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中信國際電訊集團有限公司
CITIC TELECOM INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 01883)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

CHAIRMAN'S STATEMENT

I am pleased to present the operating and financial results of CITIC Telecom International Holdings Limited (the "Group") for the first half of 2019.

In the first half of 2019, the Group made proactive efforts in practicing a new development concept and further implemented an innovative development strategy, with a view to fostering Internet-based operations as well as the sustainable enhancement in quality and efficiency of development. With mobile and Internet services remaining as its core focus, the Group placed emphasis on Cloud computing, Big Data, IoT and AI, driving business innovations to gather momentum for future developments. In order to react to the global economic upheaval, the Group proactively took the initiative to strengthen risk precaution with sober analysis. As such, the Group maintained growth in its core businesses and achieved an ongoing increase in profitability.

I. FINANCIAL RESULTS

Profit attributable to equity shareholders of the Group for the first half of 2019 was HK\$511.1 million, increasing by 4.6% compared to the corresponding period of the previous year. If valuation gain of investment property for the period in the sum of HK\$21.9 million was excluded, an increase of 5.2% was resulted when comparing to the corresponding period of the previous year.

The Group's revenue from telecommunications services amounted to HK\$3,615.3 million, increased by 2.7% when comparing to the corresponding period of the previous year. Being affected by the decrease in revenue from the sales of equipment and mobile handsets, the Group's total revenue amounted to HK\$4,375.2 million, representing a decline of 11.0% compared to the corresponding period of the previous year.

Basic earnings per share for the first half of the year amounted to HK14.1 cents, representing an increase of 2.2% compared to the corresponding period of the previous year.

The Board declared an interim dividend of HK5.0 cents per share for 2019, representing a 25.0% growth over the corresponding period of the previous year.

II. BUSINESS DEVELOPMENT

With regards to mobile sales & services business, the Group continued its leadership in network security and network quality while capturing the opportunities for business growth in the Guangdong-Hong Kong-Macau Greater Bay Area. The services and products launched for the Greater Bay Area received a broad welcome, resulting in a continuous growth in roaming services. The Group's 4G market share in Macau was 44.5%. As for 5G, building on its success in network technology testing last year, the Group fortified its communication with relevant government authorities and completed the plan for 5G network construction, contemplating the launch of 5G services simultaneously with the surrounding areas in 2020. The Group has been well-prepared for providing 5G cross-border communications services to operators in exploring further opportunities in 5G developments.

In connection with its Internet services business and Smart City, the Group continued to increase its investment in infrastructure for fibre network, data centre, Cloud computing and introduced high-profile partnerships to jointly expand the application of Smart City. Leveraging on its full fibre coverage, the Group continued to increase the weighting of fibre network for home and business broadband service customers. Fibrelisation rate of commercial broadband users was near 100%, while that of residential customers rose further to 89%. Phase IIIA project of the CITIC Telecom Tower Data Centre of the Group had been completed and sold out in batches, while phase IIIB project was expected to be launched to the market in the second half of 2020.

For its enterprise solution services business, the Group further expanded its VPN coverage. TrueCONNECT, our exclusive VPN, covered more than 130 countries and regions around the globe with over 140 network service spots. It has established coverage advantage along the Belt and Road, and enabled access to more public Cloud platforms. As the Group constantly improved its IT capabilities, its services have transformed from network access to comprehensive ICT services including connectivity, Cloud computing, information security and disaster recovery. Further ICT resources were devoted to the Guangdong-Hong Kong-Macau Greater Bay Area, where services such as co-location, Cloud computing, MPLSVPN and Internet, together with 100Mbps to 10Gbps high-speed Ethernet broadband, disaster recovery, network security, etc. were in place. Enterprise CT and IT services in Southeast Asia were integrated, with the outreach of services extended to Singapore, Thailand, Malaysia, Indonesia and the Philippines. High-end Cloud computing platform business had undergone healthy development in Southeast Asia, as evidenced by the ongoing expansion of coverage of the "Pacific Internet" brand. Southeast Asian market is expected to become another crucial business segment of the Group.

Revenue from the international telecommunications services business maintained a growing trend as compared to the same period of last year. The Group enjoyed a leading position in the market for Internet-based SMS business, and the A2P SMS business maintained a strong growth momentum. "DataMall 自由行", the Group's Internet-based mobile roaming data trading platform, was updated to offer 4G services while the deployment of eSIM service was completed, laying a solid foundation for the expansion of business scale and grabbing the advance opportunities for 5G international roaming business. The Group achieved encouraging progress in the development of its Internet-based business system which has commenced to support part of its Internet-based business operations.

The Group attached great importance to product innovations and R&D work. The R&D team continued to expand and made breakthrough in the R&D work, contributing to the continuous enhancement in software capabilities and software standard. The Group's remarkable R&D achievements in many respects such as AI, 5G, Big Data, eSIM, CPaaS and Smart City provided new driving force for high quality development of the Group.

III. OUTLOOK

Looking forward, the Group will continue to promote technological innovations and make greater investment in R&D, so as to realise the transformation from a telecommunications operator to a Smart City operator, and the shift of focus from enterprise ICT services to government and enterprise ICT services in the era of the “Internet of Everything”, which is driven by the 5G development. Concentrating on the mobile sales and services business, the Group will procure the comprehensive transformation to Internet-based international telecommunications services, whereas the level of Internet-based operations of the Group will be enhanced based on the R&D orientation on Big Data and AI. Further efforts will be made to pursue the strategy of “product-based project development”, so that the Group may take advantage of the successful application of AI, Big Data, AR/VR to create customer-oriented products, energising the government and enterprises and delivering new value to customers.

The era of the “Internet of Everything” originated from 5G development represents not only a challenge, but also an opportunity. By continuing to step up its investment in 5G technological R&D and keeping abreast of market trends, the Group will seek to make a clear and correct deployment in the aspects of network planning, network construction, business preparation, opportunity seizing, future key developments and maintenance of a talent pool, so as to ensure a brighter development prospect for the Group.

The Group will continue to implement the strategy of “scale expansion of data centre business”. The “digital upgrade project” of CITIC Telecom Tower will be facilitated in accordance with the established strategy of “centralised planning, stage-by-stage development”, so as to heighten the scale and efficiency of the Group’s data centre business. The coverage of “DataMall自由行” will be expanded and services will be upgraded on a continuous basis so that it may become a leverage for strengthening the competitive edges of the Group’s mobile sales and services business and expediting the transformation of the Group’s international telecommunications business.

Priority will be given to the development of Smart City services and greater investment will be made in the platform layer on the basis of global corporate services, regional corporate services and local corporate services under the enterprise solutions services of the Group. We will seek to forge our enterprise solutions services in the Southeast Asian markets to be our next business segment as soon as possible.

The Group will also continue the integration of CPC Europe in a faster pace to generate synergic effect for market expansion and explore successful experience for the Belt and Road Initiative.

As the dominant telecommunications operator in Macau, the Group shoulders vital responsibility in connection with the society, economy, livelihood, security and future developments of Macau. The Group will ensure the proper fulfilment of social responsibilities by CTM in addition to offering excellent telecommunications services, endeavouring to contribute to the stable and thriving development of Macau in the long term.

In a bid to sustain sound business development of the Group, high-calibre staff, working teams as well as outstanding corporate culture are of great essence. In this regard, the Group will strengthen staff trainings in terms of virtue, expertise, skills, competence and new technologies, with a view to building a first-rate management team, R&D team and business team, as well as an exceptional corporate culture. Staying sober and maintaining effective risk control are the way to a sustainable and healthy development of the enterprise.

In the first half of the year, the Group rose to challenges proactively and took up favourable opportunities by giving full play to its competitive edges. As it strived to open up new business and new markets, the operating results have been trending up steadily. This would not have been possible without the diligent effort of our staff, as well as the support of our shareholders, investors, business partners and all stakeholders concerned with our Group's development. To them, I would like to extend my sincere gratitude and appreciation.

Xin Yue Jiang

Chairman

Hong Kong, 14 August 2019

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

(Expressed in Hong Kong dollars)

		<i>Six months ended 30 June</i>	
	<i>Note</i>	<i>2019</i>	<i>2018</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
		<i>\$'000</i>	<i>\$'000</i>
Revenue	3(a)	4,375,196	4,913,779
Valuation gain on investment property		21,902	23,683
Other income	4	18,024	18,361
Other net loss	5	(5,329)	(5,069)
		<u>4,409,793</u>	<u>4,950,754</u>
Cost of sales and services		(2,386,052)	(3,047,919)
Depreciation and amortisation	6(c)	(448,992)	(351,884)
Staff costs	6(b)	(500,968)	(461,002)
Other operating expenses		(265,473)	(356,398)
		<u>808,308</u>	<u>733,551</u>
Finance costs	6(a)	(175,795)	(165,467)
Share of (loss)/profit of a joint venture		(850)	2,024
Profit before taxation	6	<u>631,663</u>	<u>570,108</u>
Income tax	7	(112,909)	(73,729)
Profit for the period		<u><u>518,754</u></u>	<u><u>496,379</u></u>
Attributable to:			
Equity shareholders of the Company		511,129	488,754
Non-controlling interests		7,625	7,625
Profit for the period		<u><u>518,754</u></u>	<u><u>496,379</u></u>
Earnings per share (HK cents)	9		
Basic		<u>14.1</u>	<u>13.8</u>
Diluted		<u>14.1</u>	<u>13.8</u>

Details of dividends payable to equity shareholders of the Company are set out in note 8(a).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2019

(Expressed in Hong Kong dollars)

	<i>Six months ended 30 June</i>	
	<i>2019</i>	<i>2018</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>\$'000</i>	<i>\$'000</i>
Profit for the period	518,754	496,379
Other comprehensive income for the period (after reclassification adjustments)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of operations outside Hong Kong, net of \$Nil tax	(4,977)	(10,804)
Other comprehensive income for the period	(4,977)	(10,804)
Total comprehensive income for the period	513,777	485,575
Attributable to:		
Equity shareholders of the Company	506,352	478,144
Non-controlling interests	7,425	7,431
Total comprehensive income for the period	513,777	485,575

CONSOLIDATED STATEMENT OF FINANCIAL POSITION **AS AT 30 JUNE 2019**

(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>30 June 2019 (Unaudited) \$'000</i>	<i>31 December 2018 (Audited) \$'000</i>
Non-current assets			
Investment property		651,254	629,352
Other property, plant and equipment		2,432,257	2,767,198
		<u>3,083,511</u>	<u>3,396,550</u>
Right-of-use assets	2	752,650	-
Intangible assets		1,469,265	1,553,522
Goodwill		9,715,939	9,717,906
Interest in a joint venture		7,924	8,924
Non-current contract assets		31,351	41,294
Non-current other receivables and deposits	10	115,800	119,937
Deferred tax assets		66,780	67,957
		<u>15,243,220</u>	<u>14,906,090</u>
Current assets			
Inventories and other contract costs		106,256	101,069
Contract assets		473,214	530,404
Trade and other receivables and deposits	10	1,439,035	1,375,350
Current tax recoverable		7,860	3,200
Cash and bank deposits		1,164,744	1,049,109
		<u>3,191,109</u>	<u>3,059,132</u>
Current liabilities			
Trade and other payables	11	1,432,067	1,496,802
Contract liabilities		161,367	156,475
Bank and other borrowings		357,904	327,529
Lease liabilities	2	138,334	952
Current tax payable		270,998	165,122
		<u>2,360,670</u>	<u>2,146,880</u>
Net current assets		<u>830,439</u>	<u>912,252</u>
Total assets less current liabilities		<u>16,073,659</u>	<u>15,818,342</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019 (CONTINUED)**

(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>30 June 2019 (Unaudited) \$'000</i>	<i>31 December 2018 (Audited) \$'000</i>
Non-current liabilities			
Non-current bank and other borrowings		6,221,472	6,529,947
Non-current lease liabilities	2	413,496	895
Non-current other payables	11	40,927	44,487
Net defined benefit retirement obligation		101,895	99,578
Deferred tax liabilities		236,802	247,719
		<u>7,014,592</u>	<u>6,922,626</u>
NET ASSETS		<u>9,059,067</u>	<u>8,895,716</u>
CAPITAL AND RESERVES			
Share capital		4,606,541	4,402,388
Reserves		<u>4,413,263</u>	<u>4,452,364</u>
Total equity attributable to equity shareholders of the Company		9,019,804	8,854,752
Non-controlling interests		<u>39,263</u>	<u>40,964</u>
TOTAL EQUITY		<u>9,059,067</u>	<u>8,895,716</u>

Notes

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Basis of preparation

The interim results set out in this announcement do not constitute CITIC Telecom International Holdings Limited and its subsidiaries' interim financial report for the six months ended 30 June 2019 but are extracted from those financial statements.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 14 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company and the independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA, whose unmodified review report is included in the interim report to be sent to shareholders.

The financial information relating to the financial year ended 31 December 2018 that is included in this announcement of the interim results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

2 Changes in accounting policies

(a) Overview

A number of new or amended standards became applicable for the current accounting period of the Group.

The impact of the adoption of the leasing standard are disclosed in sub-section (b) of this note. The other standards did not have any material impact on the Group's accounting policies and did not require retrospective adjustments. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) HKFRS 16, Leases

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance in the consolidated statement of financial position on 1 January 2019.

(i) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17, *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.1%.

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. In addition, leasehold land previously included in other property, plant and equipment is now grouped as part of the right-of-use assets in the consolidated statement of financial position with effect from 1 January 2019. The measurement principles of HKFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

2 Changes in accounting policies (continued)

	2019 \$'000
Operating lease commitments disclosed as at 31 December 2018	806,981
Discounted using the lessee's incremental borrowing rate at the date of initial application	628,168
Add: finance lease liabilities recognised as at 31 December 2018	1,847
Add: adjustments for reassessment of termination options of lease contracts	27,056
Less: short-term leases recognised on a straight-line basis as expense	(57,698)
Lease liabilities recognised as at 1 January 2019	599,373

Represented by:

Current lease liabilities	154,575
Non-current lease liabilities	444,798
	599,373

The right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	<i>Carrying amount as at 31 December 2018 (A) \$'000</i>	<i>Capitalisation of operating lease contracts (B) \$'000</i>	<i>Carrying amount as at 1 January 2019 (C = A+B) \$'000</i>
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Other property, plant and equipment	2,767,198	(212,093)	2,555,105
Right-of-use assets	-	809,619	809,619
Total non-current assets	14,906,090	597,526	15,503,616
Lease liabilities	952	153,623	154,575
Total current liabilities	2,146,880	153,623	2,300,503
Net current assets	912,252	(153,623)	758,629
Total assets less current liabilities	15,818,342	443,903	16,262,245
Non-current lease liabilities	895	443,903	444,798
Total non-current liabilities	6,922,626	443,903	7,366,529
NET ASSETS	8,895,716	-	8,895,716

2 Changes in accounting policies (continued)

Right-of-use assets

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	<i>30 June 2019 \$'000</i>	<i>1 January 2019 \$'000</i>
Land and buildings	721,100	778,969
Leased circuits	29,625	27,984
Other assets	1,925	2,666
	<hr/>	<hr/>
Total right-of-use assets	<u>752,650</u>	<u>809,619</u>

Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	<i>30 June 2019 Present value of the minimum lease payments \$'000</i>		<i>1 January 2019 Present value of the minimum lease payments \$'000</i>	
	<i>Total minimum lease payments \$'000</i>		<i>Total minimum lease payments \$'000</i>	
Within 1 year	138,334	152,193	154,575	164,934
	<hr/>	<hr/>	<hr/>	<hr/>
After 1 year but within 2 years	92,329	103,806	103,936	116,186
After 2 years but within 5 years	112,161	136,082	122,502	147,901
After 5 years	209,006	233,264	218,360	249,722
	<hr/>	<hr/>	<hr/>	<hr/>
	413,496	473,152	444,798	513,809
	<hr/>	<hr/>	<hr/>	<hr/>
	551,830	625,345	599,373	678,743
	<hr/>	<hr/>	<hr/>	<hr/>
Less: total future interest expenses		(73,515)		(79,370)
		<hr/>		<hr/>
Present value of lease liabilities		<u>551,830</u>		<u>599,373</u>

2 Changes in accounting policies (continued)

Impact on the financial result and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit before taxation in the Group's consolidated income statement, as compared to the results if HKAS 17 had been applied during the period.

In the consolidated cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated cash flow statement.

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

2 Changes in accounting policies (continued)

	2019			2018	
	Amounts reported under HKFRS 16 (A) \$'000	Add back: HKFRS 16 depreciation and interest expense (B) \$'000	Deduct: Estimated amounts related to operating lease as if under HKAS 17 (note 1) (C) \$'000	Hypothetical amounts for 2019 as if under HKAS 17 (D = A+B+C) \$'000	Compared to amounts reported for 2018 under HKAS 17 \$'000
Line items in the consolidated income statement for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					
Cost of sales and services	(2,386,052)	-	(48,332)	(2,434,384)	(3,047,919)
Depreciation and amortisation	(448,992)	85,936	-	(363,056)	(351,884)
Other operating expenses	(265,473)	-	(41,644)	(307,117)	(356,398)
Finance costs	(175,795)	9,184	-	(166,611)	(165,467)
Profit before taxation	631,663	95,120	(89,976)	636,807	570,108
Profit for the period	518,754	95,120	(89,976)	523,898	496,379
Attributable to:					
Equity shareholders of the Company	511,129	82,331	(79,436)	514,024	488,754
Non-controlling interests	7,625	12,789	(10,540)	9,874	7,625
Earnings per share (HK cents)					
Basic	14.1	2.3	(2.2)	14.2	13.8
Diluted	14.1	2.3	(2.2)	14.2	13.8
Line items in the consolidated statement of comprehensive income for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					
Total comprehensive income for the period	513,777	95,120	(89,976)	518,921	485,575
Attributable to:					
Equity shareholders of the Company	506,352	82,331	(79,436)	509,247	478,144
Non-controlling interests	7,425	12,789	(10,540)	9,674	7,431

2 Changes in accounting policies (continued)

	2019			2018
	Amounts reported under HKFRS 16 (A) \$'000	Estimated amounts related to operating leases as if under HKAS 17 (notes 1 & 2) (B) \$'000	Hypothetical amounts for 2019 as if under HKAS 17 (C = A+B) \$'000	Compared to amounts reported for 2018 under HKAS 17 \$'000
Line items in the consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	1,310,294	(89,976)	1,220,318	1,074,782
Net cash generated from operating activities	1,288,395	(89,976)	1,198,419	1,079,166
Capital element of lease rentals paid	(81,269)	80,792	(477)	(716)
Interest element of lease rentals paid	(9,208)	9,184	(24)	(65)
Net cash used in financing activities	(971,767)	89,976	(881,791)	(934,150)

Note 1: The “estimated amounts related to operating leases” is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table, these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4, *Determining whether an Arrangement contains a Lease*.

2 Changes in accounting policies (continued)

(ii) The Group's leasing activities and how these are accounted for

The Group has entered into a number of lease arrangements for land and buildings, leased circuits and other assets. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options as described as below, with the exception of three rental contracts which have been entered into for the period of 15 years. In respect of such rental contracts with longer terms, there are price adjustments mechanism to reflect the market rentals. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. 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.

Until the 2018 financial year, leases of other property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to 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. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. 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.

2 Changes in accounting policies (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, 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.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipment.

Extension and termination options

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.

Accounting judgements and sources of estimation uncertainty in determining the lease term and discount rate under HKFRS 16

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

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 sale of equipment and mobile handsets.

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

(a) Disaggregation of revenue

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

	<i>Six months ended 30 June</i>	
	<i>2019</i>	<i>2018</i>
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Disaggregated by major products or service lines:		
Mobile services	616,619	615,281
Internet services	529,915	489,401
International telecommunications services	838,342	833,926
Enterprise solutions	1,515,947	1,462,093
Fixed line services	114,490	120,018
	<hr/>	<hr/>
Fees from the provision of telecommunications services	3,615,313	3,520,719
Sale of equipment and mobile handsets	759,883	1,393,060
	<hr/>	<hr/>
	<u>4,375,196</u>	<u>4,913,779</u>
Disaggregated by geographical location of the Group's revenue from external customers:		
– Hong Kong (place of domicile)	1,618,179	1,618,583
	<hr/>	<hr/>
– The People's Republic of China (the "PRC")	412,597	315,350
– Macau	1,956,507	2,546,461
– Singapore	229,820	255,113
– Others	158,093	178,272
	<hr/>	<hr/>
	<u>2,757,017</u>	<u>3,295,196</u>
	<hr/>	<hr/>
	<u>4,375,196</u>	<u>4,913,779</u>

3 Revenue and segment reporting (continued)

(b) Segment reporting

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

Reconciliation of reportable segment profit

	<i>Six months ended 30 June</i>	
	<i>2019</i>	<i>2018</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>\$'000</i>	<i>\$'000</i>
Reportable segment profit	1,264,142	1,115,421
Net (loss)/gain on disposal of other property, plant and equipment	(910)	3
Net foreign exchange loss	(4,419)	(5,072)
Depreciation and amortisation	(448,992)	(351,884)
Finance costs	(175,795)	(165,467)
Share of (loss)/profit of a joint venture	(850)	2,024
Interest income	5,303	6,870
Rentals receivable from investment property less direct outgoings	12,687	10,229
Valuation gain on investment property	21,902	23,683
Unallocated head office and corporate expenses	(41,405)	(65,699)
Consolidated profit before taxation	631,663	570,108

(c) Seasonality of operation

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

4 Other income

	<i>Six months ended 30 June</i>	
	<i>2019</i>	<i>2018</i>
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Interest income from bank deposits	4,172	4,947
Other interest income	1,131	1,923
	<hr/>	<hr/>
	5,303	6,870
Gross rental income from investment property	12,721	11,491
	<hr/>	<hr/>
	18,024	18,361
	<hr/> <hr/>	<hr/> <hr/>

5 Other net loss

	<i>Six months ended 30 June</i>	
	<i>2019</i>	<i>2018</i>
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Net (loss)/gain on disposal of other property, plant and equipment	(910)	3
Net foreign exchange loss	(4,419)	(5,072)
	<hr/>	<hr/>
	(5,329)	(5,069)
	<hr/> <hr/>	<hr/> <hr/>

6 Profit before taxation

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

		<i>Six months ended 30 June</i>	
		<i>2019</i>	<i>2018</i>
		(Unaudited)	(Unaudited)
		\$'000	\$'000
(a)	<i>Finance costs</i>		
	Interest on bank and other borrowings	152,921	156,050
	Interest on lease liabilities	9,208	65
	Other finance charges	12,268	8,329
	Other interest expense	1,398	1,023
		<hr/>	<hr/>
	Total interest expense on financial liabilities not at fair value through profit or loss	175,795	165,467
		<hr/>	<hr/>
(b)	<i>Staff costs (including directors' emoluments)</i>		
	Contributions to defined contribution retirement plans	36,097	33,973
	Expenses recognised in respect of defined benefit retirement plan	4,794	4,530
		<hr/>	<hr/>
	Total retirement costs	40,891	38,503
	Equity-settled share-based payment expenses	5,538	9,649
	Salaries, wages and other benefits	454,539	412,850
		<hr/>	<hr/>
		500,968	461,002
		<hr/>	<hr/>
(c)	<i>Other items</i>		
	Depreciation charge		
	- other property, plant and equipment	274,469	267,926
	- right-of-use assets	90,708	-
	Amortisation	83,815	83,958
		<hr/>	<hr/>
		448,992	351,884
	Impairment losses for trade debtors and contract assets	8,231	6,241
	Write off for other receivables	-	26,207
	Rentals receivable from investment property less direct outgoings of \$34,000 (six months ended 30 June 2018: \$1,262,000)	(12,687)	(10,229)
		<hr/>	<hr/>

7 Income tax

	<i>Six months ended 30 June</i>	
	<i>2019</i>	<i>2018</i>
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Current tax	123,216	53,600
Deferred tax	(10,307)	20,129
	<u>112,909</u>	<u>73,729</u>

The provision for Hong Kong Profits Tax for the six months ended 30 June 2019 is calculated at 16.5% (six months ended 30 June 2018: 16.5%) of the estimated assessable profits for the period.

The provision for Macau Complementary Tax for the six months ended 30 June 2019 is calculated at 12% (six months ended 30 June 2018: 12%) of the estimated assessable profits for the period. Assessable profits of the first Macau Patacas (“MOP”) 600,000 (equivalent to approximately \$582,000) (six months ended 30 June 2018: 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.

8 Dividends

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

	<i>Six months ended 30 June</i>	
	<i>2019</i>	<i>2018</i>
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Interim dividend declared/declared and paid after the interim period of HK5.0 cents (six months ended 30 June 2018: HK4.0 cents) per share	182,613	142,730

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

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

	<i>Six months ended 30 June</i>	
	<i>2019</i>	<i>2018</i>
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK14.0 cents (six months ended 30 June 2018: HK13.0 cents) per share	511,306	463,252

For the final dividend in respect of the year ended 31 December 2018, there was a difference of \$9,090,000 between the final dividend disclosed in 2018 annual report and the amount paid during the six months ended 30 June 2019, which represented dividends attributable to shares issued upon exercise of share options before the closing date of the register of members.

9 Earnings per share

	<i>Six months ended 30 June</i>	
	<i>2019</i>	<i>2018</i>
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Profit attributable to equity shareholders of the Company	<u>511,129</u>	<u>488,754</u>

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

	<i>Number of shares</i>	
	<i>Six months ended 30 June</i>	
	<i>2019</i>	<i>2018</i>
	(Unaudited)	(Unaudited)
	'000	'000
Issued ordinary shares as at 1 January	3,587,260	3,544,164
Effect of share options exercised	<u>32,612</u>	<u>6,487</u>
Weighted average number of ordinary shares (basic) as at 30 June	3,619,872	3,550,651
Effect of deemed issue of shares under the Company's share option plan	<u>13,565</u>	<u>2,063</u>
Weighted average number of ordinary shares (diluted) as at 30 June	<u>3,633,437</u>	<u>3,552,714</u>
Basic earnings per share (HK cents)	<u>14.1</u>	<u>13.8</u>
Diluted earnings per share (HK cents)	<u>14.1</u>	<u>13.8</u>

10 Trade and other receivables and deposits

	<i>30 June 2019 (Unaudited) \$'000</i>	<i>31 December 2018 (Audited) \$'000</i>
Trade debtors, net of loss allowance	1,042,874	1,003,257
Other receivables and deposits	511,961	492,030
	<u>1,554,835</u>	<u>1,495,287</u>

Represented by:

Non-current portion	115,800	119,937
Current portion	1,439,035	1,375,350
	<u>1,554,835</u>	<u>1,495,287</u>

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

	<i>30 June 2019 (Unaudited) \$'000</i>	<i>31 December 2018 (Audited) \$'000</i>
Within 1 year	995,337	950,613
Over 1 year	47,537	52,644
	<u>1,042,874</u>	<u>1,003,257</u>

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

11 Trade and other payables

	<i>30 June 2019 (Unaudited) \$'000</i>	<i>31 December 2018 (Audited) \$'000</i>
Trade creditors	930,213	849,349
Other payables and accruals	542,781	691,940
	<u>1,472,994</u>	<u>1,541,289</u>
Represented by:		
Non-current portion	40,927	44,487
Current portion	1,432,067	1,496,802
	<u>1,472,994</u>	<u>1,541,289</u>

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

	<i>30 June 2019 (Unaudited) \$'000</i>	<i>31 December 2018 (Audited) \$'000</i>
Within 1 year	647,030	594,552
Over 1 year	283,183	254,797
	<u>930,213</u>	<u>849,349</u>

FINANCIAL REVIEW

OVERVIEW

The Group achieved solid financial results for the six months ended 30 June 2019 with a net increase in profit of 4.5% to HK\$518.7 million when compared with the corresponding period of 2018. Profit attributable to equity shareholders and basic earnings per share for the six months ended 30 June 2019 amounted to HK\$511.1 million and HK14.1 cents, representing a period-on-period increase of 4.6% and 2.2% respectively.

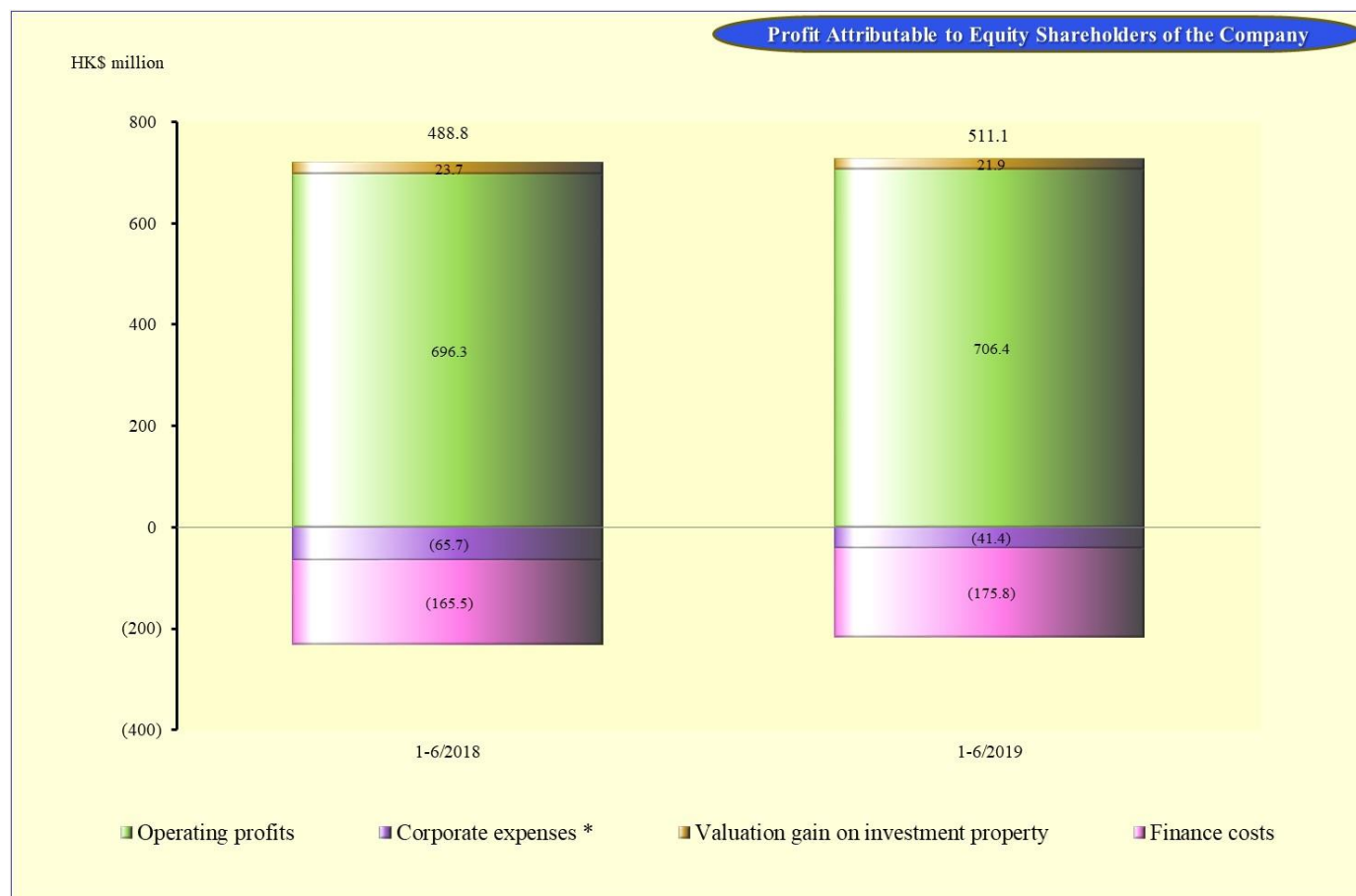
The Group's revenue dropped 11.0% from HK\$4,913.8 million for the six months ended 30 June 2018 to HK\$4,375.2 million for the six months ended 30 June 2019 mainly due to the significant decrease in equipment and mobile handsets sales for the period. Total revenue for telecommunications services (i.e. excluding equipment and mobile handsets sales) for the current period was up by 2.7% to HK\$3,615.3 million when compared with the first six months of 2018 as the Group achieved growth in nearly all its major businesses.

Summary of Financial Results

	Half year ended 30 June		Increase/(Decrease)	
<i>In HK\$ million</i>	2019	2018		
Revenue	4,375.2	4,913.8	(538.6)	(11.0%)
Valuation gain on investment property	21.9	23.7	(1.8)	(7.6%)
Other income and net loss	12.7	13.3	(0.6)	(4.5%)
Cost of sales and services	(2,386.0)	(3,047.9)	(661.9)	(21.7%)
Depreciation and amortisation	(449.0)	(351.9)	97.1	27.6%
Staff costs	(501.0)	(461.0)	40.0	8.7%
Other operating expenses	(265.5)	(356.4)	(90.9)	(25.5%)
Profit from consolidated activities	808.3	733.6	74.7	10.2%
Finance costs	(175.8)	(165.5)	10.3	6.2%
Share of joint venture results	(0.9)	2.0	N/A	N/A
Income tax	(112.9)	(73.7)	39.2	53.2%
Profit for the period	518.7	496.4	22.3	4.5%
Less: Non-controlling interests	(7.6)	(7.6)	-	-
Profit attributable to equity shareholders of the Company	511.1	488.8	22.3	4.6%
EBITDA *	1,251.1	1,080.6	170.5	15.8%

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

Profit attributable to equity shareholders of the Company



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

Profit attributable to equity shareholders of the Company for the six months ended 30 June 2019 amounted to HK\$511.1 million, an increase of HK\$22.3 million when compared with the corresponding period of 2018. Excluding the valuation gain on investment property of HK\$21.9 million (six months ended 30 June 2018: HK\$23.7 million), profit attributable to equity shareholders of the Company for the first six months of 2019 would amount to HK\$489.2 million (six months ended 30 June 2018: HK\$465.1 million) which represented a period-on-period increase of 5.2% as the Group has strengthened its capabilities across nearly all its major businesses.

Revenue by Services

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

The Group's revenue from telecommunications services for the six months ended 30 June 2019 amounted to HK\$3,615.3 million, which represents a period-on-period increase of 2.7% or HK\$94.6 million. The Group's total revenue amounted to HK\$4,375.2 million for the six months ended 30 June 2019, which represents a period-on-period decrease of 11.0% or HK\$538.6 million.

The Group achieved growth in enterprise solutions revenue by HK\$53.8 million, growth in international telecommunications services revenue by HK\$4.5 million, growth in Internet services revenue by HK\$40.5 million, and growth in mobile services revenue by HK\$1.3 million when compared with the corresponding period of 2018. However, the significant drop in equipment and mobile handsets sales revenue by HK\$633.2 million and slight decrease in fixed line services revenue has offset the growth in other major businesses for the period.

Mobile sales & services

Mobile sales & services revenue includes the revenue from equipment and mobile handsets sales, mobile roaming services, and other mobile value-added services. Total mobile sales & services revenue amounted to HK\$1,376.5 million for the first six months of 2019, a decrease of 31.5% when compared with the corresponding period of 2018. The decrease in mobile sales & services revenue for the period was due to the significant drop in equipment and mobile handsets sales.

The number of postpaid subscribers increased 4.8% to approximately 348,000 (31 December 2018: approximately 332,000 subscribers), whilst prepaid customers dropped 9.5% to approximately 562,000 (31 December 2018: approximately 621,000 subscribers). The overall number of subscribers as at 30 June 2019 was approximately 910,000, a decrease of around 4.5% when compared with 31 December 2018, of which approximately 98.5% (31 December 2018: 97.7%) were 4G subscribers.

The Group's mobile market share in Macau was around 42.9% as at 30 June 2019 (31 December 2018: 43.7%), while the Group had around 44.5% market share in the 4G subscribers of Macau mobile market as at 30 June 2019 (31 December 2018: 46.3%).

Internet services

Internet services revenue including the Group's data centre revenue amounted to HK\$529.9 million for the current period which represented an increase of HK\$40.5 million or 8.3% when compared with the corresponding period in 2018. The increase was mainly due to the increase in data centre revenue as the Group continues to expand its data centre operation and the increase in revenue from fibre broadband service as a result of the 2.5% increase in the average number of broadband users to around 188,800 subscribers. The Group's Internet market share in Macau was around 96.8% (31 December 2018: 97.0%) while broadband market penetration rate in Macau was around 88.2% (31 December 2018: 89.0%) as at 30 June 2019.

International telecommunications services

International telecommunications services revenue includes revenue from voice services, SMS and DataMall 自由行 services.

Voice services revenue decreased by HK\$66.7 million or 10.7% to HK\$554.4 million for the six months ended 30 June 2019 over the same period in 2018 as there were unanticipated increases in traffic to regions with relatively higher tariffs during the first six months of 2018 which led to the surge in voice service revenue.

The Group was able to continue capitalising on the business opportunities resulting from growing concerns over banking security which has led to increased demand for SMS based services like authentication services and confirmation of transactions. Also, changes in consumer's communication behavior have resulted in more and more enterprises using A2P SMS as a key customer relationship management tool to connect with their customers. Total SMS revenue surged 49.3% to HK\$236.2 million when compared with the first six months of 2018.

Revenue from DataMall 自由行 services dropped slightly by HK\$6.8 million to HK\$47.8 million for the current period due to the fact that certain operators were undertaking system upgrades during the period.

Enterprise solutions

Enterprise solutions revenue increased 3.7% from HK\$1,462.1 million in the first six months of 2018 to HK\$1,515.9 million in the first six months of 2019. The increase was mainly due to higher revenue from casinos and resorts projects as well as growth in leased lines revenue in Macau, and steady growth in enterprise solutions services in Mainland China.

Fixed line services

In line with global trends of declining fixed IDD traffic volumes and the decrease in fixed residential lines, revenue from fixed line services decreased 4.6% to HK\$114.5 million for the period when compared with the same period of 2018.

Profit for the period

The Group achieved HK\$518.7 million in profit for the period, an increase of HK\$22.3 million when compared with the first six months of 2018. The increase was mainly due to the combined impact of the following factors:

Revenue

The Group's revenue from telecommunications services amounted to HK\$3,615.3 million, an increase of 2.7% when compared with the first six months of 2018. The Group's total revenue amounted to HK\$4,375.2 million, representing a decrease of 11.0% when compared with the interim period of 2018. During the period, apart from equipment and mobile handsets sales and fixed line services, the Group experienced growth in all major businesses, especially for Internet services and enterprise solutions when compared with the corresponding period of 2018.

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 30 June 2019 by the Group's independent surveyors with a valuation gain of HK\$21.9 million (six months ended 30 June 2018: HK\$23.7 million).

Cost of sales and services

Cost of sales and services included costs of goods sold, and network, operations and support expenses. Consistent with the decrease in revenue, cost of sales and services amounted to HK\$2,386.0 million, a decrease of HK\$661.9 million or 21.7% when compared with the first six months of 2018. The decrease is mainly due to the significant drop in equipment and mobile handsets sales and the Group's continued efforts in achieving greater cost efficiency during the period.

Depreciation and amortisation

Depreciation and amortisation expenses totalled HK\$449.0 million for the six months ended 30 June 2019, an increase of HK\$97.1 million when compared to the first six months of 2018. Excluding additional depreciation expenses of HK\$85.9 million arising from the adoption of Hong Kong Financial Reporting Standard 16, *Leases* ("HKFRS 16") which was first effective for the Group on 1 January 2019, depreciation and amortisation for the period increased period-on-period by 3.2%.

Staff costs

Staff costs for the period increased period-on-period by 8.7% or HK\$40.0 million to HK\$501.0 million mainly due to average salary increment and the increase in headcount as a result of the Group's continuous business expansion.

Other operating expenses

Other operating expenses for the first six months of 2019 amounted to HK\$265.5 million which represents a period-on-period decrease of 25.5% or HK\$90.9 million. Excluding the impact of adopting HKFRS 16 of approximately HK\$41.6 million and an exceptional item recorded in the first half of 2018, being the write off for other receivables of HK\$26.2 million, other operating expenses decreased 7.0% when compared with the corresponding period of 2018. The decrease was mainly due to the Group's continued success in its cost saving initiatives.

Finance costs

As a result of the increase in the general borrowing rate, the effective variable interest rate for the Group increased from 3.1% p.a. as at 30 June 2018 to 3.3% p.a. as at 30 June 2019. Also with the implementation of the new accounting standard on leases, additional interest expenses in relation to the lease liabilities of HK\$9.2 million was recognised during the period. Excluding the interest expenses arising from the new accounting standard on leases, finance costs increased by only 0.7% when compared with the corresponding period of 2018 due to the Group's effective policies to manage its interest rate risks.

Income tax

Income tax for the period amounted to HK\$112.9 million, an increase of HK\$39.2 million when compared with the first six months of 2018. The increase was mainly due to the net impact from the reversal of the over-provision of tax in the first six months of 2018. Excluding finance costs, additional tax expense from under-provision (six months ended 30 June 2018: reversal of the over-provision of taxes) and the tax effect from the recognition of temporary differences in relation to prior years, the effective tax rate remained stable at around 14% for the six months period ended 30 June 2019 and 30 June 2018 respectively.

Earnings per share (“EPS”)

Basic EPS and diluted EPS both amounted to HK14.1 cents which represents an increase of 2.2% respectively when compared with the corresponding period of 2018.

Dividends per share

Interim dividend of HK5.0 cents per share is proposed for the first half of 2019.

Cash flows

<i>In HK\$ million</i>	Half year ended 30 June		Increase/(Decrease)	
	2019	2018		
<i>Source of cash:</i>				
Cash inflows from business operations	1,288.4	1,079.2	209.2	19.4%
Decrease in pledged deposits	0.1	220.4	(220.3)	(100.0%)
Other cash inflows	169.6	53.4	116.2	>100%
Sub-total	1,458.1	1,353.0	105.1	7.8%
<i>Use of cash:</i>				
Net capital expenditure*	(207.5)	(205.4)	2.1	1.0%
Dividends paid to equity shareholders and non-controlling interests	(520.4)	(471.8)	48.6	10.3%
Net cash outflows from borrowings	(615.8)	(507.4)	108.4	21.4%
Sub-total	(1,343.7)	(1,184.6)	159.1	13.4%
Net increase in cash and cash equivalents	114.4	168.4	(54.0)	(32.1%)

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

The Group maintained a strong cash position, where HK\$1,288.4 million cash inflow was generated from operations. The use of cash mainly comprised of capital expenditure, borrowings and repayments, dividends distribution to equity shareholders and non-controlling interests and various other payments. In total, the Group recorded a net cash inflow of HK\$114.4 million for the six months ended 30 June 2019.

Capital expenditure

The Group's total capital expenditure for the six months ended 30 June 2019 amounted to HK\$153.8 million. As the Group continued its data centres' expansion, HK\$3.6 million of fitting-out costs were incurred during the period and the remainder of the capital expenditure were mainly for network systems upgrade and expansion.

Capital commitments

As at 30 June 2019, the Group had outstanding capital commitments of HK\$460.3 million, mainly for the data centre development, system upgrades and construction costs of networks, and purchase of telecommunications equipment which had yet to be delivered to the Group. Of these commitments, HK\$291.4 million were outstanding contractual capital commitments and HK\$168.9 million were capital commitments authorised but for which contracts had yet to be entered into.

TREASURY POLICY AND FINANCIAL RISK MANAGEMENT

General

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

1. Debt and leverage

As the Group's net debt decreased to HK\$5,414.7 million, the net gearing ratio decreased from 40% as at 31 December 2018 to 38% as at 30 June 2019.

As at 30 June 2019, total debt and net debt of the Group were as follows:

	Denomination							
<i>In HK\$ million equivalents</i>	HKD	USD	SGD	EUR	RMB	MOP	Others	Total
Total debt	2,390.2	3,569.6	462.1	157.5	-	-	-	6,579.4
Less: Cash and bank deposits	<u>(349.4)</u>	<u>(353.7)</u>	<u>(84.2)</u>	<u>(31.5)</u>	<u>(132.6)</u>	<u>(156.2)</u>	<u>(57.1)</u>	<u>(1,164.7)</u>
Net debt/ (cash)	<u>2,040.8</u>	<u>3,215.9</u>	<u>377.9</u>	<u>126.0</u>	<u>(132.6)</u>	<u>(156.2)</u>	<u>(57.1)</u>	<u>5,414.7</u>

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

<i>In HK\$ million</i>	30 June 2019	31 December 2018
Total debt	6,579.4	6,857.5
Less: Cash and bank deposits	(1,164.7)	(1,049.1)
Net debt	5,414.7	5,808.4
Total equity attributable to equity shareholders of the Company	9,019.8	8,854.8
Total capital	14,434.5	14,663.2
Net gearing ratio	38%	40%

Note: The Group has initially applied HKFRS 16, Leases, using the modified retrospective method and adjusted the opening balances as at 1 January 2019. For leases previously classified as finance leases, the Group recognised the carrying amount of the lease assets and lease liabilities immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application. Therefore, comparative figures for net debt were amended to exclude lease liabilities, which were previously presented as "obligations under finance leases".

As at 30 June 2019, the total debt amounted to HK\$6,579.4 million, of which HK\$357.9 million will be matured in the coming twelve months, against cash and bank deposits of HK\$1,164.7 million.

The maturity profile of the Group's total debt as at 30 June 2019 was as follows:

<i>In HK\$ million</i>	Within 1 year	After 1 year but within 2 years	After 2 years but within 3 years	After 3 years but within 4 years	After 4 years but within 5 years	After 5 years	Total
Bank and other borrowings	357.9	397.1	741.8	397.1	1,194.0	-	3,087.9
US\$450 million 6.1% guaranteed bonds	-	-	-	-	-	3,491.5	3,491.5
	357.9	397.1	741.8	397.1	1,194.0	3,491.5	6,579.4

The Group's total debt decreased to HK\$6,579.4 million which was mainly due to the early repayment of bank loans amounted to HK\$300.0 million from its surplus cash during the period. In addition, in order to reduce the cost of funding, the Group entered into new facility agreements in March 2019 to refinance the borrowings under a facility agreement signed in 2015.

Available sources of financing

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

The Group's cash balance as at 30 June 2019 was more than sufficient to cover the repayments of outstanding amount of total debt of HK\$357.9 million in the coming twelve months and contractual capital commitments of HK\$291.4 million as at 30 June 2019.

As at 30 June 2019, the Group had available trading facilities of HK\$298.0 million. The amount of HK\$80.1 million was utilised as guarantees for performance to customers / the Macau Government and costs payable to telecoms operators and others.

Around HK\$13.6 million of the utilised facilities were required to be secured by pledged deposits or right-of-use assets as at 30 June 2019.

As at 30 June 2019, the type of facilities of the Group was summarised as follows:

<i>In HK\$ million</i>	Total available facilities	Amount utilised	Amount unutilised
Bank and other borrowings			
- Committed facilities:			
Term loans	2,753.3	2,753.3	-
- Uncommitted facilities:			
Short-term facilities	<u>879.4</u>	<u>274.9</u>	<u>604.5</u>
	3,632.7	3,028.2	604.5
Lease liabilities – Committed facilities	1.4	1.4	-
Guaranteed bonds - Committed facility			
US\$450 million 6.1% guaranteed bonds	3,510.0	3,510.0	-
Trading facilities - Uncommitted facilities	<u>298.0</u>	<u>80.1</u>	<u>217.9</u>
Total	<u>7,442.1</u>	<u>6,619.7</u>	<u>822.4</u>

2. Liquidity risk management

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

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

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

3. Loan covenants

Committed banking facilities contain certain covenants, undertaking, financial covenants, change in control clause and/or events of default provisions, which are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants or in any case of an event of default, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2019 and 31 December 2018, the Group was in compliance with the relevant requirements.

4. Contingent liabilities

As at 30 June 2019 and 31 December 2018, the Group had no significant contingent liabilities.

5. Performance bonds, guarantees and pledged assets

<i>In HK\$ million</i>	30 June 2019	31 December 2018
Performance bonds provided to the Macau		
Government and other customers	75.4	78.5
Others guarantees	4.7	4.9
Total	80.1	83.4

As at 30 June 2019, bank deposits of HK\$11.2 million (as at 31 December 2018: HK\$11.3 million) and right-of-use assets of HK\$1.9 million (as at 31 December 2018: HK\$2.7 million, which were previously classified as other property, plant and equipment) 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\$3,510.0 million) guaranteed bonds with a maturity of twelve years due on 5 March 2025 and the bonds bore interest at 6.1% per annum. The bonds were unconditionally and irrevocably guaranteed by the Company.

As at 30 June 2019, the Company issued guarantees of HK\$747.8 million (as at 31 December 2018: HK\$880.3 million) for its subsidiaries in respect of the various forms of facility lines from financial institutions.

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

6. Interest rate risk

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

Interest rate risk is managed by fixed rate borrowing or through use of interest rate swap, if necessary. As at 30 June 2019, approximately 54.3% (as at 31 December 2018: approximately 51.4%) of the Group's borrowings (including bank and other borrowings and US\$450 million 6.1% guaranteed bonds) were linked to fixed interest rates. During the period, the Group did not enter into any interest rate swap arrangement.

Average borrowing costs

As at 30 June 2019, the average borrowing costs, after the inclusion of amortisation of transaction costs, was approximately 4.8% (as at 31 December 2018: approximately 4.6%).

7. Foreign currency risk

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

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

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 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 35.1% and 32.9% of the Group's total trade debtors and contract assets as at 30 June 2019 and 31 December 2018 respectively. The credit risk exposure to the balances of trade debtors and contract assets has been and will continue to be monitored by the Group on an ongoing basis.

9. Counterparty risk

The Group's exposure to credit risk arising from cash and bank deposits is limited because the Group mainly deals with financial institutions which have good credit ratings with prestigious credit ratings companies (such as Moody's Investors Service, Standard & Poor's and Fitch Group), or the note issuing banks in Hong Kong, Macau and Mainland China, or its group companies. As at 30 June 2019, the Group has maintained a cash balance of HK\$1,146.7 million (as at 31 December 2018: HK\$1,025.5 million) in the above-mentioned financial institutions, representing approximately 98.5% (as at 31 December 2018: approximately 97.8%) of the total cash and bank deposits of the Group. To achieve a balance between maintaining the flexibility of the Group's operations and minimising the exposure to credit risk arising from cash and bank deposits, the Group has a pre-defined policy and regular review on the rest of the cash portfolio. It is considered that the Group is exposed to a low credit risk in this respect.

HUMAN RESOURCES

The Group has a strong sense of commitment in fulfilling corporate social responsibility (“CSR”). CSR has always been an integral part of the Group’s corporate business strategy and philosophy.

As at 30 June 2019, the Group employed a total of 2,568 employees for its headquarters in Hong Kong and its subsidiaries. Number of employees in Hong Kong was 531. Employees in Mainland China and Macau totalled 1,699. Employees in overseas countries totalled 338.

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

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

The need for a proper balance between work and life is well recognised by the Group as an important contributor to the well being of employees and their work efficiency. The Group organised a variety of employee activities including hiking and ball competitions. It would enhance mutual communication and maintain a positive atmosphere.

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

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

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

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

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The board of directors of the Company believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. Looking ahead, we will keep our corporate governance practices under continual review to ensure their consistent application and will continue to improve our practices having regard to the latest developments. Details of our corporate governance practices can be found on page 46 of the 2018 annual report and the Company's website www.citictel.com.

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") throughout the six months ended 30 June 2019. In respect of the code provision A.6.7 of the Code, Mr. Luo Ning was unable to attend the annual general meeting of the Company held on 15 May 2019 as he had other engagement.

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

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all directors of the Company have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2019.

DIVIDEND AND CLOSURE OF REGISTER

The board of directors of the Company has declared an interim dividend of HK5.0 cents (2018: HK4.0 cents) per share for the year ending 31 December 2019 payable on Friday, 20 September 2019 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 10 September 2019. The Register of Members of the Company will be closed from Wednesday, 4 September 2019 to Tuesday, 10 September 2019, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 3 September 2019.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30 June 2019 and the Company has not redeemed any of its shares during the period ended 30 June 2019.

FORWARD LOOKING STATEMENTS

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

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

INTERIM REPORT AND FURTHER INFORMATION

A copy of the announcement will be posted on the Company's website (www.citictel.com) and the website of the Stock Exchange (www.hkexnews.hk). The full interim report will be made available on the website of the Company and the Stock Exchange on around 4 September 2019.

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

Hong Kong, 14 August 2019

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

<i>Executive Directors:</i>	<i>Non-executive Directors:</i>	<i>Independent Non-executive Directors:</i>
Xin Yue Jiang (Chairman)	Liu Zhengjun	Liu Li Qing
Lin Zhenhui	Liu Jifu	Zuo Xunsheng
Li Bing Chi, Esmond	Fei Yiping	Lam Yiu Kin