

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

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

FINANCIAL RESULTS OF 2022

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

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

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

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

OPERATIONS REVIEW IN 2022

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

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

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

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

Accelerating digital transformation and enhancing comprehensive business competitiveness

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

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

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

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

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

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

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

Improving the standard of quality management and abilities in professional services

In full implementation of the philosophy of “Quality is the vitality of an enterprise”, the Group has enhanced the awareness for quality and formulated stringent quality control regimes and regulations to upgrade the quality of its network service

and customer service on all fronts, so as to win the trust of customers on the back of supreme servicing capabilities. The Group has optimised the allocation of its information security service team and established a security management service platform with its partners, in a major effort to enhance the quality of information security services. CTM has improved its service quality and customer experience to maintain a high level of customer satisfaction. During the most critical periods of the pandemic, CTM provided instant support to customers via a 24-hour service hotline, while offered comprehensive online self-help services to effectively simplify processes at physical outlets and shorten the waiting time.

Fulfilling corporate social responsibility and enhancing international influence

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

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

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

Emphasising on investors relations to reaffirm investors’ confidence

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

OUTLOOK FOR 2023

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

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

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

Enhancing R&D competence to drive corporate development

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

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

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

Maintaining sound investors relations for the benefit of qualitative corporate development

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

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

Xin Yue Jiang

Chairman

Hong Kong, 16 March 2023

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

(Expressed in Hong Kong dollars)

	<i>Note</i>	2022 \$ million	2021 \$ million
Revenue	3(a)	10,111	9,486
Valuation gain on investment property		9	28
Other income	4	44	36
Cost of sales and services	5(a)	(5,775)	(5,459)
Depreciation and amortisation	5(b)	(914)	(897)
Staff costs	5(c)	(1,169)	(1,082)
Other operating expenses		(541)	(488)
		<u>1,765</u>	<u>1,624</u>
Finance costs	5(d)	(269)	(270)
Share of profit of a joint venture		-	1
		<u>-</u>	<u>1</u>
Profit before taxation	5	1,496	1,355
Income tax	6	(272)	(248)
		<u>(272)</u>	<u>(248)</u>
Profit for the year		<u>1,224</u>	<u>1,107</u>
Attributable to:			
Equity shareholders of the Company		1,191	1,076
Non-controlling interests		33	31
		<u>33</u>	<u>31</u>
Profit for the year		<u>1,224</u>	<u>1,107</u>
Earnings per share (HK cents)	8		
Basic		<u>32.3</u>	<u>29.3</u>
Diluted		<u>32.3</u>	<u>29.2</u>

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 7.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

(Expressed in Hong Kong dollars)

	2022 \$ million	2021 \$ million
Profit for the year	1,224	1,107
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	(46)	16
Deferred tax recognised on the remeasurement of net defined benefit liability	6	(2)
	(40)	14
<i>Items that are or 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 and its related borrowings	(45)	-
Other comprehensive income for the year	(85)	14
Total comprehensive income for the year	1,139	1,121
Attributable to:		
Equity shareholders of the Company	1,113	1,089
Non-controlling interests	26	32
Total comprehensive income for the year	1,139	1,121

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
(Expressed in Hong Kong dollars)

	<i>Note</i>	2022 \$ million	2021 \$ million
Non-current assets			
Investment property		676	667
Property, plant and equipment		2,323	2,625
Right-of-use assets		599	654
Intangible assets		932	1,064
Goodwill		9,710	9,721
Interest in a joint venture		10	11
Non-current contract assets		26	23
Non-current contract costs		28	25
Non-current finance lease receivables		9	5
Non-current other receivables and deposits	9	150	103
Deferred tax assets		74	72
		14,537	14,970
		14,537	14,970
Current assets			
Inventories		132	103
Contract costs		-	2
Finance lease receivables		8	4
Contract assets		224	255
Trade and other receivables and deposits	9	1,293	1,248
Current tax recoverable		1	7
Cash and deposits		1,986	1,793
		3,644	3,412
		3,644	3,412
Current liabilities			
Trade and other payables	10	2,027	1,645
Contract liabilities		183	184
Bank and other borrowings		183	500
Lease liabilities		131	140
Current tax payable		276	188
		2,800	2,657
		2,800	2,657
Net current assets		844	755
Total assets less current liabilities		15,381	15,725

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022 (CONTINUED)**

(Expressed in Hong Kong dollars)

	<i>Note</i>	2022 \$ million	2021 \$ million
Non-current liabilities			
Non-current contract liabilities		1	1
Non-current bank and other borrowings		4,337	4,946
Non-current lease liabilities		323	356
Non-current other payables	10	16	23
Net defined benefit retirement obligation		61	12
Deferred tax liabilities		172	211
		<u>4,910</u>	<u>5,549</u>
NET ASSETS		<u><u>10,471</u></u>	<u><u>10,176</u></u>
CAPITAL AND RESERVES			
Share capital		4,720	4,704
Reserves		5,653	5,391
		<u>10,373</u>	<u>10,095</u>
Total equity attributable to equity shareholders of the Company		<u>10,373</u>	<u>10,095</u>
Non-controlling interests		<u>98</u>	<u>81</u>
TOTAL EQUITY		<u><u>10,471</u></u>	<u><u>10,176</u></u>

Notes

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance (Cap.622). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. 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 2021 except for the adoption of all amendments to HKFRSs that are first effective for accounting periods beginning on or after 1 January 2022 (see note 2).

The financial information relating to the years ended 31 December 2022 and 2021 included in this preliminary announcement of annual results does not constitute the statutory annual consolidated financial statements of CITIC Telecom International Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for those years but is derived from those consolidated financial statements in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622).

The Company has delivered the consolidated financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap.622) and will deliver the consolidated financial statements for the year ended 31 December 2022 in due course.

The Company’s auditor has reported on the consolidated financial statements for both years. The auditor’s reports were 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 407(3) of the Hong Kong Companies Ordinance (Cap.622).

2 Changes in accounting policies

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

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

3 Revenue and segment reporting

(a) Revenue

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

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

(i) Disaggregation of revenue

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

	2022 \$ million	2021 \$ million
Revenue from contracts with customers		
Disaggregated by major service lines or products:		
Mobile services	827	858
Internet services	1,331	1,243
International telecommunications services	3,453	2,461
Enterprise solutions	3,069	3,165
Fixed line services	151	178
	<hr/>	<hr/>
Fees from the provision of telecommunications services	8,831	7,905
Sales of mobile handsets and equipment	1,280	1,581
	<hr/>	<hr/>
	<u>10,111</u>	<u>9,486</u>

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

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

	<i>2022</i> \$ million	<i>2021</i> \$ million
Within 1 year	2,130	2,064
Over 1 year	<u>1,200</u>	<u>1,105</u>
	<u><u>3,330</u></u>	<u><u>3,169</u></u>

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

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

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

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

3 Revenue and segment reporting (continued)

(iii) Reconciliations of reportable segment assets and liabilities

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

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 operation, in the case of interest in a joint venture.

	<i>Revenue from external customers</i>		<i>Specified non-current assets</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>
Hong Kong (place of domicile)	4,636	3,737	1,842	1,878
Chinese mainland	1,172	1,089	481	555
Macau	3,489	3,919	11,249	11,590
Singapore	424	435	461	491
Others	390	306	217	228
	5,475	5,749	12,408	12,864
	10,111	9,486	14,250	14,742

4 Other income

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

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

5 Profit before taxation

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

(a) Cost of sales and services

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

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

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

(b) Depreciation and amortisation

	2022 \$ million	2021 \$ million
Depreciation charge		
– property, plant and equipment	612	562
– right-of-use assets	171	177
Amortisation	131	158
	<u>914</u>	<u>897</u>

(c) Staff costs (including directors' emoluments)

	2022 \$ million	2021 \$ million
Contributions to defined contribution retirement plans	85	76
Expenses recognised in respect of defined benefit retirement plan	8	8
	<u>93</u>	<u>84</u>
Total retirement costs	93	84
Salaries, wages and other benefits	1,076	998
	<u>1,169</u>	<u>1,082</u>

5 Profit before taxation (continued)

(d) Finance costs

	2022 \$ million	2021 \$ million
Interest on bank and other borrowings	248	240
Interest on lease liabilities	18	20
Other finance charges	3	10
Other interest expense	-	1
	<u>269</u>	<u>271</u>
Less: interest expense capitalised into construction in progress *	-	(1)
	<u>269</u>	<u>270</u>

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

(e) Other items

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

6 Income tax

Income tax in the consolidated income statement represents:

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

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2021/22 subject to a maximum reduction of \$10,000 for each business (2021: a maximum reduction of \$10,000 was granted for the year of assessment 2020/21 and was taken into account in calculating the provision for 2021).

The provision for Macau Complementary Tax for 2022 is calculated at 12% (2021: 12%) of the estimated assessable profits for the year. Assessable profits of the first Macau Patacas ("MOP") 600,000 (equivalent to approximately \$582,000) (2021: MOP600,000 (equivalent to approximately \$582,000)) are exempted from Macau Complementary Tax.

Taxation for jurisdictions outside Hong Kong and Macau is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

7 Dividends

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

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

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

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

For the final dividend in respect of the year ended 31 December 2021, there was a difference of \$1,000,000 between the final dividend disclosed in 2021 annual report and the amount paid during the year ended 31 December 2022, which represented dividends attributable to shares issued upon exercise of share options before the closing date of register of members.

8 Earnings per share

	<i>2022</i> \$ million	<i>2021</i> \$ million
Profit attributable to equity shareholders of the Company	<u>1,191</u>	<u>1,076</u>

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

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

9 Trade and other receivables and deposits

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

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

	<i>2022</i> \$ million	<i>2021</i> \$ million
Within 1 year	899	749
Over 1 year	9	9
	<u>908</u>	<u>758</u>

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

10 Trade and other payables

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

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

	<i>2022</i> \$ million	<i>2021</i> \$ million
Within 1 year	994	794
Over 1 year	208	229
	<u>1,202</u>	<u>1,023</u>

FINANCIAL REVIEW

OVERVIEW

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

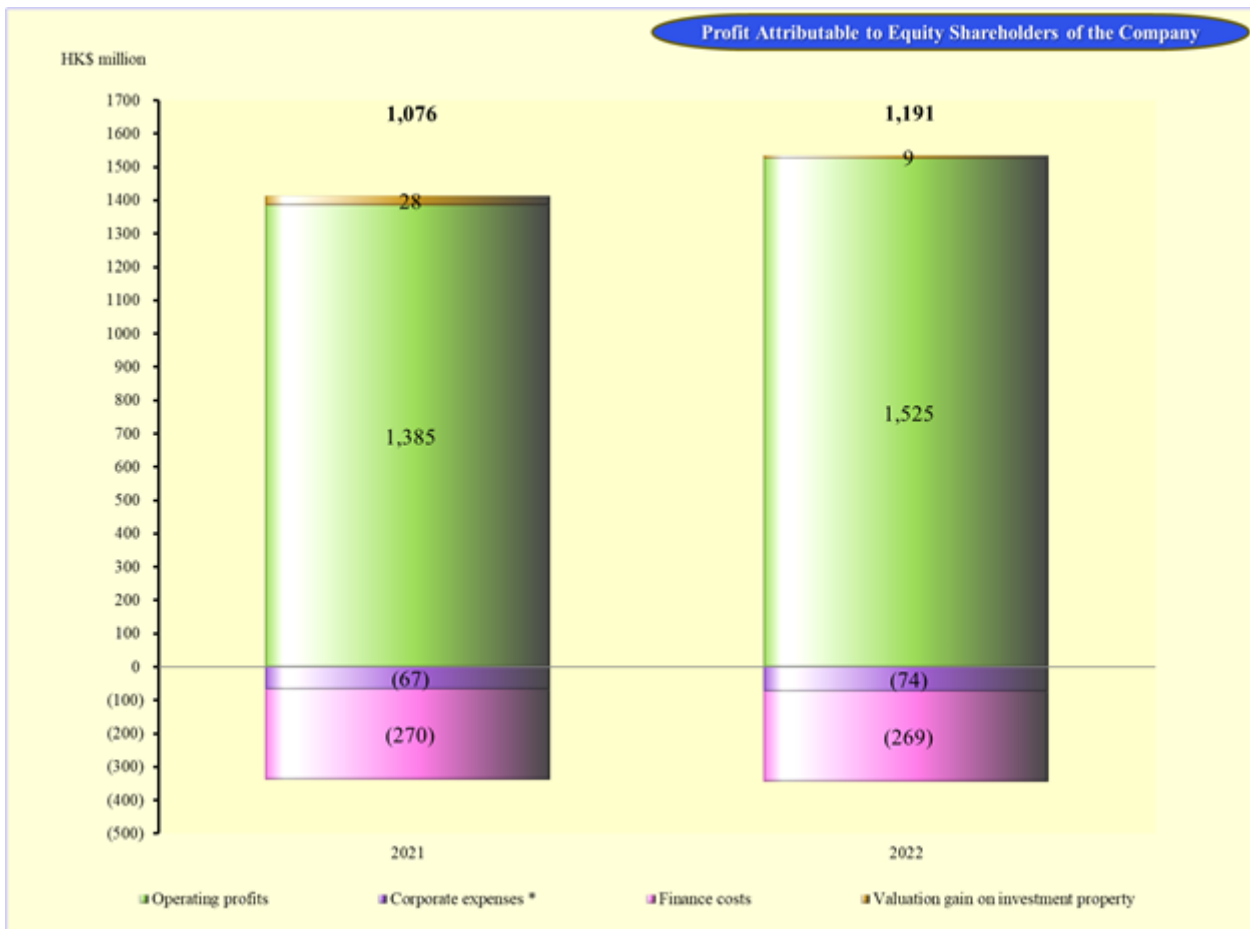
The Group's total revenue increased by 6.6% year-on-year to HK\$10,111 million while revenue from telecommunications services increased by 11.7% to HK\$8,831 million when compared to last year.

Summary of Financial Results

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

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

Profit attributable to equity shareholders of the Company



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

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

Revenue

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

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

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

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

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

Mobile sales & services

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

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

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

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

Internet services

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

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

International telecommunications services

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

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

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

Enterprise solutions

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

Fixed line services

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

Results for the year

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

Revenue

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

Valuation gain on investment property

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

Cost of sales and services

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

Depreciation and amortisation

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

Staff costs

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

Other operating expenses

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

Finance costs

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

Income tax

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

Earnings and Dividends per share

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

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

Cash flows

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

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

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

Capital expenditure

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

Capital commitments

As at 31 December 2022, the Group had outstanding capital commitments of HK\$116 million, mainly for 5G development, data centre development, system upgrades, construction costs of networks, and other telecommunications equipment which had yet to be delivered to the Group. Of these commitments, HK\$37 million was outstanding contractual capital commitments and HK\$79 million was capital commitments authorised but for which contracts had yet to be entered into.

TREASURY POLICY AND FINANCIAL RISK MANAGEMENT

General

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

1. Debt and leverage

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

As at 31 December 2022, total debt and net debt of the Group were as follows:

	Denomination							
<i>In HK\$ million equivalents</i>	HKD	USD	SGD	MOP	RMB	EUR	Others	Total
Total debt	550	3,572	398	-	-	-	-	4,520
Less: Cash and deposits	<u>(433)</u>	<u>(946)</u>	<u>(55)</u>	<u>(284)</u>	<u>(197)</u>	<u>(27)</u>	<u>(44)</u>	<u>(1,986)</u>
Net debt/ (cash)	<u>117</u>	<u>2,626</u>	<u>343</u>	<u>(284)</u>	<u>(197)</u>	<u>(27)</u>	<u>(44)</u>	<u>2,534</u>

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

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

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

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

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

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

Available sources of financing

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

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

As at 31 December 2022, the Group had available trading facilities of HK\$218 million. The amount of HK\$89 million was utilised as guarantees for performance to customers / the Macau Government and costs payable to telecoms operators and others.

The utilised facilities of approximately HK\$7 million were required to be secured by pledged deposits as at 31 December 2022.

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

<i>In HK\$ million</i>	Total available facilities	Amount utilised	Amount unutilised
Bank and other loans			
- Committed facilities:			
Term loans	848	848	-
- Uncommitted facilities:			
Short-term facilities	<u>894</u>	<u>100</u>	<u>794</u>
	1,742	948	794
Guaranteed bonds - Committed facility			
US\$450 million 6.1% guaranteed bonds	3,510	3,510	-
Trading facilities - Uncommitted facilities	<u>218</u>	<u>89</u>	<u>129</u>
Total	<u>5,470</u>	<u>4,547</u>	<u>923</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 demands must be approved by the finance committee or the board of the Company. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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

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

3. Loan covenants

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

4. Contingent liabilities

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

5. Performance bonds, guarantees and pledged assets

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

<i>In HK\$ million</i>	31 December 2022	31 December 2021
Performance bonds provided to the Macau		
Government and other customers	87	85
Other guarantees	<u>2</u>	<u>2</u>
Total	<u>89</u>	<u>87</u>

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

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

As at 31 December 2022, the Company issued guarantees of HK\$436 million (2021: HK\$540 million) for its subsidiaries in respect of the various forms of facility lines from financial institutions.

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

6. Interest rate risk

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

Interest rate risk is managed by fixed rate borrowing or through use of interest rate swap, if necessary. As at 31 December 2022, approximately 78.7% (2021: approximately 65.6%) of the Group’s borrowings, excluding interest payable, were linked to fixed interest rates. During the year, the Group did not enter into any interest rate swap arrangement.

Effective interest rates

As at 31 December 2022 and 2021, the effective interest rates, after the inclusion of amortisation of transaction costs, were as follows:

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

7. Foreign currency risk

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

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

8. Credit risk

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

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

The Group has certain concentration risk in respect of trade debtors and contract assets due from the Group's five largest customers who accounted for approximately 5.0% (2021: approximately 16.3%) of the Group's total trade debtors and contract assets as at 31 December 2022. The credit risk exposure to the balances of trade debtors and contract assets has been and will continue to be monitored by the Group on an ongoing basis.

9. Counterparty risk

The Group's exposure to credit risk arising from cash and deposits is limited because the Group mainly deals with the companies engaged in financing activities which have good credit ratings with prestigious credit ratings companies (such as Moody's Investors Service, Standard & Poor's and Fitch Group), or the note-issuing banks in Hong Kong and Macau, or its group companies. As at 31 December 2022, the Group has maintained cash and deposits of HK\$1,986 million (2021: HK\$1,793 million), among which HK\$1,982 million (2021: HK\$1,783 million) was placed in the above-mentioned entities, representing approximately 99.8% (2021: approximately 99.4%) of the total cash and deposits of the Group. To achieve a balance between maintaining the flexibility of the Group's operations and minimising the exposure to credit risk arising from cash and deposits, the Group has a pre-defined policy and regular review on the rest of the cash portfolio. It is considered that the Group is exposed to a low credit risk in this respect.

SUSTAINABILITY REPORT

Corporate social responsibility is inseparable with the Group's corporate strategy and business philosophy. The Group adheres to the sustainability vision of "People and Community" as the foundation of our principle, and is committed to integrating the vision into our daily operations, in the view of driving sustained and continued business growth.

"Board Statement on Environmental, Social and Governance Matters" has demonstrated our commitment to sustainability and systematic management through a top-down governance structure.

We endeavour to advance in various sustainability aspects. It is our ambition to co-create a sustainable business environment and underpin win-win situations for the Group, its shareholders, customers, employees, business partners, and the community.

The Group engages with a diverse range of stakeholders through various means to collect their expectations on the Group's strategy and performance. At the same time, we actively convey our sustainability vision to stakeholders, so as to gain their continued support.

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 premium products and 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. We have set up and implemented our Anti-corruption Policy and mechanism. 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.

It is crucial for the Group to protect intellectual property in the process of products and services innovation. Moreover, it is our responsibility of protecting customer data privacy. We make earnest efforts to protect personal information and abide by relevant laws and regulations in our operating countries. The Group is committed to ensuring the stability and effectiveness of the information security management system, and has obtained ISO/IEC 27001 information security management system certification during the year, which will be independently audited by third parties in accordance with ISO professional standards on a regular basis. 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 ongoing promote the concept of "green supply chain", the Group is committed to select products and services in the most cost-effective and environmentally-friendly way.

The Group is distinguished by its professional and international team of excellent and outstanding employees. As at the end of December 2022, our total number of employees was 2,530.

The Group is an equal opportunity employer and adheres to non-discriminatory employment practices and procedures in recognising and respecting individuals' rights. The Group strictly complies with applicable laws regarding equal opportunities and anti-discrimination.

Under the coronavirus pandemic, the Group continues to attach great importance to the prevention and control of the epidemic, and effectively protects the health of employees and their families. We have implemented a series of measures and work arrangements and have regularly reviewed the effectiveness in order to safeguard our employees' health and safety. Moreover, the Group continues to put great emphasis on employees' work-life balance as well as their mental and physical wellbeing.

The Group believes that employees are our most precious assets. The Group actively invests resources in organising different training and development programmes for our staff to enhance their knowledge and nurture talents. The Group regularly provides continuous professional training to Directors and senior management of the Group to ensure that they are kept abreast of the latest regulations and market trends.

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 "CITIC Telecom Green Policy" has been established to provide clear guide to our environmental management for promoting business sustainability. Climate change presents opportunities and risks to the Group's operations. The Group is dedicated to enhancing climate risk management and performance to further develop our resilience and adaption to climate change. Through historical data analysis, forecasting of future factors and peer benchmarking, the Group has set quantitative environmental targets. We will closely monitor the progress of our targets.

Despite the pandemic situation, the Group continues to providing support for our community, giving helping hands to the underprivileged through voluntary service and donation, and leveraging its expertise to promote social development. The Group strives to leverage our expertise and resources in communication and information technology to enhance the quality of life by promoting development of smart city and 5G Technology. The Group places great emphasis on nurturing our younger generation through activities to unleash potentials of teenagers such that they could become future leaders of our society.

The Group is honoured to receive awards and commendations again from multiple organisations, in recognition for 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 2022 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”) in 2022. Following the retirement of Mr. Liu Li Qing on 9 December 2021, Mr. Wen Ku was appointed as an independent non-executive director on 1 February 2022. As disclosed in the 2021 Annual Report of the Company, the total number of independent non-executive directors during this period was below three and less than one-third of the Board and also the Nomination Committee did not comprise a majority of independent non-executive directors. In this respect, the Company had actively tried to identify a suitable candidate with appropriate background and qualification to fill the vacancy. Following the appointment of Mr. Wen Ku as an independent non-executive director, there are three independent non-executive directors, representing one-third of the Board. The Nomination Committee then comprises a majority of independent non-executive directors and therefore the relevant requirements have been fulfilled.

The Audit Committee of the Board, consisting of three independent non-executive directors and a non-executive director, has reviewed the 2022 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 HK18.5 cents (2021: HK17.0 cents) per share, which together with the interim dividend of HK6.0 cents (2021: HK5.5 cents) per share already paid makes a total dividend of HK24.5 cents (2021: HK22.5 cents) per share for the year ended 31 December 2022.

The proposed final dividend of HK18.5 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, 24 May 2023, is to be payable on Wednesday, 14 June 2023 to shareholders whose names appear on the Register of Members of the Company on Friday, 2 June 2023.

The Register of Members of the Company will be closed from Friday, 19 May 2023 to Wednesday, 24 May 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 18 May 2023. In addition, the Register of Members of the Company will be closed from Wednesday, 31 May 2023 to Friday, 2 June 2023 (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 Tuesday, 30 May 2023. 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 2022 and the Company has not redeemed any of its shares during the year ended 31 December 2022.

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 websites of the Company and the Stock Exchange in the second half of April 2023.

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

Hong Kong, 16 March 2023

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)	Wang Guoquan	Zuo Xunsheng
Cai Dawei	Liu Jifu	Lam Yiu Kin
Luan Zhenjun	Fei Yiping	Wen Ku