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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 RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

CHAIRMAN'S STATEMENT

Dear Shareholders,

The global economic landscape in 2019 was not one that lent much optimism, as market competition became increasingly ferocious while in Hong Kong the economic and business environment was subject to the impact of local social incidents. The Group stood its ground against the pressure and achieved trend-bucking growth, despite a myriad of challenges faced by its businesses. Amidst an adverse external environment, the Group upheld the corporate spirit of doing business with “wisdom and integrity for fostering prosperity” and persisted in innovative development. Focused on the key segments of corporate development, we made emphatic efforts on team building, quality, scientific research and financial management, among others, paying particular attention to the prevention of financial risks, customer risks, risks relating to network quality and safety, as well as legal regulatory risks. By properly handling tasks relating to such key segments, we have provided a strong boost to the healthy development of our Company. With steadfast adherence to the philosophy of development through innovation, the Group has worked diligently to foster new driving force and persisted in innovative development, as it continued to broaden its new thinking and explore new markets. Solid progress was reported on various fronts in accordance with stated objectives, and further breakthroughs were made, as the Group reported steady improvements in profit and charted a historic high in operating results for 2019.

I am pleased to present the Group's annual results for 2019.

FINANCIAL RESULTS OF 2019

Profit attributable to equity shareholders for 2019 amounted to HK\$1,002.2 million (including the valuation gain on investment property for 2019 of HK\$18.3 million), increasing by 5.4% as compared to HK\$951.0 million (including the valuation gain on investment property for 2018 of HK\$23.7 million) for the corresponding period of the previous year. Excluding the valuation gain on investment property, the Group's profit attributable to equity shareholders would have increased by 6.1% as compared to the

corresponding period of the previous year. The Group reported HK\$7,396.4 million in service revenue from its principal operations, representing a 3.6% growth over HK\$7,139.1 million for the corresponding period of the previous year.

Basic earnings per share for 2019 amounted to HK27.5 cents, representing a 3.0% growth as compared to 2018.

The Board recommended a final dividend of HK15.0 cents per share for 2019. Together with the 2019 interim dividend of HK5.0 cents per share, total dividends per share for 2019 amounted to HK20.0 cents, representing a 11.1% growth over the previous year.

REVIEW OF OPERATIONS IN 2019

Enhancing the Group's market competitiveness through persistent efforts in market- and innovation-driven approach to new product development.

Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") sustained growth in annual results following efforts to improve service quality, expedite the planning for digital city development and enhance cooperation with business corporations. In connection with its international telecommunications business, an all-out effort was made to develop new customers and markets on top of maintaining the stability of its existing operations, while notable growth was reported for its A2P SMS business.

The Group persisted in a market- and innovation-driven approach to new product development to enhance its market competitiveness. Through the technical integration and upgrade of our internally developed product DataMall and our SIMN mobile service platform, coupled with the introduction of the standardised eSIM technology platform and products and services, we upgraded our existing "data traffic mall" to a "communications mall" that provides a one-stop service platform offering "data, voice, SMS and number" service functions for the Greater Bay Area and cross-border roaming market. Meanwhile, we continued to ensure functional upgrades and improvement in business results for the Group's existing mobile businesses, such as the signaling business, mobile value-added services and DataMall, among others. In September 2019, DataMall 3.0, the core platform of the communications mall, went online successfully. Elsewhere, the Group supplied NBA video contents in Macau and cooperated with China Focus Ltd ("China Focus") in the launch of e-book and e-magazine mobile applications, while advanced negotiations were underway with suppliers of contents of various genres. On top of increasing the ARPU of mobile customers, such initiatives would also prepare us for the future development of an OTT platform at CTM.

True to its philosophy of ongoing innovation, the Group continued to drive its total service value chain and smart operations and expedite its continuous transition and upgrade towards digitalisation on the back of innovative technologies. When providing operational and maintenance services, we focused on enhancing our service value at the points of contact with customers, as artificial intelligence (AI) and sophisticated learning skills were incorporated in detailed operations to optimise our business value and strengthen our risk management capabilities. The Group was actively investigating joint efforts with a number of research institutions in the development of a range of innovative projects, such as on-site operational maintenance services based on AR (augmented reality) technologies in collaboration with Hong Kong Applied Science and Technology

Research Institute, negotiations with universities in Hong Kong on the joint development of IoT-based sensor and control technologies for improving service quality on the user-end, and cooperation with universities in Macau in the scientific research of 5G applications.

Progress in Internet-based operations contributing to smart city construction in Macau.

The Group achieved initial results in its effort to drive numerous “Digital Macau” development projects, including the applications of 5G technologies, e-education, smart healthcare, smart police and disaster prevention systems, among others. The Group persisted in offering differentiation in its operations with a primary focus on products, channels and marketing, stepping up with its effort in the transition to Internet-based operations to facilitate sustainable development with high quality, enhance the efficiency of user development, reinforce the integration of online and offline operations and procure value enhancement for users. By optimising our regime of Internet-based products, exercising stringent control over user development costs, improving the quality of our development, strengthening our integrated operations and stepping up with the promotion of our new products in “communications + smart hardware + content application”, we have enhanced user experience through differentiated products and services, in a strong bid to drive the growth of our Internet business. Leveraging the dominant resources of strategic business partners such as China Focus, we have enriched our stock of premium video contents and applications.

The Group joined forces with Tencent Cloud to create efficient and reliable high-performance public Cloud facilities and services. The brand new CTM Cloud, which became fully operational in November 2019, provided further application scenarios closely associated with life and work to the businesses and residents in Macau, so that they may enjoy more convenient and efficient Cloud application services. In the meantime, the Group entered into a memorandum for comprehensive strategic cooperation to forge a comprehensive strategic partnership with a leading provider of IT solutions and services in the domestic market. Drawing on the formidable IT strengths of such IT solutions and services provider, we expect to make important contributions to Macau’s smart city development by offering further premium smart application services to various sectors of the city.

Enhancing the coverage and servicing ability of our Cloud + Internet services through broader geographic presence.

The Group was making an all-out effort to develop its international market business and expand the coverage of its global networks. Our VPN network service, TrueCONNECT™, continued to expand and is currently present in more than 130 countries and regions in the world with approximately 140 Points-of-Presence (“PoPs”). In 2019, the Group established 9 new PoPs in Zhongwei, Zhuzhou, Sanya, Tangshan, Langfang, Kunming, Haikou, Taiyuan and Jiangmen in China to meet customers’ access requirements with a larger network coverage and higher service standards. In close tandem with changes in the market, the Group completed the connection of its VPN with a number of domestic and international third-party Cloud platforms. Greater security for the Cloud environment aside, this move has also provided the Company with a strong buffer upon which to construct a more flexible ICT infrastructure, while enhancing the competitiveness of its products.

The Group's Cloud Computing services currently offer 8 major Cloud Computing solutions through a cross-regional, nationwide Cloud Computing service operating network comprising 18 Cloud Services Centres located across Greater China, Singapore, Japan, North America, Europe and South Africa. Supported by 2 Security Operations Centres, we provide 24-7 service to assist customers in information security management in response to rapid growth in market demand. Through our operations in London (U.K.), Frankfurt (Germany) and Moscow (Russia), a "Europe-Russia Cloud Ring" has been formed to address the compliance requirements of different regions and support the operations of local enterprises, while connecting "outreaching" corporations to the Cloud services of other regions.

Addressing customers' requirements through provision of premium services of international standard.

In close tandem with the pulse of the market, the Group is committed to providing customers with services of the best quality. In addition to the international professional accreditations and qualifications held by our sales and technical teams, the Group has also obtained a number of ISO certifications in recognition of its strong reliability, premium performances, compliance with international standards, top standards for information security and effective environmental management information security in various business segments. Such recognitions have not only affirmed the Group's expertise, but have also highlighted the Group's commitment to, and ability to achieve, excellence in customer service.

The numerous prestigious awards won by the Group in 2019, while underlining recognition by the industry, formed an important cornerstone for the Group's future development. While such awards in multitude are the result of the incessant hard work of the Group's team with more than 2,500 staff, the longstanding support of customers is also an essential factor. The ability to provide ICT management services to customers has not only deepened our Group's understanding of the market, but has also helped us further develop management service and Cloud-based solutions with greater excellence.

Consistent quality improvements resulting in better services for customers.

In connection with the Group's customers service at CTM, a continuous track record of excellent service standards has been maintained in the customer satisfaction poll on various customer service areas, with an average rating of over 90% customers rated "Satisfied" or above. Our staff were sincere and polite, and demonstrated professionalism in their performance and had fully earned the recognition of customers towards our efforts. The Group attaches a great deal of importance to the quality of segments such as design, engineering, operational maintenance, customer service and emergency mechanisms, with a special emphasis on enhancing the ability in timely identification of problems and swift problem solving. Meanwhile, in light of the objective of building a "first-rate engineering, technical and R&D team", learning and training has been enhanced to groom young talents and job-specific experts with a platform for improving know-how and skills on the part of our colleagues. The Group has made efforts on all fronts to enhance staff awareness for the importance of quality, with a view to fostering a corporate culture that calls for every staff member to prioritise, care for and appreciate quality. We have also built a first-rate engineering, technical and R&D team and taken practical measures to ensure the quality of our networks and platforms.

Through ongoing learning and training, staff awareness and work standard regarding product quality, technological quality, research quality, service and management quality, equipment and network quality and quality in technical assurance has been effectively enhanced and the quality of our networks, platforms and services has been improved, resulting in services of higher quality for our customers.

Providing solid foundation for development of the Group's data centre business through Phase III(B) project of the CITIC Telecom Tower Data Centre.

The Group placed strong emphasis on the construction of the CITIC Telecom Tower Data Centre, and had set up a “CITIC Telecom Tower Construction Steering Group” to oversee various tasks relating to the construction of the data centre. Following the successful completion and commissioning of Phase III(A) project of the CITIC Telecom Tower Data Centre in September 2018, construction of Phase III(B) project of the CITIC Telecom Tower Data Centre commenced in March 2019 under the leadership of the Group, with plans for completion and commissioning in the first half of 2021. The ongoing expansion of the Group's data centre business is set to drive the growth of its other telecommunications services (such as virtual private networks (VPN) services, Cloud Computing and disaster recovery, among others).

OUTLOOK FOR 2020

The Company will clearly face new challenges and pressures in 2020, and in particular with respect to the challenges surrounding the operational environment brought by the recent outbreak of the novel coronavirus (COVID-19). Upholding the core value of doing business with “wisdom and integrity for fostering prosperity”, the Group will unite with different strata of the society to fight against the epidemic. For instance, CITIC Telecom International CPC Limited and China Enterprise ICT Solutions Limited under our Group will provide free remote network connection services for enterprise customers during the epidemic-control period, while CTM will extend the bill payment due date for its monthly payment customers, and Acclivis Technologies and Solutions Pte. Ltd. will provide office services for the disaster recovery centres for its customers in Singapore. The Group will proactively shoulder its business responsibility and will diligently maintain the stable operation of its businesses with a view to minimising the impact brought by the epidemic to the Group to the greatest extent.

Despite the existence of certain pressure from the external environment, there will also be a lot of new opportunities and scopes for development. Developments in Cloud Computing, Big Data, AI, AR/VR and other technologies will continue, while the trends of Internet-based corporate operation and smart city will also be irreversible. While such developments will present challenges to the telecommunications business, they will also mean opportunities for development to the business sectors such as data centre, Internet-based communications products, corporate services and smart city, among others.

Amidst the complicated and volatile conditions in 2020, the Group will follow the right direction for development in a persistent and judicious manner, insisting upon development through innovation and adopting solid measures to overcome difficulties and create new growth niches. From its foundation of the Mainland China market, through Hong Kong and Macau as bases and bridges, the Group will step up with its expansion to and coverage of the international market. With the objective of “achieving growth in strength, excellence and scale, achievement of higher standards, and delivery of top-rated

results”, we will reinforce various measures and focus on building a first-rate management team, first-rate engineering, technical and R&D teams and first-rate business teams. We will be consistently adjusting our operating structures and making improvements to our corporate governance regime in response to market requirements, while continuing to enhance internal control and risk management to lower operating risks. In tandem with the national strategies of “Belt and Road” and “Guangdong-Hong Kong-Macao Greater Bay Area”, we will develop new products and businesses, explore new markets and reach out to new customers with a new thinking, as we strive to sustain stable business growth.

CTM to leverage on 5G construction as it strives to be the prime smart-city operator.

Strategically positioned as a company “enhancing leading position in Macau while expanding to Mainland China and overseas markets”, CTM will procure the building and construction of its 5G network with vigorous efforts in 2020 to ensure the provision of superior experience in mobile communications services for customers. Zhuhai Software Development Centre will continue to play its role in the development of further software and applications for the smart city business, with a view to enhancing its ownership of proprietary intellectual properties and cultivating new niches for business growth. CTM will leverage on 5G construction to actively participate in smart city construction in Macau, striving to become a prime operator of smart city that will make greater contributions to Macau.

We will continue to invest in the development of smart city in Macau. Through 5G networks, we will demonstrate to the government departments and public utilities companies in Macau the possibilities and scope of development presented by IoT, while launching pole projects in different business sectors. We will consolidate and expand our pool of business partners and draw on Mainland and overseas experience and new products in IoT development as and when appropriate, so as to expedite IoT development in Macau. In order to develop IoT and other application businesses, CTM is required to select specific business scenarios as points of breakthrough, starting from modest efforts while focusing on the larger picture as it seeks rapid growth in business scale through coordinated development of business and information technologies.

To strengthen the Group’s data centre business by ensuring the construction of Phase III(B) project of the CITIC Telecom Tower Data Centre.

The Group will continue to organise in a meticulous manner the construction of Phase III(B) project of the CITIC Telecom Tower Data Centre, with a view to strengthening its data centre business. We intend to grow our data centre business in scale, aiming to turn it into an important business unit of the Group in future and a new source for revenue. As the data centre business represents one of key operations in the Group’s future strategic development, more emphasis should be placed on development strategies and operational strategies, and a sales regime comprising direct-marketing channels, agency channels, reselling channels and joint development must be built in order to develop the data centre business. We will also endeavour to create a data centre service with special features, in a bid to increase the business profitability of the Group’s data centre business. We will scale up its development of data centre products and services and include disaster recovery backup, security management, bandwidth sales, Cloud, systems management and business support in its development efforts in constant enhancement of the market competitiveness of its products. Development planning for data centres will be properly conducted with a special emphasis on generating synergies.

To foster core competitiveness for the 5G business by focusing on the development of 5G applications.

The growth of the 5G data business is primarily dependent on businesses such as IoT, Big Data, Cloud Computing, media contents and videos. IoT applications should be an area of special concern. In the commercial application of 5G, networks provide the foundation, while services form the core component, facilitated by applications as key factors and technical innovation as drivers. CTM intends to complete its 5G network and commence commercial applications in 2020. By driving the development of 5G as a mainstay network for information flow in the society and a new cornerstone for Digital Macau, CTM will become a central force in the 5G development of Macau and foster core competitiveness for the 5G business.

To ensure ongoing improvement in the quality of customer service through consistent efforts in quality assurance for network platforms.

We will place a strong emphasis on quality assurance for network platforms, especially the quality of products, technologies, research and development, services and management, equipment and network and technical assurance in our operations. Target-specific efforts will be made to secure new technologies and new markets. Through enhanced learning and training, stronger awareness of responsibility and quality will be fostered. The Group will conduct its operations on the back of a high-quality network platform with a customer-centric focus. With the aim of meeting customer requirements, the user interface of the Group's existing products, services and technologies will be redesigned by CITIC Telecom International CPC Limited according to the requirements of various target customers, while product development and integration will also be conducted according to customer requirements, in order to consistently provide customers with brand new user experiences. Focused on customer requirements, the Group's existing technical ability in software development will further be strengthened in a full enhancement of the quality of the Group's customer service.

Promoting the corporate culture of doing business with “wisdom and integrity for fostering prosperity”, continuously strengthening learning and training coupled with the building of three “first-rate” teams.

The key to the healthy development of the Group's business lies in the formation of corporate teams consisting of high-calibre staff members. We will strengthen aptitude training for our staff, including ongoing training in moral character, know-how, technique and work competence. We will make solid efforts in the building of the “three first-rate” teams (the first-rate management team, first-rate engineering, technical and R&D teams, and first-rate business teams). The power and energy of all staff members will be put together, with each business unit working closely with other units in perfect tandem and managed in a scientific, standardised and systematic manner modelled on international practices, generating combined forces that will take the Group's business to a higher level and deliver top-rated results.

In close adherence to the strategic goal of “building an Internet-based integrated telecommunications enterprise”, the Group will persist in penetrating the Hong Kong, Macau and international markets and continue to seek broader opportunities in cooperation, working to explore new markets and embrace new challenges in pursuit of better results.

With the successful completion of various tasks and initiatives, the Group has charted new heights in corporate development in 2019. We owe the accomplishment of such results to the strong support and encouragement of our customers, business partners, shareholders and all strata of the society, as well as to the hard work, painstaking effort, wisdom and unfailing dedication of all colleagues of the Group. To them I express the most sincere gratitude and appreciation.

Xin Yue Jiang

Chairman

Hong Kong, 3 March 2020

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>2019 \$'000</i>	<i>2018 \$'000</i>
Revenue	3	9,013,980	9,464,013
Valuation gain on investment property		18,296	23,683
Other income	4	36,044	44,399
Other net loss	5	(16,568)	(25,120)
		<u>9,051,752</u>	<u>9,506,975</u>
Cost of sales and services	6(a)	(4,961,067)	(5,583,843)
Depreciation and amortisation	6(d)	(913,491)	(725,440)
Staff costs	6(c)	(1,048,299)	(1,034,868)
Other operating expenses		(538,170)	(687,573)
		<u>1,590,725</u>	<u>1,475,251</u>
Finance costs	6(b)	(341,371)	(337,067)
Share of (loss)/profit of a joint venture		(128)	3,100
		<u>(341,500)</u>	<u>(333,967)</u>
Profit before taxation	6	1,249,226	1,141,284
Income tax	7	(229,326)	(173,392)
		<u>(229,326)</u>	<u>(173,392)</u>
Profit for the year		<u><u>1,019,900</u></u>	<u><u>967,892</u></u>
Attributable to:			
Equity shareholders of the Company		1,002,228	951,039
Non-controlling interests		17,672	16,853
		<u>1,019,900</u>	<u>967,892</u>
Profit for the year		<u><u>1,019,900</u></u>	<u><u>967,892</u></u>
Earnings per share (HK cents)	9		
Basic		<u><u>27.5</u></u>	<u><u>26.7</u></u>
Diluted		<u><u>27.4</u></u>	<u><u>26.7</u></u>

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 8.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in Hong Kong dollars)

	2019 \$'000	2018 \$'000
Profit for the year	1,019,900	967,892
Other comprehensive income for the year (after tax and reclassification adjustments)		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of net defined benefit liability	35,019	(43,015)
Deferred tax recognised on the remeasurement of net defined benefit liability	(4,092)	5,269
Surplus on revaluation of land and buildings held for own use upon change of use to investment property	-	52,578
	30,927	14,832
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation adjustments: – exchange differences on translation of financial statements of operations outside Hong Kong	(5,489)	(16,804)
Other comprehensive income for the year	25,438	(1,972)
Total comprehensive income for the year	1,045,338	965,920
Attributable to:		
Equity shareholders of the Company	1,028,406	950,202
Non-controlling interests	16,932	15,718
Total comprehensive income for the year	1,045,338	965,920

CONSOLIDATED STATEMENT OF FINANCIAL POSITION **AS AT 31 DECEMBER 2019**

(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>2019</i> \$'000	<i>2018</i> \$'000
Non-current assets			
Investment property		647,648	629,352
Property, plant and equipment		2,435,216	2,767,198
Right-of-use assets		695,365	-
Intangible assets		1,385,195	1,553,522
Goodwill		9,712,967	9,717,906
Interest in a joint venture		8,911	8,924
Non-current contract assets		36,429	41,294
Non-current other receivables and deposits	10	112,372	119,937
Deferred tax assets		65,595	67,957
		<u>15,099,698</u>	<u>14,906,090</u>
Current assets			
Inventories		143,973	94,704
Contract costs		7,087	6,365
Contract assets		473,808	530,404
Trade and other receivables and deposits	10	1,338,201	1,375,350
Current tax recoverable		13,740	3,200
Cash and bank deposits		1,312,780	1,049,109
		<u>3,289,589</u>	<u>3,059,132</u>
Current liabilities			
Trade and other payables	11	1,469,497	1,496,802
Contract liabilities		170,956	156,475
Bank and other borrowings		288,957	327,529
Lease liabilities		126,226	952
Current tax payable		207,428	165,122
		<u>2,263,064</u>	<u>2,146,880</u>
Net current assets		<u>1,026,525</u>	<u>912,252</u>
Total assets less current liabilities		<u>16,126,223</u>	<u>15,818,342</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 (CONTINUED)**

(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>2019</i> \$'000	<i>2018</i> \$'000
Non-current liabilities			
Non-current contract liabilities		1,920	-
Non-current bank and other borrowings		5,988,949	6,529,947
Non-current lease liabilities		379,539	895
Non-current other payables	11	37,509	44,487
Net defined benefit retirement obligation		59,828	99,578
Deferred tax liabilities		233,099	247,719
		<u>6,700,844</u>	<u>6,922,626</u>
NET ASSETS		<u>9,425,379</u>	<u>8,895,716</u>
CAPITAL AND RESERVES			
Share capital		4,628,534	4,402,388
Reserves		4,748,075	4,452,364
Total equity attributable to equity shareholders of the Company		<u>9,376,609</u>	<u>8,854,752</u>
Non-controlling interests		<u>48,770</u>	<u>40,964</u>
TOTAL EQUITY		<u>9,425,379</u>	<u>8,895,716</u>

Notes

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Basis of preparation

The 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. The 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. The accounting policies used in the preparation of the financial statements are consistent with those adopted in the financial statements for the year ended 31 December 2018 except for the adoption of all new and revised HKFRSs that are first effective for accounting periods beginning on or after 1 January 2019 (see note 2).

The financial information relating to the years ended 31 December 2019 and 2018 included in this preliminary announcement of annual results does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance 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 and will deliver the financial statements for the year ended 31 December 2019 in due course.

The Company’s auditor has reported on the financial statements of the Group for the year ended 31 December 2019. 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 reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2 Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the 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 or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 and remain substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initially applying the new standard on 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. 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.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

2 Changes in accounting policies (continued)

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to land and buildings and other assets.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.1%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);
- (iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review;
- (iv) the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- (v) the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

2 Changes in accounting policies (continued)

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	2019 \$'000
Operating lease commitments disclosed as at 31 December 2018	<u>806,981</u>
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	<u>(57,698)</u>
Lease liabilities recognised as at 1 January 2019	<u>599,373</u>

Represented by:

Current lease liabilities	154,575
Non-current lease liabilities	<u>444,798</u>
	<u>599,373</u>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining 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 at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. In addition, leasehold land previously included in 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. There is no impact on the opening balance of equity.

2 Changes in accounting policies (continued)

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:			
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

c. 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 year.

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 table gives an indication of the hypothetical impact of the adoption of HKFRS 16 on the Group's financial result for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated 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 in 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	
	<i>Amounts reported under HKFRS 16 (A)</i>	<i>Add back: HKFRS 16 depreciation and interest expense (B)</i>	<i>Deduct: Estimated amounts related to operating lease as if under HKAS 17 (C)</i>	<i>Hypothetical amounts for 2019 as if under HKAS 17 (D = A+B+C)</i>	<i>Compared to amounts reported for 2018 under HKAS 17</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Line items in the consolidated income statement for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Cost of sales and services	(4,961,067)	-	(93,491)	(5,054,558)	(5,583,843)
Depreciation and amortisation	(913,491)	175,525	-	(737,966)	(725,440)
Other operating expenses	(538,170)	-	(85,952)	(624,122)	(687,573)
Finance costs	(341,371)	16,002	-	(325,369)	(337,067)
Profit before taxation	1,249,226	191,527	(179,443)	1,261,310	1,141,284
Profit for the year	1,019,900	191,527	(179,443)	1,031,984	967,892
Attributable to:					
Equity shareholders of the Company	1,002,228	162,520	(155,761)	1,008,987	951,039
Non-controlling interests	17,672	29,007	(23,682)	22,997	16,853
Earnings per share (HK cents)					
Basic	27.5	4.5	(4.3)	27.7	26.7
Diluted	27.4	4.4	(4.2)	27.6	26.7
Line items in the consolidated statement of comprehensive income for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Total comprehensive income for the year	1,045,338	191,527	(179,443)	1,057,422	965,920
Attributable to:					
Equity shareholders of the Company	1,028,406	162,520	(155,761)	1,035,165	950,202
Non-controlling interests	16,932	29,007	(23,682)	22,257	15,718

2 Changes in accounting policies (continued)

d. Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation (“leasehold investment properties”). The adoption of HKFRS 16 does not have a significant impact on the Group’s financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

e. Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

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 sale of mobile handsets and equipment.

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

(i) Disaggregation of revenue

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

	2019 \$'000	2018 \$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines:		
Mobile services	1,242,974	1,276,511
Internet services	1,065,588	1,009,680
International telecommunications services	1,774,619	1,655,703
Enterprise solutions	3,088,148	2,953,618
Fixed line services	225,080	243,572
	<hr/>	<hr/>
Fees from the provision of telecommunications services	7,396,409	7,139,084
Sale of mobile handsets and equipment	1,617,571	2,324,929
	<hr/>	<hr/>
	9,013,980	9,464,013

3 Revenue and segment reporting (continued)

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

During the years ended 31 December 2019 and 2018, revenue from the provision of telecommunications services is substantially recognised over time and sale of mobile handsets and equipment is recognised at a point-in-time.

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

	2019 \$'000	2018 \$'000
Within 1 year	2,040,204	1,598,898
Over 1 year	1,107,116	1,270,357
	<u>3,147,320</u>	<u>2,869,255</u>

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

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts for products or services such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for products or services that had an original expected duration of one year or less.

3 Revenue and segment reporting (continued)

(b) Segment reporting

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

(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.

(ii) Reconciliation of reportable segment profit

	2019 \$'000	2018 \$'000
Profit		
Reportable segment profit	2,540,418	2,271,103
Net loss on disposal of property, plant and equipment	(1,448)	(2,790)
Net foreign exchange loss	(15,120)	(22,330)
Depreciation and amortisation	(913,491)	(725,440)
Finance costs	(341,371)	(337,067)
Share of (loss)/profit of a joint venture	(128)	3,100
Interest income	10,522	11,498
Rentals income from investment property less direct outgoings	24,460	21,155
Change in fair value of contingent consideration	-	10,116
Valuation gain on investment property	18,296	23,683
Unallocated head office and corporate expenses	(72,912)	(111,744)
Consolidated profit before taxation	<u>1,249,226</u>	<u>1,141,284</u>

3 Revenue and segment reporting (continued)

(iii) Reconciliations of reportable segment assets and liabilities

	2019 \$'000	2018 \$'000
Assets		
Reportable segment assets	17,583,745	17,184,934
Investment property	647,648	629,352
Interest in a joint venture	8,911	8,924
Deferred tax assets	65,595	67,957
Current tax recoverable	13,740	3,200
Unallocated head office and corporate assets	69,648	70,855
	<hr/>	<hr/>
Consolidated total assets	18,389,287	17,965,222
	<hr/>	<hr/>
Liabilities		
Reportable segment liabilities	2,209,454	1,762,229
Bank and other borrowings	288,957	327,529
Current tax payable	207,428	165,122
Non-current bank and other borrowings	5,988,949	6,529,947
Deferred tax liabilities	233,099	247,719
Unallocated head office and corporate liabilities	36,021	36,960
	<hr/>	<hr/>
Consolidated total liabilities	8,963,908	9,069,506
	<hr/>	<hr/>

3 Revenue and 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 operations, in the case of interest in a joint venture.

	<i>Revenue from external customers</i>		<i>Specified non-current assets</i>	
	<i>2019</i> \$'000	<i>2018</i> \$'000	<i>2019</i> \$'000	<i>2018</i> \$'000
Hong Kong (place of domicile)	3,330,252	3,262,584	1,799,881	1,719,592
The People's Republic of China	847,754	662,489	572,447	208,626
Macau	4,068,243	4,679,127	11,764,881	12,010,605
Singapore	456,204	501,394	503,500	484,179
Others	311,527	358,419	244,593	253,900
	<u>5,683,728</u>	<u>6,201,429</u>	<u>13,085,421</u>	<u>12,957,310</u>
	<u>9,013,980</u>	<u>9,464,013</u>	<u>14,885,302</u>	<u>14,676,902</u>

4 Other income

	2019 \$'000	2018 \$'000
Interest income from bank deposits	8,149	7,918
Other interest income	2,373	3,580
	<hr/>	<hr/>
	10,522	11,498
Gross rental income from investment property	25,522	22,785
Change in fair value of contingent consideration (note)	-	10,116
	<hr/>	<hr/>
	36,044	44,399
	<hr/>	<hr/>

Note: During the year ended 31 December 2018, the Group remeasured the fair value of contingent consideration for the acquisition of subsidiaries during the year ended 31 December 2016 with contingent consideration arrangements based on certain criteria stated in the sale and purchase agreement, and a gain of \$10,116,000 was recognised.

5 Other net loss

	2019 \$'000	2018 \$'000
Net loss on disposal of property, plant and equipment	1,448	2,790
Net foreign exchange loss	15,120	22,330
	<hr/>	<hr/>
	16,568	25,120
	<hr/>	<hr/>

6 Profit before taxation

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

	2019 \$'000	2018 \$'000
(a) Cost of sales and services		
Cost of provision of telecommunications services	3,362,286	3,290,761
Cost of sales of mobile handsets and equipment	1,598,781	2,293,082
	<u>4,961,067</u>	<u>5,583,843</u>
(b) Finance costs		
Interest on bank and other borrowings	305,696	314,704
Interest on lease liabilities	16,044	120
Other finance charges	16,836	20,196
Other interest expense	2,795	2,047
	<u>341,371</u>	<u>337,067</u>
(c) Staff costs (including directors' emoluments)		
Contributions to defined contribution retirement plans	72,642	69,730
Expenses recognised in respect of defined benefit retirement plan	9,588	9,062
	<u>82,230</u>	<u>78,792</u>
Total retirement costs	82,230	78,792
Equity-settled share-based payment expenses	5,538	16,780
Salaries, wages and other benefits	960,531	939,296
	<u>1,048,299</u>	<u>1,034,868</u>

6 Profit before taxation (continued)

	2019 \$'000	2018 \$'000
(d) Other disclosures		
Rental charges		
–leased circuits	877,943	1,051,441
–land and buildings	-	143,963
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	206,659	-
Amortisation	167,586	167,817
Depreciation charge		
–property, plant and equipment	560,813	557,623
–right-of-use assets	185,092	-
	<u>913,491</u>	<u>725,440</u>
Auditors' remuneration		
–audit services	6,608	7,665
–non-audit services	3,265	1,692
	<u>9,873</u>	<u>9,357</u>
Impairment losses for trade debtors and contract assets	14,238	12,429
Write off for other receivables	-	26,207
Rentals income from investment property less direct outgoings of \$1,062,000 (2018: \$1,630,000)	(24,460)	(21,155)

7 Income tax

	2019 \$'000	2018 \$'000
Current tax		
Hong Kong Profits Tax		
– Provision for the year	90,597	90,430
– Under/(over)-provision in respect of prior years	1,446	(61,908)
	<u>92,043</u>	<u>28,522</u>
Macau Complementary Tax		
– Provision for the year	130,928	124,441
– Over-provision in respect of prior years	(3,120)	-
	<u>127,808</u>	<u>124,441</u>
Jurisdictions outside Hong Kong and Macau		
– Provision for the year	22,181	11,037
– Under/(over)-provision in respect of prior years	3,368	(11,684)
	<u>25,549</u>	<u>(647)</u>
Deferred tax		
Origination and reversal of temporary differences	(16,074)	21,076
	<u>229,326</u>	<u>173,392</u>

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2018/2019 subject to a maximum reduction of \$20,000 for each business (2018: a maximum reduction of \$30,000 was granted for the year of assessment 2017/2018 and was taken into account in calculating the provision for 2018).

The provision for Macau Complementary Tax for 2019 is calculated at 12% (2018: 12%) of the estimated assessable profits for the year. Assessable profits of the first Macau Patacas (“MOP”) 600,000 (equivalent to approximately \$582,000) (2018: MOP600,000 (equivalent to approximately \$583,000)) 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 year*

	2019 \$'000	2018 \$'000
Interim dividend declared and paid of HK5.0 cents (2018: HK4.0 cents) per share	182,831	142,730
Final dividend proposed after the end of the reporting period of HK15.0 cents (2018: HK14.0 cents) per share	<u>548,886</u>	<u>502,216</u>
	<u>731,717</u>	<u>644,946</u>

For the interim dividend in respect of the period ended 30 June 2019, there was a difference of \$218,000 between the interim dividend disclosed in 2019 interim report and the amount paid during the year ended 31 December 2019, which represented dividends attributable to shares issued upon exercise of share options before the closing date of register of members.

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.

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

	2019 \$'000	2018 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK14.0 cents (2018: HK13.0 cents) per share	<u>511,306</u>	<u>463,252</u>

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 year ended 31 December 2019, which represented dividends attributable to shares issued upon exercise of share options before the closing date of register of members.

9 Earnings per share

	2019 \$'000	2018 \$'000
Profit attributable to equity shareholders of the Company	<u>1,002,228</u>	<u>951,039</u>

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

	<i>Number of shares</i>	
	2019 '000	2018 '000
Issued ordinary shares as at 1 January	3,587,260	3,544,164
Effect of share options exercised	<u>51,168</u>	<u>16,388</u>
Weighted average number of ordinary shares (basic) as at 31 December	3,638,428	3,560,552
Effect of deemed issue of shares under the Company's share option plan	<u>15,608</u>	<u>2,006</u>
Weighted average number of ordinary shares (diluted) as at 31 December	<u>3,654,036</u>	<u>3,562,558</u>
Basic earnings per share (HK cents)	<u>27.5</u>	<u>26.7</u>
Diluted earnings per share (HK cents)	<u>27.4</u>	<u>26.7</u>

10 Trade and other receivables and deposits

	2019 \$'000	2018 \$'000
Trade debtors	1,089,748	1,030,206
Less: loss allowance	(35,517)	(26,949)
	<u>1,054,231</u>	<u>1,003,257</u>
Other receivables and deposits	396,342	492,030
	<u>1,450,573</u>	<u>1,495,287</u>

Represented by:

Non-current portion	112,372	119,937
Current portion	<u>1,338,201</u>	<u>1,375,350</u>
	<u>1,450,573</u>	<u>1,495,287</u>

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

As at 31 December 2019 and 2018, included in other receivables and deposits were the following:

- (i) prepayment of \$38,710,000 (2018: \$45,280,000) 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 RMB61,987,000 (equivalent to approximately \$69,196,000) (2018: RMB61,987,000 (equivalent to approximately \$70,746,000)).

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:

	2019 \$'000	2018 \$'000
Within 1 year	1,003,285	950,613
Over 1 year	<u>50,946</u>	<u>52,644</u>
	<u>1,054,231</u>	<u>1,003,257</u>

Trade debtors are due within 7 to 180 days from the date of billing.

11 Trade and other payables

	2019 \$'000	2018 \$'000
Trade creditors	946,357	849,349
Other payables and accruals	560,649	691,940
	<u>1,507,006</u>	<u>1,541,289</u>

Represented by:

Non-current portion	37,509	44,487
Current portion	1,469,497	1,496,802
	<u>1,507,006</u>	<u>1,541,289</u>

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:

	2019 \$'000	2018 \$'000
Within 1 year	716,627	594,552
Over 1 year	229,730	254,797
	<u>946,357</u>	<u>849,349</u>

FINANCIAL REVIEW

OVERVIEW

The Group achieved good financial results for the year ended 31 December 2019 with a net increase in profit of 5.4% to HK\$1,019.9 million when compared to the previous year. Profit attributable to equity shareholders for the year ended 31 December 2019 increased by 5.4% year-on-year to HK\$1,002.2 million, whilst basic earnings per share for the year ended 31 December 2019 was up 3.0% year-on-year to HK27.5 cents per share.

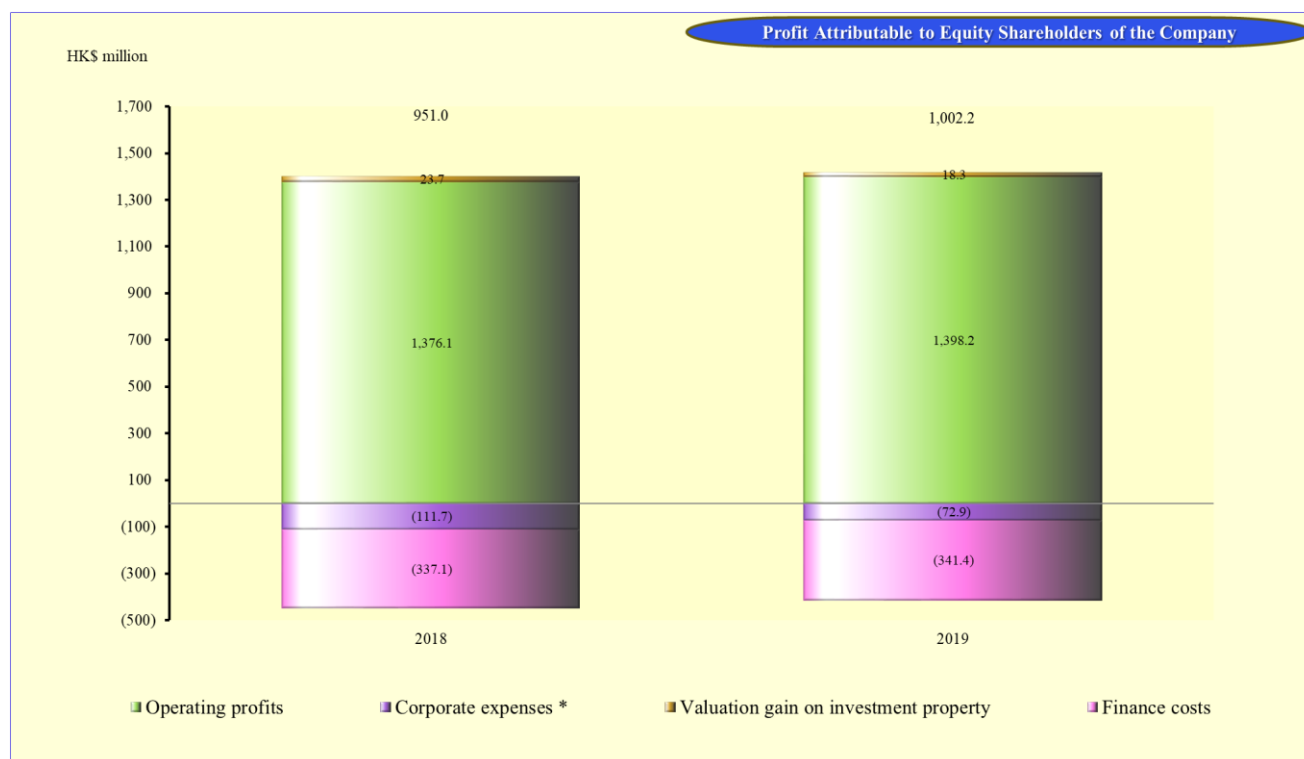
The Group's total revenue amounted to HK\$9,014.0 million for 2019. Revenue from telecommunications services increased by 3.6% year-on-year from HK\$7,139.1 million in the previous year to HK\$7,396.4 million.

Summary of Financial Results

	Year ended 31 December		Increase / (Decrease)	
<i>In HK\$ million</i>	2019	2018		
Revenue from telecommunications services	7,396.4	7,139.1	257.3	3.6%
Sale of mobile handsets and equipment	1,617.6	2,324.9	(707.3)	(30.4%)
Revenue	9,014.0	9,464.0	(450.0)	(4.8%)
Valuation gain on investment property	18.3	23.7	(5.4)	(22.8%)
Other income and net loss	19.5	19.3	0.2	1.0%
Cost of sales and services	(4,961.1)	(5,583.8)	(622.7)	(11.2%)
Depreciation and amortisation	(913.5)	(725.4)	188.1	25.9%
Staff costs	(1,048.3)	(1,034.9)	13.4	1.3%
Other operating expenses	(538.2)	(687.6)	(149.4)	(21.7%)
Profit from consolidated activities	1,590.7	1,475.3	115.4	7.8%
Finance costs	(341.4)	(337.1)	4.3	1.3%
Share of joint venture results	(0.1)	3.1	N/A	N/A
Income tax	(229.3)	(173.4)	55.9	32.2%
Profit for the year	1,019.9	967.9	52.0	5.4%
Less: Non-controlling interests	(17.7)	(16.9)	0.8	4.7%
Profit attributable to equity shareholders of the Company	1,002.2	951.0	51.2	5.4%
EBITDA*	2,493.6	2,192.3	301.3	13.7%

* 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 and others.

Profit attributable to equity shareholders of the Company for the year ended 31 December 2019 amounted to HK\$1,002.2 million, an increase of HK\$51.2 million or 5.4% when compared to the previous year. Excluding the valuation gain on investment property, profit attributable to equity shareholders of the Company for the year would increase by 6.1% when compared to the previous year as the Group continued to strengthen 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 year ended 31 December 2019 amounted to HK\$7,396.4 million, representing a year-on-year increase of 3.6% or HK\$257.3 million. The increase was mainly contributed by the growth in enterprise solutions revenue of HK\$134.5 million, growth in international telecommunications services revenue of HK\$118.9 million, growth in Internet services revenue of HK\$55.9 million, offset partly by the decrease in mobile services revenue and fixed line services revenue of HK\$33.5 million and HK\$18.5 million respectively.

The Group's total revenue, including revenue from telecommunications services and sale of mobile handsets and equipment, amounted to HK\$9,014.0 million.

Mobile sales & services

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

Revenue from mobile services decreased by 2.6% to HK\$1,243.0 million when compared to the previous year due to the slight drop in other mobile value-added services.

The number of postpaid subscribers increased around 5.4% to approximately 350,000 (31 December 2018: approximately 332,000 subscribers), whilst prepaid customers increased around 28.2% to approximately 796,000 (31 December 2018: approximately 621,000 subscribers).

The overall number of subscribers as at 31 December 2019 was approximately 1,146,000, an increase of around 20.2% when compared to 31 December 2018, of which approximately 99.3% (31 December 2018: 97.7%) were 4G subscribers.

The Group's mobile market share in Macau was around 41.0% as at 31 December 2019 (31 December 2018: 43.7%), while the Group had around 41.9% market share in the 4G subscribers of Macau mobile market as at 31 December 2019 (31 December 2018: 46.3%).

Internet services

Internet services revenue amounted to HK\$1,065.6 million for the year, representing a year-on-year increase of 5.5% or HK\$55.9 million. The increase was mainly due to the increase in revenue from fibre broadband service as a result of the approximately 3.0% increase in the number of broadband users to over 193,000 subscribers and the increase in data centre activities as the Group continues to expand its data centre operation.

The Group's Internet market share and broadband market penetration rate in Macau as at 31 December 2019 was almost the same as previous year at around 96.9% (31 December 2018: 97.0%) and 88.8% (31 December 2018: 89.0%) respectively.

International telecommunications services

International telecommunications services revenue includes revenue from voice services, SMS and “DataMall自由行” services, and increased by 7.2% or HK\$118.9 million during the year.

Voice services revenue decreased by 12.8% or HK\$148.5 million year-on-year to HK\$1,007.3 million which was in line with the global trend in decreasing tariffs and traffic volume for wholesale voice market partly as a result of the substitution effect of mobile Internet.

The Group proactively seized new business opportunities brought about by the increasing demand for SMS based services like authentication services, confirmation of transactions, etc., SMS revenue surged 74.3% or HK\$287.4 million to HK\$674.1 million when compared to the previous year.

As certain operators were undertaking system upgrades during the year, coupled with a drastic drop in tourism caused by months of civil unrest, revenue from “DataMall自由行” services dropped by HK\$20.0 million to HK\$93.2 million when compared to the previous year.

Enterprise solutions

Enterprise solutions revenue increased by 4.6% from HK\$2,953.6 million in the previous year to HK\$3,088.1 million for the year ended 31 December 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, fixed line services revenue was down by 7.6% year-on-year to HK\$225.1 million for the year ended 31 December 2019.

Results for the year

Profit attributable to equity shareholders increased by HK\$51.2 million or 5.4% to HK\$1,002.2 million year-on-year as a result of the increase in the Group's profit for the year of HK\$52.0 million when compared to the previous year. The increase was mainly due to the combined effect of the following factors:

Revenue

The Group's revenue from telecommunications services amounted to HK\$7,396.4 million, an increase of 3.6% when compared to the previous year. This is contributed by the growth in the majority of the Group's businesses for the year. Total revenue including mobile handsets and equipment sales amounted to HK\$9,014.0 million for the year, representing a year-on-year decrease of 4.8% mainly as a result of the drop in mobile handsets and equipment sales.

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 2019 by the Group's independent surveyors with a valuation gain of HK\$18.3 million (2018: HK\$23.7 million).

Cost of sales and services

Cost of sales and services includes costs of provision of telecommunications services and cost of sales of mobile handsets and equipment. Cost of sales and services amounted to HK\$4,961.1 million, a year-on-year decrease of 11.2% or HK\$622.7 million. Excluding the impact of adopting Hong Kong Financial Reporting Standard 16, *Leases* ("HKFRS 16") which was first effective for the Group on 1 January 2019 of approximately HK\$93.5 million, cost of sales and services decreased by 9.5% year-on-year mainly due to the drop in mobile handsets and equipment sales.

Depreciation and amortisation

Depreciation and amortisation expenses totalled HK\$913.5 million for the year ended 31 December 2019, an increase of HK\$188.1 million when compared to the previous year. Excluding the additional depreciation expenses of HK\$175.5 million arising from the adoption of HKFRS 16, depreciation and amortisation for the year increased by 1.7% or HK\$12.6 million when compared to the previous year.

Staff costs

Staff costs for the year increased year-on-year by 1.3% or HK\$13.4 million mainly due to average salary increment for the year and the increase in headcount as a result of the Group's continuous business expansion, partly offset by the decrease in equity-settled share-based payment expenses.

Other operating expenses

Other operating expenses amounted to HK\$538.2 million which represents a year-on-year decrease of 21.7% or HK\$149.4 million. Excluding the impact of adopting HKFRS 16 of approximately HK\$86.0 million and an exceptional item recorded in 2018, being the write-off for other receivables of HK\$26.2 million, other operating expenses decreased 5.6% when compared to the previous year. The decrease was mainly due to the Group's continuing efforts and success in achieving its cost saving initiatives.

Finance costs

With the implementation of the new accounting standard on leases, additional interest expenses in relation to the lease liabilities of HK\$16.0 million was recognised during the year. Excluding the interest expenses arising from the new accounting standard on leases, finance costs decreased by 3.5% when compared to the previous year due to the Group's effective policies to manage its interest rate risks. The effective variable interest rate for the Group was approximately 3.0% p.a. and 3.1% p.a. as at 31 December 2019 and 2018 respectively.

Income tax

Income tax for the year amounted to HK\$229.3 million, an increase of HK\$55.9 million when compared to the previous year. The increase was mainly due to the net impact from the reversal of the over-provision of tax for the year ended 31 December 2018. Excluding finance costs, additional tax expense from under-provision (year ended 31 December 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 was relatively stable at around 14.1% and 14.5% for the year ended 31 December 2019 and 2018 respectively.

Earnings per share ("EPS")

Both basic EPS and diluted EPS amounted to approximately HK27.5 cents and HK27.4 cents which represents an increase of 3.0% and 2.6% respectively when compared to the previous year.

Dividends per share

Final dividend of HK15.0 cents per share is proposed for the year ended 31 December 2019.

Cash flows

	Year ended 31 December		Increase / (Decrease)	
<i>In HK\$ million</i>	2019	2018		
<i>Source of cash:</i>				
Cash inflows from business operations	2,416.8	1,815.6	601.2	33.1%
Decrease in pledged deposits	3.1	219.6	(216.5)	(98.6%)
Other cash inflows	192.6	111.0	81.6	73.5%
Sub-total	2,612.5	2,146.2	466.3	21.7%
<i>Use of cash:</i>				
Net capital expenditure*	(479.6)	(603.2)	(123.6)	(20.5%)
Dividends paid to equity shareholders and non-controlling interests	(703.3)	(614.5)	88.8	14.5%
Net cash outflows from borrowings	(1,161.4)	(1,282.7)	(121.3)	(9.5%)
Sub-total	(2,344.3)	(2,500.4)	(156.1)	(6.2%)
Net increase / (decrease) in cash	268.2	(354.2)	N/A	N/A

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

The Group generated HK\$2,416.8 million cash inflow from its operations, with the use of cash mainly comprised of capital expenditure, borrowings and repayments, and dividends paid to equity shareholders and non-controlling interests. The Group maintained a strong cash flow position with a net cash inflow of HK\$268.2 million for the year ended 31 December 2019.

Capital expenditure

The Group's total capital expenditure decreased from HK\$575.8 million for the year ended 31 December 2018 to HK\$446.5 million for the year ended 31 December 2019. However, as the Group continued to expand its data centres, fitting-out costs increased by 22.7% year-on-year to HK\$56.2 million with the remainder of the capital expenditure mainly for network development and upgrade projects.

Capital commitments

As at 31 December 2019, the Group had outstanding capital commitments of HK\$296.7 million, mainly for data centre development, system upgrades, construction costs of networks and purchase of telecommunications equipment which had yet to be delivered to the Group. Of these commitments, HK\$239.1 million were outstanding contractual capital commitments and HK\$57.6 million were capital commitments authorised but for which contracts had yet to be entered into.

TREASURY POLICY AND FINANCIAL RISK MANAGEMENT

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

1. Debt and leverage

As the Group's net debt decreased to HK\$4,965.1 million, the net gearing ratio decreased from 40% as at 31 December 2018 to 35% as at 31 December 2019.

As at 31 December 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	2,109.6	3,561.6	452.1	154.6	-	-	-	6,277.9
Less: Cash and bank deposits	(346.5)	(455.4)	(80.0)	(24.3)	(174.5)	(164.6)	(67.5)	(1,312.8)
Net debt/ (cash)	<u>1,763.1</u>	<u>3,106.2</u>	<u>372.1</u>	<u>130.3</u>	<u>(174.5)</u>	<u>(164.6)</u>	<u>(67.5)</u>	<u>4,965.1</u>

As at 31 December 2019 and 2018, the Group's net gearing ratio was as follows:

<i>In HK\$ million</i>	31 December 2019	31 December 2018
Total debt	6,277.9	6,857.5
Less: Cash and bank deposits	(1,312.8)	(1,049.1)
Net debt	4,965.1	5,808.4
Total equity attributable to equity shareholders of the Company	9,376.6	8,854.8
Total capital	14,341.7	14,663.2
Net gearing ratio	35%	40%

Note: The Group has initially applied HKFRS 16, Leases, using the modified retrospective approach 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 31 December 2019, the total debt amounted to HK\$6,277.9 million, of which HK\$289.0 million will be matured in the coming year, against cash and bank deposits of HK\$1,312.8 million.

The maturity profile of the Group's total debt as at 31 December 2019 was as follows:

<i>In HK\$ million</i>	2020	2021	2022	2023	2024	2025 & beyond	Total
Bank and other borrowings	289.0	968.6	422.7	-	1,104.5	-	2,784.8
US\$450 million 6.1% guaranteed bonds	-	-	-	-	-	3,493.1	3,493.1
	289.0	968.6	422.7	-	1,104.5	3,493.1	6,277.9

The Group's total debt decreased to HK\$6,277.9 million which was mainly due to the early repayment of bank loans amounted to HK\$600.0 million from its surplus cash during the year. 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 year.

The Group's cash balance as at 31 December 2019 was more than sufficient to cover the repayments of outstanding amount of total debt of HK\$289.0 million in the coming year and contractual capital commitments of HK\$239.1 million as at 31 December 2019.

As at 31 December 2019, the Group had available trading facilities of HK\$498.1 million. The amount of HK\$97.7 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\$13.4 million of were required to be secured by pledged deposits or right-of-use assets as at 31 December 2019.

As at 31 December 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	2,534.4	2,534.4	-
- Uncommitted facilities:			
Short-term facilities	<u>864.3</u>	<u>181.2</u>	<u>683.1</u>
	3,398.7	2,715.6	683.1
Lease liabilities – Committed facilities	0.9	0.9	-
Guaranteed bonds - Committed facility			
US\$450 million 6.1% guaranteed bonds	3,510.0	3,510.0	-
Trading facilities - Uncommitted facilities	<u>498.1</u>	<u>97.7</u>	<u>400.4</u>
Total	<u>7,407.7</u>	<u>6,324.2</u>	<u>1,083.5</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 31 December 2019 and 2018, the Group was in compliance with the relevant requirements.

4. Contingent liabilities

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

5. Performance bonds, guarantees and pledged assets

As at 31 December 2019 and 2018, performance bonds and other guarantees of the Group were as follows:

<i>In HK\$ million</i>	31 December 2019	31 December 2018
Performance bonds provided to the Macau		
Government and other customers	92.8	78.5
Other guarantees	4.9	4.9
Total	<u>97.7</u>	<u>83.4</u>

As at 31 December 2019, bank deposits of HK\$8.4 million (2018: HK\$11.3 million) and right-of-use assets of HK\$1.2 million (2018: HK\$2.7 million, which were previously classified as 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 (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 2019, the Company issued guarantees of HK\$810.5 million (2018: HK\$880.3 million) for its subsidiaries in respect of the various forms of facility lines from financial institutions.

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

6. Interest rate risk

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

Interest rate risk is managed by fixed rate borrowing or through use of interest rate swap, if necessary. As at 31 December 2019, approximately 58.0% (2018: approximately 51.4%) of the Group’s borrowings were linked to fixed interest rates. During the year, the Group did not enter into any interest rate swap arrangement.

Average borrowing rate

As at 31 December 2019, the average borrowing rate, after the inclusion of amortisation of transaction costs, was approximately 4.7% (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 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 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 35.3% and 32.9% of the Group's total trade debtors and contract assets as at 31 December 2019 and 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 31 December 2019, the Group has maintained a cash balance of HK\$1,285.1 million (2018: HK\$1,025.5 million) in the above-mentioned financial institutions, representing approximately 97.9% (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.

SUSTAINABILITY REPORT

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

We devoted effort in various sustainability aspects, including community engagement, employee training and development, and environmental protection, and strived to leverage our inherent strengths to promote social development. We believe that a responsible business could underpin win-win situations for the Group, its shareholders, customers, employees, business partners, and the community.

To ensure that the Group fully understands the expectations of our stakeholders, we consistently engage with a diverse range of stakeholders through various means to collect their opinions, and actively address their concerns raised.

The provision of high-quality and reliable services to customers underlies the core value of the Group. We charge ourselves with the mission of providing quality communication services to customers in a stable and uninterrupted manner, while leveraging our inherent strengths to serve the community in different ways. To respond to our customer needs and stay ahead of the industry, the Group has accelerated its technological innovation and product research and development (R&D) works on different emerging services.

The Group upholds a high standard of business ethics and personal conduct of its employees. There are a series of mechanism to govern our employees to ensure them strictly complying with the Code of Conduct and related policies. The mechanism includes report on compliance of Code of Conduct, whistle-blowing policy and declaration of interest, etc. The Group emphasises on Integrity Conduct Policy and the related regulations. There are training sessions of anti-corruption and awareness-raising activities covering different levels of our employees. These serve as continuous reminders to our employees on awareness of integrity behavior and anti-corruption as well as to strengthen overall corporate governance.

Under the Group's Code of Conduct, we must ensure that our procurement and tendering process allows for open and fair competition, and is in line with public interest and accountability. To promote the concept of "green supply chain", the Group continues to select suitable products and services in the most cost-effective and environmentally-friendly way. We invite suppliers to shoulder our common responsibility of environmental protection through constant communications and collaboration.

As at the end of December 2019, our total number of employees reached 2,580, which has been growing in line with our business expansion.

The Group is an equal opportunity employer and adheres to non-discriminatory employment practices and procedures in recognising and respecting individuals' rights. The Group promotes equal opportunities to applicants and existing employees, determines staff promotion and development in accordance with individual performance and job requirements. The Group strictly abides by all related laws and any discrimination is prohibited.

The Group believes that employees are our most precious assets and we are committed to providing them all kinds of training and development programmes. Our programmes have been meticulously designed for the "optimisation of professional performance, motivation of

staff's potentials, and revitalisation of learning culture". By helping our employees with multi-dimensional development programmes, we hope to achieve better human capital development and retention. Moreover, the Group attaches great importance to the continuous professional training of each Board member and senior management staff, so as to improve their industry knowledge and sharpen their professional skillsets.

The Group is dedicated to safeguarding the health and safety of our employees. We abide by all occupational health and safety regulations and implement effective measures to ensure all employees could work under a safe and sound environment. The Group puts great emphasis on employees' work-life balance as well as their mental and physical wellbeing. We regularly organise different types of leisure activities for our employees to promote the importance of health.

The Group always takes into account of the environmental protection. The Group is committed to conduct business in an environmentally responsible manner and support to reduce greenhouse gas emissions. The Group's impact on the environment is mainly concerned with energy consumption and waste generation by its offices, data centres and other network operations, as well as the associated greenhouse gas emissions. The "CITIC Telecom Green Policy" has been established to provide clear guide to our environmental management for promoting business sustainability.

The Group has made positive contributions in our four major operating locations through untiring efforts in supporting and promoting a wide variety of charitable activities. In 2019, the Group made charitable donations in excess of HK\$1.31 million. The Group spent over 1,150 hours in volunteer services this year. The Group is honoured to receive awards and commendations from multiple organisations to recognise our contributions to the society during the year.

CORPORATE GOVERNANCE

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. A full description of the Company's corporate governance will be set out in the section of "Corporate Governance" contained in the 2019 annual report.

Save as disclosed below, the Company has fully complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year of 2019. Mr. Luo Ning was unable to attend the annual general meeting of the Company held on 15 May 2019 as he had other engagements. Also, for the sake of good corporate governance, the Chairman of the Company had held a meeting with the independent non-executive directors without the presence of the other directors during the year.

The Audit Committee of the Board, consisting of three independent non-executive directors and a non-executive director, has reviewed the 2019 financial statements with management and the external auditors and recommended its adoption by the Board.

DIVIDEND AND CLOSURE OF REGISTER

The Directors have resolved to recommend to shareholders the payment of a final dividend of HK15.0 cents (2018: HK14.0 cents) per share, which together with the interim dividend of HK5.0 cents (2018: HK4.0 cents) per share already paid makes a total dividend of HK20.0 cents (2018: HK18.0 cents) per share for the year ended 31 December 2019.

The proposed final dividend of HK15.0 cents per share, the payment of which is subject to approval of the shareholders at the forthcoming annual general meeting (the “AGM”) of the Company to be held on Wednesday, 13 May 2020, is to be payable on Tuesday, 2 June 2020 to shareholders whose names appear on the Register of Members of the Company on Thursday, 21 May 2020.

The Register of Members of the Company will be closed from Friday, 8 May 2020 to Wednesday, 13 May 2020 (both days inclusive) for the purpose of ascertaining shareholders’ entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, 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 Thursday, 7 May 2020. In addition, the Register of Members of the Company will be closed from Tuesday, 19 May 2020 to Thursday, 21 May 2020 (both days inclusive) for the purpose of ascertaining shareholders’ entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company’s Share Registrar, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Monday, 18 May 2020. During such periods, no share transfer will be effected.

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 year ended 31 December 2019 and the Company has not redeemed any of its shares during the year ended 31 December 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.

ANNUAL REPORT AND FURTHER INFORMATION

A copy of the announcement will be found on the Company's website (www.citictel.com) and the website of the Stock Exchange (www.hkexnews.hk). The full Annual Report will be made available on the website of the Company and the Stock Exchange around 27 March 2020.

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

Hong Kong, 3 March 2020

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
Cai Dawei	Liu Jifu	Zuo Xunsheng
Li Bing Chi, Esmond	Fei Yiping	Lam Yiu Kin