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 2023

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2023, the Company actively addressed multiple challenges in the course of development and charged forward in grinding effort against all adversities, as it continued to uphold the strategy of "rooting in Chinese mainland market, taking Hong Kong and Macau as the base and connection, and expediting international expansion and coverage" and persist in a customer-centric approach, generating new driving force from innovative developments and embracing the blue ocean of digital economy to drive qualitative corporate development with full force.

I am pleased to announce the Group's annual results for 2023.

FINANCIAL RESULTS OF 2023

The Group reported HK$9,987 million in total revenue for 2023, representing a slight drop of approximately 1.2% compared to HK$10,111 million for the corresponding period of the previous year.

Profit attributable to equity shareholders of the Company for 2023 amounted to HK$1,231 million (including the revaluation gain on investment property for 2023 of HK$14 million), increasing by 3.4% as compared to HK$1,191 million (including the revaluation gain on investment property for 2022 of HK$9 million) for the corresponding period of the previous year.

Basic earnings per share for 2023 amounted to HK33.3 cents, representing a 3.1% growth as compared to 2022.

The Board recommended a final dividend of HK19.3 cents per share for 2023. Together with the 2023 interim dividend of HK6.0 cents per share, total dividends per share for 2023 amounted to HK25.3 cents, representing a 3.3% growth over the corresponding period of the previous year.

OPERATIONS REVIEW OF 2023

Full commitment to constructions for "Digital Macau 3.0" leveraging status as prime mover in market

Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM"), the Group's subsidiary, has been engaged in vigorous development of Macau's 5G market. As at the end of 2023, CTM had more than 500,000 5G subscribers, representing a market share of approximately 75%, firmly securing its top position in the 5G market. It became the first provider to offer 5G private network services in the development of 5G industry applications, as it partnered with Macau University of Science and Technology in the launch of a 5G smart campus private network. Meanwhile, it provided services to the Macau Science Satellite-1 experimental project in contribution to the development of Macau's aerospace industry. By virtue of this project, CTM won the first prize of the Special International Invitational for the second consecutive year and the "Best International Application Award" of the Sixth "Blooming Cup" 5G application competition hosted by the Ministry of Industry and Information Technology.

CTM has expedited the construction of its digital foundation and successfully achieved the goal of "introducing optical fibre and phasing out copper wire", as the fibrelisation rate reached 100% during the year to usher in the era of all-fibre network for all CTM internet broadband users. By employing 5G+ cloud network integration technologies and leveraging its advantage in big data and AI technologies, CTM has launched the first "Macau Smart Tourism Big Data Service" amongst peers in Macau. To offer new experiences in 5G roaming services to customers, CTM completed the first trial on 5G SA+VoNR roaming service between Hong Kong and Macau in collaboration with a world-class mobile carrier via the Group's international roaming hub (IPX) platform, making contributions to smart city 5G integration in the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area"). As at the end of 2023, CTM launched bilateral 5G roaming services with 124 overseas network operators (covering 99 countries/regions), bilateral 4G roaming services with 390 overseas network operators (covering 221 countries/regions) and bilateral VoLTE roaming services with 21 overseas network operators (covering 24 countries/regions).

Cementing position as core regional hub for international telecommunications services and enhancing platform service capabilities on all fronts

Strategic coordination has been deepened as we teamed up with partner carriers in joint efforts to develop global IPX markets, drive eSIM platform projects and improve the functions of the SIMN platform.

The data centre business has been expanded with the successful solicitation of a sizable internet platform company as customer with a large-scale project at our high-grade data centre in Hong Kong, underscoring customer recognition of our technical strength.

The product regime of the enterprise messaging service has been optimised as we became a certified technical solution provider in Asia of WhatsApp Business messaging services owned by Meta, thereby entering the business ecosystem of Meta.

Capabilities of our cyber security platform have been enhanced as we supported the Hong Kong Communications Authority and mobile carriers in Hong Kong with the launch of our proprietary "Information Alert Service Platform for Fraud Prevention of Overseas Spam Call" to assist Hong Kong citizens in identifying suspicious overseas calls.

Technical capabilities in mobile network systems integration were showcased by the proprietary R&D and delivery of the "international roaming agency service platform" to assist Chinese mainland carriers to resell international roaming resources to other small-to-medium international mobile carriers in overseas market development.

In the second half of 2023, due to changes in various external factors, some customers made corresponding adjustments to their businesses, resulting in relatively large decrease in revenue from messaging services. The Group is making every effort to expand other businesses to mitigate the impact.

Vigorous construction of integrated "Cloud, Network, Intelligence and Security" service platform to accelerate transformation towards digitalisation and intelligentisation

Cloud services and data security protection have been enhanced as CITIC Telecom International CPC Limited ("CPC"), the Group's subsidiary, became the first management service provider in Hong Kong which obtained VMware Sovereign Cloud certification.

In close tandem with the national strategic direction, it continued to optimise its global network presence with the construction of a TrueCONNECT™ point-of-presence (PoP) in Qingyuan, Guangdong and the addition of new service gateways in Dubai in UAE, Mumbai in India and Sao Paulo in Brazil to improve its service coverage in Belt and Road regions, the Middle East and BRICS countries. As at the end of 2023, CPC has nearly 170 PoPs deployed worldwide covering 160 countries and regions on five continents with 63 SD-WAN gateways, including 43 in Greater China region.

To improve its portfolio of cyber security products, TrustCSI™ 3.0 (雲網神盾), a cyber security solution, was launched on 22 November 2023. Employing the core servicing capabilities of an innovative AI-reinvented security operations centre (SOC), the security solution reduces security risks and provides comprehensive security over network and asset by empowering the conversion of the information security defense model from passive defense to active defense through a cyber security service framework for the full security life cycle.

Capabilities in secure market development have been enhanced with the launch of the third security operations centre (SOC) in Shanghai, following establishments in Hong Kong and Guangzhou. Meanwhile, the TrustCSI™ IAS asset streamlining service has also been launched.

Optimising overseas market presence and exploring new opportunities in Southeast Asia

The Group's subsidiary, Acclivis Technologies and Solutions Pte. Ltd., focused on key projects securing multiple contracts from government agencies, such as data centre hosting and data disaster recovery services to the Government of Singapore, and digital telephony system migration service to the Government of Malaysia.

In an active bid to expand into new businesses and new markets, an ISP license application has been submitted to the Government of the Philippines, while plans to expand in Vietnam are also in progress.

It continues to broaden its AI technology capabilities and enhance digital transformation providing customers with digitalised solutions, with delivery of the ISOTeams drone project, and completion of an ICT facility construction service project in Malaysia.

Enhancing technology R&D to benefit from vigorous technological innovation

To drive the commercialisation of scientific research work, we have continued to file patent applications in connection with our innovative algorithms and technologies and a number of invention patents have been granted by the Hong Kong Intellectual Property Department, including "A Multi-type Database-oriented Blockchain Monitoring Data Storage Method and Querying Audit Method", "Generation and Operation of Extended Reality Application", "Digital Twin of Physical Environment for Extended Reality Application" and "System and Method for Redirecting Calls over More than One Cellular Networks", among others.

Competence in technological innovation has been enhanced. CTM teamed up with University of Macau to cooperate in a scientific research project entitled "R&D of Tourism Big Data Service Algorithm" to optimise big-data service applications. We actively participated in the first "Blooming Cup" Tournament for Digital Applications organised by CITIC Group and received numerous awards for our contesting projects. CPC has completed R&D of the AR corporate digital twin platform in association with Hong Kong Applied Science and Technology Research Institute and conducted successful demonstrations to showcase its effectiveness at a number of major international exhibitions, such as the Solutions Day Event of CPC Annual Ecosystem Conference, World Artificial Intelligence Conference in Shanghai and World Mobile Congress in Shanghai, among others.

Persisting in a "three-in-one" synergistic regime to forge differentiated competitive edge

Synergies in security have been enhanced. CPC is well recognised for its provision of efficient and comprehensive cyber security protection to CITIC Group and numerous subsidiaries under CITIC Group. Synergistic initiatives have been actively rolled out on the back of CITIC Group's "CITIC synergies+" system to complement work in data governance, with a view to fully tapping the value of data in support of business development.

To construct a synergistic ecosystem, CTM has entered into a Memorandum of Understanding for "Comprehensive Strategic Collaboration of GBA Smart City

Construction and Services" with a leading city data smart service provider in China to drive the development of zero-carbon cities, digital government services and smart environmental protection, among others.

Persisting in the philosophy of "quality as vitality of enterprise" as we sought optimisation of customer experience

CTM has set up and optimised arrangements for network content services with a number of major content providers, with a strong emphasis on enhancing localisation of network contents to enable internet customers to access such contents with greater clarity and speed.

CPC has persisted in running a programme for premium customer service, under which various key service performance indicators are placed under close scrutiny and any problems are promptly solved as soon as they are identified, in order to enhance customer satisfaction.

Active fulfillment of social responsibility in a strong effort to enhance brand image

Devoting our full effort to ensure uninterrupted communication and cyber security. We have provided assurance in communication for the Two Sessions, the Asian Games and major festivals, maintaining secure and stable operation of the network system and other infrastructure facilities as well as that of the application systems to ensure stable and uninterrupted provision of various communication services.

The strategy of qualitative development has been implemented in Belt and Road regions. On 17 October 2023, China Enterprise ICT Solutions Limited ("CEC"), a subsidiary of CPC, has been recognised on "One Belt One Road Digital Pioneer List" by www.ccidcom.com on the back of its ample ICT resources across the globe and numerous case projects along Belt and Road regions, and its contributions to network infrastructure development and digital transformation in Belt and Road regions.

We have been present at major international exhibition events. We participated in "2023 MWC Shanghai" held during 28 to 30 June 2023, showcasing the latest achievements of our developments in digital technological innovation, enabling industrial transformation and cooperation among industry ecosystem under the theme of "Embracing Innovation – Connecting the Future". At the World AI Conference 2023 held during 6 to 8 July 2023, the Group gave a full account of its new endeavours in digital and intelligent transformation serving construction in the Greater Bay Area and qualitative development in Belt and Road regions, designed to advance China's solid progress towards a cyber superpower.

We have been actively advocating the Chinese perspective at international forums. On 9 September 2023, CEC participated in the "United Nations Asia-Pacific Innovation Forum" on the role of intelligentisation in the globalisation of business enterprises. On 9 November 2023, CTM co-sponsored the "Cross-Strait, Hong Kong and Macao Internet Development Forum" at the World Internet Conference where its representative delivered a speech, as it showcased the latest achievements of its vigorous construction of a digital foundation for smart city featuring "three networks, four centres and one platform" to help accelerate the smart transformation of Macau's economy and society.

CTM actively support the working requirements of the Macau SAR Government, and continue to negotiate with the Macau SAR Government on matters related to the "Notarized Interim Review Contract of the Concession Agreement of the Public Telecommunications Services" (the "Concession Agreement"). On 18 January 2024, CTM and the Macau SAR Government entered into a supplemental agreement to the Concession Agreement to extend the term of the Concession Agreement for nine months from 1 January 2024 to 30 September 2024 (the "Extension Period"). During the Extension Period, CTM and the Macau SAR Government will continue to negotiate on the arrangement upon expiry of the Extension Period. The board of directors of the Company will closely monitor and review the development of the above matters and will issue further announcements in a timely manner in accordance with the Listing Rules.

OUTLOOK FOR 2024

Looking at 2024, the world is entering yet another period of volatility and change, underpinned by escalating complexity, severity and uncertainty in the landscape for economic development, and traditional businesses are facing increasing difficulties and continuous pressure. In response, the Group will keep itself informed of any new developments and changes and act with confidence, vigour, courage and resilience, accurately identifying, diligently addressing and proactively questing for changes with a sense of responsibility that allows no ease of mind and a sense of urgency that permits no delay. We will continue to play to our strengths of specialisation in development, globalisation in service, high-end quality in customer base and synergies in business ecosystem, persisting in innovation and enhancing the technology-driven approach as we step up with business transformation to expand into new frontiers such as IoT, AI, information security and new 5G applications whilst trying to alleviate the increasing market pressure on related businesses and consolidating our existing advantage in the regional business. We will continue to enhance our core competitiveness as we strive to become a world class international internet-oriented telecommunications enterprise.

Enhancing platform value to fortify status as core regional hub for international telecommunications services

We will continue to enhance the value of the cross-border mobile services platform, global mobile data trading platform DataMall 自由行 and enterprise messaging services platform. The scope of business will be consistently expanded on the back of the Internet of Humans to cover IoT, whilst the operational management and development of the international telecommunications business will be enhanced and strong efforts will be made to improve platform capabilities and optimise platform services in a bid to consolidate our business scale.

Commitment to smart city construction in Macau leveraging advantage as prime mover in 5G

We will unleash the new potential of Macau's 5G network and forge a 5G+ "Cloud-Network Convergence" digital foundation to deliver world-class technological achievements to the Macau society on a consistent basis, joining forces with various sectors to drive the development of a 5G ecosystem and its applications in active advancement of the digitalisation and intelligentisation of the Macau society.

Enhancing the ability to supply digitalised solutions in contribution to the development of the digital economy

Seizing new opportunities arising from the expedited development of the digital economy, we will step up with our efforts to foster capabilities in “Cloud, Network, Intelligence and Security” and continue to expand our global network, whilst steadily advancing the development of CITIC Telecom Tower Data Centre to upgrade our abilities in providing integrated corporate services, in order to swiftly establish our presence in the new blue ocean of digital economy.

Ongoing development of new products, new businesses, new markets and new customers

Innovation is the primary driving force. We will enhance the innovation-driven approach and continue to increase investment in scientific research, with a view to improving our corporate competitiveness with innovative networks, products services and business ecosystem, master key core technologies in the field of “AI + 5G new applications + security”, and advance technological independence at a high standard.

Enhancing talent grooming to build three international first-rate teams

Positioned as the “talents’ centre and high ground for innovation” in the Greater Bay Area, we will improve our staff incentive mechanism and strengthen the building of succession teams to further enrich the positive ambience of a “united, concerted, inclusive and caring” company supported by a first-rate management team, first-rate business team and first-rate engineering technology R&D team with globally recruited members.

Full play of synergies to enhance corporate competitiveness

In persistent adherence to the principles of “high positioning, broad visions, pragmatic measures and versatile mechanism” for synergistic work, we will actively drive for close cooperation with strategic partners, carriers and scientific research institutions, strengthen synergies with subsidiaries of CITIC Group and among various business segments of the Group and deepen business synergies as well as R&D synergies, with a view to enhancing integration, facilitating development and improving efficiency through synergistic coordination.

Mr. Xin Yue Jiang stepped down as Chairman of the Board of Directors and Executive Director of the Company in October 2023. During the service period for the Group with more than one decade, Mr. Xin provided leadership to our team in a robust endeavour to successfully achieve leaping development for the Company, generating continuous reward for the shareholders through continuous growth while laying a solid foundation for the Company’s further development. On behalf of the Board, I would like to express sincere appreciation to Mr. Xin Yue Jiang for his outstanding contributions to the Group.

Finally, may I also express heartfelt thanks to all shareholders, investors, partners and the public for their longstanding care and support, as well as sincere gratitude to all employees for their hard work and dedication.

Luo Xicheng
Chairman
Hong Kong, 13 March 2024

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

(Expressed in Hong Kong dollars)

	Note	*2023* $ million	*2022* $ million
Revenue	3(a)	9,987	10,111
Valuation gain on investment property		14	9
Other income	4	96	44
Cost of sales and services	5(a)	(5,785)	(5,775)
Depreciation and amortisation	5(b)	(870)	(914)
Staff costs	5(c)	(1,140)	(1,169)
Other operating expenses		(531)	(541)
		1,771	1,765
Finance costs	5(d)	(267)	(269)
Share of profit of a joint venture		1	-
Profit before taxation	5	1,505	1,496
Income tax	6	(253)	(272)
Profit for the year		1,252	1,224
Attributable to:			
Equity shareholders of the Company		1,231	1,191
Non-controlling interests		21	33
Profit for the year		1,252	1,224
Earnings per share (HK cents)	8		
Basic		33.3	32.3
Diluted		33.3	32.3

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 2023

(Expressed in Hong Kong dollars)

	2023 $ million	*2022* $ million
Profit for the year	1,252	1,224
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plan obligations	21	(46)
Deferred tax recognised on the remeasurement of defined benefit plan obligations	(3)	6
Surplus on revaluation of owner-occupied property upon change of use to investment property, net of $Nil tax	9	-
	27	(40)
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments:		
– exchange differences on translation of financial statements of operations outside Hong Kong and its related borrowings	-	(45)
Other comprehensive income for the year	27	(85)
Total comprehensive income for the year	1,279	1,139
Attributable to:		
Equity shareholders of the Company	1,260	1,113
Non-controlling interests	19	26
Total comprehensive income for the year	1,279	1,139

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

(Expressed in Hong Kong dollars)

	Note	*2023* $ million	*2022* $ million
Non-current assets			
Investment property		726	676
Property, plant and equipment		1,989	2,323
Right-of-use assets		454	599
Intangible assets		824	932
Goodwill		9,717	9,710
Interest in a joint venture		11	10
Non-current contract assets		27	26
Non-current contract costs		24	28
Non-current finance lease receivables		5	9
Non-current other receivables	9	145	150
Deferred tax assets		63	74
		13,985	14,537
Current assets			
Inventories		57	132
Finance lease receivables		5	8
Contract assets		242	224
Trade and other receivables	9	1,344	1,293
Current tax recoverable		4	1
Cash and deposits		1,726	1,986
		3,378	3,644
Current liabilities			
Trade and other payables	10	1,606	2,027
Contract liabilities		183	183
Bank and other borrowings		421	183
Lease liabilities		116	131
Current tax payable		221	276
		2,547	2,800
Net current assets		831	844
Total assets less current liabilities		14,816	15,381

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONTINUED)

(Expressed in Hong Kong dollars)

	Note	*2023* $ million	*2022* $ million
Non-current liabilities			
Non-current contract liabilities		1	1
Non-current bank and other borrowings		3,513	4,337
Non-current lease liabilities		224	323
Non-current other payables	10	20	16
Defined benefit plan obligations		48	61
Deferred tax liabilities		146	172
		3,952	4,910
NET ASSETS		10,864	10,471
CAPITAL AND RESERVES			
Share capital		4,756	4,720
Reserves		6,000	5,653
Total equity attributable to equity shareholders of the Company		10,756	10,373
Non-controlling interests		108	98
TOTAL EQUITY		10,864	10,471

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 2022 except for the adoption of all amendments to HKFRSs that are first effective for accounting periods beginning on or after 1 January 2023 (see note 2).

The financial information relating to the years ended 31 December 2023 and 2022 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 2022 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 2023 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 certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group.

(i) New and amended HKFRSs

The Group has applied the following new and amended HKFRSs issued by the HKICPA to the Group's consolidated financial statements for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2*, Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended HKFRSs are discussed below:

HKFRS 17, *Insurance contracts*

HKFRS 17, which replaces HKFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on the Group's consolidated financial statements as the Group does not have contracts within the scope of HKFRS 17.

Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on the Group's consolidated financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

2 Changes in accounting policies (continued)

Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained profits or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax on the temporary difference arising from right-of-use assets and lease liabilities separately. The amendments do not have a material effect on how the Group's results and financial position for the current or prior periods have been prepared.

Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (income tax arising from such tax laws is hereafter referred to as "Pillar Two income taxes"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application.

The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and would account for the tax as current tax when incurred.

2 Changes in accounting policies (continued)

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022 the Hong Kong SAR Government gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("MPF") scheme to reduce the long service payment ("LSP") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

Prior to 1 January 2023, the Group applied practical expedient in paragraph 93(b) of HKAS 19 to account for the offsetable MPF benefits as deemed employee contributions to reduce the current service costs in the period in which the related services were rendered.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance retrospectively. The cessation of applying the practical expedient in paragraph 93(b) of HKAS 19 in conjunction with the enactment of the Amendment Ordinance resulted in a catch-up profit or loss adjustment in June 2022 for the service cost up to that date and consequential impacts on current service cost. This change in accounting policy did not have any material impact on the Group's consolidated financial statements for the year ended 31 December 2023 and 2022, and the Company's statement of financial position as at 31 December 2023 and 2022.

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:

	2023	*2022*
	$ million	$ million
Revenue from contracts with customers		
Disaggregated by major service lines or products:		
Mobile services	967	827
Internet services	1,427	1,331
International telecommunications services	2,954	3,453
Enterprise solutions	3,079	3,069
Fixed line services	142	151
Fees from the provision of telecommunications services	8,569	8,831
Sales of mobile handsets and equipment	1,418	1,280
	9,987	10,111

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 2023 and 2022, 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

	2023 $ million	*2022* $ million
Within 1 year	2,169	2,130
Over 1 year	1,066	1,200
	3,235	3,330

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 services or products 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 services or products 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 defined benefit plan obligations 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

	2023	*2022*
	$ million	$ million
Profit		
Reportable segment profit	2,625	2,732
Net loss on disposal of property, plant and equipment	(2)	(1)
Gain on surrender of leases	2	-
Net foreign exchange loss	(17)	(29)
Depreciation and amortisation	(870)	(914)
Finance costs	(267)	(269)
Share of profit of a joint venture	1	-
Interest income	71	22
Rentals income from investment property less direct outgoings	23	20
Valuation gain on investment property	14	9
Unallocated head office and corporate expenses	(75)	(74)
Consolidated profit before taxation	1,505	1,496

3 Revenue and segment reporting (continued)

(iii) Reconciliations of reportable segment assets and liabilities

	2023 $ million	*2022* $ million
Assets		
Reportable segment assets	16,490	17,350
Investment property	726	676
Interest in a joint venture	11	10
Deferred tax assets	63	74
Current tax recoverable	4	1
Unallocated head office and corporate assets	69	70
Consolidated total assets	17,363	18,181
Liabilities		
Reportable segment liabilities	2,179	2,730
Bank and other borrowings	421	183
Current tax payable	221	276
Non-current bank and other borrowings	3,513	4,337
Deferred tax liabilities	146	172
Unallocated head office and corporate liabilities	19	12
Consolidated total liabilities	6,499	7,710

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, interest in a joint venture, non-current contract assets and non-current contract costs ("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, goodwill, non-current contract assets and non-current contract costs; and the location of operation, in the case of interest in a joint venture.

	Revenue from external customers		*Specified non-current assets*	
	2023	*2022*	*2023*	*2022*
	$ million	$ million	$ million	$ million
Hong Kong (place of domicile)	4,136	4,636	1,760	1,842
Chinese mainland	1,162	1,172	444	505
Macau	3,761	3,489	10,912	11,279
Singapore	453	424	440	461
Others	475	390	216	217
	5,851	5,475	12,012	12,462
	9,987	10,111	13,772	14,304

4 Other income

	2023	*2022*
	$ million	$ million
Interest income from deposits	63	15
Interest income from finance leases and other interest income	8	7
	71	22
Gross rentals income from investment property (note)	25	22
	96	44

Note: The rentals income from investment property less direct outgoings of $2,000,000 (2022: $2,000,000) for the year ended 31 December 2023 is $23,000,000 (2022: $20,000,000).

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.

	2023 $ million	*2022* $ million
Cost of provision of telecommunications services (note)	4,392	4,520
Cost of sales of mobile handsets and equipment	1,393	1,255
	5,785	5,775

Note: Rental charges for leased circuits of $824,000,000 (2022: $869,000,000) are included in cost of provision of telecommunications services for the year ended 31 December 2023.

(b) Depreciation and amortisation

	2023 $ million	*2022* $ million
Depreciation charge		
– property, plant and equipment	602	612
– right-of-use assets	160	171
Amortisation	108	131
	870	914

(c) Staff costs (including directors' emoluments)

	2023 $ million	*2022* $ million
Contributions to defined contribution retirement plans	92	85
Expenses recognised in respect of defined benefit plans:		
– long service payments	5	-
– CTM Staff Provident Fund	7	8
Salaries, wages and other benefits	1,036	1,076
	1,140	1,169

5 Profit before taxation (continued)

(d) Finance costs

	2023 $ million	*2022* $ million
Interest on bank and other borrowings	245	248
Interest on lease liabilities	16	18
Other finance charges	4	3
Other interest expense	2	-
	267	269

(e) Other items

	2023 $ million	*2022* $ million
Auditors' remuneration		
– audit services	8	8
– non-audit services	5	4
	13	12
Impairment losses for trade debtors and contract assets	2	25
Net loss on disposal of property, plant and equipment	2	1
Gain on surrender of leases	(2)	-
Net foreign exchange loss	17	29

6 Income tax

Income tax in the consolidated income statement represents:

	2023	*2022*
	$ million	$ million
Current tax		
Hong Kong Profits Tax		
– Provision for the year	107	142
– Over-provision in respect of prior years	(10)	-
	97	142
Macau Complementary Tax		
– Provision for the year	128	121
Jurisdictions outside Hong Kong and Macau		
– Provision for the year	48	45
– Over-provision in respect of prior years	(2)	(1)
	46	44
Deferred tax		
Origination and reversal of temporary differences	(18)	(35)
	253	272

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 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 2022/23 subject to a maximum reduction of $6,000 for each business (2022: a maximum reduction of $10,000 was granted for the year of assessment 2021/22 and was taken into account in calculating the provision for 2022).

The provision for Macau Complementary Tax for 2023 is calculated at 12% (2022: 12%) of the estimated assessable profits for the year. Assessable profits of the first Macau Patacas ("MOP") 600,000 (equivalent to approximately $582,000) (2022: 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

	2023 $ million	*2022* $ million
Interim dividend declared and paid of HK6.0 cents (2022: HK6.0 cents) per share	222	221
Final dividend proposed after the end of the reporting period of HK19.3 cents (2022: HK18.5 cents) per share	714	682
	936	903

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

	2023 $ million	*2022* $ million
Final dividend in respect of the previous financial year, approved and paid during the year, of HK18.5 cents (2022: HK17.0 cents) per share	684	627

For the final dividend in respect of the year ended 31 December 2022, there was a difference of $2,000,000 between the final dividend disclosed in 2022 annual report and the amount paid during the year ended 31 December 2023, which represented dividends attributable to shares issued upon exercise of share options before the closing date of register of members.

8 Earnings per share

	2023	2022
	$ million	$ million
Profit attributable to equity shareholders of the Company	1,231	1,191

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

	Number of shares	
	2023	*2022*
	million	million
Issued ordinary shares as at 1 January	3,688	3,683
Effect of share options exercised	10	4
Weighted average number of ordinary shares (basic) as at 31 December	3,698	3,687
Effect of deemed issue of shares under the Company's share option plan	1	2
Weighted average number of ordinary shares (diluted) as at 31 December	3,699	3,689
Basic earnings per share (HK cents)	33.3	32.3
Diluted earnings per share (HK cents)	33.3	32.3

9 Trade and other receivables

	2023 $ million	*2022* $ million
Trade debtors	1,038	956
Less: loss allowance	(45)	(48)
	993	908
Prepayments	163	158
Deposits and other receivables	333	377
	1,489	1,443
Represented by:		
Non-current portion	145	150
Current portion	1,344	1,293
	1,489	1,443

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

	2023 $ million	*2022* $ million
Within 1 year	986	899
Over 1 year	7	9
	993	908

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

	2023 $ million	*2022* $ million
Trade creditors	920	1,202
Other payables and accruals	706	841
	1,626	2,043
Represented by:		
Non-current portion	20	16
Current portion	1,606	2,027
	1,626	2,043

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:

	2023 $ million	*2022* $ million
Within 1 year	784	994
Over 1 year	136	208
	920	1,202

FINANCIAL REVIEW

OVERVIEW

The Group's profit for the year ended 31 December 2023 increased 2.3% year-on-year to HK$1,252 million, profit attributable to equity shareholders of the Company increased by 3.4% year-on-year to HK$1,231 million, and basic earnings per share was up 3.1% to HK33.3 cents when compared to last year.

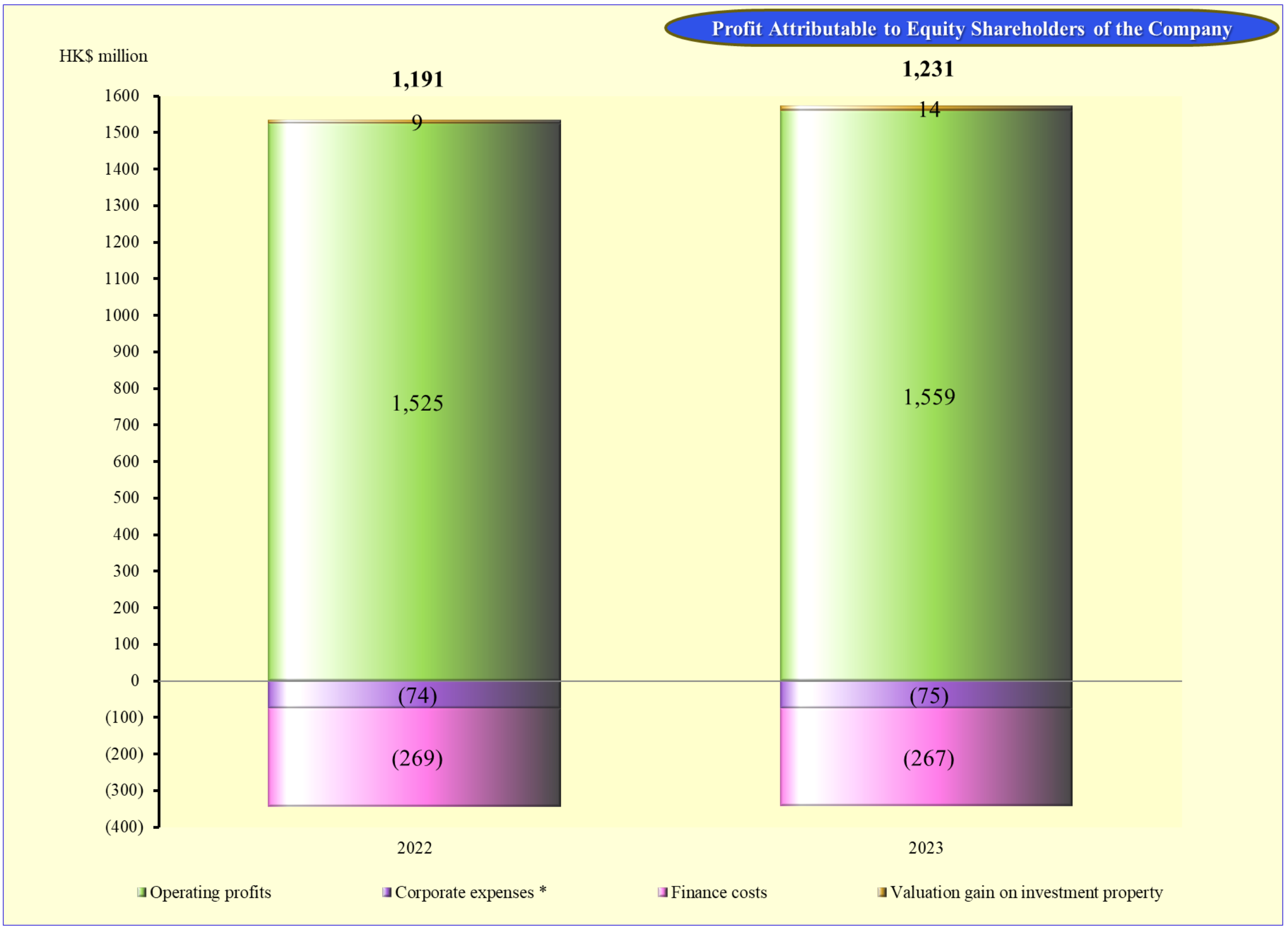
The Group's total revenue decreased by 1.2% year-on-year to HK$9,987 million while revenue from telecommunications services decreased by 3.0% to HK$8,569 million when compared to last year.

Summary of Financial Results

	Year ended 31 December		**Increase / (Decrease)**	
In HK$ million	**2023**	2022		
Revenue from telecommunications services	**8,569**	8,831	(262)	(3.0%)
Sales of mobile handsets and equipment	**1,418**	1,280	138	10.8%
Revenue	**9,987**	10,111	(124)	(1.2%)
Valuation gain on investment property	**14**	9	5	55.6%
Other income	**96**	44	52	>100%
Cost of sales and services	**(5,785)**	(5,775)	10	0.2%
Depreciation and amortisation	**(870)**	(914)	(44)	(4.8%)
Staff costs	**(1,140)**	(1,169)	(29)	(2.5%)
Other operating expenses	**(531)**	(541)	(10)	(1.8%)
Profit from consolidated activities	**1,771**	1,765	6	0.3%
Finance costs	**(267)**	(269)	(2)	(0.7%)
Share of profit of a joint venture	**1**	-	1	N/A
Income tax	**(253)**	(272)	(19)	(7.0%)
Profit for the year	**1,252**	1,224	28	2.3%
Less: Non-controlling interests	**(21)**	(33)	(12)	(36.4%)
Profit attributable to equity shareholders of the Company	**1,231**	1,191	40	3.4%
EBITDA*	**2,571**	2,657	(86)	(3.2%)
Basic earnings per share (HK cents)	**33.3**	32.3	1.0	3.1%
Dividends per share (HK cents)	**25.3**	24.5	0.8	3.3%

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

Profit attributable to equity shareholders of the Company



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

Profit attributable to equity shareholders of the Company for the year ended 31 December 2023 increased by 3.4% or HK$40 million to HK$1,231 million when compared to the previous year. Excluding the valuation gain on investment property of HK$14 million (2022: HK$9 million), profit attributable to equity shareholders of the Company for the year would amount to HK$1,217 million (2022: HK$1,182 million), representing a year-on-year increase of 3.0%.

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 decreased by 1.2% year-on-year to HK$9,987 million.

Revenue from telecommunications services for the year ended 31 December 2023 amounted to HK$8,569 million, which represented a decrease of 3.0% or HK$262 million when compared to the previous year. The decrease was mainly attributed to the drop in international telecommunications services and fixed line services revenues, partly offset by the increase in mobile services, enterprise solutions and internet services revenues.

The Group's sales of mobile handsets and equipment for the year ended 31 December 2023 amounted to HK$1,418 million, which represented an increase of 10.8% or HK$138 million when compared to the previous year.

Mobile sales & services

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

Mobile services revenue was up 16.9% to HK$967 million when compared to the previous year as a result of the gradual increase in the number of people travelling abroad to pre-COVID level and increase in the number of mobile subscribers. Sales of mobile handsets and equipment increased 10.8% year-on-year to HK$1,418 million.

The Group's overall number of subscribers as at 31 December 2023 was over 663,000 subscribers (31 December 2022: over 554,000 subscribers) representing an increase of around 19.7% resulting from the increase in postpaid customers of around 15.1% to approximately 510,000 subscribers (31 December 2022: over 443,000 subscribers) and the increase in prepaid subscribers of around 37.8% to over 153,000 subscribers (31 December 2022: approximately 111,000 subscribers).

The Group's total number of 5G mobile subscribers as at 31 December 2023 reached over 502,000 subscribers (31 December 2022: over 62,000 subscribers), representing 75.7% of the Group's total number of mobile subscribers.

Internet services

The development of digital economy and the advancement of internet technology has continued to drive higher business internet requirements and greater demand for internet and data centre services. This has led to a year-on-year increase of 7.2% or HK$96 million in revenue from internet services which amounted to HK$1,427 million.

Furthermore, service upgrade by existing customers and around 2.0% year-on-year increase in the number of broadband subscribers to approximately 206,000 (31 December 2022: approximately 202,000) subscribers, also contributed to the increase in revenue from fibre broadband service when compared to last year.

As at 31 December 2023, the Group's internet market share and broadband market penetration rate in Macau were estimated at around 97.1% (31 December 2022: 97.1%) and 91.5% (31 December 2022: 91.4%) respectively.

International telecommunications services

International telecommunications services revenue including revenue from messaging services (including SMS), voice services and "DataMall自由行" services decreased by 14.5% or HK$499 million year-on-year to HK$2,954 million.

For the year ended 31 December 2023, messaging services revenue decreased by 37.9% year-on-year or HK$969 million to HK$1,589 million. The decrease in messaging services revenue was mainly due to changes in various external factors, some customers made corresponding adjustments to their businesses in the second half of 2023. Voice services revenue increased by 42.2% year-on-year or HK$366 million to HK$1,234 million.

With the lifting of lockdown measures and travel restrictions by certain governments around the world in their corresponding countries/regions in 2023, the Group's "DataMall自由行" services had gained momentum during the year with revenue of HK$131 million, which represented an increase of HK$104 million when compared to last year.

Enterprise solutions

For the year ended 31 December 2023, enterprise solutions revenue amounted to HK$3,079 million which was at par with the revenue last year. Enterprise solutions revenue in Macau increased by around 6.0% year-on-year as a result of certain large new projects being awarded to the Group by government, casinos and resorts in the second half of 2023. The Group also continued to experience stable growth in Southeast Asia but factors such as high interest rate and inflation rate has posted a challenge to enterprises across the globe which has adversely impacted the Group's enterprise solutions revenue in the Chinese mainland.

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 6.0% year-on-year to HK$142 million for the year ended 31 December 2023.

Results for the year

Profit attributable to equity shareholders of the Company increased by 3.4% year-on-year or HK$40 million to HK$1,231 million mainly due to the combined effect of the following factors:

Revenue

The Group's revenue from telecommunications services decreased by 3.0% or HK$262 million to HK$8,569 million. Total revenue including mobile handsets and equipment sales amounted to HK$9,987 million for the year, representing a year-on-year decrease of 1.2%.

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 2023 by the Group's independent surveyors with a valuation gain of HK$14 million (2022: HK$9 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 amounted to HK$5,785 million which was similar to last year due to the increase in revenue from sales of mobile handsets and equipment with comparatively lower margin which has offset the impact from the decrease in telecommunications services during the year.

Depreciation and amortisation

Depreciation and amortisation expenses totaled HK$870 million for the year ended 31 December 2023, representing a year-on-year decrease of 4.8%. The decrease was mainly due to the net impact from certain aged networks and equipment being fully depreciated in 2022 and the increase in depreciation from 5G related equipment since the launch of the Group's 5G mobile service in Macau from mid-November 2022.

Staff costs

Staff costs decreased year-on-year by 2.5% or HK$29 million to HK$1,140 million.

Other operating expenses

The Group has continued to implement effective cost saving measures which resulted in a decrease of 1.8% year-or-year or $10 million in other operating expenses to HK$531 million for the year ended 31 December 2023.

Finance costs

Despite the continued increase in general bank's borrowing rates since the second half of 2022, finance costs decreased year-on-year by 0.7% or HK$2 million due to the repayment of bank loans at the end of 2022 and during the year which has countered the impact of the rising bank borrowing rates.

Income tax

Income tax for the year amounted to HK$253 million, a decrease of HK$19 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 2023 and 2022 were 13.6% and 15.5% respectively.

Earnings and Dividends per share

Both basic and diluted earnings per share were up 3.1% year-on-year respectively to approximately HK33.3 cents for the year ended 31 December 2023.

The Company's Board of Directors has resolved to recommend to shareholders the payment of final dividend of HK19.3 cents per share which, together with the interim dividend of HK6.0 cents per share already paid, makes total dividends of HK25.3 cents per share for the year ended 31 December 2023. This represents an increase of 3.3% year-on-year.

Cash flows

	Year ended 31 December		**Increase / (Decrease)**	
In HK$ million	**2023**	2022		
Source of cash:				
Cash inflows from business operations	**1,881**	2,723	(842)	(30.9%)
Decrease in pledged and other deposits	**83**	-	83	N/A
Other cash inflows	**100**	33	67	>100%
Sub-total	**2,064**	2,756	(692)	(25.1%)
Use of cash:				
Capital expenditure*	**(311)**	(323)	(12)	(3.7%)
Dividends paid to equity shareholders and non-controlling interests	**(915)**	(857)	58	6.8%
Capital and interest elements of lease rentals paid	**(163)**	(175)	(12)	(6.9%)
Payment of borrowing costs	**(246)**	(248)	(2)	(0.8%)
Net cash outflows from borrowings	**(604)**	(930)	(326)	(35.1%)
Increase in other deposits	**-**	(364)	(364)	N/A
Sub-total	**(2,239)**	(2,897)	(658)	(22.7%)
Net decrease in cash and cash equivalents	**(175)**	(141)	34	24.1%

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

The Group generated HK$2,064 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$175 million for the year ended 31 December 2023.

Capital expenditure

The Group's total capital expenditure for the year ended 31 December 2023 amounted to HK$278 million. During the year, HK$43 million was invested in 5G network, HK$16 million was incurred for the Group's data centre development and the remainder of the capital expenditure was mainly used for network systems upgrade and expansion.

Capital commitments

As at 31 December 2023, the Group had outstanding capital commitments of HK$125 million, which were mainly committed for 5G network 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$55 million was outstanding contractual capital commitments and HK$70 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$2,208 million, the net gearing ratio decreased from 20% as at 31 December 2022 to 17% as at 31 December 2023.

As at 31 December 2023, total debt and net debt of the Group were as follows:

	Denomination							
In HK$ million equivalents	**HKD**	**USD**	**SGD**	**MOP**	**RMB**	**EUR**	**Others**	**Total**
Total debt	-	3,582	352	-	-	-	-	**3,934**
Less: Cash and deposits	(582)	(423)	(42)	(432)	(172)	(40)	(35)	**(1,726)**
Net debt/ (cash)	**(582)**	**3,159**	**310**	**(432)**	**(172)**	**(40)**	**(35)**	**2,208**

As at 31 December 2023 and 2022, the Group's net gearing ratio was as follows:

In HK$ million	**31 December 2023**	31 December 2022
Total debt	**3,934**	4,520
Less: Cash and deposits	**(1,726)**	(1,986)
Net debt	**2,208**	2,534
Total equity attributable to equity shareholders of the Company	**10,756**	10,373
Total capital	**12,964**	12,907
Net gearing ratio	**17%**	20%

The Group’s total debt decreased to HK$3,934 million which was mainly due to the repayment of bank and other loans amounted to HK$604 million from its surplus cash during the year.

As at 31 December 2023, the total debt, excluding interest payable, amounted to HK$3,865 million, of which HK$352 million will be matured in the coming year, against cash and deposits of HK$1,726 million.

The maturity profile of the Group’s total debt which includes interest payable as at 31 December 2023 was as follows:

In HK$ million	**Within 1 year**	**After 1 year but within 2 years**	**Total**
Bank and other loans	352	-	352
US$450 million 6.1% guaranteed bonds	-	3,513	3,513
	352	3,513	3,865
Interest payable	69	-	69
	421	**3,513**	**3,934**

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 of HK$1,726 million and undrawn committed banking facility of HK$400 million as at 31 December 2023 were more than sufficient to cover the repayments of outstanding amount of total debt (excluding interest payable) of HK$352 million in the coming year and contractual capital commitments of HK$55 million as at 31 December 2023.

As at 31 December 2023, the Group had available trading facilities of HK$218 million. The amount of HK$83 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$1 million were required to be secured by pledged deposits as at 31 December 2023.

As at 31 December 2023, the type of facilities of the Group was summarised as follows:

In HK$ million	Total available facilities	Amount utilised	Amount unutilised
Bank and other loans			
- Committed facilities:			
Term loans	752	352	400
- Uncommitted facilities:			
Short-term facilities	896	-	896
	1,648	352	1,296
Guaranteed bonds - Committed facility			
US$450 million 6.1% guaranteed bonds	3,517	3,517	-
Trading facilities - Uncommitted facilities	218	83	135
Total	**5,383**	**3,952**	**1,431**

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 Directors 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 2023 and 2022, the Group was in compliance with the relevant requirements.

4. Contingent liabilities

As at 31 December 2023 and 2022, the Group had no significant contingent liabilities.

5. Performance bonds, guarantees and pledged assets

As at 31 December 2023 and 2022, performance bonds and other guarantees of the Group were as follows:

In HK$ million	**31 December 2023**	31 December 2022
Performance bonds provided to the Macau Government and other customers	**81**	87
Other guarantees	**2**	2
Total	**83**	89

As at 31 December 2023, bank deposits of HK$2 million (2022: 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$3,517 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 2023, the Company issued guarantees of HK$381 million (2022: HK$436 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 borrowings or through use of interest rate swap, if necessary. As at 31 December 2023, approximately 90.9% (2022: approximately 78.7%) 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 2023 and 2022, the effective interest rates, after the inclusion of amortisation of transaction costs, were as follows:

	31 December 2023	31 December 2022
Effective interest rate for fixed rate borrowings	**6.1%**	6.1%
Effective interest rate for variable rate borrowings	**5.0%**	5.5%
Effective interest rate for total borrowings	**6.0%**	6.0%

7. 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 currency risk between Hong Kong dollars, United States dollars and Macau Patacas to the Group. Although management considers that the Group's exposure to 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 debtors who accounted for approximately 24.7% (2022: approximately 21.2%) of the Group's total trade debtors and contract assets as at 31 December 2023. 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 2023, the Group has maintained cash and deposits of HK$1,726 million (2022: HK$1,986 million), among which HK$1,721 million (2022: HK$1,982 million) was placed in the above-mentioned entities, representing approximately 99.7% (2022: approximately 99.8%) 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, 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 2023, our total number of employees was 2,534.

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.

It is our belief that employees are our most precious assets. The Group continues to put great emphasis on employees' work-life balance as well as their mental and physical wellbeing through organising a series of employee activities. Moreover, the Group actively invests resources in arranging 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.

Environmental protection is one of the key priorities of the Group. 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.

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 2023 annual report.

Save as disclosed below, the Company has fully complied with the applicable code provisions set out in Part 2 of Appendix C1 (effective from 31 December 2023, formerly known as Appendix 14) Corporate Governance Code (the "Code") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2023. In respect of the code provision C.1.6 of the Code, Messrs. Wang Guoquan and Liu Jifu were unable to attend the annual general meeting of the Company held on 24 May 2023 due to other business commitments. Also, as disclosed in the 2023 Interim Report of the Company, following the resignation of Mr. Cai Dawei with effect from 31 March 2023, the Company is in the process of identifying a suitable person to fill the position of Chief Executive Officer and shall make further announcement as appropriate. Until the appointment of the new Chief Executive Officer, the management team, including the executive directors, of the Company will continue to oversee the day-to-day management of the business and operations of the Company and its subsidiaries.

The Audit Committee of the Board, consisting of three independent non-executive directors and a non-executive director, has reviewed the 2023 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 HK19.3 cents (2022: HK18.5 cents) per share, which together with the interim dividend of HK6.0 cents (2022: HK6.0 cents) per share already paid makes a total dividend of HK25.3 cents (2022: HK24.5 cents) per share for the year ended 31 December 2023.

The proposed final dividend of HK19.3 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 Monday, 20 May 2024, is to be payable on Thursday, 13 June 2024 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 29 May 2024.

The Register of Members of the Company will be closed from Tuesday, 14 May 2024 to Monday, 20 May 2024 (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 Monday, 13 May 2024. In addition, the Register of Members of the Company will be closed from Monday, 27 May 2024 to Wednesday, 29 May 2024 (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 Friday, 24 May 2024. 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 2023 and the Company has not redeemed any of its shares during the year ended 31 December 2023.

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 around 10 April 2024.

By Order of the Board
CITIC Telecom International Holdings Limited
Luo Xicheng
Chairman

Hong Kong, 13 March 2024

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

Executive Directors:	*Non-Executive Directors:*	*Independent Non-Executive Directors:*
Luo Xicheng (Chairman)	Zhang Bo	Zuo Xunsheng
Luan Zhenjun	Liu Jifu	Lam Yiu Kin
	Fei Yiping	Wen Ku