

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 RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of CITIC Telecom International Holdings Limited (the "Group") for 2016.

Year 2016 has been an extraordinary year for the Group. During the year, the Group has worked vigorously to launch "DataMall 自由行" and other innovative Internet-based products and services on top of reinforcing and upgrading its existing businesses, while continuing to develop close cooperation relationships with various carriers. In the meantime, we have also been actively involved in the new market developments and made important breakthroughs in overseas acquisitions. With the successful completion of the acquisition of Acclivis Technologies and Solutions Pte. Ltd. ("Acclivis"), a company headquartered in Singapore, and the announcement of the acquisition of Linx Telecommunications B.V. ("Linx Telecom"), a company headquartered in the Netherlands operating a network across Europe and Asia, we have further broadened our coverage of overseas markets and new business frontiers. Following the successful completion of the acquisition of CITIC Telecom Tower during the year, the Group now claims full ownership interests in CITIC Telecom Tower. With a total gross floor area of 340,000 square feet, the building will provide favourable conditions for the construction of the Group's data centre, providing in turn a solid foundation for its business development in the long run. The Group's strategy of "rooting in the Mainland market while accelerating expansion in and geographic coverage of international markets via Hong Kong and Macau as bases and connections" has been implemented with sound results.

Against the backdrop of complex and volatile global economic developments coupled with the New Normal for China's economic growth, the Group has worked proactively to address market changes and implement the "13th Five-Year Plan" of CITIC Group. In accordance with our stated development strategies, we have made vigorous moves to overcome hurdles and introduce innovative ventures, in a bid to enhance the

competitiveness and enlarge the coverage of our various business segments. Record-high operating profit has been reported following a strong effort to drive transformation towards an Internet-based operation and upgrade in services, with a view to serving the real economy and meeting consumers' new requirements for communications.

I. FINANCIAL RESULTS

The Group has experienced a new advancement in its results in 2016 with profit attributable to equity shareholders of HK\$850.1 million, increasing by 6.0% compared to the corresponding period of the previous year.

Basic earnings per share amounted to HK24.9 cents, representing a growth of 4.6% compared to the corresponding period of the previous year.

The Board recommended a final dividend of HK10.35 cents per share for 2016. Together with the 2016 interim dividend of HK2.85 cents per share, total dividends per share for 2016 amounted to HK13.20 cents, representing a 5.6% growth over the previous year.

The Group's total revenue amounted to HK\$7,699.1 million, representing a decline of 7.8% compared to the corresponding period of the previous year. The revenue from the Group's principal operations (excluding sale of equipment and mobile handsets) decreased by 1% compared to the corresponding period of the previous year. The decline in total revenue was mainly attributable to the decline in revenue from the sales of mobile phones and roaming services, as well as adjustments in prices.

II. REVIEW OF PRINCIPAL OPERATIONS IN 2016

1. The Group's advantage in mobile business further enhanced by stronger efforts in 4G+ development.

The Group has strived to upgrade its network quality and service standard. In 2016, the Group reported rapid growth in the number of 4G users, which increased by 15.3 times in total, to claim a 57% market share for this segment as at the end of the year, while running reciprocal LTE roaming services with 94 carriers. The number of the Group's WiFi hotspots in Macau as at the end of December also increased by 122.6% as compared to the beginning of the year following strong efforts to expand its WiFi coverage. The Group has become the first carrier in Macau to offer genuine data-sharing in Mainland China, Hong Kong and Macau with the launch of the "City Link" (Macau, Hong Kong and China), which has been well-received by customers. The Group has also pioneered in the introduction of 4G network services employing dual-frequency carrier aggregation technologies, which has increased the download speed of the Group's 4G+ to 225Mbps and further enhanced its service standard and competitiveness.

2. Breakthrough in "DataMall 自由行", the first data flow trading platform, with growth in user base.

"DataMall 自由行", the first data flow trading platform unveiled by the Group in August 2015, officially went online in 2016. Serving as the offshore data flow platform

for “JegoTrip” in cooperation with China Mobile, it was also linked through the Internet to leading OTT platforms, such as Alipay, Baidu Map and Ctrip. Its user base expanded rapidly during the stage of commercial trial with more than one million purchases recorded, underlining its value and customers’ approval. Currently, “DataMall 自由行” is available at a number of popular origins of outgoing data flow, such as Hong Kong, Macau, Taiwan, Singapore, Thailand and Korea, and its coverage continues to expand. We believe that the platform has enormous potential for development and innovation, given its revolutionary new technologies and models and its advantageous position to capture the immense opportunities present in the global market for outgoing data roaming.

Moreover, the Group continued to further develop its existing businesses using the Internet-based approach of “micro-innovation” and stepped up with the research and development of a range of products underpinned by the Group’s inherent strengths while boasting latest Internet-related features, such as YouCLink, an Internet-based corporate and personal phone which has already been launched. Based on customers’ demand for upgrades in communications products, we have been making ongoing efforts to develop our voice, SMS and mobile roaming services into Internet-enabled products in terms of users’ interface (UI), users’ experience (UE) and business model, with a view to offering a brand new experience to carriers, corporations, OTT operators and individual users.

3. Substantial growth in customer base of the Group’s optical fibre service.

On the Internet front, the Group was making a strong effort to promote its optical fibre broadband service. The Group’s optical network in Macau completed 100% coverage during the first quarter of 2016, and the number of customers for the Group’s optical service as at the end of the year increased by 74% as compared to the corresponding period of the previous year. The Group is working to further extend the reach of its optical network to building floors, with a view to further shortening the lead-time for installation and assuring the provision of high-speed data service.

4. Completion of acquisition of full ownership interests in CITIC Telecom Tower with gross floor area of 340,000 square feet.

In Hong Kong, the base from which we operate our global services, the Group successfully acquired the full ownership interests in CITIC Telecom Tower with gross floor area of 340,000 square feet, which would be utilised for the overall conversion of our premium data centre. Upon full completion of the conversion work, CITIC Telecom Tower will rank at the forefront among the largest data centres in Hong Kong and the largest proprietary data centre in Hong Kong West, which would form a well-positioned trio of data centre marketplace alongside Tseung Kwan O and Island East. The complementary operations of CITIC Telecom Tower with its unique strengths and the Group’s other data centres in the Asia Pacific will significantly enhance the Group’s competitiveness in the data centre business.

The ownership of a large-scale data centre will not only significantly enhance the Group’s strengths and customers’ confidence, but will also present opportunities in businesses with immense growth potential in the future, such as disaster recovery services, big data services, cloud services, the Internet of Things, bandwidth and data

flow trading, providing a solid foundation for bringing the Group's global synergies into further play.

5. Cooperation with major carriers further enhanced while continuing to gain advantage in international telecommunications business.

The Group's strategic cooperation with the three major telecommunications operators in China has been further strengthened with the renewal of a number of important agreements. In the meantime, the Group has also signed up several international carriers as new clients. The Group's competitiveness in 4G international roaming has been enhanced with its execution of agreements or letters of intent for cooperation with several important clients in relation to the MVNO and MVNE businesses and the obtaining of direct IPX links from a number of mobile network operators. The Group continued to lead in the China inbound voice business in terms of market share. In SMS, the A2P (Application to Person) SMS service has become a new niche for growth. Elsewhere, the Group sustained stable growth in the mobile roaming signaling business.

6. Phenomenal breakthroughs in enterprise service capability and scope of coverage.

The rapidly growing corporate service sector represents a core business segment of the Group, as well as one of its focuses in future development. In 2016, the Group attained phenomenal breakthroughs in servicing capability and network coverage through overseas mergers and acquisitions, on top of sustaining rapid growth in its existing enterprise service business.

The Group completed the acquisition of a Singapore company, Acclivis, in November 2016. Noted for its technological and servicing capability, Acclivis' clientele in Singapore includes a number of top carriers, large financial institutions and corporations, as well as major government agencies. Apart from providing one-stop services in global procurement – installation – maintenance (GPIM) in relation to a number of top brands for IT equipment, Acclivis also owns Pacific Internet, a well-known veteran Internet service provider in Singapore and Thailand. The successful acquisition of Acclivis in addition to the Group's established servicing capability in Southeast Asia will enable the Group to enhance its involvement in the rapidly growing corporate ICT market with access to various service business segments, such as corporate Internet access service, disaster recovery, systems integration and GPIM, making the Group one of the few suppliers in the Southeast Asian market with the ability to provide cross-regional, one-stop and end-to-end corporate ICT services.

The Group announced the acquisition of Linx Telecom in April 2016 and the acquisition was completed in February 2017. Based in the Netherlands and Estonia, Linx Telecom boasts unique service capability and covers 14 countries in the Eurasian region comprising Central and Eastern Europe, Russia and Central Asia. This acquisition will further expand the global network of the Group to cover Eurasia, an important emerging market, and allow the Group's preemptive move into a strategically advantageous position in the "One Belt One Road" markets, which would enable coverage of the entire region from one single point of access.

7. Ongoing improvements in internal control and governance standard.

In 2016, the Group endeavoured to enhance cost control and improve operating efficiency, while making objective assessments on the competitiveness of its service products through systems developed to evaluate the outcomes of its services, so that the Group could accurately determine the future direction for product development. The best investment plan was selected on the basis of cost efficiency, ability to enhance customer service standard and technical feasibility. We have also enhanced management and control over day-to-day operating expenses, customer credit and accounts receivable, and capital investment, achieving notable results in the optimisation of expenses in network operation.

III. Outlook for 2017

Looking to 2017, the Group will continue to grab the business opportunities brought by “One Belt One Road”, “Internet Plus” and globalization, and enlarge the research effort and input into the trend of technology in mobile, Internet, Internet of Things, ICT etc. The Group will follow the directions of the markets with its goals of serving the customers, and it will continue to innovate according to the needs of customers with a view of providing better services continuously to them. The Group will also look for opportunities proactively in order to develop new products, grow new customers and enter into new markets. The Group will endeavour to build a world class team and work diligently to strengthen its capabilities and enlarge its scale.

1. Enhancing coordination and management of newly acquired projects with a view to increasing contributions to the Group’s development.

The Group completed the acquisition of 100% equity interests in Acclivis, a Singapore company, the remaining floors of CITIC Telecom Tower, and 100% equity interests in Linx Telecom, a telecommunications operator in the Netherlands. The Group’s overall strengths have been enhanced as a result of these acquisitions, which will not only generate synergies with our existing projects, but will also be conducive to the development of new markets and new customers. We will ensure that these newly acquired companies and projects are properly integrated and closely coordinated with the Group’s existing businesses with a view to increasing our competitiveness, energising our corporate regimes and maximising synergies. The Group will also actively explore and implement its philosophy for the management of overseas enterprises, working with its overseas teams to strive for greater progress in the international business and more significant contributions to the Group.

2. Improving the Group’s servicing capability and standard in a market-oriented and customer-centred manner.

Currently, the Group’s customers can be classified into five major categories: carriers, virtual carriers, corporate customers, Internet companies and mobile phone manufacturers. While developing new customers, we will shift from a technology-centred approach to a customer-centred approach based on customers’ requirements and redesign the users’ interface (UI) of our existing products, services and technologies based on the requirements of different target customers, so that we

can constantly provide customers with brand new users' experience (UE). Network management will also be shifted from the NOC (network operations centre) to the SOC (service operations centre), which means that the focus will be shifted from the quality of equipment and networks to customers' experience of the service.

3. Upgrading the work quality and service standard of the Group to increase the core competitiveness of the Group.

We will safeguard the interests of stakeholders by enhancing the quality of our products and services and further increasing our network speed. A strong emphasis will be placed on assuring the Group's technical ability to provide network protection, seeking to upgrade its engineering technology and further strengthen network safety development and management. Based on the construction of the "three broadbands", we will enhance our research in the Internet of Things and explore pathways for transformation into a data company, in order to consolidate the Group's market dominance and position and increase the core competitiveness of the Group.

4. Bringing into full play our unique advantage as provider of cross-regional, one-stop and end-to-end corporate ICT services to expand the Group's services to corporate clients in Southeast Asia.

Following the completion of the acquisition of 100% equity interests in Acclivis, the Group will be well-positioned to provide better services to customers in the Southeast Asian market. A strong position in the Southeast Asian regional market for corporate services fostered through the provision of one-stop ICT services with distinct advantages will become a new growth driver for the Group, which will endeavor to replicate such unique advantages in other regions to attain greater benefits.

5. Expediting transition to an Internet-based operation with data centre as one of the focuses in strategic development.

As the core hub of an information-driven community and a key facility for big data, the data centre is becoming a marketplace for customers' requirements which is capable of not only generating direct economic benefits, but also providing tailored one-stop ICT services on an ongoing basis.

The completion of the acquisition of CITIC Telecom Tower has perfected the development of the Group's network of data centres and expanded the scale of these data centres, which have become a focus in the Group's strategic development. We will expand the sales regime of our data centre and enhance the development of data-centre products and services. The areas for development will include disaster recovery, security management, bandwidth sales, cloud computing, systems management and business support, etc, as we continue to improve the competitiveness of our products and offer premium data-centre services with special features, with a view to enhancing the overall profitability of the data-centre business.

6. Ongoing expansion to cover more vendors and search for breakthroughs in scale and business models to develop “DataMall 自由行” into a niche for future revenue and profit growth.

On the basis of sound business development, the Group will continue to expand the scope of “DataMall 自由行” to cover more vendors and swiftly enlarge its customer base and business scale to maintain a positive momentum. Meanwhile, we will expedite our research effort to seek breakthroughs in the business and technical models of “DataMall 自由行” that would allow unrestricted access to “DataMall 自由行” services by global users, such that “DataMall 自由行” will grow in size as a result.

7. Continuing to support the development of 中信網絡有限公司(CITIC Networks Company Limited) and stepping up with it on business synergy and cooperation.

Regarding the proposed acquisition of up to 39% equity interest in 中信網絡有限公司(CITIC Networks Company Limited), according to the Acquisition Arrangement dated 24 August 2015 entered into between the Group and CITIC Group, 30 June 2017 or such later date as CITIC Group and the Group may agree in writing will be the latest date on which completion of the relevant acquisition and subscription should take place. As it cannot be determined at this stage whether the approval process can be completed as contemplated, the proposed acquisition will be automatically terminated as of 30 June 2017 in accordance with the terms of the above-mentioned agreement if no further announcement is made. The Group is continuing to proceed this matter with CITIC Group and the relevant departments. If required, the Group will attend to all necessary arrangements in accordance with the Listing Rules in order to comply with their requirements. Meanwhile, the Group will continue its business synergies and cooperation with 中信網絡有限公司(CITIC Networks Company Limited).

8. Ongoing improvement of the Group’s risk management standard.

In order to prevent, control and mitigate risks that might materialise in a complex and volatile business environment, as well as to ensure the fulfilment of the Group’s strategic goals and the healthy, stable and sustainable development of its business operations, the Group will continue to enhance management over the institutional, operational and supervisory regimes in relation to risk prevention. Further improvements in the operational regime will be made to enhance our operating efficiency and risk control standard.

In 2017, the Group will celebrate the 10th anniversary of its listing. To mark this corporate milestone, the Group must also aim higher to scale new heights and embrace new challenges. With global vision and an open-minded approach, we will build a first-rate team of diversified talents with international exposures, such that we could enhance our bases and connections with a solid foundation and expedite our expansion in the global markets to foster unique competitive advantages in terms of differentiation.

May I take this opportunity to express sincere gratitude to our shareholders for their support of the Group in the past year, and to our management team and employees for their contributions and dedicated efforts.

I am confident that, with the support of our shareholders and customers and the guidance of our directors, the Group will continue to drive transition and innovation in a proactive manner with an ever-stronger sense of mission and responsibility, with a view to adding value for shareholders and making new contributions to the development of the community.

Xin Yue Jiang

Chairman

Hong Kong, 20 March 2017

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>2016</i> \$'000	<i>2015</i> \$'000
Turnover	3	7,699,147	8,349,811
Other revenue	4	12,672	8,372
Other net (loss)/gain	5	(22,787)	12,351
		7,689,032	8,370,534
Cost of sales and services		(4,229,077)	(4,941,830)
Depreciation and amortisation	6(c)	(656,415)	(674,007)
Staff costs	6(b)	(850,953)	(801,632)
Other operating expenses		(598,477)	(596,087)
		1,354,110	1,356,978
Finance costs	6(a)	(327,707)	(346,070)
Share of profit/(loss) of a joint venture		1,686	(465)
		1,028,089	1,010,443
Profit before taxation	6	1,028,089	1,010,443
Income tax	7	(165,368)	(195,611)
		862,721	814,832
Profit for the year		862,721	814,832
Attributable to:			
Equity shareholders of the Company		850,088	802,213
Non-controlling interests		12,633	12,619
		862,721	814,832
Profit for the year		862,721	814,832
Earnings per share (HK cents)	9		
Basic		24.9	23.8
Diluted		24.7	23.6

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

(Expressed in Hong Kong dollars)

	2016 \$'000	2015 \$'000
Profit for the year	862,721	814,832
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 obligation:		
– actuarial gains/(losses)	3,077	(15,350)
– deferred tax recognised on the actuarial gains/(losses)	(287)	1,918
	2,790	(13,432)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation adjustments:		
– exchange differences on translation of financial statements of operations outside Hong Kong, net of \$Nil tax	(13,790)	(24,315)
	(13,790)	(24,315)
Other comprehensive income for the year	(11,000)	(37,747)
Total comprehensive income for the year	851,721	777,085
Attributable to:		
Equity shareholders of the Company	839,006	764,584
Non-controlling interests	12,715	12,501
Total comprehensive income for the year	851,721	777,085

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016

(Expressed in Hong Kong dollars)

	<i>Note</i>	2016 \$'000	2015 \$'000
Non-current assets			
Investment property		635,328	-
Other property, plant and equipment		<u>2,553,923</u>	<u>2,404,952</u>
		3,189,251	2,404,952
Intangible assets		1,878,846	2,005,221
Goodwill		9,596,599	9,276,511
Interest in a joint venture		7,367	5,541
Non-current other receivables and deposits	10	198,920	163,862
Deferred tax assets		<u>85,764</u>	<u>33,227</u>
		<u>14,956,747</u>	<u>13,889,314</u>
Current assets			
Inventories		69,945	174,163
Trade and other receivables and deposits	10	1,691,446	1,689,517
Current tax recoverable		5,687	6,497
Cash and bank deposits		<u>1,459,050</u>	<u>1,222,979</u>
		<u>3,226,128</u>	<u>3,093,156</u>
Current liabilities			
Trade and other payables	11	1,706,100	1,767,454
Bank and other loans		43,739	100,000
Obligations under finance leases		2,928	-
Current tax payable		<u>230,183</u>	<u>242,206</u>
		<u>1,982,950</u>	<u>2,109,660</u>
Net current assets		<u>1,243,178</u>	<u>983,496</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016 (CONTINUED)

(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>2016</i> \$'000	<i>2015</i> \$'000
Total assets less current liabilities		<u>16,199,925</u>	<u>14,872,810</u>
Non-current liabilities			
Interest-bearing borrowings		7,857,680	7,372,492
Obligations under finance leases		3,063	-
Non-current other payables	11	77,594	65,656
Net defined benefit retirement obligation		112,878	117,307
Deferred tax liabilities		<u>249,024</u>	<u>260,297</u>
		<u>8,300,239</u>	<u>7,815,752</u>
NET ASSETS		<u>7,899,686</u>	<u>7,057,058</u>
CAPITAL AND RESERVES			
Share capital		4,262,457	3,848,565
Reserves		<u>3,608,047</u>	<u>3,180,822</u>
Total equity attributable to equity shareholders of the Company		7,870,504	7,029,387
Non-controlling interests		<u>29,182</u>	<u>27,671</u>
TOTAL EQUITY		<u>7,899,686</u>	<u>7,057,058</u>

Notes

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Basis of preparation

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). 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 2015 except for the adoption of all new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2016 (see note 2).

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year end 31 December 2015 to the Registrar of Companies as required by section 622(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2016 in due course.

The Company’s auditor has reported on the financial statements of the Group 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 (3) of the Hong Kong Companies Ordinance.

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. The adoption of such amendments does not have significant impact on the financial results and financial position of the Group for the years presented.

The Group has not early adopted any new or revised standards or interpretations issued by the HKICPA that are not yet effective for the year ended 31 December 2016, and is in the process of assessing their impact on future accounting periods.

3 Turnover and segment reporting

(a) Turnover

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

Turnover represents fees from the provision of telecommunications services and sale of equipment and mobile handsets. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2016 \$'000	2015 \$'000
Mobile services	1,164,781	1,244,673
Internet services	922,189	832,557
International telecommunications services	1,341,297	1,554,795
Enterprise solutions	2,255,822	2,107,124
Fixed line services	<u>321,705</u>	<u>356,517</u>
Fees from the provision of telecommunications services	6,005,794	6,095,666
Sale of equipment and mobile handsets	<u>1,693,353</u>	<u>2,254,145</u>
	<u>7,699,147</u>	<u>8,349,811</u>

(b) Segment reporting

The Group manages its businesses by business operations. The financial results of the Group are reported to the Group's most senior executive management as one operating segment for the purposes of resource allocation and performance assessment.

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

(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:

3 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

- 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 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

	2016 \$'000	2015 \$'000
Profit		
Reportable segment profit	2,120,839	2,098,653
Net loss on disposal of other property, plant and equipment	(333)	(226)
Net foreign exchange (loss)/gain	(22,454)	12,577
Depreciation and amortisation	(656,415)	(674,007)
Finance costs	(327,707)	(346,070)
Share of profit/(loss) of a joint venture	1,686	(465)
Interest income	7,927	8,372
Rentals receivable from investment property less direct outgoings	3,516	-
Unallocated head office and corporate expenses	(98,970)	(88,391)
Consolidated profit before taxation	<u>1,028,089</u>	<u>1,010,443</u>

3 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(iii) Reconciliation of reportable segment assets and liabilities

	2016 \$'000	2015 \$'000
Assets		
Reportable segment assets	17,343,300	16,863,217
Investment property	635,328	-
Interest in a joint venture	7,367	5,541
Deferred tax assets	85,764	33,227
Current tax recoverable	5,687	6,497
Unallocated head office and corporate assets	105,429	73,988
	<u>18,182,875</u>	<u>16,982,470</u>
Liabilities		
Reportable segment liabilities	1,753,886	1,915,068
Bank and other loans	43,739	100,000
Obligations under finance leases	5,991	-
Current tax payable	230,183	242,206
Non-current interest-bearing borrowings	7,857,680	7,372,492
Deferred tax liabilities	249,024	260,297
Unallocated head office and corporate liabilities	142,686	35,349
	<u>10,283,189</u>	<u>9,925,412</u>

3 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(iv) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's investment property, other property, plant and equipment, 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 and other property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interest in a joint venture.

	<i>Revenue from external customers</i>		<i>Specified non-current assets</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Hong Kong (place of domicile)	2,564,223	2,607,841	1,679,050	986,323
Macau	4,367,905	5,015,893	12,340,141	12,411,793
Others	767,019	726,077	652,872	294,109
	<u>7,699,147</u>	<u>8,349,811</u>	<u>14,672,063</u>	<u>13,692,225</u>

4 Other revenue

	<i>2016</i>	<i>2015</i>
	<i>\$'000</i>	<i>\$'000</i>
Interest income from bank deposits	7,844	8,260
Other interest income	83	112
	<u>7,927</u>	<u>8,372</u>
Gross rental income from investment property	4,745	-
	<u>12,672</u>	<u>8,372</u>

5 Other net (loss)/gain

	2016 \$'000	2015 \$'000
Net loss on disposal of other property, plant and equipment	(333)	(226)
Net foreign exchange (loss)/gain	(22,454)	12,577
	<u>(22,787)</u>	<u>12,351</u>

6 Profit before taxation

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

	2016 \$'000	2015 \$'000
(a) Finance costs		
Interest on bank and other borrowings		
– wholly repayable within five years	73,086	95,873
– not wholly repayable within five years	214,110	214,110
	<u>287,196</u>	<u>309,983</u>
Finance charges on obligations under finance leases	62	-
Other finance charges	37,347	32,704
Other interest expense	3,102	3,383
	<u>327,707</u>	<u>346,070</u>
(b) Staff costs (including directors' emoluments)		
Contributions to defined contribution retirement plans	45,386	41,225
Expenses recognised in respect of defined benefits retirement plan	10,269	10,011
	<u>55,655</u>	<u>51,236</u>
Total retirement costs	55,655	51,236
Equity-settled share-based payment expenses	20,220	28,120
Salaries, wages and other benefits	775,078	722,276
	<u>850,953</u>	<u>801,632</u>

6 Profit before taxation (continued)

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

	2016 \$'000	2015 \$'000
(c) Other items		
Operating lease charges		
– leased circuits	835,259	771,120
– land and buildings	110,550	97,533
Depreciation	487,894	496,838
Amortisation	168,521	177,169
	656,415	674,007
Impairment losses		
– trade debtors, net	3,306	12,447
Rentals receivable from investment property less direct outgoings of \$1,229,000 (2015:\$Nil)	(3,516)	-
Auditors' remuneration		
– audit services	5,906	5,639
– non-audit services	2,235	1,343
Transaction costs for the acquisitions	15,792	-

7 Income tax

	2016 \$'000	2015 \$'000
Current tax		
Hong Kong Profits Tax		
– Provision for the year	50,508	55,136
– (Over)/under-provision in respect of prior years	<u>(268)</u>	<u>178</u>
	----- 50,240	----- 55,314
Jurisdictions outside Hong Kong		
– Provision for the year	154,498	162,087
– Over-provision in respect of prior years	<u>(22,109)</u>	<u>(1,717)</u>
	----- 132,389	----- 160,370
Deferred tax		
Origination and reversal of temporary differences	<u>(17,261)</u>	<u>(20,073)</u>
	----- <u>165,368</u>	----- <u>195,611</u>

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2015/2016 subject to a maximum reduction of \$20,000 for each business (2015: a maximum reduction of \$20,000 was granted for the year of assessment 2014/2015 and was taken into account in calculating the provision for 2015).

The provision for Macau Complementary Tax for 2016 is calculated at 12% (2015: 12%) of the estimated assessable profits for the year. Assessable profits of the first MOP600,000 (equivalent to approximately \$583,000) (2015: MOP600,000 (equivalent to approximately \$583,000)) are exempted from Macau Complementary Tax.

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

8 Dividends

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

	2016 \$'000	2015 \$'000
Interim dividend declared and paid of HK2.85 cents (2015: HK2.80 cents) per share	96,648	94,660
Final dividend proposed after the end of the reporting period of HK10.35 cents (2015: HK9.70 cents) per share	<u>365,829</u>	<u>328,087</u>
	<u>462,477</u>	<u>422,747</u>

For the interim dividend in respect of the period ended 30 June 2016, there was a difference of \$70,000 between the interim dividend disclosed in 2016 interim report and the amount paid during the year ended 31 December 2016, which represented dividends attributable to shares issued upon exercise of share options before the closing date of register of members.

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

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

	2016 \$'000	2015 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK9.70 cents (2015: HK8.60 cents) per share	<u>328,612</u>	<u>289,536</u>

For the final dividend in respect of the year ended 31 December 2015, there was a difference of \$525,000 between the final dividend disclosed in the 2015 annual report and the amount paid during the year ended 31 December 2016, which represented dividends attributable to shares issued upon exercise of share options before the closing date of the register of members.

9 Earnings per share

	<i>2016</i> \$'000	<i>2015</i> \$'000
Profit attributable to equity shareholders of the Company	<u>850,088</u>	<u>802,213</u>

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

	<i>Number of shares</i>	
	<i>2016</i> '000	<i>2015</i> '000
Issued ordinary shares at 1 January	3,382,342	3,355,674
Effect of shares issued for acquisition of a subsidiary	25,159	-
Effect of share options exercised	<u>5,652</u>	<u>16,619</u>
Weighted average number of ordinary shares (basic) at 31 December	3,413,153	3,372,293
Effect of deemed issue of shares under the Company's share option plan	<u>25,572</u>	<u>33,576</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u>3,438,725</u>	<u>3,405,869</u>
Basic earnings per share (HK cents)	<u>24.9</u>	<u>23.8</u>
Diluted earnings per share (HK cents)	<u>24.7</u>	<u>23.6</u>

10 Trade and other receivables and deposits

	<i>2016</i> \$'000	<i>2015</i> \$'000
Trade debtors	1,312,809	1,247,787
Less: allowance for doubtful debts	<u>(38,759)</u>	<u>(45,567)</u>
	1,274,050	1,202,220
Other receivables and deposits	<u>616,316</u>	<u>651,159</u>
	<u>1,890,366</u>	<u>1,853,379</u>
Represented by:		
Non-current portion	198,920	163,862
Current portion	<u>1,691,446</u>	<u>1,689,517</u>
	<u>1,890,366</u>	<u>1,853,379</u>

At the end of the reporting period, the ageing analysis of trade debtors (before allowance for doubtful debts and included in trade and other receivables and deposits) based on the invoice date is as follows:

	<i>2016</i> \$'000	<i>2015</i> \$'000
Within 1 year	1,196,840	1,069,220
Over 1 year	<u>115,969</u>	<u>178,567</u>
	<u>1,312,809</u>	<u>1,247,787</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 are recorded for those overdue balances where there is objective evidence of impairment.

11 Trade and other payables

	<i>2016</i> \$'000	<i>2015</i> \$'000
Trade creditors	751,836	768,978
Other payables and accruals	<u>1,031,858</u>	<u>1,064,132</u>
	<u>1,783,694</u>	<u>1,833,110</u>
Represented by:		
Non-current portion	77,594	65,656
Current portion	<u>1,706,100</u>	<u>1,767,454</u>
	<u>1,783,694</u>	<u>1,833,110</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>2016</i> \$'000	<i>2015</i> \$'000
Within 1 year	494,475	506,173
Over 1 year	<u>257,361</u>	<u>262,805</u>
	<u>751,836</u>	<u>768,978</u>

FINANCIAL REVIEW

OVERVIEW

The Group's turnover decreased by 7.8% from HK\$8,349.8 million for the year ended 31 December 2015 to HK\$7,699.1 million for the year ended 31 December 2016. While the Group recorded growth in both Internet services and enterprise solutions, the weak mobile handset sales and the continued decline in revenue from traditional telecommunications services has resulted in an overall decrease in turnover.

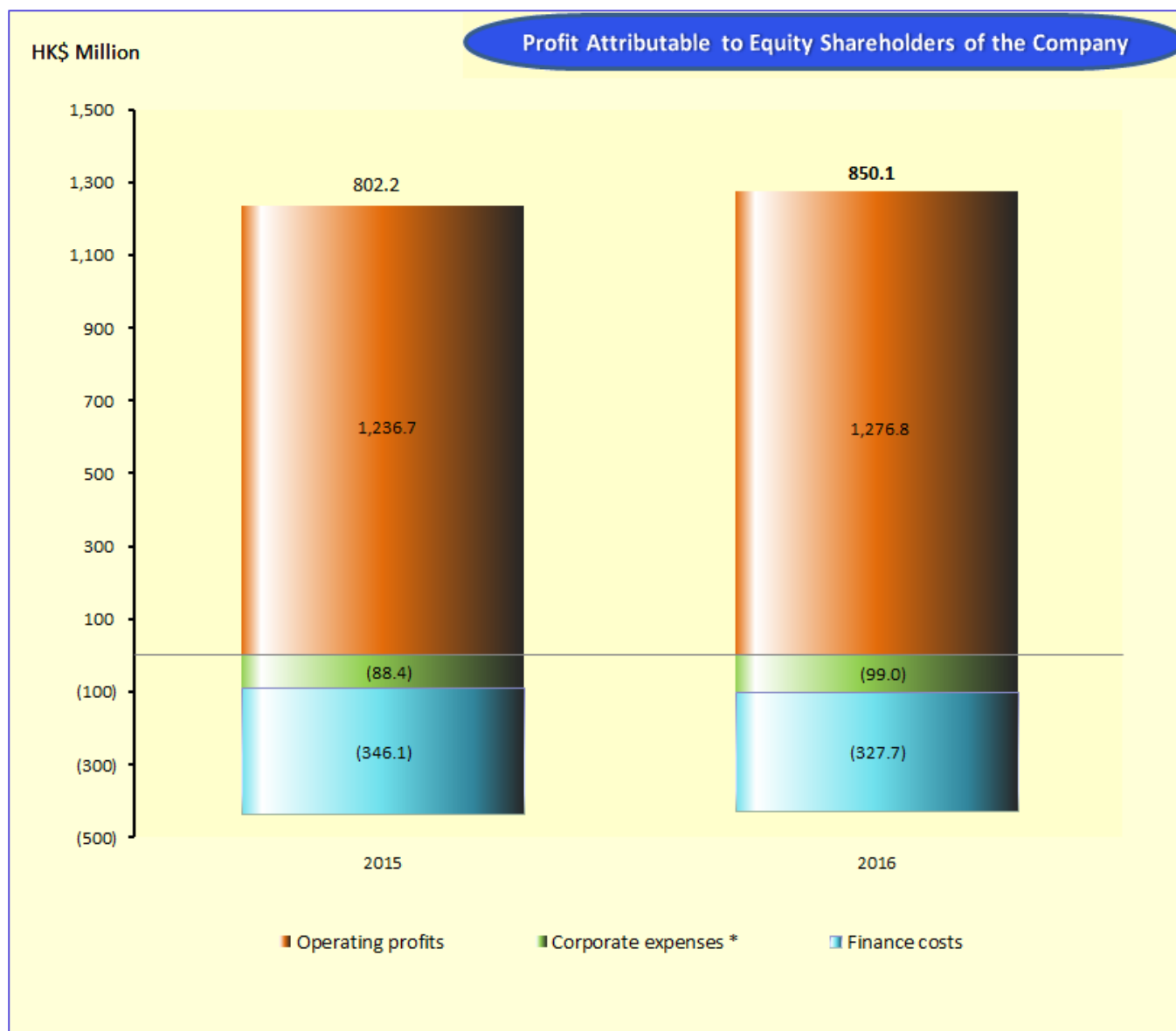
Profit attributable to equity shareholders and basic EPS amounted to HK\$850.1 million and HK24.9 cents respectively which represented a year-on-year increase of 6.0% and 4.6% when compared with 2015.

Summary of Financial Results

<i>In HK\$ million</i>	Year ended 31 December		Increase / (Decrease)	
	2016	2015		
Turnover	7,699.1	8,349.8	(650.7)	(7.8%)
Other revenue and net (loss) / gain	(10.1)	20.7	N/A	N/A
Cost of sales and services	(4,229.1)	(4,941.8)	(712.7)	(14.4%)
Depreciation and amortisation	(656.4)	(674.0)	(17.6)	(2.6%)
Staff costs	(851.0)	(801.6)	49.4	6.2%
Other operating expenses	(598.4)	(596.1)	2.3	0.4%
Profit from consolidated activities	1,354.1	1,357.0	(2.9)	(0.2%)
Share of joint venture results	1.7	(0.5)	N/A	N/A
Finance costs	(327.7)	(346.1)	(18.4)	(5.3%)
Income tax	(165.4)	(195.6)	(30.2)	(15.4%)
Profit for the year	862.7	814.8	47.9	5.9%
Less: Non-controlling interests	(12.6)	(12.6)	-	-
Profit attributable to equity shareholders of the Company	850.1	802.2	47.9	6.0%
Adjusted EBITDA *	2,027.1	2,009.8	17.3	0.9%

* *Adjusted EBITDA represents earnings before interest, taxes, depreciation and amortisation, and adjusted for any net gains / losses on foreign exchange and disposal of other property, plant and equipment.*

Profit attributable to equity shareholders of the Company



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

Profit attributable to equity shareholders of the Company for the year ended 31 December 2016 amounted to HK\$850.1 million, an increase of HK\$47.9 million or 6.0% as compared to 2015. The increase was mainly contributed by the strong growth in Internet services and enterprise solutions revenue, and the reduction in finance costs.

Acquisitions during the year

On 28 October 2016, the Group acquired the entire share capital of Neostar Investment Limited (“Neostar”), and its outstanding loan due to a fellow subsidiary for a total consideration of HK\$813.2 million. In accordance with the sales and purchase agreement, HK\$427.8 million of the consideration was satisfied in cash and the remainder being settled by the issuance of shares of the Company. Neostar is principally engaged in holding partial portion of CITIC Telecom Tower in Hong Kong.

On 22 November 2016, the Group acquired the entire equity interests in Acclivis Technologies and Solutions Pte. Ltd. (“Acclivis”) for a total consideration of SGD75.0 million (approximately HK\$418.2 million), subject to adjustments as set out in the relevant sale and purchase agreement. Acclivis is engaged in the provision of system integration, data and Internet access and cloud services to enterprise customers.

The financial results of both Neostar and Acclivis had been consolidated into the Group’s financial results subsequent to the acquisitions.

Turnover by Services

The Group provides a large spectrum of services which are classified into five major categories: mobile sales & services, Internet services, international telecommunications services, enterprise solutions and fixed line services.

The Group experienced solid growth in both Internet services and enterprise solutions during the year which contributed to an increase of HK\$238.3 million in revenue for the year. The increase was offset by the drop in equipment and mobile handset sales and the decrease in traditional telecommunications services such as international telecommunications services and fixed line services, resulting in the decrease of 7.8% in total revenue to HK\$7,699.1 million for the year ended 31 December 2016.

Revenue from Internet services increased by 10.8% or HK\$89.6 million to HK\$922.2 million as a result of the increase in the number of subscribers, good fibre broadband uptake and the increase in data centre revenue. The Group’s enterprise solutions revenue continued to record stable growth in the China market but was partly offset by the decrease in enterprise solutions in Macau resulting from slow down of new project completion. In addition, the Group had completed the acquisition of Acclivis in November 2016. In summary, the Group’s enterprise solutions revenue increased HK\$148.7 million or 7.1% for the year.

Moreover, the Group had recorded significant decrease in equipment and mobile handset sales of HK\$560.8 million, down from HK\$2,254.1 million in 2015 to HK\$1,693.3 million in 2016, which has adversely impacted on the Group’s total turnover.

Mobile sales & services

Mobile sales & services revenue includes the revenue from equipment and mobile handsets sales, mobile roaming services, and other mobile value-added services. Total mobile sales & services revenue amounted to HK\$2,858.1 million for the year ended 31 December 2016, a decrease of 18.3% when compared to last year. The decrease was mainly due to the drop in mobile handsets sales, price reduction in local mobile services and roaming rates, as well as higher rebates for customer acquisition and retention.

Postpaid ARPU (excluding inbound roaming and rebates adjustment) increased slightly to HK\$236.2 when compared with the first half of 2016 and corresponding period of last year as a result of growth in mobile data revenue and 4G uptake. Prepaid ARPU was up 7.9% when compared with the first half of 2016 but dropped by 22.0% to HK\$10.9 for the year ended 31 December 2016 when compared with last year mainly due to the intense price competition in mobile voice revenue, which has offset the growth in mobile data revenue. The overall number of subscribers at 31 December 2016 increased by 4.3% as compared to 31 December 2015 to around 857,000 subscribers, of which 60.1% were 4G subscribers. The Group's mobile market share in Macau was around 43.5% at 31 December 2016 (31 December 2015: 43.3%), while the Group had 57.0% market share in the 4G subscribers of Macau mobile market (31 December 2015: 65.0%).

Internet services

Internet services revenue including the Group's data centre revenue amounted to HK\$922.2 million for the year which represented an increase of HK\$89.6 million or 10.8% when compared with 2015. The increase was mainly due to higher revenue from the good uptake of fibre broadband service and increase in data centre revenue, which had countered the impact from the Group's tariff reduction of an average of 24% in Macau since October 2016. Overall broadband ARPU for 2016 was approximately HK\$330 which was similar to 2015. The total number of broadband subscribers increased by 3.6% from 169,000 subscribers in December 2015 to around 175,000 subscribers in December 2016. The Group's Internet market share in Macau was around 98.2% (December 2015: 99.4%) while broadband market penetration rate in Macau was around 90.1% in December 2016 (December 2015: 86.4%).

International telecommunications services

The Group's international telecommunications services mainly comprised of voice and SMS services.

Voice services revenue decreased by HK\$124.3 million or 10.0% to HK\$1,113.2 million for the year ended 31 December 2016 over the same period in 2015, which is in-line with the global trend in decreasing tariffs and traffic volume for wholesale voice market. Total traffic of 4.4 billion minutes was handled by the Group, representing a 7.6% reduction compared with 2015. Total China inbound and outbound traffic for the year has decreased by 8.1% and total international traffic dropped by 6.2% when compared to 2015. Despite the intensely competitive market conditions, the Group has continued to focus its efforts in regions with higher profit margins and has managed to maintain the average revenue per minute for both 2016 and 2015 at around HK\$0.26 per minute.

Overall the SMS market has continued to be adversely impacted by the increasing popularity of social networking applications. SMS services revenue totaled HK\$211.8 million and average revenue per SMS was HK\$0.14, representing a decrease of 33% for both revenue and revenue per message when compared with 2015.

With the launch of our “DataMall 自由行” service in 2015, the Group achieved promising results with revenue reaching HK\$16.3 million for the year ended 31 December 2016.

Enterprise solutions

Enterprise solutions revenue increased by 7.1% from HK\$2,107.1 million in 2015 to HK\$2,255.8 million for the year ended 31 December 2016. The increase was mainly contributed by the continuing popularity of VPN services, steady growth in both cloud computing services and information security services and the acquisition of Acclivis in November 2016. Acclivis is principally engaged in the provision of system integration, data and Internet access and cloud services to enterprise customers primarily in Singapore, Thailand and Indonesia. Acclivis contributed HK\$79.4 million to the Group’s revenue post acquisition.

There was also growth in leased line revenue driven by higher demand from telecoms and corporate customers which was largely offset by the average 37% tariff reduction for leased line services in Macau which commenced on 1 December 2016.

In 2016, around 49% and 35% of the enterprise solutions revenue were derived in Mainland China and in Macau (2015: 50% and 40%) respectively.

The Group continued to expand its Points-of-Presence (“PoPs”) for VPN services. The Group has global coverage with over 100 PoPs, including new PoPs established in 2016 which are located in Seoul, Taichung, Urumqi and Yangzhou.

Fixed line services

Fixed line services revenue was HK\$321.7 million for 2016 which represented a decrease of 9.8% when compared to 2015. The decrease was in-line with the worldwide trends of declining fixed IDD traffic volumes and the decrease in fixed residential lines as they are gradually being replaced by mobile services.

Profit for the year

The Group achieved HK\$862.7 million in profit for the year, an increase of HK\$47.9 million when compared with 2015. The increase was mainly due to the combined impact of the following factors:

Turnover

Turnover for the year decreased by HK\$650.7 million or 7.8% when compared with the same period of last year, largely due to the decrease in mobile sales & services, international telecommunications services and fixed line services. Internet services and enterprise solutions revenue have sustained solid growth during the year and have substantially offset the decrease in revenue for international telecommunications services and fixed line services.

Cost of sales and services

Cost of sales and services included costs of goods sold, and network, operations and support expenses. Consistent with the decrease in turnover, cost of sales and services amounted to HK\$4,229.1 million, a decrease of HK\$712.7 million when compared with 2015. As the Group has stepped up its efforts in achieving greater cost efficiency, therefore the decrease in cost of sales and services was greater than the decrease in turnover.

Staff costs

Staff costs for the year increased by 6.2% to HK\$851.0 million compared with 2015. The increase was mainly due to the increase in headcount and incentive bonuses which was in-line with the expansion of the Group's businesses. The increase was partly reduced by the decrease in equity-settled share-based payment expenses of HK\$7.9 million when compared with the HK\$28.1 million incurred last year.

Depreciation and amortisation

Depreciation and amortisation expenses were similar to last year at HK\$656.4 million (2015: HK\$674.0 million). The slight decrease was due to certain aged networks and equipment being fully depreciated in 2015 and 2016.

Other operating expenses

With the Group's continued success in costs saving initiatives, other operating expenses for the year was similar to last year at around HK\$598.4 million, despite the increase in utilities charges and repairs and maintenance expenses for the year as a result of the business expansion.

Finance costs

Finance costs for the year decreased by 5.3% or HK\$18.4 million to HK\$327.7 million when compared with 2015. If we exclude the one-off write-off of the prepaid front end fee of HK\$23.4 million (2015: HK\$10.1 million) in relation to the loans that were refinanced during the year, recurring finance costs has dropped by HK\$31.7 million or 9.4% as a result of the refinanced bank borrowings.

Income tax

Income tax for the year amounted to HK\$165.4 million, a decrease of HK\$30.2 million or 15.4% when compared with the same period of 2015. The decrease was mainly due to the reversal of the over-provision of tax of HK\$22.4 million (2015: HK\$1.5 million) in 2016. If non-taxable / non-deductible items and unrecognised temporary differences were excluded, the effective tax rate for both years ended 31 December 2016 and 2015 would be around 13%.

Earnings per share (“EPS”)

Basic EPS and diluted EPS amounted to HK24.9 cents and HK24.7 cents respectively, both representing an increase of around 5% when compared with last year.

Dividends per share

Final dividend of HK10.35 cents per share is proposed for the year ended 31 December 2016.

Cash flows

<i>In HK\$ million</i>	Year ended 31 December		Increase / (Decrease)	
	2016	2015		
<i>Source of cash:</i>				
Cash inflows from business operations	1,882.6	1,775.8	106.8	6.0%
Net cash inflows from borrowings	82.7	-	82.7	N/A
Other cash inflows	30.8	57.9	(27.1)	(46.8%)
Sub-total	1,996.1	1,833.7	162.4	8.9%
<i>Use of cash:</i>				
Net capital expenditure*	(608.1)	(734.2)	(126.1)	(17.2%)
Dividends paid to equity shareholders and non-controlling interests	(436.5)	(394.9)	41.6	10.5%
Acquisitions of subsidiaries	(681.9)	-	681.9	N/A
Net cash outflows from borrowings	-	(870.5)	(870.5)	N/A
Other cash outflows	(56.1)	(146.1)	(90.0)	(61.6%)
Sub-total	(1,782.6)	(2,145.7)	(363.1)	(16.9%)
Net increase / (decrease) in cash	213.5	(312.0)	N/A	N/A

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

Profit before taxation amounted to HK\$1,028.1 million for the year ended 31 December 2016. The Group maintained a strong cash position, where HK\$1,882.6 million cash inflow was generated from operations, an increase of HK\$106.8 million or 6.0% when compared with 2015. The use of cash comprised capital expenditure, acquisitions of subsidiaries, loans and repayments, dividends distribution to equity shareholders and non-controlling interests and various other payments. In total, the Group generated net cash inflow of HK\$213.5 million for the year ended 31 December 2016.

Capital expenditure

In-line with the Group's long term plan, the Group has continued to expand its data centres whereby HK\$9.4 million of fitting-out costs were incurred during the year ended 31 December 2016.

The Group's total capital expenditure for the year amounted to HK\$496.5 million. Excluding the capital expenditure on data centres, the capital expenditure for the year amounted to HK\$487.1 million, representing a decrease of 39.0% when compared with 2015. The significant decrease was due to a number of network development and upgrade projects were completed in 2015.

Net debt

At 31 December 2016, total debt and net debt of the Group were as follows:

<i>In HK\$ million</i>	31 December 2016	31 December 2015
Total bank and other borrowings	7,901.4	7,472.5
Finance lease liabilities	6.0	-
Total debt	7,907.4	7,472.5
Less: Cash and bank deposits	(1,459.1)	(1,223.0)
Net debt	6,448.3	6,249.5

As the Group has drawn new bank loans for payments for the acquisitions of subsidiaries, the Group's net debt increased from HK\$6,249.5 million at 31 December 2015 to HK\$6,448.3 million at 31 December 2016.

Capital commitments

At 31 December 2016, the Group had outstanding capital commitments of HK\$258.4 million, mainly for the acquisition of the entire equity interest in Linx Telecommunications B.V., the purchase of telecommunications equipment which had yet to be delivered to the Group and construction costs of the networks. Of these commitments, HK\$218.4 million were outstanding contractual capital commitments and HK\$40.0 million were capital commitments authorised but for which contracts had yet to be entered into.

TREASURY POLICY AND FINANCIAL RISK MANAGEMENT

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

1. Debt and leverage

As the Group has arranged new bank loans for payments for the acquisitions of subsidiaries, the Group's net debt increased to HK\$6,448.3 million. Benefits from the increase in the total capital which amounted to HK\$14,318.8 million, the net gearing ratio decreased from 47% at 31 December 2015 to 45% at 31 December 2016.

At 31 December 2016, total debt and net debt of the Group were as follows:

<i>In HK\$ million equivalents</i>	Denomination						Total
	HKD	USD	SGD	MOP	RMB	Others	
Total bank and other borrowings	4,092.8	3,483.8	324.8	-	-	-	7,901.4
Finance lease liabilities	-	-	6.0	-	-	-	6.0
Total debt	4,092.8	3,483.8	330.8	-	-	-	7,907.4
Less: Cash and bank deposits	<u>(298.7)</u>	<u>(284.8)</u>	<u>(82.0)</u>	<u>(523.0)</u>	<u>(220.4)</u>	<u>(50.2)</u>	(1,459.1)
Net debt/(cash)	<u>3,794.1</u>	<u>3,199.0</u>	<u>248.8</u>	<u>(523.0)</u>	<u>(220.4)</u>	<u>(50.2)</u>	<u>6,448.3</u>

At 31 December 2016, the Group's net gearing ratio was as follows:

<i>In HK\$ million</i>	31 December 2016	31 December 2015
Total bank and other borrowings	7,901.4	7,472.5
Finance lease liabilities	6.0	-
Total debt	7,907.4	7,472.5
Less: Cash and bank deposits	(1,459.1)	(1,223.0)
Net debt	6,448.3	6,249.5
Total equity attributable to equity shareholders of the Company	7,870.5	7,029.4
Total capital	14,318.8	13,278.9
Net gearing ratio	45%	47%

At 31 December 2016, the principal of total debt amounted to HK\$7,971.5 million, of which HK\$46.7 million will mature in the coming year, against cash and bank deposits of HK\$1,459.1 million.

The maturity profile of the Group's total debt in principal amount at 31 December 2016 was as follows:

<i>In HK\$ million</i>	2017	2018	2019	2020	2021	2022 & beyond	Total
Bank and other borrowings	43.7	313.1	580.7	3,118.0	400.0	-	4,455.5
Finance lease liabilities	3.0	1.4	0.9	0.7	-	-	6.0
US\$450 million 6.1% guaranteed bonds	-	-	-	-	-	3,510.0	3,510.0
	<u>46.7</u>	<u>314.5</u>	<u>581.6</u>	<u>3,118.7</u>	<u>400.0</u>	<u>3,510.0</u>	<u>7,971.5</u>

Note: For illustrative purpose, the above analysis is based on the principal amount of total bank and other borrowings, rather than the carrying amount adopted in the consolidated financial statements.

To equilibrate the Group's debt portfolio denominated in Hong Kong dollars and United States dollars and reduce the cost of funding, the Group entered into a facility agreement with a group of banks in aggregate amount of HK\$3,430.0 million in December 2015 to refinance the borrowings under a facility agreement entered in 2013 (the "US\$540.0 million facility").

In 2015, the Group early repaid US\$100.0 million (approximately HK\$780.0 million), being part of the US\$540.0 million facility from its surplus cash, and refinanced part of the US\$540.0 million facility for the sum of US\$116.0 million (approximately HK\$904.8 million). During the year, the Group refinanced the remaining part of the US\$540.0 million facility, which amounted to US\$324.0 million (approximately HK\$2,527.2 million).

During the year, the Group has arranged a SGD49.1 million (approximately HK\$263.2 million) new bank loan for the payment for the acquisition of Acclivis Technologies and Solutions Pte. Ltd. and its subsidiaries, which headquarters is in Singapore. Other than the above-mentioned loan, the balance of the SGD borrowings of the Group at 31 December 2016 was used to support the liquidity requirements of the Group's operation in Singapore.

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 at 31 December 2016 are more than sufficient to cover the repayments of principal amount of total debt of HK\$46.7 million in the coming year and contractual capital commitments of HK\$218.4 million at 31 December 2016.

At 31 December 2016, the Group had available trade facilities of approximately HK\$719.8 million. Approximately HK\$354.8 million was utilised as guarantees for performance to customers / the Macau Government, costs payable to telecoms operators and others, and to secure loans drawn by a fellow subsidiary by commercial banks under the offshore-security-onshore-loan arrangements. Around HK\$169.8 million of these utilised facilities were required to be secured by pledged deposits or fixed assets.

At 31 December 2016, 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	4,575.8	4,436.7	139.1
- Uncommitted facilities:			
Short-term facilities	<u>366.2</u>	<u>18.8</u>	<u>347.4</u>
	4,942.0	4,455.5	486.5
Finance lease liabilities - Committed facilities	6.0	6.0	-
Guaranteed bonds - Committed facility			
US\$450 million 6.1% guaranteed bonds	3,510.0	3,510.0	-
Trade facilities - Uncommitted facilities	<u>719.8</u>	<u>354.8</u>	<u>365.0</u>
Total	<u><u>9,177.8</u></u>	<u><u>8,326.3</u></u>	<u><u>851.5</u></u>

2. Liquidity risk management

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

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

Cash flow is well-planned and reviewed regularly by the management of the Group, so that the Group can meet its funding needs. The strong cash flow from the Group's operating activities can 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 customary, which are commonly found in lending arrangement 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. At 31 December 2016, the Group was in compliance with the relevant requirements.

4. Contingent liabilities

At 31 December 2016, the Group had no significant contingent liabilities.

5. Performance bonds, guarantees and pledged assets

At 31 December 2016, performance bonds provided to the Macau Government and other customers for which no provision has been made in the consolidated financial statements amounted to approximately HK\$90.0 million.

At 31 December 2016, the Company has provided guarantee to its subsidiary in an amount of HK\$34.4 million to support its performance under a construction contract.

At 31 December 2016, guarantees of HK\$260.9 million were issued by the Group to secure the bank loans drawn by a fellow subsidiary from the commercial banks under the offshore-security-onshore-loan arrangements, of which, HK\$152.5 million were required to be secured by pledged deposits of HK\$171.3 million. In addition, bank deposits of approximately HK\$4.1 million and fixed assets of approximately HK\$6.2 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\$3,510.0 million) guaranteed bonds with a maturity of twelve years due on 5 March 2025 and the bonds bore interest at 6.1% per annum. The bonds were unconditionally and irrevocably guaranteed by the Company.

At 31 December 2016, the Company has issued guarantees for its subsidiaries in respect of the bank and other loans in an amount of HK\$325.3 million and finance lease liabilities in an amount of HK\$3.3 million.

Certain other 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

The Group’s interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and at 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 large 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 borrowing fixed rate or through use of interest rate swap, if necessary. At 31 December 2016, approximately 55.8% of the Group’s borrowings in principal were linked to floating interest rates. During the year, the Group did not enter into any interest rate swap arrangement.

Average borrowing costs

At 31 December 2016, the average borrowing costs, which is after the inclusion of amortisation of transaction costs, was approximately 4.0%.

7. Foreign currency risk

The major places of operating companies within the Group are located in Hong Kong and Macau, whose functional currency is Hong Kong dollar or Macau Pataca. The Group is exposed to currency risk primarily from currencies other than the functional currency of the operations to which the transactions relate.

A substantial portion of the Group’s turnover and cost of sales and services are denominated in United States dollars, Macau Patacas and Hong Kong dollars. The majority of the Group’s current assets, current liabilities and transactions are denominated in United States dollars, Macau Patacas and Hong Kong dollars. As the Hong Kong dollar is linked to the United States dollar and the Macau Pataca is pegged to the Hong Kong dollar, it will not pose significant foreign currency risk to the Group.

However, the exchange linkages between these currencies are subject to potential changes due to, among other things, changes in governmental policies and international economic and political developments. Although management considers that the Group's exposure to foreign currency risk is not material, it will continue to monitor closely all possible exchange rate risks and implement the necessary hedging arrangement to mitigate risk from any significant fluctuation in foreign exchange rates.

8. Credit risk

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

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. Impairment losses are recorded for those overdue balances where there is objective evidence of impairment.

The Group has certain concentration risk in respect of trade debtors due from the Group's five largest customers who accounted for approximately 43.9% and 39.3% of the Group's total trade debtors at 31 December 2016 and 31 December 2015 respectively. The credit risk exposure to trade debtors balance has been and will continue to be monitored by the Group on an ongoing basis.

9. Counterparty risk

At 31 December 2016, the Group had a significant balance of cash at various financial institutions. To minimise the risk of non-recovery of cash deposits, the Group mainly deals with financial institutions which have good credit ratings with prestigious credit ratings companies (such as Moody's Investors Service, Standard & Poor's and Fitch Group), or the note issuing banks in Hong Kong, Macau and Mainland China, or group companies. At 31 December 2016, the Group has approximately HK\$1,454.4 million cash balance in the above-mentioned financial institutions, representing approximately 99.7% of the total cash and bank deposits of the Group. Management does not expect any losses from non-recovery from our financial counterparties.

SUSTAINABILITY REPORT

CITIC Telecom International Group has a strong sense of commitment in fulfilling corporate social responsibility (“CSR”) and ensuring that it is part of our core corporate value in our daily operation. The Group has continued to emphasis on staff development and mental health of its staff. The Group also concerns on community involvement and environmental protection. CSR on all these aspects has always been an integral part of the Group’s corporate business strategy and philosophy.

As at the end of December 2016, the Group employed a total of 2,360 employees (2015: 2,184) for its headquarters in Hong Kong and its subsidiaries. The increase in number of employees was in line with business need of this year and due to acquisition projects completed during the year.

The Group is an equal opportunity employer and adheres to non-discriminatory employment practices and procedures in recognising and respecting individuals’ rights. The Group promotes equal opportunities to applicants and existing employees, determining staff promotion and development in accordance with individual performance and job requirements. Discrimination is prohibited. The Group’s compensation strategy is to cultivate a pay-for-performance culture to incentivise and reward employee performance that will lead to long-term enhancement of the overall calibre of the Group.

The Group upholds a high standard of business ethics and personal conduct of its employees. There are a series of mechanism to govern our employees to ensure them strictly complying with the Code of Conduct and related policies. The mechanism includes report on compliance of Code of Conduct, Whistle-blowing policy and Declaration of Interest, etc.

Service Excellence is the core value of the Group. The Group has put high priorities in collecting and analysis of customers’ feedback on our products and services. The proper review and enhancement on our service procedures and quality of products /services are made.

The Group was committed to comply with the policies and procedures of our supply chain management during all purchasing activities. In return, the Group could serve our customers with best quality of products and services. The Group always takes into account of the environmental protection, energy saving and corporate social responsibility during our supply chain management. Great care should be taken to fulfill our environmental responsibility and to achieve better results for energy efficiency and conservation.

As a responsible entity to fulfill CSR, the Group has been active in supporting volunteer services and making our effort to promote education, environmental protection. The Group encourages its staff to support voluntary services and community activities through various means. In 2016, the Group made charitable donations approximately HK\$1.2 million. The volunteer service of the Group was over 570 hours. The Group was honored different awards in recognition of our commitment and contribution through caring for the community, employees and environment.

The Group always takes into account of the environmental protection. The Group is committed to conduct business in an environmentally responsible manner. The Group has continued its effort to support the reduction of greenhouse gas emissions to maintain a sustainable environment.

The Group strives to ensure that our staff enjoy a healthy, safe and positive environment in which to work and interact with others. The Group supports and organises various kinds of outdoor sports activities and ball games competitions to enhance communication and to promote the importance of physical exercise.

Our staff is our greatest asset. The Group continues its effort in staff training and development to support the needs of its business and staff. In 2016, the Group provided training to employees over 50,000 hours.

All board directors also participate in continuous professional training to develop and refresh their knowledge and skills.

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 2016 annual report.

Save as disclosed below, the Company has fully complied with the applicable code provisions in the Corporate Governance Code (the “Code”) set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the year of 2016. In respect of the code provision A.6.7 of the Code, Messrs. Luo Ning, Liu Li Qing and Zuo Xunsheng were unable to attend the general meetings of the Company held on 16 May 2016 and on 21 October 2016 as they had other engagements.

The Audit Committee of the Board, consisting of three independent non-executive directors and a non-executive director, has reviewed the 2016 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 HK10.35 cents (2015: HK9.70 cents) per share, which together with the interim dividend of HK2.85 cents (2015: HK2.80 cents) per share already paid makes a total dividend of HK13.20 cents (2015: HK12.50 cents) per share for the year ended 31 December 2016.

The proposed final dividend of HK10.35 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 Thursday, 1 June 2017, is to be payable on Tuesday, 20 June 2017 to shareholders whose names appear on the Register of Members of the Company on Friday, 9 June 2017.

The Register of Members of the Company will be closed from Friday, 26 May 2017 to Thursday, 1 June 2017 (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 Registrars, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 25 May 2017. In addition, the Register of Members of the Company will be closed from Wednesday, 7 June 2017 to Friday, 9 June 2017 (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 Registrars, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Tuesday, 6 June 2017. 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 2016 and the Company has not redeemed any of its shares during the year ended 31 December 2016.

CHANGE OF DIRECTORS

Mr. Gordon Kwong Che Keung, an independent non-executive director of the Company, shall retire in the AGM and due to other commitment, he will not seek for re-election. Accordingly, Mr. Gordon Kwong Che Keung will cease to be the chairman of the Audit Committee, the member of the Remuneration Committee and the Nomination Committee of the Company, all to be effective from the conclusion of the AGM.

Mr. Kwong has confirmed that there is no disagreement with the Board and there is no matter that needs to be brought to the attention of the shareholders of the Company.

Mr. Kwong has been serving on the Board since March 2007. The Board would like to express its sincere gratitude to him for his support, devotion and invaluable contribution to the Company during his tenure of office.

The nomination committee has recommended to the board of directors to appoint Mr. Lam Yiu Kin as an independent non-executive director of the Company to fill the vacancy created by the retirement of Mr. Kwong. An ordinary resolution for the appointment of Mr. Lam Yiu Kin will be put forward for shareholders' approval at the AGM.

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.

ANNUAL REPORT AND FURTHER INFORMATION

A copy of the announcement will be found on the Company's website (www.citictel.com) and the website of the Stock Exchange (www.hkexnews.hk). The full Annual Report will be made available on the website of the Company and the Stock Exchange around 12 April 2017.

By Order of the Board

Xin Yue Jiang

Chairman

Hong Kong, 20 March 2017

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

<i>Executive Directors:</i>	<i>Non-executive Directors:</i>	<i>Independent Non-executive Directors:</i>
Xin Yue Jiang (Chairman)	Liu Jifu	Liu Li Qing
Lin Zhenhui	Fei Yiping	Kwong Che Keung, Gordon
Luo Ning		Zuo Xunsheng
Chan Tin Wai, David		