relevant provisions on corporate integrity during New Employee Orientation Training. All personnel are also reminded on a regular basis of our business ethics policies and regulations. It is made explicit that all employees must adhere to the code of conduct on corruption prevention and ethics to reinforce the Group's anti-corruption philosophy. During the reporting period, the Group has provided over 460 hours of anti-corruption training to both directors and staff.

SUSTAINABILITY REPORT

Through the "Whistle-blowing Policy", the Group has set out the principles and procedures to ensure that all employees and third parties (for example: customers, suppliers and other personnel with business relationship with the Group) could clear up any doubts towards us on business ethics. If anyone uncover any suspected fraud, corruption, or violation, they are encouraged to report it to the Head of Internal Audit, the Chairman of the Group, or the Chairman of the Audit Committee through email, mail, or in writing. The Group is dedicated to maintaining the confidentiality of whistleblowers' personal information and has a zero-tolerance policy for any retaliation, including discrimination, harassment, intimidation, punishment, or solicitation. When any employee is identified and verified to have retaliated against a whistleblower, internal disciplinary action will be taken. The case will be reported to the Department of Justice for further investigation. Employees who make false or malicious reports will be subject to disciplinary action. All reports received are documented and evaluated by the Head of Internal Audit in line with the "Whistle-blowing Policy" to guarantee a fair and unbiased assessment of reported events. The Head of Internal Audit will assess the necessity for additional inquiry and submit their findings to the Chairman of the Group. The Audit Committee is responsible for reviewing and overseeing the whistleblowing system and monitoring the effectiveness of managing the system. There is relevant mechanism in the system that allows whistleblowers who are dissatisfied with the result or the action taken to escalate the case(s) to the Chairman of the Group, the Chief Executive Officer, or the Chairman of the Audit Committee for further investigation.

To know more about our compliance and risk assessment processes, please refer to the Risk Management of the Annual Report (pages 34 to 42).

Intellectual Property Protection

The Group believes in the importance of a comprehensive intellectual property protection system to stimulate the spirit of research and promote innovation in products and services. We have established the "Intellectual Property Rights Protection Policy," which stipulate our requirements for employees to follow intellectual property rules and regulations, including but not limited to the copyright, trademark, and patent related regulations. We require our employees to sign written intellectual property rights agreements when intending to use any intellectual property-related products such as trademarks, logos, and only use upon obtaining official authorisation. We would provide compliance training on the "Copyright Ordinance" during New Employee Orientation and convey the importance and requirements of protecting intellectual property rights to our employees.

Customer Privacy and Personal Information Security

The Group is abided by its responsibility of protecting the privacy and security of our customers' personal information. The Board is responsible for ensuring the effectiveness of the Group's risk management and internal controls. The Board conducts regular reviews to make sure that our current policies are in line with the most recent laws and regulations of customer privacy. As one of the main lines of defense for risk management, the management is committed to securing the implementation of proper business procedures, and effective controls over the Group's practices to collect, use, and manage customer information and protect personal privacy in order to prevent any breaches of customer privacy. In addition, the management regularly follows the latest Group policy review and update of measures to protect customer privacy and personal data security. Over the years, the Group has strictly abided by the relevant laws and regulations of the place where the business is operated. We have formulated a mechanism relating to the statement on collection and processing of customers' personal data. The privacy protection system and guidelines will be regularly updated. We strive to protect the safety and security of the personal data of our customers.

According to the Group's "Information Security Policy", we assure only the necessary personal data will be collected in a lawful and fair manner for the principle of appropriateness. Without obtaining the customers' consent, we will not disclose customers' data to any other third parties. We also specify the data access, update and deletion permissions, using applications such as Data Loss Prevention, Endpoint Detection & Response to manage and protect our customers' information from unauthorised abuse. In addition, we shall properly handle and destroy relevant documents and equipment containing personal data in order to minimise any potential risk of disclosure of customer privacy information.

To effectively handle information security incidents and defense against cyber-attacks, we have a designated department reviewing the overall network security risk profile and monitoring suspicious network traffic. We have also formulated internal policies that clearly define the measures for dealing with information security incidents in each department to minimise and eliminate the potential impacts on the Group or our customers. The Group's internal policies have provided guidelines on how to classify incidents according to severity and set a time limit for handling incidents to ensure that the Group can handle them quickly, effectively, and orderly.

Customer privacy is always a high priority for the Group. Our employees are required to strictly adhere to the "Code of Conduct" regarding the protection of customer privacy and personal information. Regular trainings on communication network security and privacy protection are organised to our staff. These trainings will enhance employees' awareness on the policies of personal data, privacy protection and communication network security, and ensure a clear understanding of the procedures for properly handling customer data. During the year, the Group provided employee trainings on the "Multi-Level Protection Scheme 2.0 of the Group", "Information Security Data Update Training", "Introduction to the Personal Data (Privacy) Ordinance of Hong Kong", "Personal Information Protection Law Compliance", "EU GDPR Regulation Workshop", "Data Confidentiality and Document Management", and other various types of privacy and personal data security training, totaling over 510 hours.

To ensure stability and effectiveness of the information security management system, the Group has commissioned an independent consultant to conduct an information security review and we have successfully obtained ISO/IEC 27001 certification.

On the other hand, the Enterprise Information Security Division of our Macau subsidiary continued to finish a number of information security infrastructure construction and upgrades to safeguard privacy of our customers, secure their personal data and comply with local cyber security regulations. It included the upgrade of password protection systems and anti-virus software for personal computers, to provide endpoint protection of data from illegal theft.

Sustainable Supply Chain Management

The Group's business covers many regions of the world and there are branches in various countries and areas. We have formed an extensive network of cooperation with different suppliers to fulfill our business ethical commitments and social responsibilities, forming a win-win partnership.

To make sure fairness and impartiality in the Group's procurement process, our "Code of Conduct" clearly states that colleague in the procurement department must comply with professional ethics and anti-bribery policies, as well as uphold fair procurement principles in the procurement and tendering processes. Our procurement teams adhere to strict internal supply chain monitoring and management measures to eliminate bribery, commission rebates, fraud, or other irregularities. Employees are required to maintain a high level of integrity and ethical standards as well. Every year, colleagues in the procurement department are required to declare their interests to suppliers, to avoid any conflicts of interest and to guarantee that the entire procurement and supplier management processes adhere to the highest standard of business ethics and the principle of fair procurement.

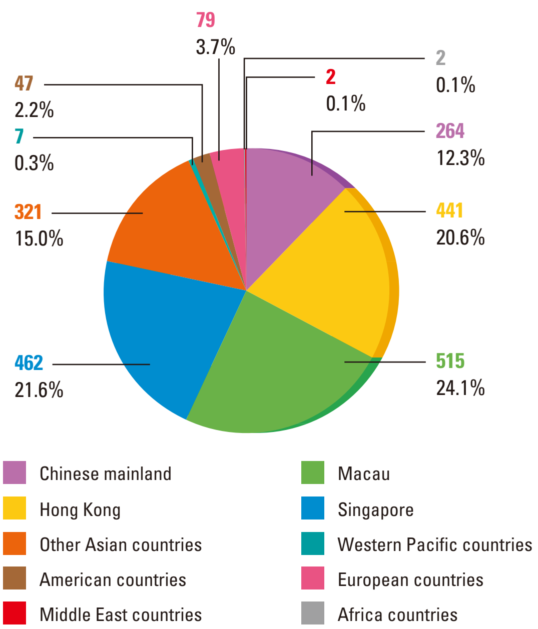
The Group has formulated "Supplier Management Procedures" to standardise the supplier selection technique, audit mechanism, assessment, and management procedure. The Group is constantly improving the procurement process, smoothing the process of selecting and monitoring suppliers, to realise a sustainable procurement model. Procurement and related departments could assess the vendors' environmental, social, and governance performance, quality and reliability based on the "Supplier Management Procedures" and the "Supplier Sustainability Questionnaire" they answered. The Group will give priority to suppliers with professional certification and excellent sustainable development performance. Therefore, we would invite our suppliers to provide information on social responsibility management systems, environmental management systems (e.g., ISO 14001), quantitative social and environmental targets, waste management measures, energy management measures, recycling services for customers, and so on. We encourage suppliers to review their targets and disclose their progress on sustainable development regularly. No regulatory violations should be in the supplier's value chain. Furthermore, the Group also takes consideration during supplier selection process whether the vendor will supply third-party certified, recycled or recyclable, non-hazardous products and packaging.

The Group gives priority to suppliers, brands and product models that comply with environmental protection requirements during the purchasing process. For example, the Group considered cabinets for use in data centres that are environmentally friendly and RoHS2/REACH certified and selected the suppliers who are also certified to ISO 9001 and ISO 14001. Besides, the Group gives priority to purchasing desktop and notebook computers and display models certified by the Swedish Confederation of Professional Employees. These appliances contain less dangerous compounds, emit less radiation, and are energy-efficient, ergonomic, and are intended for the health and safety of employees. In addition, we use paper certified by the Forest Stewardship Council to ensure our environmental responsibility and the benefits bringing to society. To minimise our negative impacts to the environment, our subsidiaries also prefer biodegradable plastic bags.

The Group also establishes environmental partnership agreements, collaborating with our partners in the supply chain on social responsibility with effective management and communication. Throughout the management process, the Group has implemented various mechanisms to ensure the quality of products and services from our suppliers. We would also invite our suppliers to fill out the "Supplier Sustainability Questionnaire" to review their performance in terms of environmental and social aspects. Apart from assessing and monitoring potential risks in the supply chain, anti-corruption related clauses are also included in the agreements with our suppliers, which prohibit any form of bribery, conflict of interest. Suppliers which breach these clauses will have their agreements terminated.

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

Number and geographical distribution of suppliers engaged in 2022



Support for development of the telecommunications industry

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

Our enterprise development is dependent on the cooperation of all sectors of the community. We continue to support events and organisations of the international and domestic telecommunications industry, such as the Communications Association of Hong Kong, the "Greater Bay Area 5G Industry Alliance", the Macau Cross-Border E-Commerce Industry Association and the Zhuhai-Macau Cross-Border Digital Services Alliance, to promote product and service innovation in the industry while creating and maintaining a mutually beneficial relationship within the industry. In addition, our subsidiary in Macau, as the Macau representative of the Asia-Pacific Telecommunication Union, strives to strengthen the close cooperation among members to provide innovative cross-domain services in the Asia-Pacific region.

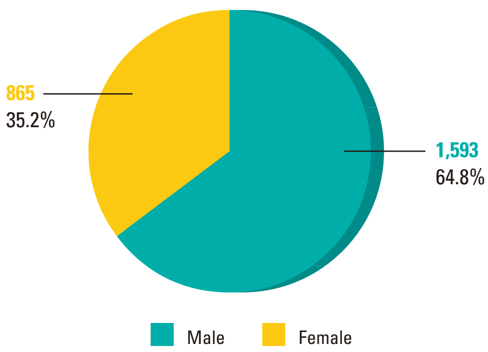
Building and Strengthening the Team

Our Group upholds the principle of meritocracy, managing our talents using the 5P model of human resources management: Perception, Pick, Placement, Professional and Preservation. We believe having professional teams composed of outstanding employees is a great advantage of our Group. Therefore, the Group will continue to allocate more resources to build and maintain a "CITIC Telecom Team" with all-rounded development, flexibility and international standards.

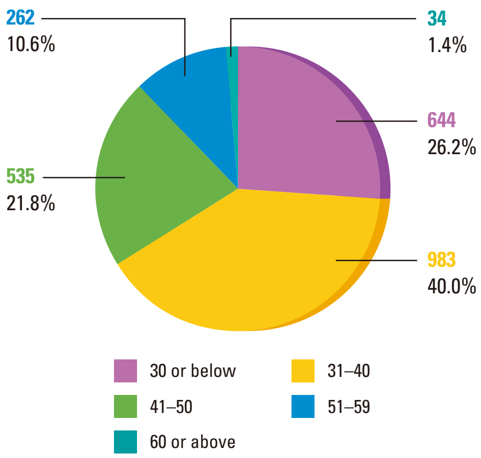
Team Composition

	Year 2022	Year 2021
Hong Kong	**511**	523
Chinese mainland	**747**	669
Macau	**953**	1,000
Singapore	**116**	118
Other Asian Countries	**122**	106
American Countries	**9**	12
European Countries and Others	**72**	72
Number of Employees	**2,530**	2,500

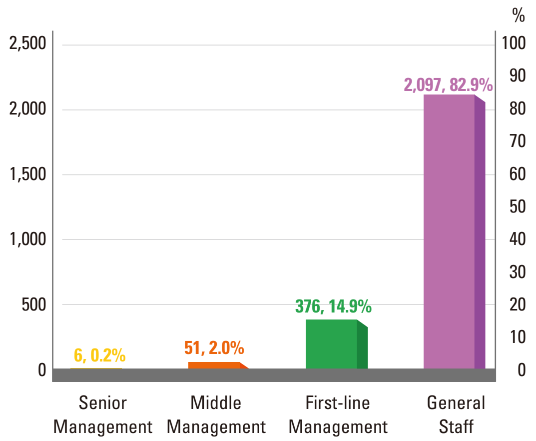
Employee distribution by gender[1]



Employee distribution by age[1]

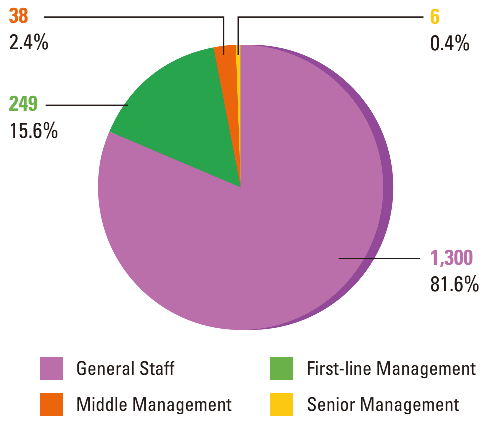


Employee distribution by employment type

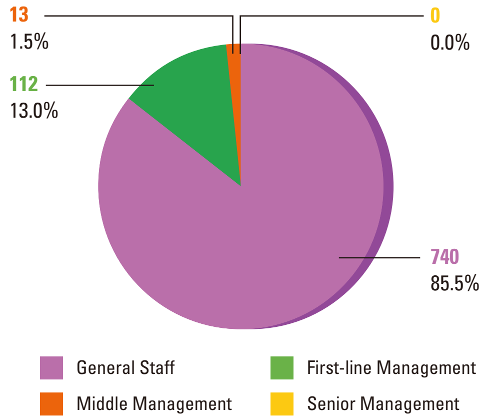


Employee distribution by gender by employment type[1]

Male



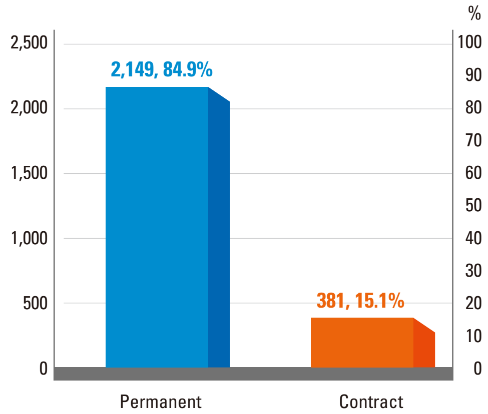
Female



[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 by gender, by age and employment turnover rate by gender, by age.

SUSTAINABILITY REPORT

Employee distribution by employment contract



Equal Opportunities

The Group has created an equal working environment for employees by strictly abiding by the laws on equal opportunities and anti-discrimination. We have also accelerated the implementation of a diverse, fair, and inclusive corporate culture. The Group has signed the "Racial Diversity & Inclusion Charter for Employers" to promote values like equal opportunities and diversity. Policies are set forth in details in our "Employee Handbook" for employees, including compensation and dismissal, recruitment, and promotion, working hours, holidays, equal opportunity, diversity, anti-discrimination, and other benefits. During the recruitment process, we must comply with local regulations and provide equal employment opportunities. As a responsible employer, related departments of the subsidiaries will conduct strict checking when recruiting through formal recruitment agency, ensuring job seekers do not experience any discrimination in the employment process.

We provide equal opportunities to our employees and job seekers based on their abilities and do not discriminate against any candidate in recruitment, promotion, or career development based on their family status, gender, gender identity, race, age, religion, disability, or other personal differences unrelated to the requirements of the position. The capability of candidates is our priority, and our employees would not be treated unfairly.

Our Group aims to create an equal workplace culture. Therefore, no discrimination is tolerated. Employees are encouraged to respect each other and practice equal employment. Our subsidiary has appointed Equal Employment Officers, who are responsible for implementing policies on equal employment within the Company. We have also introduced our equal employment philosophy to new employees during New Employee Orientation Training. Speakers are invited regularly to provide related training for employees and we will also arrange employees to participate in "Seminar on the Anti-Discrimination Ordinance" to educate and remind everyone to maintain mutual respect and inclusive.

Employee Retention

Our employees are our most important asset for driving business development. We recruit outstanding talents to build a stronger team through various channels, including online recruitment platforms, recruitment advertisements, and recruitment consultants, employee referral programs, recruitment days, campus recruitment activities, and internship programs incorporated with academic institutes and universities.

To demonstrate the Group's emphasis on employees and enhancing employees' sense of belonging, we have also adopted a series of measures to retain talents. We provide comprehensive training, career development, and promotion opportunities for our employees. We also regularly and timely review and improve employee benefits plans. To enhance employees' job satisfaction and retention rate, we actively organise employee communication activities to collect feedbacks for adopting improvement measures. There were 424 employees leaving service during the year, with a turnover ratio of 16.76%.

Our Group actively rewards and expresses gratitude to our employees with outstanding performance and making significant contribution, so as to enhance the employee sense of belonging. The headquarters present the awards of "The Best Manager" and "The Best Employee" based on the annual appraisal results and overall performance to compliment and motivate our employees to continue to achieve outstanding working performance. The Group has also set up a "Long Service Award" to convey our appreciation and recognition for employees' long-term services and contributions.

Employee Turnover Statistics

Employee turnover rate by geographical region

	Year 2022	
	No. of employees	**Turnover rate**
Hong Kong	**125**	**24.46%**
Chinese mainland	**95**	**12.72%**
Macau	**149**	**15.63%**
Singapore	**37**	**31.90%**
Other Asian countries	**11**	**9.02%**
American countries	**3**	**33.33%**
European countries and others	**4**	**5.56%**
Total	**424**	**16.76%**

Employee turnover rate by gender[1]

	Year 2022	
	No. of employees	Turnover rate
Male	273	17.14%
Female	147	16.99%

Employee turnover rate by age[1]

	Year 2022	
	No. of employees	Turnover rate
30 or below	162	25.16%
31–40	152	15.46%
41–50	65	12.15%
51–59	15	5.73%
60 or above[2]	26	76.47%

Remuneration and Benefits

The Group has set up a comprehensive remuneration and benefits system. We offer basic salary, as well as competitive incentives, and performance-linked allowances and benefits, in accordance with labor-related laws in the regions where we operate. The "Employee Handbook" states the attractive remuneration and benefits information to attract and retain our talents, including basic salary, bonus, commission scheme, allowances, holidays, medical benefits, employee compensation insurance, employee telecommunications services, etc. We also offer competitive benefits such as dental services, retirement schemes, shuttle bus services, lunch arrangements, gifts for newborn children, and shopping discounts for the employees of the Hong Kong headquarters.

The Group has adopted Remuneration Policy linked work performance and contribution with pay to motivate employees to strive for excellent work performance. It also considers as a tool to effectively improve the qualities and overall capabilities of the talents of the Group in the long run. The management regularly reviews employee remuneration and welfare levels to make corresponding adjustments and recommendations based on business and performance needs, and report remuneration policies and recommendations to the Remuneration Committee annually for approval. We have also launched an e-Performance Appraisal system to conduct regular staff appraisals. The nominated employees with outstanding work performance and contributions will be evaluated by the Human Resources Department and department head according to the promotion policy. After going through the promotion approval process, the relevant employees will be granted for promotion opportunities. To encourage and assist employees' career development, the Group adopts a more diversified and transparent career development mechanism, to help employees set personal career development goals and progress, and accelerate their career development. The Group is committed to ensuring that the treatment of all employees is fair and just, competitive and in line with the Group's business development needs. As a responsible enterprise, the Group also cares about the retired life of its employees. Besides providing retirement protection scheme, the Group also organises training seminars to assist employees in deploying retirement plans early to enjoy a stable retirement.

During the reporting year, the Group was awarded top recognition as the "Best All-around MPF employer" by the Mandatory Provident Fund Authority. In recognition of our contribution in providing retirement arrangement and continuous efforts in optimising retirement benefits for employees, the Group also received the "Good MPF Employer, 5 years+" "e-Contribution Award," and "MPF Support Award." Our subsidiary was also awarded "Partner Employer Award" by the Hong Kong General Chamber of Small and Medium Business.

Open and Two-way Communication

Our Group believes it is essential to enhance employees' sense of accomplishment and devotion at work through open communication. We have actively communicated with our employees through various channels on business development, working environment and employee training. The major channels include an intranet communication platform set up for the headquarters, opinion collection boxes on each office floor, employee surveys, and regular employee seminars.

In addition, open and respectful two-way communication are embraced between management and employees. Our employees can raise any relevant grievances to their supervisors or managers at any level at any time or express their opinions directly to the Group's management. The management will actively follow up on employee opinions on behalf of the Board and provide appropriate feedback in a timely manner to identify areas of improvement for the Group at an early stage.

Employee Seminar 2022

To strengthen two way communication between management and employees, plus further enhance our current policies and business, and talent management, the Group organized the "Annual Employee Seminar" to listen to the opinions of employees. The management will evaluate the suggestions and provide regular feedbacks for employees' concerns and demands.

[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 by gender, by age and employment turnover rate by gender, by age.

[2] All are employees who retired in 2022.

Employees' collective bargaining rights are respected. Our Group is actively communicating with employee unions in accordance with the relevant laws in the regions where the Group operates. Employee collective bargaining legislation does not apply to the Hong Kong headquarters, but we are still actively engaging with our employees to listen to their valuable opinions.

Occupational Health & Safety

The Group adheres to high occupational health and safety standards. The Group strictly complies with all relevant health and safety regulations in its operating regions. We strive to provide a healthy, safe, and positive working environment for our employees to work with a sense of security.

To identify the responsibilities in occupational health and safety, the Group and the subsidiaries have formulated the "Health and Safety Policy" and "Safety Management Manual". We have arranged appropriate personnel for relevant duties, and provided safety training, conducting risk assessments, formulating a fire prevention and first aid response plan, issuing accident reports, etc. We have developed a series of "Work Safety Guides", covering the guidelines for wearing personal protective equipment, occupational safety guidelines for using high-risk tools such as nailing tools, lifting machinery, etc. In the reporting year, "Fire Protection (Fire Prevention) Work Leading Group" was established, under which the "Fire Prevention Work Office" was set up. Safety guidelines and fire escape roadmaps were updated to strengthen the fire prevention measures in offices and data centres. The new team maintains fire protection facilities comprehensively, conducts regular assessments, inspections and drills to ensure the safety of employees. Health and safety information is provided to employees, and all applicable guidelines are uploaded to the Group's intranet, enhancing employees' safety awareness.

To raise the employees' awareness of occupational health and safety, we regularly organise occupational health and safety activities, including regularly publish health and safety information, organise Occupational Health and Safety seminars, fire drills, first-aid certificate courses, to equip employees with knowledge and skills to ensure their safety. During the year, we arranged "High Voltage Power System Workshop" for our data centre staff to enhance their technical safety knowledge. The Group's subsidiaries also partner with professional third-party organisations to organise occupational safety and health certificate training courses regularly to ensure our staff has sufficient knowledge and skills to safeguard their safety and health. To identify potential workplace hazards and assess risks, we have developed an "Office Safety Checklist" and arranged safety supervisors for inspection of workplace and assessment of potential risks to maintain safe conditions in our offices and facilities. Follow-up actions will be conducted as needed to prevent accident.

The Group still places great importance on the prevention and control of the spread of 2019 coronavirus and the health of our employees. Therefore, we have kept abreast of the situation and held regular meetings on epidemic prevention to arrange preventive measures in a timely manner. In the challenging time during the pandemic, we arranged various flexible work arrangements for employees according to the nature of their work. Our staff will continue to be provided with adequate anti-epidemic supplies, including face masks and disinfection supplies, while conducting regular drills to raise their awareness. To encourage our employees to receive the 2019 coronavirus vaccine, we offer one day of paid leave for each dose of the vaccine received.

Meanwhile, we organise various kinds of online and offline interest courses to promote a healthy attitude towards life. For example, we promote 2019 coronavirus precautionary measures, prevention methods for work-related repetitive strain injuries, information on healthy eating, key elements of personal and environmental hygiene, etc. caring for the physical and mental health of our employees.

During the reported year, there were no fatalities at work, and the number of working days lost due to work injuries was 545.5 days.

Occupational Health and Safety Statistics

	Year 2022	Year 2021	Year 2020
Lost days due to work injury	**545.5**	590.0	589.5
Number of work-related fatalities	**0**	0	0

Work-life Balance

The Group has always encouraged employees to participate in extracurricular activities in their spare time to relieve the pressure from work. We believe achieving "work-life balance" helps maintain employees' physical and mental health. In addition, we encourage our workers to strike a balance between work and family life so that they do not only achieve good performance in work, but also take good care of the family. And thus, boost our employees' morale, promote team spirit, and increase their sense of belonging to the Group.

To promote work-life balance, our Group organised activities regularly for our employees, their relatives and friends. Activities such as hiking excursions, visits, barbecues, telecommunications clubs, various interest classes, etc. were organised to release their stress. Apart from that, various group activities, such as ball games and other sports activities, were also organised to encourage employees' physical improvement and provide an opportunity for them to meet each other so that they can build team spirit and enhance cohesion among themselves. We are committed to advocating the importance of maintaining a healthy lifestyle and creating a harmonious atmosphere for our employees, helping them to relax and improve their physical and mental health.

Due to the epidemic this year, the Group responded to the epidemic prevention strategies of local governments and suspended activities such as outings, outdoor sports, and ball games. The Group promotes the importance of a healthy life through different methods, such as organising various online interest courses and health lectures, providing various sports activities and methods of body conditioning, and caring for the physical and mental health of employees in every aspect.

Online talk regarding healthy living – "Healthy Eating and Healthy Life" Workshop

We organised the "Healthy Eating and Healthy Life" Workshop. Through online talk, we aim to establish a correct attitude of healthy eating for employees. We have invited registered dietitians to deliver information about healthy eating and common diet traps to employees, so that they can enjoy delicious food in their lives while maintaining their health.

"10,000 Steps a Day" Challenge

To encourage our staff to exercise and keep fit, we participated in the "10,000 Steps a Day" Challenge – Organisational Category, organised by the Occupational Safety and Health Council and the Department of Health. Participating employees who walk an average of 8,000 steps or more per day during the event period have been rewarded by the organiser. We ranked 13th in the organisation category, with cumulative steps of 11,152,101, and an average of more than 11,600 steps per person per day.

We are committed to creating a family-friendly workplace by setting up nursery in office of our subsidiary to cater for the needs of working mothers while fostering a business culture of inclusion of families.

The community's affirmation and support are the Group's recognition for creating a pleasant workplace for employees. The Group and our subsidiary have received the following awards during the reporting year:

– "Happy Company 10 Years" and "Happy Company 5 Years+" logo by Promoting Happiness Index Foundation and the Hong Kong Productivity Council

– "Joyful@Healthy Workplace Best Practices Award –Outstanding Award" and "Joyful@Healthy Workplace Charter" from the Occupational Safety & Health Council, the Labour Department and the Department of Health

– "Employer of Choice Award 2021" and "Corporate Social Responsibility (CSR) Award" by JobMarket

– "Excellence in Employee Wellbeing" by Human Resources Online

– "Top 10 Happiest Company to Work for Award" by the Chief Happiness Officer Association

– "Sport-Friendly Action – Certificate of Appreciation" by Chinese YMCA of Hong Kong

Employee Training and Development

The Group is dedicated to providing personal development and growth opportunities for its employees, with "optimisation of professional performance, motivation of staff's potentials, and revitalisation of learning culture" as our talent development goals. The Group is committed to investing in the talent development. Internal and external trainings are held and regularly evaluated. This can strengthen the skillsets of our employees with the new trend and equip them with world-leading professional skills in telecommunications services. Meanwhile, employees with excellent performance will be promoted based on regular performance evaluations, allowing them to lead the Group's advancement and growth.

The Group has also organised various internal and external talent training and development programs to enhance the competitiveness of employees, covering advanced management skills, engineering technology enhancement and improvement, information technology, financial management, language, etc. Through the programs and activities, the exchange of knowledge and transfer of technology from different operating regions is encouraged and the integration of the Company's business is enhanced.

Moreover, we provide technical, software, security, and compliance training. To enhance our staff's professional knowledge and skills, technical training on the latest market developments and trends, such as training on Non-Fungible Token and Metaverse, Low-code Development, Cloud Architecture and Cloud Safety Products, Digital Transformation, Big Data Analysis, Blockchain Technology and Artificial Intelligence, were provided to our staff's development on innovation.

Soft skills workshops are also regularly organised such as Enhancing Personal Effectiveness, Effective Virtual Meetings Facilitation, Story-selling, Creative Thinking and Problem-solving, can improve communication skills and strengthen team building and collaboration capabilities. The Group also encourages and subsidises employees to participate in part-time training according to their personal development needs. Apart from self-improvement, it can also help employees improve their work performance.

In addition, we emphasis on security training, including information security and personal safety. In terms of information security, we have trained several staff to become "Certified Information Security Professional". "Cyber Security Awareness Briefing" are also organised on internet safety awareness, to enhance employees' awareness and knowledge of internet safety. In terms of personal safety, we have trained some of our staff as "Fire Officer ", holding Fire Prevention seminars and How to Use Handheld Fire Extinguisher training to ensure the safety of our staff. Regular legal compliance training is provided to our employees to ensure compliance with the laws and regulations of the locations we operate in, including seminars on the Hong Kong Preventing and Managing Sexual Harassment and Anti-Discrimination Ordinance, the Hong Kong Personal Data Privacy Ordinance, the Competition Ordinance Policy and Cases Workshop, the EU GDPR Regulations Workshop, the Anti-Money Laundering Compliance Workshop, and the ICAC Corruption Prevention Online Seminar.

Moving forward, we will keep supporting our employees in developing their talents in the workplace. To this end, our training team invite employees to submit training course feedback questionnaires each year to gather opinions for the next year's training plan, continuing to train and optimise the program so that all employees can grow and progress with the Group.

Internship and young talent schemes

The Group is actively cultivating new generations of management and technical professionals. Through the internship program, the Group provides training and opportunities for young people who are interested in pursuing a career in the telecommunications industry. The program covers a wide range of areas, allowing interns to work in different departments, participate in various projects, and gain a thorough understanding of the Group's operation. They can also learn communication skills and leadership skills to prepare for their future careers. In order to foster the youth of future telecom experts, the Group also provides a technical trainee program that focuses on professional technical skill training.

"New Graduates – New Opportunities Scheme"

The Group supported the "New Graduates-New Opportunities Scheme," co-organised by the Hong Kong Chinese Enterprises Association and the Labour Department. Through recruiting fresh graduates for different full-time positions, we could nurture more local young talents for the development of local IT and telecommunications businesses.

Joined hands with Escola D. Luis Versiglia to organise the 2nd phase of training and employment program

We corporated with Escola D. Luis Versiglia to launch the 2nd phase of the "Training and Employment Program" for the introduced technical professional high school program of the school, by providing a 10-month's professional training and lectures of telecom knowledges to their students. It aims to cultivate more talents and provide an opportunity for students who intend to develop in the field of information technology and communication, allowing them to acquire relevant industry knowledge as well as practical experience.

Training for middle management

The Group firmly believes that the contribution of middle management is an integral part of strengthening and promoting the development of the Group. Our Group and subsidiaries actively offer tailor-made talent development programs to middle management, including classroom training, project case study, external coaching and internal counseling support. We also provide promotion opportunities for middle management elites and strive to promote middle management staff to progressively take up senior positions. In addition, to facilitate more cooperation and understanding among employees in different departments, we organise team building workshops and cross-team training to strengthen the understanding among teams, which helps middle management to manage other colleagues. To further consolidate their teamwork and leadership skills, we have arranged a total of 482 hours of training for middle level of management during the reporting year.

Continuous professional development of the Board and senior management

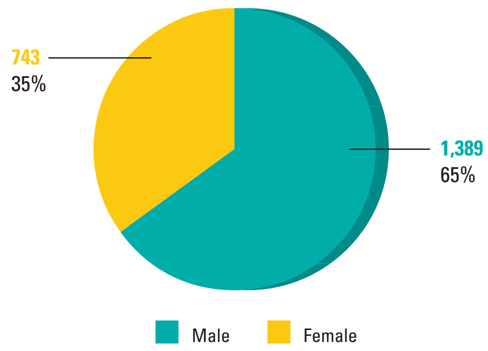
As the leaders of the Group, the Board and senior management keep themselves abreast of the latest regulatory and market trends through continuous professional development activities. During the reporting year, the Board and senior management attended training sessions organised by the Group on Corporate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

The Group's efforts and achievements in employee training and development have been recognised by the Employees Retraining Board. We are awarded as "Manpower Developers" under the "ERB Manpower Developer Award Scheme".

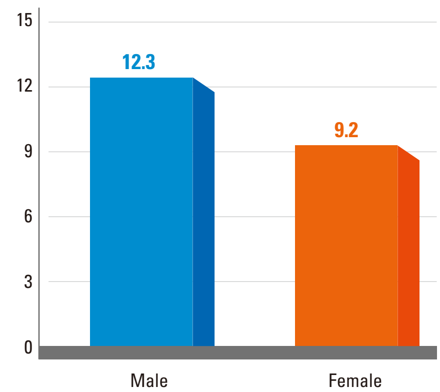
Employee Training and Development Statistics

	Year 2022
Number of trained employees: Percentage of employees trained:	**2,203** **87.08%**
Total number of training hours: Average training hours per employee:	**28,704.5 hours** **11.35 hours**

The percentage of employees trained by gender[3]

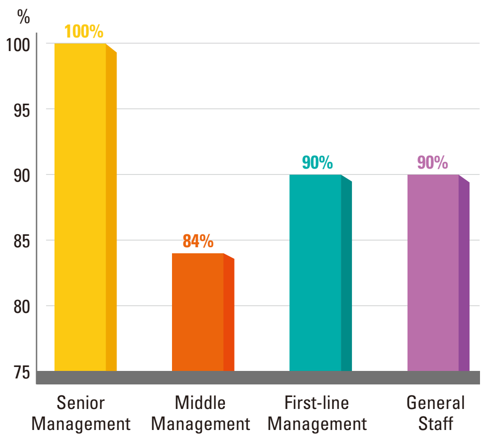


The average training hours per employee by gender[3]

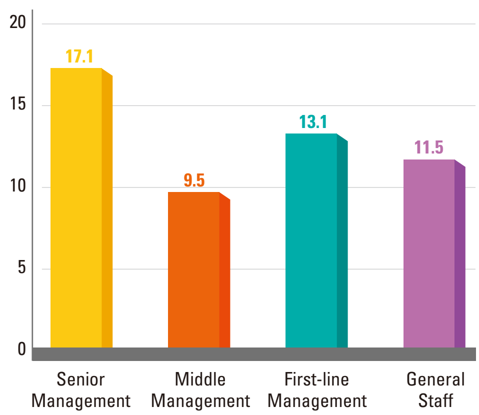


[3] As personal data privacy is protected by the General Data Protection Regulation (GDPR) and relevant regulations in the United Kingdom, the statistics of our European and British employees are not included in percentage of employees trained and average training hours completed per employee breakdown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

The percentage of employees trained by employee category

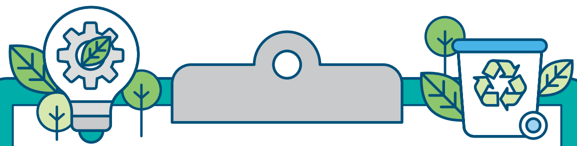


The average training hours per employee by employee category



Caring for the Environment

As a responsible enterprise, we recognise the significance of environmental preservation. Our Group has formulated policies related to environmental protection, energy conservation and emission reduction. "CITIC Telecom International ESG Committee", composed of representatives from different business units, is responsible for proposing and announcing the Group's ecological strategy, including other corporate social responsibility initiatives. We promote sustainable development as our responsibility and our environmental policy aims to reduce the environmental impact of business operations, including energy consumption, greenhouse gas emissions and waste generation in our offices, data centres and other network operations. In addition, we are considering setting various environmental targets, monitoring our performance in terms of resource consumption, waste generation, and emission reduction.



"CITIC Telecom Green Policy"

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

SUSTAINABILITY REPORT

Our Response to Climate Change

Climate change has become one of the world's most significant issues that presents opportunities and risks to our Group's operations. Our business operations could be significantly impacted if we fail to assess the risks of climate change properly. In response to the imminent threat, the Group recognises the necessity of enhancing energy efficiency and minimising the carbon footprint in regular company operations. Meanwhile, our ESG Committee will discuss the sustainable development agenda on a regular basis and continually assesses the impact of climate change. We have initiated a climate risk assessment to better align our business with sustainability principles. For example, environmentally friendly refrigerants are used to reduce the impact of global warming in our new air-conditioning system. The Group have made an effort to disclose our carbon emissions statistics in the annual report since 2014.

To strengthen our resilience and adaptability to climate change, we are taking steps to enhance climate risk management and performance. The Group's subsidiaries conduct monthly health inspections and accident drills on telecom buildings and data centres to ensure that the buildings are in good condition and dangerous situations are well controlled. Emergency repairs will be carried out immediately when damage is found.

Since 2020, the Group has entrusted a third-party consultant to conduct climate-related risk analysis to identify the impact of climate change on our business and enhance our climate risk management. The first phase of the risk assessment is based on a climate risk model, an analysis of physical risks and transition risks to which the Group's businesses will be exposed. As of now, we have entered the second phase of our climate-related risk analysis.

Based on the assessment results, the Group is exposed to physical and transition risks in the short, medium and long terms. In terms of physical risks, strong winds/cyclones and floods may affect the Group's operations in Hong Kong, Macau, South and East China. Meanwhile, Macau's retail shops and remote user line units (RLU) may also be severely affected by floods due to their geographic locations.

The Group is also exposed to several transition risks, including policy, regulatory and technology risks. With the "Paris Agreement", the telecommunications industry is affected by government policies and industry initiatives. In particular, Chinese mainland is actively promoting the telecommunications industry to improve the energy efficiency of equipment, and the Group's business operations in Chinese mainland will need to actively cooperate with relevant initiatives. Although the telecommunications industry is far from being a high-carbon-emitting industry and the energy performance of most of the Group's operations is not strictly regulated, the rapid development of green data centres has led to high expectations for telecommunications performance in the future. As society relies more on the telecommunications industry, the industry's operations, energy consumption in data centres, and low-carbon IT solutions will be highly valued. The telecommunications sector will be an essential tool for carbon reduction. With the development of green data centres in the industry and the launch of voluntary certification. In the future, the standards for green data centres may become necessary technical standards, resulting in enterprises facing different degrees of technical risks.

Based on the results of the analysis, the Group has developed a preliminary strategy for addressing major climate risks to cooperate with local telecommunications development and carbon reduction strategies. The Group will pay close attention to future market trends and developments, actively review its ability to deal with extreme weather events, improve long-term energy performance and strengthen climate resilience.

Community disaster relief and protection work

As the frequency of typhoons in Hong Kong and Macau is relatively high, the Group's subsidiaries located in the low-lying areas of Macau may suffer from flooding during typhoons, causing damage to the Group's operations and equipment. In view of this, the Group's subsidiaries have installed gates maintaining an average of 1.2 meters high in their low-lying RLUs, which will be removed when all typhoon signals are lowered and the threat of flooding is removed. In addition, pumps have been installed in each of the RLUs to avoid main power failure due to disasters, low-lying water pumps will be powered by batteries.

To minimise the possible impact of typhoons, the Group established a risk management mechanism to activate the emergency alert mechanism whenever news of a typhoon is reported. During extreme weather conditions, the Group will maintain a close watch on the function of the system and ensure the normal operation of all operational sites to minimise the impact of events. After the typhoon, we will provide support to our local customers, assist those affected by the flooding, carry out maintenance and repair of services and resume the affected services as soon as circumstances permit.

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

Construction and Operation of Environmentally Friendly Green Data Centres

The operation of data centres is one of the Group's core businesses. To promote the environmental protection construction of the data centre, we consider various environmental protection measures, and consider energy saving and emission reduction in the construction of telecom chamber and system procurement.

Construction of telecom chambers and planning of system facilities

To further optimise the energy efficiency of the Group's facilities, we have taken various measures to reduce the energy consumption of our telecom chamber and related systems. As air-conditioning systems and cabinet power supply systems are the main sources of power consumption, we have chosen to use energy-efficient systems and components to reduce the energy consumption of our hardware configurations. Our air-conditioning systems and components are equipped with advanced computer room air-conditioning systems with EC fans and Smart Control, which continuously monitor the temperature and humidity of the data centre, and automatically manage the cooling system performance. We also procure air-conditioning systems with excellent heat dissipation capabilities to minimise the waste of electricity. To reduce environmental impact, our cabinet power supply systems also use uninterruptable power source systems and power distributor cabinets that comply with environmental requirements such as ISO 14006 Eco-design, European Union, the Restriction of Hazardous Substances Directive, and the Electrical and Electronic Equipment Waste Directive. Furthermore, all data centres' gas fire suppression and air-conditioning systems have been upgraded to reduce ozone layer damage and maintain a safer working environment, including the use of NOVEC 1230, a clean fire suppression agent used in the fire protection system, and R410A, an eco-friendly refrigerant used in the air-conditioning system.

Energy Efficiency Enhancement and Electricity Consumption Reduction in CITIC Telecom Tower (CTT)

When designing the data centre of CITIC Telecom Tower (CTT), the Group adopted various energy-saving hardware equipment to improve energy efficiency, save energy and reduce emissions. For example, while designing the computer room, we employed a specific platform design to decrease the possibility of hot and cold air mixing, and we used high-efficiency wind dampers to manage the flow of air into the room to prevent external humidity from altering the data centre's room temperature.

We reviewed the deployment of E&M facilities in CTT data centre this year and fine-tuned the settings to achieve improvements in PUE.

The Group has set the temperature of its data centres between 24°C and 26°C. The management systems and energy usage of the data centres are regularly reviewed. We would also upgrade the equipment and facilities to minimise power consumption. To further enhance energy efficiency, we have planned to gradually introduce new systems with higher energy efficiency and phase out old equipment with lower energy efficiency.

For cabinet equipment, we have already installed a high-output air volume floor plate in front of the cabinet with high heat discharge to increase the cold air flow and installed partition doors. Meanwhile, dividers between cabinet rows are set to reduce hot and cold air mixing losses and increase the air-conditioning load.

We continuously review and adjust the operating control system of the chiller system to ensure that the chillers operate at optimal energy efficiency. During the year, our chilled water supply temperature was increased from 9.5°C to 11.5°C to save electricity consumption of the cooling equipment and it is estimated that the chiller plant can save 7.5% electricity consumption compared to the previous modification.

In addition, the new data centre uses the same high-efficiency floor grilles as the CTT data centre, reducing cooling requirements and saving power.

Energy Conservation Measures for Macau subsidiary

Different energy-saving measures have been adopted for the telecom equipment rooms and data centres of our Macau subsidiary. The air-conditioning systems used in the telecom equipment rooms and data centres are designed with hot and cold airflow control measures, reducing the energy consumption of the supply fans by 20%. The central air-conditioning system with magnetic compressors in the building located at Rua De Pedro Coutinho in Macau has also reduced energy consumption by 20%. Cooperating with the automatic atomisation heat dissipation device of the central air-conditioning system unit, the efficiency coefficient of the air-conditioning system is effectively improved.

Energy-saving measures for daily operations

The Group has implemented green planning for the management system of the data centre to further improve the flexibility of the operation and maintenance system, reduce unnecessary electricity consumption, and optimise energy-saving and emission-reduction measures in daily operations.

To further reduce energy consumption in our daily operations, we have adopted various energy-saving measures. Our data centre is equipped with a real-time monitoring system that provides a comprehensive user interface for operational monitoring and energy usage management. The interface displays the operating status of the electrical and mechanical systems, allowing operators to obtain and analyse the operational data of the equipment easily. This enables timely control of the equipment while closely monitoring the overall load condition of the data centre, resulting in better energy management and operation efficiency. When abnormal operating circumstances are identified, the system will issue a risk alert to prevent equipment failure and unintentional power consumption. The optimised monitoring system can collect information on external factors such as weather forecasts in real time and assist operators to make appropriate adjustments to air-conditioning units. It will effectively control the indoor temperature and humidity conditions and better manage the energy performance of the data centre.

Monitoring electricity consumption of data centres with CLP "Smart Energy Online" platform

With the help of an intelligent metering online platform developed by CLP, the Group would closely monitor data usage in our data centres and manage electricity usage. When an electricity consumption anomaly is detected, our management will make immediate adjustments to investigate the incident and avoid wasting electricity.

By utilising the electricity reporting management system, we understand our customers' monthly energy consumption data and provide them with assistance in improving their energy efficiency management, planning and implementation of energy-saving initiatives. In the meantime, we will continue to carry out energy-saving research and optimisation initiatives. We will also incorporate more energy-saving features and elements in expanding our business to continuously create Green Data Centre.

Sustainable Usage of Resources

Eco-friendly and Green Office

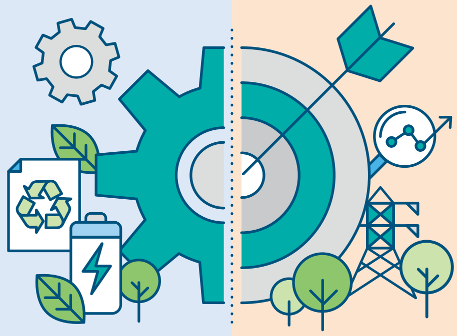
In accordance with the "CITIC Telecom Green Policy", our Group is committed to promoting the sustainable use of resources. Aside from our data centre, we have promoted environmentally friendly green offices in a variety of office settings. We conduct 4R environmental management in each office, regularly evaluating the office's power, paper, and water use and proposing suggestions to improve our environmental performance. We intend to use environmentally friendly materials and products with energy-saving certifications in our resource procurement. Our environmental management system is effective, and our subsidiaries have successfully obtained ISO 14001 environmental management system certification and manage the Company's environmental performance with an internationally recognised environmental management system. Our Singapore subsidiary has successfully attained re-certification and was recognised by the Singapore Environment Council as "Eco Office". The certification is awarded to companies that have implemented effective environmentally-friendly practices by increasing eco-consciousness among staff, which in turn helps organisations manage waste by reducing the usage of paper, water and electricity. To raise awareness of environmental protection among our staff, "environmental protection corner" has been set up and regularly updated in our intranet, where each staff member would receive regular environmental information from the Group to promote environmental protection.

Group environmental targets and progress

To better practice the concept of sustainable development, the Hong Kong headquarters has carried out environmental target setting. Through analysing past data, forecasting future factors and peer benchmarking, we have set quantitative targets for electricity consumption, electronic waste recycling and wastepaper recycling at the Hong Kong headquarters. We have implemented a series of policies and actions and closely monitor progress.

The Hong Kong headquarters has achieved the target of 100% recycling of (own use) computer and electronic waste through recycling distributors for proper disposal and reuse in Year 2022.

PROGRESS **TARGETS**



PROGRESS

- **Electricity consumption**
  Implemented a series of policies and action, and closely monitored the progress
- **Non-hazardous waste – waste paper**
  Implemented a series of policies and action, and closely monitored the progress
- **Hazardous waste – computers and electronic equipment**
  Target Completed. 100% of the Hong Kong headquarters' own used computer and electronic waste being properly disposed, and reused by recycling distributors in Year 2022

TARGETS

- **Electricity consumption**
  To reduce the PUE at our data centres of the Hong Kong headquarters by 9% by Year 2026, against the Year 2020 baseline
- **Non-hazardous waste – waste paper**
  To increase waste paper recycling of the Hong Kong headquarters by 8% by Year 2025, against the Year 2020 baseline
- **Hazardous waste – computers and electronic equipment**
  The 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

Minimise Energy Usage

For energy conservation, the Group's subsidiaries have implemented a number of measures to improve the energy consumption performance of the office, including installing energy-saving lamps in the office and purchasing electrical appliances with low power consumption, and arranging for colleagues to turn off unused electrical appliances after office hours. In addition, energy-saving labels are displayed in our offices as a reminder to encourage employees to turn off the lights when its idle. In replacing appliances and equipment, we emphasise energy-efficient products and technologies. For example, energy-efficient LED lights were installed throughout the office to reduce electricity consumption. The central air-conditioning system in our office and telephone network equipment room is equipped with a magnetic levitation compressor, which results in further reduction in the energy consumption of the air-conditioning system. We have also installed a Battery Monitoring System that continuously monitors the performance of each battery to ensure maximum battery efficiency.

Energy savings of lighting system in the Hong Kong Headquarters

With lighting being a significant source of energy consumption in modern offices, the Hong Kong headquarters has taken the lead in saving energy in lighting, including using approximately 100% of new T5 energy-saving fluorescent tubes and removing nearly 200 redundant light fixtures.

Meanwhile, to cultivate environmental protection and energy saving among our staff, we have shared the information through "environmental protection corner" and sent reminders by regular memo.

Flexible adjustment of energy consumption through the system by Macau subsidiary

To reduce energy consumption from lighting, our subsidiary in Macau uses energy-efficient LEDs, which reduce power consumption by 275 kilowatt hours. The subsidiary also uses an intelligent system to regulate the air-conditioning temperature in the office, avoiding the wastage of energy due to uncontrolled cooling. We have also installed a battery monitoring system to monitor the performance of each battery in real-time so that the entire battery life can be used up.

Encouraging employees to save electricity by Hong Kong subsidiary

With the objective of saving electricity, our subsidiary in Hong Kong has installed energy-saving lights in the office and installed energy-saving appliances to reduce electricity consumption. Energy-saving labels are also posted inside the office to encourage employees to turn off the lights when they are not in use. At the same time, employees are also requested to turn off appliances not in use after office hours to reduce electricity consumption.

Energy Usage Optimisation in Singapore subsidiaries

We have always strived to minimise energy consumption in our daily operations in our Singapore subsidiaries. To this end, the building's central air-conditioning system sets the average office temperature at around 24 degrees Celsius. It is operating from Monday to Friday, 8:30 a.m. to 6:30 p.m. No air-conditioning for Saturdays, Sundays and public holidays. For office lighting, it is segregated into zone lighting to light up areas that are in use. When fluorescent lights need to be replaced, they are replaced with energy saving LED lights. In addition, lighting equipment has been installed on one side of the building to reduce the overall power consumption of the building.

For product categories such as computer equipment and office equipment that are frequently acquired, we would only consider products with Energy Star label or other power-saving qualification like TCO.

The Hong Kong headquarters has undertaken an electricity consumption target-setting exercise to reduce the PUE at data centres of the headquarters by 9% by 2026, using 2020 as the benchmark. We will continue to monitor the target's progress in order to consistently improve the performance of our electricity consumption.

Reduce paper waste

Employees are encouraged to use double-sided printing when printing documents, and recycling bins are placed near copiers to collect wastepaper. To reduce the use of paper in operations, we have also implemented electronic process control, such as the integrated online system for office systems, payroll and leave applications, electronic training course evaluation questionnaire and an annual staff performance appraisal.

Externally, we provide electronic services to our customers by introducing eco-billing and electronic application management. The Macau subsidiary has actively launched an e-billing and online service platform for customers to check and pay their telecommunication fees. Starting in 2018, customers can directly use the "CTM Buddy" mobile application, the "ctm.net Platform" or "CTM WeChat public account" to view bills and make payments, replacing traditional bills and reducing the waste of paper.

"CTM Buddy" mobile application interface

Statistically, we have reduced postage and material costs by 34% in the past 12 months. Driven by multiple initiatives, the Group has reduced paper usage by 23%.

Enhance stewardship on water use

The Group uses automatic sensor faucets to reduce water waste. Eco-friendly messages on water conservation are also posted in major water-consuming locations such as washrooms and pantries. To raise staff awareness of water conservation, water-saving tips are sent out regularly by email. The Group's subsidiaries have adopted air-cooled central air-conditioning systems that do not rely on water supply in the Rua De Pedro Coutinho and CTM Telecentro Concept Store to reduce water consumption.

Proactively boost the waste recycle rate

The Group understands the need to minimise its carbon footprint in its daily work to combat climate change. We have implemented a number of recycling programs to encourage our staff to recycle and reuse waste materials, including toner cartridges, ink cartridges and paper. This year, we also increased our recycling efforts by donating reusable stationery to charitable organisations. We have established stringent waste control procedures to ensure proper waste disposal. Hazardous wastes such as waste electrical and electronic equipment are handled by approved professional contractors, while non-hazardous waste is handled by professional cleaning service providers and contractors in compliance with local regulations.

While minimising waste, we have also increased our consideration of environmentally friendly materials in our procurement process. For example, we would choose biodegradable alternatives when sourcing plastic bags. For the copying paper, "Paper One," paper made of PEFC-certified materials is ordered for business operations.

The Group set e-waste recycling and wastepaper recycling targets at Hong Kong headquarters. We target to increase wastepaper recycling by 8% by Year 2025, using Year 2020 as the baseline. In this year, the Group has achieved the target of maintaining 100% recycling of (self-use) computer and e-waste through a recycler for proper disposal and reuse in Year 2022.

Data on Environmental Performance[4]

Resource Usage	Units	Year 2022	Year 2021	Difference
Consumption of energy				
Electricity	kWh	**65,175,248**	62,108,647	4.9%
Petrol	Litres	**66,238**	100,768	-34.3%[5]
Diesel	Litres	**7,152**	9,167	-22.0%[5]
Intensity of energy consumption	GJ/million HKD telecommunications revenue	**26.9**	28.8	-6.6%
Consumption of water				
Consumption of water	m^3	**20,274**	23,026	-12.0%[6]
Intensity of water consumption	m^3/million HKD telecommunications revenue	**2.3**	2.9	-20.7%[6]

Waste Generation	Units	Year 2022	Year 2021	Difference
Non-hazardous waste generation				
Paper	kg	**25,362**	34,074	-25.6%[7]
Metal scrap	kg	**2,090**	4,610	-54.7%[8]
Other non-hazardous waste[9]	pc	**100**	177	-43.5%[8]
Hazardous waste generation				
Computers, communications and electrical appliances	pc	**26,623**	52,060	-48.9%[8]
Industrial batteries	pc	**1,074**	509	111.0%[10]
Toner and ink cartridges	pc	**158**	128	23.4%[11]

4 Data presented in the report for 2021 to 2022 were rounded off and may differ slightly to the actual yearly rate of change.
5 Activities that lead to usage of cars were reduced during the year due to pandemic, resulting to a decrease in petrol and diesel consumption.
6 Work From Home policy was imposed during the year due to pandemic, leading to a decrease in water consumption.
7 As the volume of goods received this year is reduced compared to 2021, the amount of waste paper produced by the Company is relatively reduced.
8 Due to the decrease of consumption in this year, the number of waste decreased accordingly.
9 Other non-hazardous waste includes wooden cable drum.
10 Due to the end of the battery life cycle this year, the amount of scrap increased.
11 The collection channels of toner and ink cartridges were improved this year.

Recycling of waste	Units	Year 2022	Year 2021	Difference
Non-hazardous waste recycling				
Paper	kg	**2,102**	2,176	-3.4%
Metal scrap	kg	**2,090**	4,610	-54.7%[8]
Other non-hazardous waste	pc	**100**	177	-43.5%[8]
Hazardous waste recycling				
Computers, communications and electrical appliances	pc	**26,519**	52,060	-49.1%[12]
Industrial batteries	pc	**1,074**	509	111.0%[13]
Toner and ink cartridges	pc	**158**	128	23.4%[11]

Greenhouse Gas (GHG) Emissions[14]	Units	Year 2022	Year 2021	Difference
Scope 1: Direct GHG emissions	tonnes of CO_2-equivalent	**261.8**	268.2	-2.4%
Scope 2: Energy indirect GHG Emissions	tonnes of CO_2-equivalent	**35,882**	40,056.7	-10.4%
Scope 3: Other indirect GHG Emissions	tonnes of CO_2-equivalent	**139.5**	167.5	-16.7%
Total GHG emissions	tonnes of CO_2-equivalent	**36,283.3**	40,492.4	-10.4%
Intensity of GHG emissions	tonnes of CO_2-equivalent /million HKD telecommunications revenue	**4.1**	5.1	-19.6%

[12] Due to the one-time disposal of outdated, broken or old appliances in 2021, the base was heavily affected. As a result, the number of 2022 dropped significantly due to base effect.

[13] The disposals of batteries increased in connection to end of the battery life cycle this year. All disposed batteries were recycled. As a result. the number of recycled batteries increased significantly comparing to 2021.

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

SUSTAINABILITY REPORT

Environmental Activities

The Group actively promotes environmental awareness among employees and encourages them to participate in environmental activities through various channels. We believe that effective communication can enhance the understanding of sustainable development values among our staffs. In integrating with our core value, we have provided environmental tips and introduced our staff to the most recent environmental projects or trends.

We have actively promoted to the community the concept of energy conservation and minimising light nuisance. In 2022, the Group and its subsidiaries continued to take part in the "Earth Hour" campaign, turning off lights and echoing this year's theme. This year's campaign is called "Habits Protect Habitats" and it encourages people to pledge to change their habits, live a greener lifestyle, and protect the precious wetland resources for future generations.

In addition, we have also carried out a number of activities in the office to promote the importance of recycling and reusing. We organised a "Stationery Recycling" campaign during the reporting year to encourage staff at our Hong Kong headquarters to donate their stationery for recycling and place it at designated collection points. Three boxes of stationery were collected and given to the Salvation Army Hong Kong and Macau Command for further charity sales and distribution to the grassroots. In addition, the Group's subsidiaries held the "Red Packets Recycling" and "Recycle Your Bamboo Chopsticks" during the reporting year.

We actively promote green culture and a low-carbon way of life. To encourage our staff in developing green living habits, we have organised events such as mooncake package recycling and potted plant planting competitions. "Coffee Grounds Candle Workshop" and several environmental workshops were held with a focus on upcycling and reducing waste. This year, we continued to respond to the call of the Green Council and participated in Hong Kong Green Day 2022 by signing the online Green Charter to promote Green Day and encourage our staff to contribute to environmental protection.

We are committed to implementing varieties of environmental protection initiatives in different areas, with the recognition and acclaim of the industry. In 2022, we received the award "Best Social Enterprises in Greater China 2022" issued by HRoot, the "Green Office" label awarded by World Green Organisation, and the "Wastewi$e Certificate" issued by the Hong Kong Green Organisation Certification, in acknowledgement of our efforts to promote energy conservation and green development.

Contribution to Our Community

The Group has always regarded contributing to society as our responsibility. We are dedicated to contributing to the community through a wide range of philanthropic activities. Throughout the reporting year, we initiated and participated in a variety of volunteer activities with donations to help the underprivileged. Our employees are also encouraged to actively participate in the community to support the needy. In 2022, the team contributed over 1,100 hours in voluntary service while the Group made charitable donations of approximately HK$1 million.

The Group is devoted to leveraging its expertise in telecommunications to serve the public by promoting 5G services in Macau through various channels and nurturing more local talents to engage in research and development of high-end telecommunications technology applications.

In terms of building and giving back to the community, the Group was once again awarded the following awards and recognitions:

- 10 years+ "Caring Company" awarded by the Hong Kong Council of Social Service
- "Social Capital Builder Logo Awards" by Community Investment & Inclusion Fund under HKSAR Home and Youth Affairs Bureau
- Awarded Corporates in "Sport-Friendly Action" held by Chinese YMCA of Hong Kong
- "Outstanding Corporate Volunteer Award in Macao" issued by the Association of Volunteers Social Service Macao

Leveraging Our Strengths to Support Community Development

We are actively collaborating with various organisations to hold a variety of community and volunteer activities to assist grassroots families and the needy while improving the public's quality of life. Our staff was encouraged to participate in the events to spread the values of contributing and serving the community.

Volunteering and Recycling Programmes

This year, the Group organised a number of volunteering and recycling programmes in Hong Kong to support the underprivileged in the community and promote waste reduction programmes.

In collaboration with the Chinese YMCA of Hong Kong, the Group also organised a series of Christmas-themed volunteer activities, including "R Day" and "Healing Christmas". Volunteer team members and families participating in activities made Christmas wreaths together. Through the process, volunteers and participants could relieve the stress accumulated from work or the classroom. The hand-made Christmas wreaths by volunteers will be donated to grassroots families to share the joy of Christmas together.

We also organised "Stationery Recycling Program" to encourage colleagues to donate their unwanted personal stationery to the Company and the stationery were collected and donated to the grassroot families. Besides, the Group's subsidiaries also held the "Red Packets Recycling" and "Recycle Your Bamboo Chopsticks" encouraging colleagues to practice the Company's direction of supporting environmental protection in their daily routines.

Cooperated with Singapore Cancer Society on distributing Festive Cheer Goodie Bags

The Singapore subsidiary partnered with the Singapore Cancer Society to organise the Festive Cheer Goodie Bag distribution event to spread joy and blessings among cancer patients. Our employees in Singapore packed the various items into goodie bags and distributed to the respective families of 60 cancer patients.

Youth Development Support

Youth are the pillars of future development in society. The Group attaches great importance in cultivating local young talents, providing support to schools and youth organisations over the years. We have regularly co-organised various activities to develop the careers of youths and enhance their talents development.

To further stimulate the interest of the next generation in 5G networks and enhance students' understanding, we maintain a close partnership with different institutions in providing students with various activities, including conferences, exhibitions, study tours and visits. Students would be introduced to the operation and development trends of the telecommunications industry with the smart city and 5G network development.

In line with the local government policies to promote technology, our subsidiary in Macau organised seminars in different schools to educate students on 5G technology and smart cities, aiming to raise the youth's awareness of the telecommunications technology industry.

The Group nurtures our future generation as the future leaders and looks forward to their thriving. This year, we have continued to support scholarships across universities to recognise students who excel academically. The Macau subsidiary offered needy students financial aid through the "CTM Scholarship". "The CITIC Telecom Scholarship" has also been sponsored for years by the Singapore subsidiary to provide financial assistance to students of Singapore Polytechnic who are interested in environmental protection. Our Group believes students can better focus on their studies and research with the support of the scholarship, thus contributing to society in the future.

Cultivating talented 5G professionals

The subsidiary in Macau officially launched 5G services in Macau in November 2022, as 5G networks become the next opportunity for Internet development. To further popularise 5G and cultivate more outstanding local talents to engage in the research and development of 5G applications, we have set up 5G experience zones through various channels, including exhibitions, conferences and shop display. The associations and students have been invited to visit to further enhance the public understanding of 5G and continue to promote the development of "Digital Macau".

The subsidiary in Macau also received different students from elementary schools, secondary schools, and universities in Macau to visit CTM's 5G Experience Zone to enhance their understanding of 5G and smart city development.

Providing training and guidance on telecommunication technology

The subsidiary in Macau cooperated with Escola D. Luis Versiglia to launch the second phase of the "Training and Employment Program." 10 months of professional training and guidance are provided to secondary school students in telecom knowledges. The subsidiary also organised "CTM Fiber Workshop" at the FAOM Market Carnival, which was hosted by the senior engineer of our Macau subsidiary, teaching the participants basic optical fiber connection skills and simulated cabling engineering. We also co-organised "Information and Communication Technology (ICT) Application Training Program" with the Macao Post and Telecommunications Bureau, in order to introduce participants to the development of the industry and how cutting-edge ICT is leading the development and innovation of different industries.

Promotion of telecommunications services

As Macau enters a new era of "5G", the Macau subsidiary of the Group vigorously promotes the development of 5G. While promoting the development of Macau's smart city, it also actively promotes the popularisation and application of 5G-related applications. In response to the different needs of disadvantaged groups, the Macau subsidiary provides them with appropriate telecommunications services. It is committed to promoting the popularisation of telecommunications services and building a harmonious and inclusive society. For example, the Group's Macau subsidiaries have provided different types of communication services to government departments, school sponsoring bodies, and community organisations, including:

- A Care program for telecommunication services, aimed to provide Disability Assessment Certificate holders with preferential mobile communication and Internet services and encourage them to use the Internet to build a fulfilling lifestyle, was launched.

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

- Developed a cloud-based service built on CTM's "Education Cloud" platform – "mSchool" service, which provides a real-time, one-stop interactive communication platform for schools and parents to effectively communicate with one another, leverage technology to reduce time and location barriers, as well as promote the development of a digital school.

5G experience zone for public experience

In line with our principle of "Growing alongside with Macau", our Macau subsidiary is investing resources in setting up several 5G experience zones to demonstrate the features of 5G services to the public. In particular, we opened up "CTM Planet 5G" at Pedro Coutinho CTM Original Store for the public to experience 5G features.

We have also used our own channels to promote the 5G network. We set up a 5G experience zone at the Play Hub 8 and UGAMM Open Day, using the 5G mobile network to conduct e-commerce livestreaming and providing 5G mobile network for cross-regional performance.

Actively promotion of 5G live Broadcast

With the features of high speed, low latency, and multiple connections of 5G services, the Macau subsidiary actively promotes 5G live broadcasting. We provided 5G mobile network in different events such as 10th Macao International Travel (Industry) Expo and Macau Fashion Festival for live broadcast and hall touring. We also cooperated with Macao Daily News to conduct 5G live broadcasting and display our 5G new media applications in the 69th Macau Grand Prix.

50222 Hiker SMS Tracking Service

The Group kept working with significant telecommunications providers in Hong Kong this year to enable the 50222 SMS Tracking Service. The 50222 Hiker SMS Tracking Service provides rescue for hikers. During hiking, hikers can send free text messages with the code "50222" according to marked posts along the country trail in Hong Kong country parks. When there is an accident, the government emergency services will begin searching and rescuing based on the last coordinates received by the system. It provides a convenient and accurate rescue services, thereby better protecting hikers' safety. We are dedicated to serving the community with our professionalism and actively fulfilling our mission as a communications industry.

Our Awards and Recognition

Building and strengthening the team

The certificates and logos from the **"Best All-round Good MPF Employer", "Good MPF Employer 5 Years+", "e-Contribution Award"** and **"MPF Support Award"**

Mandatory Provident Fund Schemes Authority

"Employer of Choice Award 2021" and **"Corporate Social Responsibility Award"**

JobMarket

"Top 10 Happiest Company to Work For Award"

Chief Happiness Officer Association

"Partner Employer Award"

Hong Kong General Chamber of Small and Medium Business

"The Racial Diversity and Inclusion Charter for Employers"

Equal Opportunities Commission

Employee health and safety

"Excellence in Employee Wellbeing"

Human Resources Online

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

Promoting Happiness Index Foundation, Hong Kong Productivity Council

"Joyful@Healthy Workplace Best Practices Award – Outstanding Award" and **"Joyful@Healthy Workplace Charter"**

The Labour Department, The Department of Health, and The Occupational Safety and Health Council

Employee health and safety; Environmental protection

"Wastewi$e Certificate – Good Level"

Environmental Campaign Committee (ECC) alongside the Environmental Protection Department and in conjunction with nine organisations

"Best Social Enterprises in Greater China 2022"

HRoot

"Eco Office"

The Singapore Environment Council

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

World Green Organisation

Contribution to the society

"Social Capital Builder Logo Awards"

Community Investment & Inclusion Fund under HKSAR Home and Youth Affairs Bureau

"10 Years+ Caring Company" logo and certification

The Hong Kong Council of Social Service

"Sport-Friendly Action – Certificate of Appreciation"

Chinese YMCA of Hong Kong

"Outstanding Corporate Volunteer Award in Macao"

Association of Volunteers Social Service Macao

Training and development

"Manpower Developers" in **"ERB Manpower Developer Award Scheme"**

The Employees Retraining Board

Environmental, Social and Governance Reporting Guide

Compliance with Reporting Standards

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

Reporting and Data Scope

This report covers the sustainability performance and measures of the Group's headquarters and its subsidiaries for the reporting period of 1 January 2022 to 31 December 2022. Unless otherwise specified, the scope of environmental data disclosure covers operations of our three major business units (i.e. headquarters, CTM and CPC) in four major operating locations, namely Hong Kong, Chinese mainland, Macau and Singapore (which collectively account for over 90% of revenue from telecommunications services).

Content Index

Key aspects	General disclosures and KPIs		Section/statement	Referencing page number
A. Environment				
Aspect A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Caring for the Environment The Group is not aware of any material non-compliance with relevant laws and regulations that have a significant impact on the Group during the reporting period.	Pages 113–122
	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 121

Key aspects	General disclosures and KPIs		Section/statement	Referencing page number
	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 120
	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 120
	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 113, 116–122
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 113
	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 120
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Caring for the Environment	Page 120

SUSTAINABILITY REPORT

Key aspects	General disclosures and KPIs		Section/statement	Referencing page number
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Caring for the Environment	Pages 113–122
	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 113
	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 113–122
Aspect A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Caring for the Environment	Pages 114–115
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Caring for the Environment	Pages 114–115

Key aspects	General disclosures and KPIs		Section/statement	Referencing page number
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 and Strengthening the Team, Employee Training and Development The Group is not aware of any material non-compliance with relevant employment laws and regulations that have a significant impact on the Group during the reporting period.	Pages 101–102,105–111
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Building and Strengthening the Team	Pages 105–106
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Building and Strengthening the Team	Pages 106–107
Aspect B2: Health and safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Building and Strengthening the Team The Group is not aware of any material non-compliance with relevant laws and regulations that have a significant impact on the Group during the reporting period.	Pages 108–109
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Building and Strengthening the Team	Page 109
	KPI B2.2	Lost days due to work injury.	Building and Strengthening the Team	Page 109
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Building and Strengthening the Team	Pages 108–109

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.	Employee Training and Development	Pages 110–112
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employee Training and Development	Pages 112–113
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Employee Training and Development	Pages 112–113
Aspect B4: Labour standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Building and Strengthening the Team The Group is not aware of any non-compliance with relevant laws and regulations on preventing child or forced labour.	Page 107
	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	Pages 103–104
	KPI B5.1	Number of suppliers by geographical region.	Responsible Operational Management	Page 104
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Responsible Operational Management	Pages 103–104
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Responsible Operational Management	Pages 103–104
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Responsible Operational Management	Pages 103–104
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 96–103
	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 100
	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	Pages 99–100
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Responsible Operational Management	Pages 102–103

SUSTAINABILITY REPORT

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.	Contribution to Our Community	Pages 122–127
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Contribution to Our Community	Pages 122–127
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Contribution to Our Community	Page 122

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of CITIC Telecom International Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 143 to 224, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

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

- Impairment assessment of goodwill
- 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 2022, the carrying value of the Group's goodwill amounting to HK$9,710 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: • Obtaining an understanding of the Group's internal controls and management's assessment process of impairment of goodwill and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias; • Evaluating the reasonableness of management's identification of CGUs 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$5,762 million from the provision of mobile services, internet services, international telecommunications services and fixed line services during the year ended 31 December 2022. 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

22/F Prince's Building
Central, Hong Kong

16 March 2023

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	Note	2022 $ million	2021 $ million
Revenue	3(a)	**10,111**	9,486
Valuation gain on investment property	10(a)	**9**	28
Other income	4	**44**	36
Cost of sales and services	5(a)	**(5,775)**	(5,459)
Depreciation and amortisation	5(b)	**(914)**	(897)
Staff costs	5(c)	**(1,169)**	(1,082)
Other operating expenses		**(541)**	(488)
		1,765	1,624
Finance costs	5(d)	**(269)**	(270)
Share of profit of a joint venture		**–**	1
Profit before taxation	5	**1,496**	1,355
Income tax	6(a)	**(272)**	(248)
Profit for the year		**1,224**	1,107
Attributable to:			
Equity shareholders of the Company		**1,191**	1,076
Non-controlling interests		**33**	31
Profit for the year		**1,224**	1,107
Earnings per share (HK cents)	9		
Basic		**32.3**	29.3
Diluted		**32.3**	29.2

The notes on pages 148 to 224 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 2022
(Expressed in Hong Kong dollars)

	Note	**2022 $ million**	2021 $ million
Profit for the year		**1,224**	1,107
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)	**(46)**	16
Deferred tax recognised on the remeasurement of net defined benefit liability	6(c)	**6**	(2)
		(40)	14
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments:			
– exchange differences on translation of financial statements of operations outside Hong Kong and its related borrowings		**(45)**	–
Other comprehensive income for the year		**(85)**	14
Total comprehensive income for the year		**1,139**	1,121
Attributable to:			
Equity shareholders of the Company		**1,113**	1,089
Non-controlling interests		**26**	32
Total comprehensive income for the year		**1,139**	1,121

The notes on pages 148 to 224 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

(Expressed in Hong Kong dollars)

	Note	2022 $ million	2021 $ million
Non-current assets			
Investment property	10	**676**	667
Property, plant and equipment	10	**2,323**	2,625
Right-of-use assets	11	**599**	654
Intangible assets	12	**932**	1,064
Goodwill	13	**9,710**	9,721
Interest in a joint venture	15	**10**	11
Non-current contract assets	19(a)	**26**	23
Non-current contract costs	17	**28**	25
Non-current finance lease receivables	18	**9**	5
Non-current other receivables and deposits	20	**150**	103
Deferred tax assets	6(c)	**74**	72
		14,537	14,970
Current assets			
Inventories	16	**132**	103
Contract costs	17	**–**	2
Finance lease receivables	18	**8**	4
Contract assets	19(a)	**224**	255
Trade and other receivables and deposits	20	**1,293**	1,248
Current tax recoverable	6(b)	**1**	7
Cash and deposits	21(a)	**1,986**	1,793
		3,644	3,412
Current liabilities			
Trade and other payables	22	**2,027**	1,645
Contract liabilities	19(b)	**183**	184
Bank and other borrowings	23	**183**	500
Lease liabilities	24	**131**	140
Current tax payable	6(b)	**276**	188
		2,800	2,657
Net current assets		**844**	755
Total assets less current liabilities		**15,381**	15,725
Non-current liabilities			
Non-current contract liabilities	19(b)	**1**	1
Non-current bank and other borrowings	23	**4,337**	4,946
Non-current lease liabilities	24	**323**	356
Non-current other payables	22	**16**	23
Net defined benefit retirement obligation	25(a)	**61**	12
Deferred tax liabilities	6(c)	**172**	211
		4,910	5,549
NET ASSETS		**10,471**	10,176
CAPITAL AND RESERVES			
Share capital	27(c)	**4,720**	4,704
Reserves		**5,653**	5,391
Total equity attributable to equity shareholders of the Company		**10,373**	10,095
Non-controlling interests		**98**	81
TOTAL EQUITY		**10,471**	10,176

Approved and authorised for issue by the board of directors on 16 March 2023.

Xin Yue Jiang
Director

Luan Zhenjun
Director

The notes on pages 148 to 224 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022
(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 2022		**4,704**	**17**	**53**	**13**	**5,308**	**10,095**	**81**	**10,176**
Changes in equity for 2022:									
Profit for the year		**–**	**–**	**–**	**–**	**1,191**	**1,191**	**33**	**1,224**
Other comprehensive income for the year		**–**	**–**	**–**	**(38)**	**(40)**	**(78)**	**(7)**	**(85)**
Total comprehensive income for the year		**–**	**–**	**–**	**(38)**	**1,151**	**1,113**	**26**	**1,139**
Dividend paid to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**(9)**	**(9)**
Shares issued under share option plan	26(b)	**16**	**(3)**	**–**	**–**	**–**	**13**	**–**	**13**
Dividends approved in respect of the previous financial year	27(b)(ii)	**–**	**–**	**–**	**–**	**(627)**	**(627)**	**–**	**(627)**
Release upon lapse of share options	26(b)	**–**	**(4)**	**–**	**–**	**4**	**–**	**–**	**–**
Dividends declared in respect of the current financial year	27(b)(i)	**–**	**–**	**–**	**–**	**(221)**	**(221)**	**–**	**(221)**
		16	**(7)**	**–**	**–**	**(844)**	**(835)**	**(9)**	**(844)**
Balance as at 31 December 2022		**4,720**	**10**	**53**	**(25)**	**5,615**	**10,373**	**98**	**10,471**
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)	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)	–	(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

The notes on pages 148 to 224 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	Note	2022 $ million	2021 $ million
Operating activities			
Cash generated from operations	21(e)	**2,935**	2,676
Tax paid:			
– Hong Kong Profits Tax paid		**(55)**	(130)
– Macau Complementary Tax paid		**(123)**	(122)
– Tax paid for jurisdictions outside Hong Kong and Macau		**(40)**	(31)
Tax refunded:			
– Tax refunded for jurisdictions outside Hong Kong and Macau		**6**	1
Net cash generated from operating activities		**2,723**	2,394
Investing activities			
Payment for the purchase of property, plant and equipment		**(323)**	(532)
Decrease in pledged deposits		**–**	2
Increase in other deposits		**(364)**	(361)
Interest received		**20**	12
Net cash used in investing activities		**(667)**	(879)
Financing activities			
Proceeds from new bank and other borrowings	21(f)	**353**	1,684
Proceeds from new shares issued under share option plan		**13**	46
Repayment of bank and other borrowings	21(f)	**(1,283)**	(2,105)
Other borrowing costs paid	21(f)	**(248)**	(244)
Capital element of lease rentals paid	21(f)	**(157)**	(159)
Interest element of lease rentals paid	21(f)	**(18)**	(20)
Dividends paid to equity shareholders of the Company		**(848)**	(791)
Dividend paid to non-controlling interests		**(9)**	(9)
Net cash used in financing activities		**(2,197)**	(1,598)
Net decrease in cash and cash equivalents		**(141)**	(83)
Cash and cash equivalents as at 1 January		**1,426**	1,510
Effect of foreign exchange rate changes		**(30)**	(1)
Cash and cash equivalents as at 31 December	21(a)	**1,255**	1,426

The notes on pages 148 to 224 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2022 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.

In all other cases 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)(ii)(a).

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, and an appropriate proportion of production overheads and borrowing costs (see note 1(z)).

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

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 10 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	9–17 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)(ii)(a).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 1(j)(i), then the Group classifies the sub-lease as an operating lease.

When the Group leases out assets under finance lease, the present value of lease receipts is recognised as a receivable. Each lease receipt is allocated between the receivables and interest income. The interest element of the lease receipt is recognised in the consolidated income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivables for each period.

When the Group leases out assets under operating lease, the assets are included in the consolidated statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies. Revenue arising from operating lease is recognised in the consolidated income statement in 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 receivable.

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)(ii)(b) 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)(i).

(p) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(x)(i)) before being unconditionally entitled to the consideration under the 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)(i)). 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 banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for 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 retirement 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 plans 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 corporate bonds that have maturity dates approximating the terms of the Group's obligations. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

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 fulfilling the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that 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.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

(a) Revenue from telecommunications services

Revenue with contracted fees is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance and is based on output method, either as the service allowance units are used or as time elapses, because it reflects the pattern by which the Group satisfies the performance obligation through the transfer of services to the customers.

(b) Sale of mobile handsets and equipment

Revenue is recognised when the customer takes possession of and accepts the goods. If the goods are a partial fulfilment of a contract covering other 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 except when a variable consideration is allocated to a specific performance obligation in the contract. Generally, the Group establishes standalone selling prices with reference to the observable prices of products or services sold separately in comparable circumstances to similar customers.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue and other income (continued)

(i) Revenue from contracts with customers (continued)

(c) Revenue from business solution projects

When the outcome of a project can be reasonably measured, project revenue is recognised progressively over time by measuring the progress towards complete satisfaction of a performance obligation, by reference to surveys of performance completed to date or milestones reached.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the project cannot be reasonably measured, project revenue is recognised only to the extent of project costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in note 1(w)(ii).

(ii) Revenue from other sources and other income

(a) 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.

(b) 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 (see note 1(ac)).

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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(ac) Hedge of net investments in foreign operations

The effective portion of any foreign exchange gain or loss on the borrowings is recognised in other comprehensive income and accumulated in equity in the exchange reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to profit or loss. The ineffective portion is recognised immediately in profit or loss.

2 CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES

Notes 10(b), 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.

2 CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(b) Business solution projects

As explained in note 1(x)(i)(c), revenue from business solution projects is recognised over time. Such revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the business solution activities undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the outcome of the contract can be reasonably measured or the extent of project costs incurred that are expected to be recovered. Until this point is reached, the related contract assets disclosed in note 19(a) do not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total costs or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(c) Depreciation and amortisation

Property, plant and equipment, right-of-use assets and intangible assets are depreciated and amortised on a straight-line basis over its estimated useful lives. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimation. Changes in technology or changes in the intended use of these assets may cause the estimated period of use or value of these assets to change.

(d) Income tax

The Group is subject to income tax in various jurisdictions. Significant judgement is required in determining the worldwide provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination was made.

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and requires significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the financial results in current and future years.

(e) Determining the lease term and discount rate

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not be terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

In determining the discount rate, the Group is required to exercise considerable judgement taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and the effective date of the modification.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

(i) Disaggregation of revenue

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

	Note	**2022 $ million**	2021 $ million
Revenue from contracts with customers			
Disaggregated by major service lines or products:			
Mobile services	(i)	**827**	858
Internet services	(ii)	**1,331**	1,243
International telecommunications services	(iii)	**3,453**	2,461
Enterprise solutions	(iv)	**3,069**	3,165
Fixed line services	(v)	**151**	178
Fees from the provision of telecommunications services		**8,831**	7,905
Sales of mobile handsets and equipment		**1,280**	1,581
		10,111	9,486

Notes:

(i) Mobile services broadly include mobile local and roaming services, other mobile value-added services and others.

(ii) Internet services broadly include internet access services, data centre services and others.

(iii) International telecommunications services broadly include voice services, messaging services and "DataMall 自由行" services.

(iv) Enterprise solutions broadly include enterprise solutions services, business solution projects, virtual private network services, sales of related products and others.

(v) Fixed line services broadly include domestic and international fixed telephony services and others.

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

During the years ended 31 December 2022 and 2021, fees from the provision of telecommunications services is substantially recognised over time and sales of mobile handsets and equipment is recognised at a point-in-time.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (continued)

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

	2022 **$ million**	2021 $ million
Within 1 year	**2,130**	2,064
Over 1 year	**1,200**	1,105
	3,330	3,169

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

The Group has applied the practical expedient in paragraph 121(a) of HKFRS 15 to its contracts for 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

	2022 $ million	2021 $ million
Profit		
Reportable segment profit	**2,732**	2,526
Net loss on disposal of property, plant and equipment	**(1)**	(3)
Net foreign exchange (loss)/gain	**(29)**	3
Depreciation and amortisation	**(914)**	(897)
Finance costs	**(269)**	(270)
Share of profit of a joint venture	**–**	1
Interest income	**22**	13
Rental income from investment property less direct outgoings	**20**	21
Valuation gain on investment property	**9**	28
Unallocated head office and corporate expenses	**(74)**	(67)
Consolidated profit before taxation	**1,496**	1,355

(iii) Reconciliations of reportable segment assets and liabilities

	2022 $ million	2021 $ million
Assets		
Reportable segment assets	**17,350**	17,549
Investment property	**676**	667
Interest in a joint venture	**10**	11
Deferred tax assets	**74**	72
Current tax recoverable	**1**	7
Unallocated head office and corporate assets	**70**	76
Consolidated total assets	**18,181**	18,382
Liabilities		
Reportable segment liabilities	**2,730**	2,349
Bank and other borrowings	**183**	500
Current tax payable	**276**	188
Non-current bank and other borrowings	**4,337**	4,946
Deferred tax liabilities	**172**	211
Unallocated head office and corporate liabilities	**12**	12
Consolidated total liabilities	**7,710**	8,206

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**	
	2022	2021	**2022**	2021
	$ million	$ million	**$ million**	$ million
Hong Kong (place of domicile)	**4,636**	3,737	**1,842**	1,878
Chinese mainland	**1,172**	1,089	**481**	555
Macau	**3,489**	3,919	**11,249**	11,590
Singapore	**424**	435	**461**	491
Others	**390**	306	**217**	228
	5,475	5,749	**12,408**	12,864
	10,111	9,486	**14,250**	14,742

4 OTHER INCOME

	2022	2021
	$ million	$ million
Interest income from deposits	**15**	3
Interest income from finance leases and other interest income	**7**	10
	22	13
Gross rental income from investment property (note)	**22**	23
	44	36

Note: The rental income from investment property less direct outgoings of $2,000,000 (2021: $2,000,000) for the year ended 31 December 2022 is $20,000,000 (2021: $21,000,000).

5 PROFIT BEFORE TAXATION

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

(a) Cost of sales and services

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

	2022 $ million	2021 $ million
Cost of provision of telecommunications services (note)	4,520	3,900
Cost of sales of mobile handsets and equipment	1,255	1,559
	5,775	5,459

Note: Rental charges for leased circuits of $869,000,000 (2021: $904,000,000) are included in cost of provision of telecommunications services for the year ended 31 December 2022.

(b) Depreciation and amortisation

	2022 $ million	2021 $ million
Depreciation charge		
– property, plant and equipment (note 10(a))	612	562
– right-of-use assets (note 11)	171	177
Amortisation (note 12)	131	158
	914	897

(c) Staff costs (including directors' emoluments (note 7))

	2022 $ million	2021 $ million
Contributions to defined contribution retirement plans	85	76
Expenses recognised in respect of defined benefit retirement plan (note 25(a)(v))	8	8
Total retirement costs	93	84
Salaries, wages and other benefits	1,076	998
	1,169	1,082

5 PROFIT BEFORE TAXATION (CONTINUED)

(d) Finance costs

	2022 $ million	2021 $ million
Interest on bank and other borrowings	**248**	240
Interest on lease liabilities (note 21(f))	**18**	20
Other finance charges	**3**	10
Other interest expense (note 25(a)(v))	**–**	1
	269	271
Less: interest expense capitalised into construction in progress*	**–**	(1)
	269	270

* The borrowing costs have been capitalised at a rate of 1.3%–1.5% per annum during the year ended 31 December 2021.

(e) Other items

	2022 $ million	2021 $ million
Auditors' remuneration		
– audit services	**8**	8
– non-audit services	**4**	4
	12	12
Impairment losses for trade debtors and contract assets (note 28(a))	**25**	1
Net loss on disposal of property, plant and equipment	**1**	3
Net foreign exchange loss/(gain)	**29**	(3)

6 INCOME TAX

(a) Income tax in the consolidated income statement represents:

	2022 **$ million**	2021 $ million
Current tax		
Hong Kong Profits Tax		
– Provision for the year	**142**	101
Macau Complementary Tax		
– Provision for the year	**121**	124
– Over-provision in respect of prior years	**–**	(1)
	121	123
Jurisdictions outside Hong Kong and Macau		
– Provision for the year	**45**	35
– Over-provision in respect of prior years	**(1)**	(1)
	44	34
Deferred tax		
Origination and reversal of temporary differences (note 6(c))	**(35)**	(10)
	272	248

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 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 2021/22 subject to a maximum reduction of $10,000 for each business (2021: a maximum reduction of $10,000 was granted for the year of assessment 2020/21 and was taken into account in calculating the provision for 2021).

The provision for Macau Complementary Tax for 2022 is calculated at 12% (2021: 12%) of the estimated assessable profits for the year. Assessable profits of the first Macau Patacas ("MOP") 600,000 (equivalent to approximately $582,000) (2021: 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:

	2022 $ million	2021 $ million
Profit before taxation	**1,496**	1,355
Notional tax on profit before taxation, calculated at the rates applicable to profits in the cities or countries concerned	**228**	198
Tax effect of non-deductible expenses	**63**	61
Tax effect of non-taxable income	**(14)**	(8)
Tax effect of temporary differences previously not recognised and recognition of previous unused tax losses	**(3)**	–
Over-provision in respect of prior years	**(1)**	(2)
Others	**(1)**	(1)
Actual tax expense	**272**	248

(b) Current taxation in the consolidated statement of financial position represents:

	2022 $ million	2021 $ million
Current tax recoverable	**(1)**	(7)
Current tax payable	**276**	188
	275	181

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 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
As at 1 January 2022	**129**	**134**	**(1)**	**(108)**	**(15)**	**139**
Credited to profit or loss (note 6(a))	**(15)**	**(14)**	**–**	**(2)**	**(4)**	**(35)**
Credited to reserves	**–**	**–**	**(6)**	**–**	**–**	**(6)**
Exchange adjustments	**–**	**(2)**	**–**	**–**	**2**	**–**
As at 31 December 2022	**114**	**118**	**(7)**	**(110)**	**(17)**	**98**

Reconciliation to the consolidated statement of financial position

	2022 $ million	2021 $ million
Net deferred tax assets recognised in the consolidated statement of financial position	**(74)**	(72)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**172**	211
	98	139

(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 $68,000,000 (2021: $95,000,000) as at 31 December 2022 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. $34,000,000 (2021: $54,000,000) of the tax losses do not expire under the current tax legislation, and $34,000,000 (2021: $41,000,000) 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:

	2022							
	Directors' fees $ million	Basic salaries and allowances $ million	Discretionary bonuses $ million	Benefits in kind $ million	Retirement scheme contributions $ million	Sub-total $ million	Share-based payments $ million	Total $ million
Executive directors								
Xin Yue Jiang #/Δ	–	4.56	4.07	0.24	–	8.87	–	8.87
Cai Dawei	–	2.76	3.34	0.09	0.02	6.21	–	6.21
Luan Zhenjun Δ (appointed on 1 February 2022)	–	3.42	–	0.14	0.19	3.75	–	3.75
Li Bing Chi, Esmond (retired on 1 February 2022)	–	0.98	–	0.08	0.03	1.09	–	1.09
Non-executive directors								
Wang Guoquan	–	–	–	–	–	–	–	–
Liu Jifu	–	–	–	–	–	–	–	–
Fei Yiping	–	–	–	–	–	–	–	–
Independent non-executive directors								
Zuo Xunsheng	0.34	–	–	–	–	0.34	–	0.34
Lam Yiu Kin	0.34	–	–	–	–	0.34	–	0.34
Wen Ku (appointed on 1 February 2022)	0.31	–	–	–	–	0.31	–	0.31
Total	0.99	11.72	7.41	0.55	0.24	20.91	–	20.91

Director's emoluments determined and paid during the year ended 31 December 2022 included director's discretionary bonuses of $4,070,000 related to the term of service in 2021.

Δ The unpaid portion of the performance related bonuses for 2022 will be determined based on an evaluation to be conducted and finalised in 2023. Such emoluments, when finalised, will be disclosed on an individual name basis in the consolidated financial statements for the year ending 31 December 2023.

7 DIRECTORS' EMOLUMENTS (CONTINUED)

	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 ended 31 December 2021 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 $4,160,000, $3,200,000 and $3,130,000 respectively.

Δ The unpaid portion of the performance related bonuses for 2021 have been finalised in 2022 and such emoluments are disclosed in directors' emoluments for 2022.

The above tables included emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries, and emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the period of his/her being as a director. The above emoluments are included in staff costs as presented in note 5(c).

A number of the Company's directors were granted share options of the Company. Details of the share option plan are set out in note 26.

The discretionary bonuses of the Group were determined and approved by the Company's remuneration committee with reference to the performance of the Group and the respective directors.

During the years ended 31 December 2022 and 2021, 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 2022 and 2021, 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 2022 and 2021.

NOTES TO THE FINANCIAL STATEMENTS

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2021: three) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other three (2021: two) individuals are as follows:

	2022 **$ million**	2021 $ million
Salaries and other emoluments	**11.89**	6.73
Discretionary bonuses	**9.97**	19.43
Retirement scheme contributions	**0.51**	0.48
	22.37	26.64

The emoluments of the three (2021: two) individuals with the highest emoluments are within the following bands:

	2022 **Number of individuals**	2021 Number of individuals
$		
4,000,001 – 4,500,000	**1**	–
4,500,001 – 5,000,000	**1**	–
6,000,001 – 6,500,000	**–**	1
13,000,001 – 13,500,000	**1**	–
20,000,001 – 20,500,000	**–**	1

Discretionary bonuses for 2021 included in the above table were related to the term of service in 2020 and 2021 of the highest paid individuals, which were determined and paid during the year ended 31 December 2021.

During the years ended 31 December 2022 and 2021, 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

	2022 **$ million**	2021 $ million
Profit attributable to equity shareholders of the Company	**1,191**	1,076

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

	Number of shares	
	2022 **million**	2021 million
Issued ordinary shares as at 1 January	**3,683**	3,665
Effect of share options exercised	**4**	12
Weighted average number of ordinary shares (basic) as at 31 December	**3,687**	3,677
Effect of deemed issue of shares under the Company's share option plan	**2**	2
Weighted average number of ordinary shares (diluted) as at 31 December	**3,689**	3,679
Basic earnings per share (HK cents)	**32.3**	29.3
Diluted earnings per share (HK cents)	**32.3**	29.2

10 INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Land and buildings held for own use $ million	Telecommu-nications equipment $ million	Other assets (note 10(d)) $ million	Construction in progress $ million	Sub-total $ million	Investment property (notes 10(b) and 10(c)) $ million	Total $ million
Cost or valuation:							
As at 1 January 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
As at 1 January 2022	**330**	**5,159**	**462**	**788**	**6,739**	**667**	**7,406**
Additions	**–**	**103**	**37**	**185**	**325**	**–**	**325**
Disposals	**–**	**(87)**	**(3)**	**–**	**(90)**	**–**	**(90)**
Reclassification	**–**	**858**	**26**	**(884)**	**–**	**–**	**–**
Fair value adjustment	**–**	**–**	**–**	**–**	**–**	**9**	**9**
Exchange adjustments	**(4)**	**(43)**	**(9)**	**–**	**(56)**	**–**	**(56)**
As at 31 December 2022	**326**	**5,990**	**513**	**89**	**6,918**	**676**	**7,594**
Representing:							
Cost	**326**	**5,990**	**513**	**89**	**6,918**	**–**	**6,918**
Valuation – 2022	**–**	**–**	**–**	**–**	**–**	**676**	**676**
	326	**5,990**	**513**	**89**	**6,918**	**676**	**7,594**
Accumulated depreciation:							
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
As at 1 January 2022	**89**	**3,686**	**339**	**–**	**4,114**	**–**	**4,114**
Charge for the year (note 5(b))	**29**	**543**	**40**	**–**	**612**	**–**	**612**
Written back on disposals	**–**	**(86)**	**(3)**	**–**	**(89)**	**–**	**(89)**
Exchange adjustments	**–**	**(38)**	**(4)**	**–**	**(42)**	**–**	**(42)**
As at 31 December 2022	**118**	**4,105**	**372**	**–**	**4,595**	**–**	**4,595**
Net book value:							
As at 31 December 2022	**208**	**1,885**	**141**	**89**	**2,323**	**676**	**2,999**
As at 31 December 2021	241	1,473	123	788	2,625	667	3,292

10 INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) 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 2022 $ million	**Fair value measurements as at 31 December 2022 categorised into**		
		Level 1 $ million	**Level 2 $ million**	**Level 3 $ million**
Recurring fair value measurement				
Investment property:				
– Industrial – Hong Kong	**676**	**–**	**–**	**676**

	Fair value as at 31 December 2021 $ million	Fair value measurements as at 31 December 2021 categorised into		
		Level 1 $ million	Level 2 $ million	Level 3 $ million
Recurring fair value measurement				
Investment property:				
– Industrial – Hong Kong	667	–	–	667

During the year ended 31 December 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021: 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 2022. The valuation was carried out by an independent firm of surveyors, Centaline Surveyors Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

10 INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Fair value measurement of investment property (continued)

(ii) Information about Level 3 fair value measurements

	Valuation technique	Major unobservable input	Input amount	Relationship of unobservable inputs to fair value
Investment property **Industrial – Hong Kong**	**Direct comparison approach**	**Market unit rate**	**$3,913 per square foot** (2021: $3,852 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:

	2022 **$ million**	2021 $ million
Investment property – Industrial – Hong Kong:		
As at 1 January	**667**	639
Fair value adjustment (note 10(a))	**9**	28
As at 31 December	**676**	667

Fair value adjustment of investment property is recognised in the line item “valuation gain on investment property” on the face of the consolidated income statement.

The fair value adjustment recognised in profit or loss for the year arises from the investment property held during the reporting period.

10 INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Investment property

The Group leases out investment property under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2022 **$ million**	2021 $ million
Within 1 year	**23**	21
After 1 year but within 2 years	**11**	20
After 2 years but within 3 years	**–**	6
	34	47

(d) Other assets include electronic data processing equipment, furniture and fixtures, motor vehicles, leasehold improvements and office equipment.

(e) 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. 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 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
As at 1 January 2022	**232**	**803**	**40**	**1,075**
Additions	**–**	**141**	**–**	**141**
Surrenders and expiry of leases	**–**	**(97)**	**(28)**	**(125)**
Exchange adjustments	**–**	**(34)**	**–**	**(34)**
As at 31 December 2022	**232**	**813**	**12**	**1,057**
Accumulated depreciation:				
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
As at 1 January 2022	**45**	**337**	**39**	**421**
Charge for the year (note 5(b))	**8**	**163**	**–**	**171**
Surrenders and expiry of leases	**–**	**(97)**	**(28)**	**(125)**
Exchange adjustments	**–**	**(9)**	**–**	**(9)**
As at 31 December 2022	**53**	**394**	**11**	**458**
Net book value:				
As at 31 December 2022	**179**	**419**	**1**	**599**
As at 31 December 2021	187	466	1	654

11 RIGHT-OF-USE ASSETS (CONTINUED)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2022 **$ million**	2021 $ million
Depreciation charge	**171**	177
Interest on lease liabilities (note 5(d))	**18**	20
Expense relating to short-term leases	**106**	62

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)**	
	2022 **$ million**	2021 $ million	**2022** **$ million**	2021 $ million
Offices – outside Hong Kong	**–**	–	**19**	19

(iii) Other assets

Other assets include leased circuits and equipment under leases expiring from over 1 to 5 years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

12 INTANGIBLE ASSETS

	Customer relationships $ million	Trade names/ trademarks $ million	Computer software $ million	Total $ million
Cost:				
As at 1 January 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
As at 1 January 2022	**1,581**	**806**	**28**	**2,415**
Write-off	**–**	**–**	**(2)**	**(2)**
Exchange adjustments	**(1)**	**–**	**–**	**(1)**
As at 31 December 2022	**1,580**	**806**	**26**	**2,412**
Accumulated amortisation:				
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
As at 1 January 2022	**1,060**	**266**	**25**	**1,351**
Charge for the year (note 5(b))	**99**	**31**	**1**	**131**
Write-off	**–**	**–**	**(2)**	**(2)**
As at 31 December 2022	**1,159**	**297**	**24**	**1,480**
Net book value:				
As at 31 December 2022	**421**	**509**	**2**	**932**
As at 31 December 2021	521	540	3	1,064

13 GOODWILL

	2022 $ million	2021 $ million
Cost and carrying amount:		
As at 1 January	**9,721**	9,733
Exchange adjustments	**(11)**	(12)
As at 31 December	**9,710**	9,721

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units identified as follows:

	2022 $ million	2021 $ million
Telecoms business – Macau	**8,892**	8,894
Enterprise solutions (outside Macau)	**238**	249
Other telecommunications services	**580**	578
	9,710	9,721

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:

	2022	2021
Services revenue growth rates	**0.1%–7.3%**	3.7%–8.3%
Long-term growth rates	**3.0%**	3.0%
Discount rates	**10.5%–13.4%**	9.1%–10.4%

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	Singapore Dollars ("SGD") 16,500,000*	100%	–	Provision of telecommunications services
Asia Pacific Internet Exchange Limited (formerly known as "ComNet Investment Limited")	Hong Kong	HK$2*	–	100%	Property and equipment holding, and investment holding
China Enterprise ICT Solutions Limited ("CEC") ***	The People's Republic of China	Renminbi ("RMB") 84,620,000	–	49% (note (i))	Provision of value-added telecommunications services
China Enterprise Netcom Corporation Limited	Hong Kong	HK$100*	–	100%	Provision of telecommunications and technology services
CITIC Telecom CPC Estonia OÜ	Republic of Estonia	Euro ("EUR") 20,001*	–	100%	Provision of telecommunications services
CITIC Telecom CPC Netherlands B.V.	Netherlands	EUR131,056.71*	–	100%	Provision of wired telecommunications services and investment holding
CITIC Telecom CPC Poland Sp.zo.o.	Republic of Poland	Polish Zloty 56,000*	–	100%	Provision of telecommunications services
CITIC Telecom International CPC Limited	Hong Kong	HK$402,712,186*	–	100%	Provision of telecommunications services
CITIC Telecom International CPC Japan Limited	Japan	Japanese Yen ("JPY") 10,000,000*	–	100%	Provision of telecommunications services
CITIC Telecom International CPC (Malaysia) Sdn. Bhd.	Malaysia	Malaysian Ringgit ("MYR") 500,000*	–	100%	Provision of telecommunications services
CITIC Telecom International CPC (Singapore) Pte. Ltd.	Republic of Singapore	SGD2,000,000*	–	100%	Provision of telecommunications services
CITIC Telecom International (Data) Limited	Hong Kong	HK$2*	–	100%	Provision of telecommunications services
CITIC Telecom International (Japan) Ltd.	Japan	JPY10,000,000*	–	100%	Provision of telecommunications services

14 INTERESTS IN SUBSIDIARIES (CONTINUED)

(a) The following list contains only the particulars of principal subsidiaries of the Group. (continued)

Name of company	Place of incorporation/ operation	Particulars of issued and fully paid-up capital	Proportion of ownership interest		Principal activity
			Held by the Company	Held by subsidiaries	
CITIC Telecom International Limited	Hong Kong	HK$2*	100%	–	Provision of telecommunications services
CITIC Telecom (UK) Limited	United Kingdom	Pound Sterling 2*	–	100%	Provision of telecommunications services
ComNet Telecom (HK) Limited	Hong Kong	HK$2*	–	100%	Provision of telecommunications services
ComNet Telecom International Limited	Hong Kong	HK$2*	–	100%	Provision of telecommunications services
Companhia de Telecomunicações de Macau, S.A.R.L.	Macau	MOP 150,000,000*	99%	–	Provision of telecommunications services
Neostar Investment Limited	Hong Kong	HK$2*	–	100%	Property holding
Pacific ComNet (M) Sdn. Bhd.	Malaysia	MYR700,000*	–	100%	Provision of telecommunications services
Pacific Internet (S) Pte. Ltd.	Republic of Singapore	SGD500,000*	–	100%	Provision of telecommunications services
Pacific Internet (Thailand) Limited	Thailand	Thai Baht 188,176,100*	–	100%	Provision of telecommunications services
中信電訊(上海)科技有限公司**	The People's Republic of China	RMB26,600,000	100%	–	Provision of telecommunications services

Notes:

(i) The Group has consolidated the results of CEC as the Group is exposed and has rights to variable returns from its involvement with CEC and has the ability to affect those returns through its power over CEC.

* Represents ordinary shares.

** Registered as wholly foreign owned enterprise under the law of the People's Republic of China.

*** Registered as limited liability company under the law of the People's Republic of China.

(b) The Group had no subsidiaries which have material non-controlling interests for the years ended 31 December 2022 and 2021.

15 INTEREST IN A JOINT VENTURE

As at 31 December 2022, the Group's 85% equity interest in a joint venture of $10,000,000 (2021: $11,000,000) 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 2022, the carrying amount of inventories of $132,000,000 (2021: $103,000,000) is stated as cost.

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2022 **$ million**	2021 $ million
Carrying amount of inventories sold	**1,607**	1,950
Write down of inventories	**1**	–
Reversal of write-down of inventories	**–**	(1)
	1,608	1,949

17 CONTRACT COSTS

Contract costs capitalised primarily relate to the incremental sales commissions paid to employees or agents whose selling activities resulted in customers entering into contracts for the provision of telecommunications services. Contract costs are recognised as part of "costs of sales and services" in the consolidated income statement in the period in which revenue from the related contracts is recognised. The amount of capitalised costs recognised in profit or loss during the year was $7,000,000 (2021: $7,000,000). There was no impairment in relation to the capitalised costs during the year (2021: 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:

	2022 **$ million**	2021 $ million
Within 1 year	**9**	4
After 1 year but within 2 years	**5**	4
After 2 years but within 3 years	**2**	2
After 3 years but within 4 years	**2**	–
Total contractual undiscounted finance lease receivables	**18**	10
Less: unearned finance income	**(1)**	(1)
Net amount of finance lease receivables	**17**	9
Less: allowance for impairment loss	**–**	–
Carrying amount of finance lease receivables	**17**	9
Present value of minimum finance lease receivables:		
Within 1 year	**8**	4
After 1 year but within 2 years	**5**	4
After 2 years but within 3 years	**2**	1
After 3 years but within 4 years	**2**	–
	9	5
	17	9

During the year ended 31 December 2022, the Group entered into finance lease arrangements as a lessor for computer hardware and peripheral equipment. The terms of finance leases are for 2–5 years (2021: 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 5.58% (2021: 2.14% to 2.21%) per annum.

Finance lease receivables are secured over the computer hardware and peripheral equipment leased. The Group does not permit to sell or repledge the collateral in the absence of default by the lessee.

19 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2022 $ million	2021 $ million
Arising from international telecommunications services	**9**	52
Arising from sales of mobile handsets and equipment bundled with services	**100**	102
Arising from business solution projects	**141**	124
	250	278
Represented by:		
Non-current portion	**26**	23
Current portion	**224**	255
	250	278
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "trade and other receivables and deposits" (note 20)	**908**	758

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

	2022 **$ million**	2021 $ million
Billings in advance of performance		
– Business solution projects	**38**	36
– Other telecommunications services	**146**	149
	184	185
Represented by:		
Non-current portion	**1**	1
Current portion	**183**	184
	184	185

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 $168,000,000 (2021: $163,000,000), was recognised during the year ended 31 December 2022.

20 TRADE AND OTHER RECEIVABLES AND DEPOSITS

	2022 $ million	2021 $ million
Trade debtors	**956**	787
Less: loss allowance	**(48)**	(29)
	908	758
Other receivables and deposits	**535**	593
	1,443	1,351
Represented by:		
Non-current portion	**150**	103
Current portion	**1,293**	1,248
	1,443	1,351

The carrying amount of trade and other receivables and deposits is considered to be the same as its fair value.

As at 31 December 2022 and 2021, included in other receivables and deposits were the following:

(i) prepayment of $19,000,000 (2021: $26,000,000) 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 $69,000,000) (2021: RMB62,000,000 (equivalent to approximately $76,000,000)).

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:

	2022 $ million	2021 $ million
Within 1 year	**899**	749
Over 1 year	**9**	9
	908	758

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:

	2022 $ million	2021 $ million
Cash at bank and in hand	**1,138**	1,203
Time deposits with banks	**123**	229
Other deposits (note 21(d))	**725**	361
Cash and deposits in the consolidated statement of financial position (note 21(b))	**1,986**	1,793
Less: pledged deposits (note 21(c))	**(6)**	(6)
Less: other deposits (note 21(d))	**(725)**	(361)
Cash and cash equivalents in the consolidated cash flow statement	**1,255**	1,426

The carrying amount of cash and deposits is considered to be the same as its fair value.

(b) Included in cash and deposits were $172,000,000 (2021: $214,000,000) placed in financial institutions in Chinese mainland and the remittance of these funds out of Chinese mainland is subject to exchange restrictions imposed by the Government of the People's Republic of China (the "PRC Government").

(c) As at 31 December 2022, bank deposits of $6,000,000 (2021: $6,000,000) were pledged to secure parts of the banking facilities of the Group.

(d) As at 31 December 2022, other deposits of $725,000,000 (2021: $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	2022 $ million	2021 $ million
Profit before taxation		**1,496**	1,355
Adjustments for:			
Depreciation and amortisation	5(b)	**914**	897
Valuation gain on investment property	10(a)	**(9)**	(28)
Net loss on disposal of property, plant and equipment	5(e)	**1**	3
Share of profit of a joint venture		**–**	(1)
Finance costs	5(d)	**269**	270
Interest income	4	**(22)**	(13)
Foreign exchange loss		**11**	5
		2,660	2,488
Changes in working capital:			
Increase in inventories		**(29)**	(42)
Increase in contract costs		**(1)**	(20)
Increase in trade and other receivables and deposits		**(87)**	(66)
Increase in finance lease receivables		**(8)**	(9)
Decrease in contract assets		**28**	96
Increase in trade and other payables		**371**	224
(Decrease)/increase in contract liabilities		**(1)**	7
Increase/(decrease) in net defined benefit retirement obligation		**2**	(2)
Cash generated from operations		**2,935**	2,676

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 2022	**5,446**	**496**	**5,942**
Changes from financing cash flows:			
Proceeds from new bank and other borrowings	353	–	353
Repayment of bank and other borrowings	(1,283)	–	(1,283)
Capital element of lease rentals paid	–	(157)	(157)
Interest element of lease rentals paid	–	(18)	(18)
Other borrowing costs paid	(248)	–	(248)
Total changes from financing cash flows	(1,178)	(175)	(1,353)
Exchange adjustments	**1**	**(26)**	**(25)**
Other changes:			
Increase in lease liabilities from entering into new leases during the year	–	141	141
Interest on lease liabilities (note 5(d))	–	18	18
Interest expenses and other finance charges	251	–	251
Total other changes	251	159	410
As at 31 December 2022	**4,520**	**454**	**4,974**

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 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

(g) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2022 $ million	2021 $ million
Within operating cash flows	**106**	62
Within financing cash flows	**175**	179
	281	241

These above amounts relate to lease rentals paid.

22 TRADE AND OTHER PAYABLES

	2022 $ million	2021 $ million
Trade creditors	**1,202**	1,023
Other payables and accruals	**841**	645
	2,043	1,668
Represented by:		
Non-current portion	**16**	23
Current portion	**2,027**	1,645
	2,043	1,668

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:

	2022 $ million	2021 $ million
Within 1 year	**994**	794
Over 1 year	**208**	229
	1,202	1,023

23 BANK AND OTHER BORROWINGS

	2022 $ million	2021 $ million
Bank and other loans	**948**	1,877
Guaranteed bonds at 6.1% due 2025 (note 23(b))	**3,503**	3,500
	4,451	5,377
Interest payable	**69**	69
	4,520	5,446

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

	2022 $ million	2021 $ million
Within 1 year or on demand	**183**	500
After 1 year but within 2 years	**809**	235
After 2 years but within 5 years	**3,528**	4,711
	4,337	4,946
	4,520	5,446

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 2022 and 2021, 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:

	2022		2021	
	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	**131**	**146**	140	153
After 1 year but within 2 years	**97**	**109**	94	104
After 2 years but within 5 years	**130**	**151**	141	160
After 5 years	**96**	**106**	121	132
	323	**366**	356	396
	454	**512**	496	549
Less: total future interest expenses		**(58)**		(53)
Present value of lease liabilities		**454**		496

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 2022 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 82% (2021: 97%) covered by the plan assets held by the trustees as at 31 December 2022. 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:

	2022 $ million	2021 $ million
Present value of plan obligations	**335**	347
Fair value of plan assets	**(274)**	(335)
	61	12

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay $6,000,000 in contributions to the Fund in 2023.

25 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(a) Defined benefit retirement plan (continued)

(ii) Plan assets consist of the following:

	2022 $ million	2021 $ million
Cash and money market	**14**	14
Bonds		
– Government bonds	**53**	61
– Corporate bonds	**70**	80
	123	141
Equity securities		
– Asia	**8**	15
– North America	**101**	132
– Europe	**27**	31
– Other areas	**1**	2
	137	180
	274	335

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

	2022 $ million	2021 $ million
As at 1 January	**347**	346
Remeasurements:		
– Experience adjustments	**(3)**	(1)
– Actuarial (gains)/losses arising from changes in financial assumptions	**(1)**	7
	(4)	6
Benefits paid by the Fund	**(28)**	(26)
Employees' contributions	**3**	4
Current service cost	**8**	8
Interest cost	**9**	10
Exchange adjustments	**–**	(1)
As at 31 December	**335**	347

The weighted average duration of the defined benefit obligation is 5 years (2021: 5 years).

(iv) Movements in plan assets

	2022 $ million	2021 $ million
As at 1 January	**335**	317
Employer's and employees' contributions paid to the Fund	**10**	15
Benefits paid by the Fund	**(28)**	(26)
Administrative expenses	**(1)**	(1)
Interest income	**9**	9
Return on plan assets, excluding interest income	**(50)**	22
Exchange adjustments	**(1)**	(1)
As at 31 December	**274**	335

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:

	2022 **$ million**	2021 $ million
Current service cost	**8**	8
Net interest on net defined benefit liability	**–**	1
Administrative expenses	**1**	1
Total amounts recognised in profit or loss	**9**	10
Actuarial (gains)/losses	**(4)**	6
Return on plan assets, excluding interest income	**50**	(22)
Total amounts recognised in other comprehensive income	**46**	(16)
Net defined benefit loss/(gain)	**55**	(6)

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:

	2022 **$ million**	2021 $ million
Staff costs (note 5(c))	**8**	8
Other operating expenses	**1**	1
Finance costs (note 5(d))	**–**	1
	9	10

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:

	2022	2021
Discount rate	**2.7%**	2.6%
Future salary growth	**3.0%**	3.0%

The below analysis shows how the defined benefit obligation as at 31 December 2022 would have increased/(decreased) as a result of a 0.25% (2021: 0.25%) change in the significant actuarial assumptions:

	2022		2021	
	Increase in 0.25% $ million	**Decrease in 0.25% $ million**	Increase in 0.25% $ million	Decrease in 0.25% $ million
Discount rate	**(4)**	**4**	(4)	4
Future salary growth	**3**	**(3)**	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

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 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 share options granted on 24 March 2015 have expired at the close of business on 23 March 2022.

26 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) The terms and conditions of the outstanding options granted under the CITIC Telecom International Plan are as follows, whereby all options are settled by physical delivery of shares:

	Exercise price per share	Number of options	Vesting condition	Expiry date	Number of share options outstanding as at 31 December 2022	2021
Options granted to directors:						
– on 24 March 2015	$2.612	6,819,000	Fully vested on 24 March 2017	Expired at the close of business on 23 March 2022	**–**	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**	500,500
– on 24 March 2017	$2.45	7,319,000	Fully vested on 24 March 2019	Expire at the close of business on 23 March 2024	**1,500,500**	1,500,500
Options granted to officers and employees$^{\Delta}$**:**						
– on 24 March 2015	$2.612	36,937,250	Fully vested on 24 March 2017	Expired at the close of business on 23 March 2022	**–**	8,009,750
– 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	**7,033,000**	8,347,000
– 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	**9,904,500**	11,917,000
					18,938,500	30,275,250

Δ Number of options outstanding as at 31 December 2022 and 2021 include those options granted to former employees of the Company who had resigned/retired/passed away.

26 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) The number and weighted average exercise prices of the outstanding share options are as follows:

	2022 Weighted average exercise price	2022 Number of options	2021 Weighted average exercise price	2021 Number of options
Outstanding at the beginning of the year	**$2.49**	**30,275,250**	$2.52	58,326,317
Exercised during the year (note 27(c))	**$2.52**	**(5,268,000)**	$2.52	(18,396,000)
Lapsed during the year	**$2.60**	**(6,068,750)**	$2.61	(9,655,067)
Outstanding at the end of the year	**$2.45**	**18,938,500**	$2.49	30,275,250
Exercisable at the end of the year	**$2.45**	**18,938,500**	$2.49	30,275,250

During the year ended 31 December 2022, options for 5,268,000 (2021: 18,396,000) shares were exercised, options for 6,068,750 (2021: 9,655,067) shares have lapsed and no option (2021: Nil) has been cancelled. The value of vested options lapsed during the year ended 31 December 2022 was $4,000,000 (2021: $6,000,000) 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 $2.84 (2021: $2.77). The options outstanding as at 31 December 2022 had a weighted average exercise price of $2.45 (2021: $2.49) and a weighted average remaining contractual life of 0.83 years (2021: 1.40 years).

During the year ended 31 December 2022, the proceeds from new shares issued under share option plan was $13,000,000 (2021: $46,000,000).

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 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)	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)	–	(6)	6	–
Dividends declared in respect of the current financial year	27(b)(i)	–	–	(202)	(202)
Balance as at 31 December 2021 and 1 January 2022		**4,704**	**73**	**3,349**	**8,126**
Changes in equity for 2022:					
Total comprehensive income for the year		**–**	**–**	**1,164**	**1,164**
Shares issued under share option plan	26(b)	**16**	**(3)**	**–**	**13**
Dividends approved in respect of the previous financial year	27(b)(ii)	**–**	**–**	**(627)**	**(627)**
Release upon lapse of share options	26(b)	**–**	**(4)**	**4**	**–**
Dividends declared in respect of the current financial year	27(b)(i)	**–**	**–**	**(221)**	**(221)**
Balance as at 31 December 2022		**4,720**	**66**	**3,669**	**8,455**

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2022 **$ million**	2021 $ million
Interim dividend declared and paid of HK6.0 cents (2021: HK5.5 cents) per share	**221**	202
Final dividend proposed after the end of the reporting period of HK18.5 cents (2021: HK17.0 cents) per share	**682**	626
	903	828

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

	2022 **$ million**	2021 $ million
Final dividend in respect of the previous financial year, approved and paid during the year, of HK17.0 cents (2021: HK16.0 cents) per share	**627**	589

For the final dividend in respect of the year ended 31 December 2021, there was a difference of $1,000,000 between the final dividend disclosed in 2021 annual report and the amount paid during the year ended 31 December 2022, 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	**2022** No. of shares	**2022** Amount $ million	2021 No. of shares	2021 Amount $ million
Ordinary shares, issued and fully paid:					
As at 1 January	(i)	**3,683,012,882**	**4,704**	3,664,616,882	4,646
Shares issued under share option plan	(ii)	**5,268,000**	**16**	18,396,000	58
As at 31 December	(i)	**3,688,280,882**	**4,720**	3,683,012,882	4,704

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 2022, 5,268,000 (2021: 18,396,000) ordinary shares were issued at a weighted average exercise price of $2.52 (2021: $2.52) 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 as well as the effective portion of foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in notes 1(y) and 1(ac).

(iii) Property revaluation reserve

The property revaluation reserve represents the surplus on revaluation of 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 2022, 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 $3,669,000,000 (2021: $3,349,000,000). After the end of the reporting period, the directors proposed a final dividend of HK18.5 cents (2021: HK17.0 cents) per share, amounting to $682,000,000 (2021: $626,000,000). 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 2022 and 2021 is as follows:

	2022 **$ million**	2021 $ million
Total debt	**4,520**	5,446
Less: Cash and deposits	**(1,986)**	(1,793)
Net debt	**2,534**	3,653
Total equity attributable to equity shareholders of the Company	**10,373**	10,095
Total capital	**12,907**	13,748
Net gearing ratio	**20%**	27%

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 2022 and 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, 5.0% (2021: 16.3%) of the total trade debtors and contract assets was due from the Group's five largest customers.

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:

		2022			2021	
	Expected loss rate	**Gross carrying amount $ million**	**Loss allowance $ million**	Expected loss rate	Gross carrying amount $ million	Loss allowance $ million
Current (not past due)	**0.1%**	**816**	**(1)**	0.3%	829	(2)
1–180 days	**8.5%**	**318**	**(27)**	5.9%	195	(11)
181–365 days	**10.6%**	**48**	**(5)**	29.4%	23	(7)
More than 365 days	**63.2%**	**24**	**(15)**	49.4%	18	(9)
		1,206	**(48)**		1,065	(29)

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:

	2022 $ million	2021 $ million
Balance as at 1 January	**29**	37
Amounts written off	**(6)**	(9)
Impairment losses recognised (note 5(e))	**25**	1
Balance as at 31 December	**48**	29

(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:

	2022						2021					
	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	**2,022**	**-**	**-**	**-**	**2,022**	**2,022**	1,639	-	-	-	1,639	1,639
Bank and other borrowings	**183**	**-**	**-**	**-**	**183**	**183**	500	-	-	-	500	500
Lease liabilities	**146**	**109**	**151**	**106**	**512**	**454**	153	104	160	132	549	496
Non-current bank and other borrowings	**192**	**1,069**	**3,644**	**-**	**4,905**	**4,337**	166	468	5,058	-	5,692	4,946
	2,543	**1,178**	**3,795**	**106**	**7,622**	**6,996**	2,458	572	5,218	132	8,380	7,581

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:

	2022		2021	
	Effective interest rate	**$ million**	Effective interest rate	$ million
Fixed rate borrowings:				
Guaranteed bonds	**6.1%**	**3,503**	6.1%	3,500
Bank and other loans	**–**	**–**	3.2%	26
	6.1%	**3,503**	6.1%	3,526
Variable rate borrowings:				
Bank and other loans	**5.5%**	**948**	1.2%	1,851
Exposure	**5.5%**	**948**	1.2%	1,851
Total borrowings	**6.0%**	**4,451**	4.4%	5,377
Fixed rate borrowings as a percentage of total borrowings		**78.7%**		65.6%

(ii) Sensitivity analysis

As at 31 December 2022, it is estimated that a general increase/decrease of 50 (2021: increase of 50) basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit for the year and retained profits by approximately $5,000,000 (2021: decreased by $9,000,000). Other components of consolidated equity would not be affected (2021: 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 2021.

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 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 2022 $ million	RMB 2021 $ million
Trade and other receivables and deposits	**55**	94
Cash and deposits	**28**	73
Trade and other payables	**(13)**	(15)
	70	152

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 (2021: Nil) by the changes in the foreign exchange rates.

	2022		2021	
	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%**	**6**	10%	14
	(10%)	**(6)**	(10%)	(14)

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 2021.

(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 2022 and 2021.

29 COMMITMENTS

Capital commitments outstanding at the end of the reporting period not provided for in the consolidated financial statements were as follows:

	2022 $ million	2021 $ million
Contracted for	**37**	67
Authorised but not contracted for	**79**	86
	116	153

30 PERFORMANCE BONDS

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

	2022 $ million	2021 $ million
Performance bonds provided to customers of business solutions projects	**77**	77
Performance bonds provided to others	**10**	8
	87	85

In respect of above, no provision has been made in the consolidated financial statements. As at 31 December 2022, the directors do not consider it probable that a claim will be made against the Group under any of the performance bonds. The maximum liability of the Group at the end of the reporting period is the total amount guaranteed by the performance bonds of $87,000,000 (2021: $85,000,000).

31 MATERIAL RELATED PARTY TRANSACTIONS

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

(i) Recurring transactions

	2022 $ million	2021 $ million
Internet data centre services fee received/receivable from fellow subsidiaries	**13**	11
Virtual private network services fee received/receivable from fellow subsidiaries	**27**	24
Internet access services fee received/receivable from fellow subsidiaries	**13**	6
Telecommunications services and related expenses paid/payable to		
– a fellow subsidiary	**(23)**	(24)
– an associate of the ultimate holding company	**(12)**	(11)
Professional fees paid/payable to a controlling shareholder for the provision of internal audit and company secretarial services	**(6)**	(5)
Building management fees, water and electricity fees, air conditioning charges and car parking spaces rental paid/payable to fellow subsidiaries	**(14)**	(14)
Rental income and building management charges received/receivable from a fellow subsidiary	**17**	17
Interest income from bank deposits received/receivables from fellow subsidiaries	**6**	–
Finance costs on bank and other borrowings paid/payable to fellow subsidiaries	**(32)**	–

The directors are of the opinion that the above transactions with related parties were conducted on normal commercial terms in the ordinary course of business and the terms are fair and reasonable so far as the shareholders of the Company are concerned. The professional fees paid by the Group were reimbursement of costs incurred by the related party, the prices which the Group paid for the relevant services were fair and reasonable with reference to market price.

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

	2022 $ million	2021 $ 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	**69**	76
Lease liabilities due to fellow subsidiaries	**(18)**	(29)
Balance of deposits with fellow subsidiaries	**729**	363
Bank and other borrowings from fellow subsidiaries	**(948)**	(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:

	2022 $ million	2021 $ million
Within 1 year	**14**	14
After 1 year but within 2 years	**6**	14
After 2 years but within 3 years	**–**	6
	20	34

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(c).

(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

	2022 $ million	2021 $ million
Interest income from bank deposits	**6**	4
Fees received/receivable from the provision of telecommunications services	**1,151**	1,182
Fees paid/payable for cost of sales and services	**(2,390)**	(1,927)
Purchase of property, plant and equipment	**(4)**	(1)

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

	2022 $ million	2021 $ million
Bank deposits	**402**	514
Trade debtors	**83**	94
Contract assets	**8**	51
Trade and other payables	**(565)**	(334)

(c) Key management personnel emoluments

Emoluments for key management personnel of the Group are as follows:

	2022 $ million	2021 $ million
Short-term employee benefits	**42**	39
Post-employment benefits	**1**	1
	43	40

Total emoluments are included in "staff costs" (see note 5(c)).

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2022 $ million	2021 $ million
Non-current assets			
Property, plant and equipment		**3**	3
Investments in subsidiaries		**11,553**	11,169
Deferred tax assets		**10**	9
		11,566	11,181
Current assets			
Trade and other receivables and deposits		**1,659**	2,009
Cash and deposits		**188**	183
		1,847	2,192
Current liabilities			
Trade and other payables		**592**	286
Bank and other borrowings		**–**	30
		592	316
Net current assets		**1,255**	1,876
Total assets less current liabilities		**12,821**	13,057
Non-current liabilities			
Non-current other payables		**3,571**	3,568
Non-current bank and other borrowings		**795**	1,363
		4,366	4,931
NET ASSETS		**8,455**	8,126
CAPITAL AND RESERVES	27(a)		
Share capital		**4,720**	4,704
Reserves		**3,735**	3,422
TOTAL EQUITY		**8,455**	8,126

Approved and authorised for issue by the board of directors on 16 March 2023.

Xin Yue Jiang
Director

Luan Zhenjun
Director

33 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 27(b)(i).

34 IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTY

As at 31 December 2022, the directors consider the immediate parent and the ultimate controlling party of the Group to be Ease Action Investments Corp., which is incorporated in the British Virgin Islands, and CITIC Group Corporation, which is a wholly state-owned company in the PRC, respectively. The intermediate holding company, CITIC Limited, which is incorporated and listed in Hong Kong, produces financial statements available for public use.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of new and amended standards, which are not yet effective for the year ended 31 December 2022 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
HKFRS 17, *Insurance contracts*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2024
Amendments to HKAS 1, *Presentation of financial statements: Non-current Liabilities with Covenants*	1 January 2024
Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

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

PROPERTY

PROPERTY HELD FOR INVESTMENT

Location	Existing use	Term of lease
4 Lorry Parking Spaces on 1st Floor, 2 Lorry Parking Spaces on 2nd Floor, 1 Lorry Parking Space on 3rd Floor, 19th Floor, Unit 2101 to 2104 and 2108 on 21st Floor and 22nd Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong	Lorry Parking Space and Ancillary Office	Medium
5th to 11th Floors, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong	Industrial	Medium

GLOSSARY

4G	4G is the fourth generation of broadband cellular network technology, succeeding 3G
5G	5th generation mobile networks
AI	Artificial Intelligence
Big Data	Big data refer to the use of predictive analytics, user behavior analytics, or certain other advanced data analytics methods that extract value from data
Cloud/cloud computing	Cloud/cloud computing is a model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (e.g. networks, servers, storage, applications and services etc.) that can be rapidly provisioned and released with minimal management effort or service provider interaction
EPL	Ethernet private line (EPL) provides a point-to-point high transparency Ethernet connection between two sites
eSIM	Embedded-SIM
ICT	Information and Communications Technology (ICT), an umbrella term that includes any communication device or application, encompassing: radio, television, cellular phones, computer and network hardware and software, satellite systems etc., as well as the various services and applications associated with them
ICT-MiiND	Fusing deep ICT expertise, decades of practical experience, global carrierclass 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 customised 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
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
LTE	Long-term evolution (LTE), marketed as 4G LTE, is a standard for wireless communication of high-speed data for mobile phones and data terminals
MMS	Multimedia Messaging Service
PoP(s)	Point(s)-of-Presence, connection facilities co-located in the data centres of other telecoms operators that consist primarily of transmission equipment with which calls and data are routed to and from the Group’s hub

GLOSSARY

SASE	SASE (Secure Access Service Edge) is a remarkable new paradigm to distributed infrastructure, simultaneously securing and simplifying enterprise' network with a topology optimised for today's organisations
SD-WAN	SD-WAN is an acronym for software-defined networking in a wide area network (WAN). An SD-WAN simplifies the management and operation of a WAN by decoupling (separating) the networking hardware from its control mechanism
SIEM	SIEM (Security Information and Event Management) is a state-of-the-art technology engine for tracing billions of events daily and identify real threats timely and accurately for quick remediation actions, greatly reducing businesses' time on analysing and correlating the security logs
SIMN	Single IMSI Multiple Number (SIMN) service, a Mobile VAS which allows mobile operators' subscribers to hold multiple overseas mobile phone numbers on their existing SIM cards, providing frequent travelers and mobile roamers the choice of saving roaming charges in SIMN-enabled regions
SMS	Short Message Service (SMS), a service available on most digital mobile phones that permits the sending of short messages between mobile phones, other handheld devices and even landline telephones
SOC	Self-owned 24 x 7 Security Operations Centers (SOCs) are equipped with advanced SIEM technology and managed by certified security expertise for providing around-the-clock monitoring services to enterprise for real-time threat analysis and handling
VoLTE	Voice Over LTE (VoLTE) means connection of voice call through 4G LTE network
VPN	Virtual Private Network (VPN), a network that uses a public telecommunication infrastructure, such as the internet, to provide remote offices or individual users with secure access to their organisation's network

CORPORATE INFORMATION

HEADQUARTERS AND REGISTERED OFFICE

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

Tel: 2377 8888
Fax: 2376 2063

WEBSITE

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

STOCK CODES

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

SHARE REGISTRAR

Shareholders should contact our Registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong at 2980 1333, or by fax: 2810 8185, on matters such as transfer of shares, change of name or address, or loss of share certificates.

FINANCIAL CALENDAR

Closure of Register:	19 May 2023 to 24 May 2023 and 31 May 2023 to 2 June 2023
Annual General Meeting:	24 May 2023, 10:00 a.m. Island Ballroom, Level 5 Island Shangri-La Hotel Two Pacific Place Supreme Court Road Hong Kong
Final Dividend Payable:	14 June 2023

ANNUAL REPORT 2022

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

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

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

中信國際電訊
CITIC TELECOM INTERNATIONAL

WWW.CITICTEL.COM