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 2017

CHAIRMAN'S STATEMENT

Dear Shareholders,

As we bid farewell to 2017 and welcome 2018, let us give a special mention of the remarkable events that took place in what proves to be an extraordinary year for CITIC Telecom International Holdings Limited (the "Group").

Year 2017 marked the 10th anniversary of the Group's listing in Hong Kong. In the last ten years, the Group has achieved remarkable growth in many aspects. Comparing year 2017 with year 2007, the Group's revenue has increased by 4.0 times, profit attributable to equity shareholders has increased by 2.4 times. Dividend distributions have been maintained at a stable growth over the past ten years. An array of celebratory activities were held in connection with the 10th anniversary of the Group's listing. The highlight of our celebrations was the cocktail reception held on 27 October 2017, being the largest publicity event held by the Group in recent years. About 400 guests, comprising officials of the Hong Kong SAR Government and the Macau SAR Government, delegates of our substantial shareholder CITIC Group Corporation, China's big three carriers, local and overseas operators and corporate clients, investors, members of the media, and colleagues from CITIC companies in Hong Kong and financial institutions, joined us for celebrations. The warm wishes extended by our friends and associates at the party will be a great source of encouragement as we venture forward.

Since the second quarter of 2017, the Group's subsidiary Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") has embarked on upgrading efforts on all fronts with the aim of enhancing its network quality and servicing capabilities. The 6-month initiative has resulted in notable achievements. Meanwhile, in response to customers' request, we have further adjusted the rates of selected services, a move which has been generally welcomed by the public in Macau. On 23 August 2017, Macau was battered by a devastating super typhoon rarely seen in its history. In critical hours when water and electricity supply were cut off and traffics were blocked in vast areas, CTM ensured smooth telecommunications connection during the typhoon which was crucial to rescue and relief actions, on the back of superior network technologies and contingency plans developed with continuous investments over the years and, not least, the diligent work of our colleagues who showed courage, commitment and dedication by putting public interests above their personal concerns. The calibre and strengths of a company are appreciated at turbulent times like these, as CTM was praised by expert members of the National Committee for Disaster Reduction, who described the company as an "effective overseer of the proper functioning of telecommunications". Subsequently, we announced the implementation plan for the grand scheme of "Digital Macau" at the CTM "Digital Macau" Forum held on 17 October 2017, which received enthusiastic response from the public in Macau.

In terms of business development, the Group has made various progresses in 2017. For the mobile sales & services business, the Group strives to seize the opportunities emerging from the national strategy of the "Guangdong-Hong Kong-Macau Bay Area" while CTM has launched the "Guangdong-Hong Kong-Macau Bay Area" service plan on 6 December 2017 in collaboration with carriers in Guangdong and Hong Kong. As the first telecoms enterprise riding on the concept of the "Guangdong-Hong Kong-Macau Bay Area", CTM received support from customers and the government alike. Meanwhile, CTM's 4G roaming services cover 227 carriers around the world, ranking the first among the Bridge Alliance, an industry group formed by leading telecoms operators.

For the Internet services business, the cloud data centre in Beijing was commissioned in May 2017 upon completion of construction, increasing the number of the Group's global cloud computing platforms to 15. Sound progress was made for the data centre conversion of CITIC Telecom Tower, Hong Kong, and the centre is expected to provide the market with new capacity this coming August. The Group's Internet market share in Macau was around 98%, and 74% of all CTM broadband customers were on fibre based packages as at the end of 2017. In December 2017, CTM partnered with Television Broadcasts Limited ("TVB") to introduce the "TVB Anywhere" service to mobile broadband customers and fixed line broadband customers in Macau. The service not only enhances the Group's advantage in broadband services, but also opens for it a new front on media advertising.

As for the enterprise solutions business, after the Group completed the acquisition of Linx Telecommunications B.V. and integrated it into CPC Europe (CITIC Telecom CPC Netherlands B.V.) during the year, the business had started to contribute revenue to the Group. In the case of the income from Macau being excluded from the Group's enterprise solutions business, the revenue would increase by 34.6% when compared with 2016 on the back of the good performance of the China market and the inclusion of the full-year results of Acclivis Technologies and Solutions Pte. Ltd. and the results of CPC Europe since its acquisition. In addition, the Group continued to expand its Points-of-Presence for VPN services. The Group has further improved its advantage in global reach and is among the first batch of Asian telecoms enterprises possessing a wide range of capabilities in the "One Belt One Road" region.

In the international telecommunications services business, the A2P SMS market grew rapidly, with a revenue increase of 32.4% when compared with 2016. Revenue from "DataMall自由行" reached HK$69.5 million for the year, which is more than four times of the revenue for 2016 as the geographic coverage was expanded to Singapore, Malaysia, Indonesia, Thailand and Korea from Hong Kong, Macau and Taiwan. In addition to China Mobile, the "DataMall自由行" platform forged a partnership with another carrier in Mainland China. "CloudSMS", a new Internet-based SMS service platform developed by the Group, went online during the year to drive improvements in its standards for development towards a "Communications Platform as a

Service" (CPaaS).

In recent years, the Group has spent effort to adjust and upgrade its business, cement its foundation, facilitate staff development and foster strengths in preparation for the new stage of full-scale, leapfrog development. As such, I am fully confident in the future development prospects of the Group.

A more detailed review of business operations in 2017 is set out in the Annual Report. In the meantime, I am pleased to announce the annual results of CITIC Telecom International Holdings Limited for 2017 as follows.

ANNUAL RESULTS

Profit attributable to equity shareholders for 2017 amounted to HK$881.3 million, increasing by 3.7% compared to the corresponding period of the previous year.

Basic earnings per share for 2017 amounted to HK24.9 cents, which was the same as that in 2016. This was attributable to the issue of new shares in connection with the acquisition of the remaining floors of CITIC Telecom Tower in October 2016.

The Board recommended a final dividend of HK13.00 cents per share for 2017. Together with the 2017 interim dividend of HK3.00 cents per share, total dividends per share for 2017 amounted to HK16.00 cents, representing a 21.2% growth over the previous year.

The Group's total revenue amounted to HK$7,450.8 million, representing a decline of 3.2% compared to the corresponding period of the previous year. The Group's revenue from services (excluding sale of equipment and mobile handsets) increased by 5.6% compared to the corresponding period of the previous year.

OUTLOOK FOR 2018

In 2018, the Chinese economy will continue to progress in a stable manner and enter into a new age of high quality development dominated by innovation in accordance with the philosophy of development for the new age. The international economic landscape will remain complicated, underpinned by the rise of trade protectionism and further changes in the existing international economic order. Such developments will result in uncertainties in the business environment for various industries.

The communications and Internet industries are developing at an incredible pace. Cloud computing, big data, Internet of Things, artificial intelligence (AI), mobility and block chain are only some of the endless and overwhelming array of new technologies and models coming on stream. As the tide of technology rolls on, members of the industry must determine which of these represent opportunities and which represent challenges, or challenges that could be turned into opportunities, and we must steep ourselves in it.

At the work conference of our substantial shareholder, CITIC Group, concluded in early February 2018, the paths taken by CITIC Group in the past 39 years had been reviewed and its vision upon incorporation had been revisited: "daring to innovate and striving to contribute". For CITIC Telecom International Holdings, innovation represents a fundamental driving force for development. We have been a pioneer in China's international telecommunications business and one of the earliest operators of multinational corporate communications services in the Asia Pacific; we are also a record maker and record holder in terms of acquisitions of overseas basic telecoms operators by Chinese companies. In recent years, we have been engaged ahead of others in acquisitions or product innovation in connection with the "One Belt One Road" and "Guangdong-Hong Kong-Macau Bay Area" initiatives.

"He who is courageous will not fear; he who is wise will not be baffled." As we embrace the opportunities afforded to us by the new era, our Group will continue to "root in the Mainland market while accelerating expansion in and geographic coverage of international markets via Hong Kong and Macau as bases and connections", as we strive to achieve the goal of "growth in strength, excellence and scale, achievement of higher standards, and delivery of top-rated results". We will enhance our implementation efforts and step up with transformation towards an Internet-based telecommunications company, by engaging new ideas, developing new products and businesses, exploring new markets and securing new customers in a bid to sustain continuous, quality growth for the Group's business.

For example, in 2018, the Group will seize market opportunities presented by national strategic initiatives such as "One Belt One Road", "Guangdong-Hong Kong-Macau Bay Area" and "Internet Plus" and technological development to speed up its transformation towards becoming an Internet-based telecommunications company, and further bolster competitiveness. In Macau, the Group will also be evolving into a Smart City operator for "Digital Macau" on the basis of its position as the city's telecoms carrier, as it identifies potential to add value in CTM's digital assets.

Business scale is crucial to the development of the Group. A telecoms enterprise can achieve vital economies of scale and sustain long-term development to reach the centenary mark and beyond with unfailing vigour only if it reaches an optimal scale. Apart from organic business growth, we will also closely monitor chances to expand in the market, seek potential opportunities for development in the international market and take timely actions on the back of our financial strengths.

In my 2018 New Year speech to the staff, I made a special note to emphasise the importance of people: "For a company to achieve sustainable development, it is paramount to have a top-notch team; and to have a top-notch team, the critical key rests on high-calibre staff." Through years of development, the Group has built a multinational corporate team deployed in 21 countries and regions worldwide, with network nodes in more than 130 countries and regions connecting over 600 carriers across the globe. We have fostered a sound culture of international team work, with colleagues from different nations and cultural backgrounds working in harmony and achieving business success in united effort. The Group will continue to build first-rate management team, engineering, technical and R&D team and business team, nurturing and recruiting high-calibre talents while bringing its reward regime in closer tandem with its strategy to provide new vigour and energy for its innovative business ventures. I believe, in doing so, we will deliver greater value to the shareholders.

Over the past year, the staff members of the Group have achieved all targets for work and secured stable improvements in operating results in a concerted effort to overcome hurdles and engage in vigorous new ventures. All these would not have been possible without the support of our shareholders, the guidance of our Board and the dedication of our global staff team, as well as the support of our business partners and stakeholders concerned with our Group's development. To them, I would like to extend my sincere gratitude and appreciation.

Xin Yue Jiang
Chairman
Hong Kong, 1 March 2018

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Hong Kong dollars)

	Note	*2017* $'000	*2016* $'000
Revenue	3	7,450,760	7,699,147
Valuation gain on investment property		50,641	-
Other income	4	46,347	12,672
Other net gain/(loss)	5	7,763	(22,787)
		7,555,511	7,689,032
Cost of sales and services		(3,852,755)	(4,229,077)
Depreciation and amortisation	6(c)	(695,646)	(656,415)
Staff costs	6(b)	(961,255)	(850,953)
Other operating expenses		(658,917)	(598,477)
		1,386,938	1,354,110
Finance costs	6(a)	(323,669)	(327,707)
Share of (loss)/profit of a joint venture		(2,036)	1,686
Profit before taxation	6	1,061,233	1,028,089
Income tax	7	(165,477)	(165,368)
Profit for the year		895,756	862,721
Attributable to:			
Equity shareholders of the Company		881,338	850,088
Non-controlling interests		14,418	12,633
Profit for the year		895,756	862,721
Earnings per share (HK cents)	9		
Basic		24.9	24.9
Diluted		24.8	24.7

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 2017

(Expressed in Hong Kong dollars)

	2017	*2016*
	$'000	$'000
Profit for the year	895,756	862,721
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit liability	49,745	3,077
Deferred tax recognised on the remeasurement of net defined benefit liability	(5,877)	(287)
	43,868	2,790
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments:		
– exchange differences on translation of financial statements of operations outside Hong Kong, net of $Nil tax	28,368	(13,790)
	28,368	(13,790)
Other comprehensive income for the year	72,236	(11,000)
Total comprehensive income for the year	967,992	851,721
Attributable to:		
Equity shareholders of the Company	952,897	839,006
Non-controlling interests	15,095	12,715
Total comprehensive income for the year	967,992	851,721

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

(Expressed in Hong Kong dollars)

	Note	*2017*	*2016*
		$'000	$'000
Non-current assets			
Investment property		685,969	635,328
Other property, plant and equipment		2,625,731	2,553,923
		3,311,700	3,189,251
Intangible assets		1,722,074	1,878,846
Goodwill		9,729,268	9,596,599
Interest in a joint venture		5,972	7,367
Non-current other receivables and deposits	10	207,509	198,920
Deferred tax assets		81,428	85,764
		15,057,951	14,956,747
Current assets			
Inventories		103,771	69,945
Trade and other receivables and deposits	10	1,783,151	1,691,446
Current tax recoverable		3,701	5,687
Cash and bank deposits		1,635,635	1,459,050
		3,526,258	3,226,128
Current liabilities			
Trade and other payables	11	1,739,334	1,706,100
Bank and other loans		284,438	43,739
Obligations under finance leases		1,541	2,928
Current tax payable		211,453	230,183
		2,236,766	1,982,950
Net current assets		1,289,492	1,243,178
Total assets less current liabilities		16,347,443	16,199,925

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017 (CONTINUED)

(Expressed in Hong Kong dollars)

	Note	*2017*	*2016*
		$'000	$'000
Non-current liabilities			
Interest-bearing borrowings		7,540,698	7,857,680
Obligations under finance leases		1,793	3,063
Non-current other payables	11	61,808	77,594
Net defined benefit retirement obligation		68,303	112,878
Deferred tax liabilities		244,643	249,024
		7,917,245	8,300,239
NET ASSETS		8,430,198	7,899,686
CAPITAL AND RESERVES			
Share capital		4,280,542	4,262,457
Reserves		4,115,865	3,608,047
Total equity attributable to equity shareholders of the Company		8,396,407	7,870,504
Non-controlling interests		33,791	29,182
TOTAL EQUITY		8,430,198	7,899,686

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 2016 except for the adoption of all new and revised HKFRSs that are first effective for accounting periods beginning on or after 1 January 2017 (see note 2).

The financial information relating to the years ended 31 December 2017 and 2016 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 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2017 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 several 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 standard or interpretation issued by the HKICPA that is not yet effective for the year ended 31 December 2017, and is in the process of assessing their impact on future accounting periods.

3 Revenue and segment reporting

(a) Revenue

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

Revenue represents fees from the provision of telecommunications services and sale of equipment and mobile handsets. The amount of each significant category of revenue is as follows:

	2017 $'000	*2016* $'000
Mobile services	1,221,068	1,164,781
Internet services	933,805	922,189
International telecommunications services	1,340,751	1,341,297
Enterprise solutions	2,564,328	2,255,822
Fixed line services	280,618	321,705
Fees from the provision of telecommunications services	6,340,570	6,005,794
Sale of equipment and mobile handsets	1,110,190	1,693,353
	7,450,760	7,699,147

(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.

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(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 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

	2017 $'000	*2016* $'000
Profit		
Reportable segment profit	2,094,469	2,120,839
Net loss on disposal of other property, plant and equipment	(3,373)	(333)
Net foreign exchange gain/(loss)	11,136	(22,454)
Depreciation and amortisation	(695,646)	(656,415)
Finance costs	(323,669)	(327,707)
Share of (loss)/profit of a joint venture	(2,036)	1,686
Interest income	13,231	7,927
Rentals receivable from investment property less direct outgoings	20,218	3,516
Change in fair value of contingent consideration	9,931	-
Valuation gain on investment property	50,641	-
Unallocated head office and corporate expenses	(113,669)	(98,970)
Consolidated profit before taxation	1,061,233	1,028,089

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(iii) Reconciliations of reportable segment assets and liabilities

	2017 $'000	*2016* $'000
Assets		
Reportable segment assets	17,706,638	17,343,300
Investment property	685,969	635,328
Interest in a joint venture	5,972	7,367
Deferred tax assets	81,428	85,764
Current tax recoverable	3,701	5,687
Unallocated head office and corporate assets	100,501	105,429
Consolidated total assets	18,584,209	18,182,875
Liabilities		
Reportable segment liabilities	1,821,256	1,753,886
Bank and other loans	284,438	43,739
Obligations under finance leases	3,334	5,991
Current tax payable	211,453	230,183
Non-current interest-bearing borrowings	7,540,698	7,857,680
Deferred tax liabilities	244,643	249,024
Unallocated head office and corporate liabilities	48,189	142,686
Consolidated total liabilities	10,154,011	10,283,189

3 Revenue 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.

	Revenue from external customers		*Specified non-current assets*	
	2017	*2016*	*2017*	*2016*
	$'000	$'000	$'000	$'000
Hong Kong (place of domicile)	2,789,123	2,564,223	1,682,369	1,679,050
Macau	3,467,245	4,367,905	12,234,471	12,340,141
Others	1,194,392	767,019	852,174	652,872
	7,450,760	7,699,147	14,769,014	14,672,063

4 Other income

	2017	2016
	$'000	$'000
Interest income from bank deposits	8,625	7,844
Other interest income	4,606	83
	13,231	7,927
Gross rental income from investment property	23,185	4,745
Change in far value of contingent consideration (note)	9,931	-
	46,347	12,672

Note: During the year ended 31 December 2017, the Group remeasured the fair value of contingent consideration for the acquisition of subsidiaries in prior year with contingent consideration arrangements based on certain criteria stated in the sale and purchase agreement, and a gain of $9,931,000 (2016: $Nil) was recognised.

5 Other net gain/(loss)

	2017	2016
	$'000	$'000
Net loss on disposal of other property, plant and equipment	(3,373)	(333)
Net foreign exchange gain/(loss)	11,136	(22,454)
	7,763	(22,787)

6 Profit before taxation

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

		2017	2016
		$'000	$'000
(a)	***Finance costs***		
	Interest on bank and other borrowings		
	– wholly repayable within five years	92,127	73,086
	– not wholly repayable within five years	214,110	214,110
		306,237	287,196
	Finance charges on obligations under finance leases	210	62
	Other finance charges	14,136	37,347
	Other interest expense	3,086	3,102
		323,669	327,707
(b)	***Staff costs (including directors' emoluments)***		
	Contributions to defined contribution retirement plans	59,101	45,386
	Expenses recognised in respect of defined benefit retirement plan	10,036	10,269
	Total retirement costs	69,137	55,655
	Equity-settled share-based payment expenses	31,980	20,220
	Salaries, wages and other benefits	860,138	775,078
		961,255	850,953

6 Profit before taxation (continued)

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

	2017	*2016*
	$'000	$'000
(c) Other items		
Operating lease charges		
– leased circuits	1,028,746	835,259
– land and buildings	123,961	110,550
Depreciation	525,587	487,894
Amortisation	170,059	168,521
	695,646	656,415
Impairment losses		
– trade debtors, net	2,728	3,306
Rentals receivable from investment property less direct outgoings of $2,967,000 (2016: $1,229,000)	(20,218)	(3,516)
Auditors' remuneration		
– audit services	7,881	5,906
– non-audit services	1,450	2,235
Transaction costs for the acquisitions	1,007	15,792

7 Income tax

	2017	*2016*
	$'000	$'000
Current tax		
Hong Kong Profits Tax		
– Provision for the year	63,367	50,508
– Over-provision in respect of prior years	(23)	(268)
	63,344	50,240
Jurisdictions outside Hong Kong		
– Provision for the year	129,819	154,498
– Over-provision in respect of prior years	(20,031)	(22,109)
	109,788	132,389
Deferred tax		
Origination and reversal of temporary differences	(7,655)	(17,261)
	165,477	165,368

The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 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 2016/2017 subject to a maximum reduction of $20,000 for each business (2016: a maximum reduction of $20,000 was granted for the year of assessment 2015/2016 and was taken into account in calculating the provision for 2016).

The provision for Macau Complementary Tax for 2017 is calculated at 12% (2016: 12%) of the estimated assessable profits for the year. Assessable profits of the first Macau Patacas ("MOP") 600,000 (equivalent to approximately $583,000) (2016: 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

	2017	*2016*
	$'000	$'000
Interim dividend declared and paid of HK3.00 cents (2016: HK2.85 cents) per share	106,303	96,648
Final dividend proposed after the end of the reporting period of HK13.00 cents (2016: HK10.35 cents) per share	460,741	365,829
	567,044	462,477

For the interim dividend in respect of the period ended 30 June 2017, there was a difference of $61,000 between the interim dividend disclosed in 2017 interim report and the amount paid during the year ended 31 December 2017, 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

	2017	*2016*
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK10.35 cents (2016: HK9.70 cents) per share	366,503	328,612

For the final dividend in respect of the year ended 31 December 2016, there was a difference of $674,000 between the final dividend disclosed in the 2016 annual report and the amount paid during the year ended 31 December 2017, 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

	2017	2016
	$'000	$'000
Profit attributable to equity shareholders of the Company	881,338	850,088

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

	Number of shares	
	2017	*2016*
	'000	'000
Issued ordinary shares at 1 January	3,534,581	3,382,342
Effect of shares issued for acquisition of a subsidiary	-	25,159
Effect of share options exercised	6,026	5,652
Weighted average number of ordinary shares (basic) at 31 December	3,540,607	3,413,153
Effect of deemed issue of shares under the Company's share option plan	7,638	25,572
Weighted average number of ordinary shares (diluted) at 31 December	3,548,245	3,438,725
Basic earnings per share (HK cents)	24.9	24.9
Diluted earnings per share (HK cents)	24.8	24.7

10 Trade and other receivables and deposits

	2017	*2016*
	$'000	$'000
Trade debtors	1,330,736	1,312,809
Less: allowance for doubtful debts	(22,480)	(38,759)
	1,308,256	1,274,050
Other receivables and deposits	682,404	616,316
	1,990,660	1,890,366
Represented by:		
Non-current portion	207,509	198,920
Current portion	1,783,151	1,691,446
	1,990,660	1,890,366

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:

	2017	*2016*
	$'000	$'000
Within 1 year	1,175,884	1,196,840
Over 1 year	154,852	115,969
	1,330,736	1,312,809

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

	2017	*2016*
	$'000	$'000
Trade creditors	895,489	751,836
Other payables and accruals	905,653	1,031,858
	1,801,142	1,783,694

Represented by:

Non-current portion	61,808	77,594
Current portion	1,739,334	1,706,100
	1,801,142	1,783,694

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:

	2017	*2016*
	$'000	$'000
Within 1 year	690,770	494,475
Over 1 year	204,719	257,361
	895,489	751,836

FINANCIAL REVIEW

OVERVIEW

Profit attributable to equity shareholders amounted to HK$881.3 million which represented a year-on-year increase of 3.7% when compared with 2016. Basic earnings per share for the year ended 31 December 2017 was the same as last year at HK24.9 cents per share.

The Group has continued to achieve solid financial results for the year ended 31 December 2017 with a net increase in profit of 3.8% to HK$895.7 million when compared with 2016.

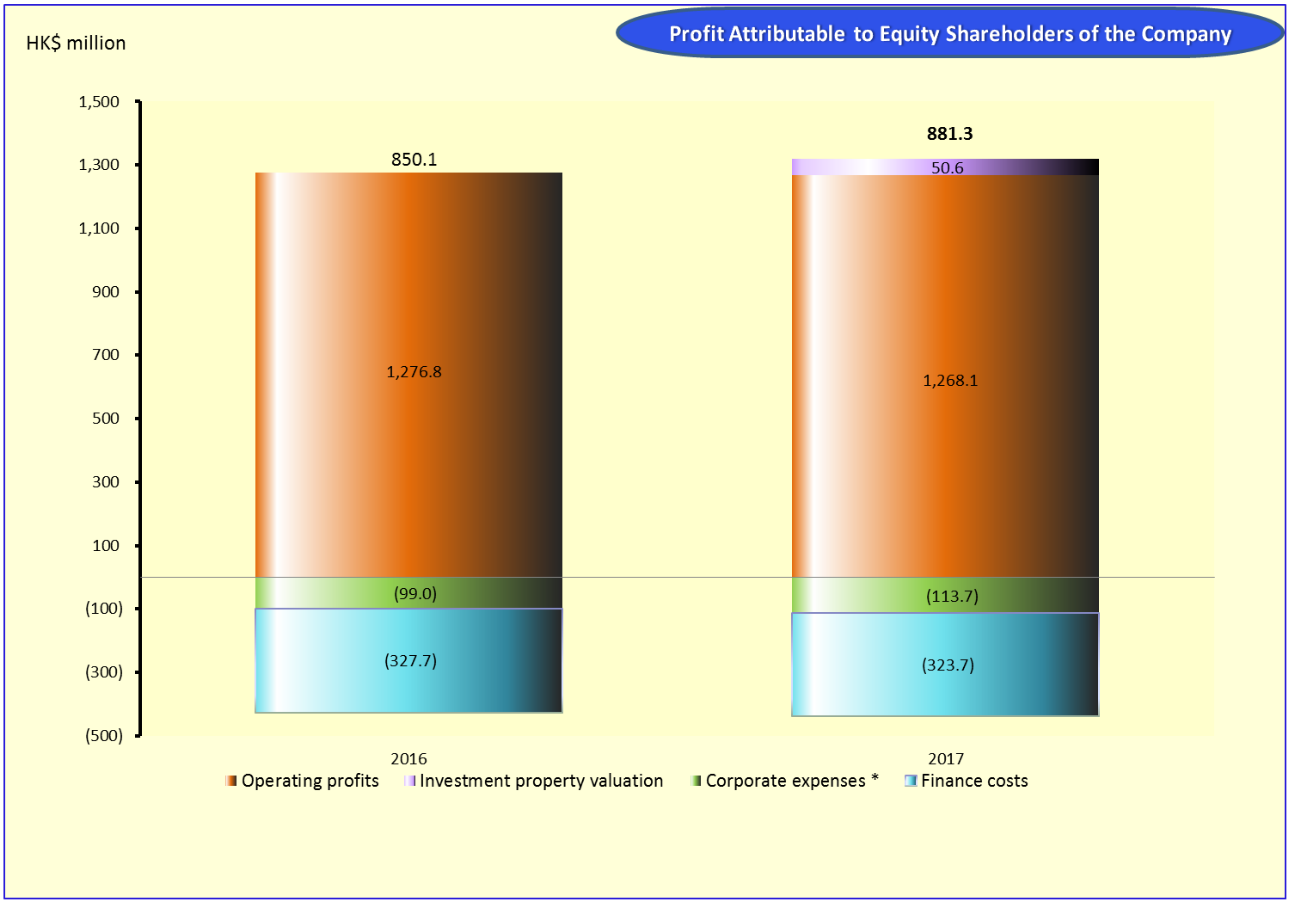
The Group's revenue decreased by 3.2% from HK$7,699.1 million for the year ended 31 December 2016 to HK$7,450.8 million for the year ended 31 December 2017 mainly due to the slow-down in mobile handset sales. Excluding equipment and mobile handset sales, the Group's revenue for the year increased by 5.6% to HK$6,340.6 million when compared with 2016 due to the Group's efforts in sustaining growth in mobile services, Internet services and enterprise solutions.

Summary of Financial Results

	Year ended 31 December		**Increase / (Decrease)**	
In HK$ million	**2017**	2016		
Revenue	**7,450.8**	7,699.1	(248.3)	(3.2%)
Valuation gain on investment property	**50.6**	-	50.6	N/A
Other income and net gain / (loss)	**54.1**	(10.1)	N/A	N/A
Cost of sales and services	**(3,852.8)**	(4,229.1)	(376.3)	(8.9%)
Depreciation and amortisation	**(695.6)**	(656.4)	39.2	6.0%
Staff costs	**(961.3)**	(851.0)	110.3	13.0%
Other operating expenses	**(658.9)**	(598.4)	60.5	10.1%
Profit from consolidated activities	**1,386.9**	1,354.1	32.8	2.4%
Share of joint venture results	**(2.0)**	1.7	N/A	N/A
Finance costs	**(323.7)**	(327.7)	(4.0)	(1.2%)
Income tax	**(165.5)**	(165.4)	0.1	0.1%
Profit for the year	**895.7**	862.7	33.0	3.8%
Less: Non-controlling interests	**(14.4)**	(12.6)	1.8	14.3%
Profit attributable to equity shareholders of the Company	**881.3**	850.1	31.2	3.7%
EBITDA *	**2,067.3**	2,004.3	63.0	3.1%

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

Profit attributable to equity shareholders of the Company



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

Profit attributable to equity shareholders of the Company for the year ended 31 December 2017 amounted to HK$881.3 million, an increase of HK$31.2 million or 3.7% when compared with 2016. During the year, exceptional item was incurred as a result of the recovery work from Typhoon-Hato which struck both Hong Kong and Macau in 2017 but was more than offset by the valuation gain on investment property.

Acquisition during the year

On 1 February 2017, the Group completed the acquisition of the entire equity interest in CITIC Telecom CPC Netherlands B.V. (formerly known as Linx Telecommunications B.V.) for a final consideration of EUR22.1 million (approximately HK$181.3 million). The financial results of CITIC Telecom CPC Netherlands B.V. and its subsidiaries (collectively referred to as "CPC Europe Group") had been consolidated into the Group's financial results subsequent to the acquisition completion. CPC Europe Group is engaged in the provision of data networks across Western Europe, Central and Eastern Europe, as well as Central Asia.

Revenue by Services

The Group provides services for carriers, corporate clients and individual customers which cover five categories, including mobile sales & services, Internet services, international telecommunications services, enterprise solutions and fixed line services.

The decrease in the Group's overall revenue was mainly due to the drop in equipment and mobile handset sales by HK$583.1 million, down from HK$1,693.3 million in 2016 to HK$1,110.2 million in 2017.

The Group's enterprise solutions revenue for the year amounted to HK$2,564.3 million which represented an increase of HK$308.5 million or 13.7% when compared with 2016. The increase was due to the good performance of the China market, the inclusion of CPC Europe Group's results since acquisition and the full year results of Acclivis Technologies and Solutions Pte. Ltd. ("Acclivis"), but was partly offset by the decrease in enterprise solutions in Macau as a result of the slow-down of new projects completion. Revenue from Internet services increased by 1.3% or HK$11.6 million to HK$933.8 million in 2017 as a result of the increase in the number of subscribers, good fibre broadband uptake and the increase in data centre revenue despite the adverse impact from the Group's tariff reduction in Macau since October 2016.

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$2,331.3 million for the year ended 31 December 2017, a decrease of 18.4% when compared to last year. The decrease was mainly due to the drop in equipment and mobile handsets sales. Excluding the handset sales, mobile services revenue increased from HK$1,164.8 million in 2016 to HK$1,221.1 million for the year ended 31 December 2017. The Group was able to attain growth in mobile services revenue due to effective promotion of data plans, growth in outbound roaming and Internet of Things revenues, as well as control on customer acquisition and retention costs.

Postpaid ARPU (excluding Internet of Things and Single IMSI Multiple Number (SIMN)) increased by 1.8% to HK$206.3 when compared to HK$202.7 in 2016 as a result of good uptake of outbound roaming data packages. Postpaid ARPU for Internet of Things and SIMN was HK$30.4 in 2017, a slight increase of 0.7% when compared to 2016. The prepaid ARPU remained stable at HK$10.9 in 2017 when compared to 2016. The overall number of subscribers as at 31 December 2017 increased by 13.3% as compared to 31 December 2016 to around 970,000 subscribers, of which approximately 89.0% were 4G subscribers. The Group's mobile market share in Macau was around 43.1% as at 31 December 2017 (31 December 2016: 43.5%), while the Group had around 46.2% market share in the 4G subscribers of Macau mobile market as at 31 December 2017 (31 December 2016: 57.0%).

Internet services

Internet services revenue including the Group's data centre revenue amounted to HK$933.8 million for the year which represented an increase of HK$11.6 million or 1.3% when compared with 2016. The increase was mainly due to the revenue contributed by CPC Europe Group since February 2017 amounted to HK$27.1 million and the growth in data centre revenue, which has more than countered the adverse impact of the Group's tariff reduction on Internet services in Macau since late 2016. Overall broadband ARPU for 2017 decreased year-on-year by only 15.5% to HK$278.5 in 2017 as efforts were made to upgrade the customers' service plans so as to reduce the impact of the high tariff reduction. As at 31 December 2017, the total number of broadband subscribers increased by approximately 4.2% to over 182,000 subscribers.

The Group's Internet market share and broadband market penetration rate in Macau was similar to last year at around 97.6% (31 December 2016: 98.2%) and 88.3% (31 December 2016: 84.8%) respectively as at 31 December 2017.

International telecommunications services

Total international telecommunications services revenue was similar to that in 2016.

Voice services revenue decreased by HK$122.4 million or 11.0% to HK$990.8 million for the year ended 31 December 2017 over the same period in 2016, which is in-line with the global trend in decreasing tariffs and traffic volume for wholesale voice market. Total traffic of 3.0 billion minutes was handled by the Group, representing a 31.9% reduction compared with 2016. Total China inbound and outbound traffic for the year has decreased by 49.3% but total international traffic have increased by 10.4% when compared to 2016. Despite the intensely competitive market conditions, the Group has continued to focus its efforts in regions with higher profit margins. With the Group's success, the average revenue per minute was HK$0.33 for the year ended 31 December 2017 which represented an increase of 30.5% when compared with 2016.

The Group has successfully realigned its focus and strategy to target the A2P SMS market, resulting in an increase in SMS revenue of HK$68.7 million or 32.4% when compared with 2016 to HK$280.5 million for 2017.

The Group also achieved promising results from its new service, namely "DataMall自由行", with revenue reaching HK$69.5 million for the year ended 31 December 2017, which was more than 4 times of the revenue for 2016.

Enterprise solutions

Enterprise solutions revenue increased by 13.7% from HK$2,255.8 million in 2016 to HK$2,564.3 million for the year ended 31 December 2017. The increase was mainly contributed by the good performance of the China market and the inclusion of Acclivis' full year results and CPC Europe Group's results since its acquisition, but was partly reduced by the impact of the tariff reduction for leased line services in Macau near the end of 2016. During the year, Acclivis and CPC Europe Group contributed HK$296.3 million (2016: HK$79.4 million) and HK$83.0 million (2016: HK$Nil) to the Group's revenue respectively.

The Group continued to expand its Points-of-Presence ("PoPs") for VPN services. The Group has global coverage with over 130 PoPs, including 5 new PoPs established in 2017 which are located in Cape Town, Melbourne, Ningbo, Chongqing and Hefei.

Fixed line services

Consistent with global trends of declining fixed IDD traffic volumes and the decrease in fixed residential lines as it is gradually being replaced by mobile services, fixed line services revenue was down by 12.8% to HK$280.6 million for the year ended 31 December 2017 when compared to 2016.

Profit for the year

The Group achieved HK$895.7 million in profit for the year, an increase of HK$33.0 million when compared with 2016. The increase was mainly due to the combined impact of the following factors:

Revenue

Revenue for the year decreased by HK$248.3 million or 3.2% when compared with last year as a result of the decrease in mobile sales & services, international telecommunications services and fixed line services revenue. Mobile services, Internet services and enterprise solutions revenue have sustained solid growth during the year and have substantially offset the decrease in revenue of other services.

Cost of sales and services

Cost of sales and services included costs of goods sold, and network, operations and support expenses. In line with the decrease in revenue, cost of sales and services amounted to HK$3,852.8 million, a decrease of HK$376.3 million when compared with 2016. During the year, the Group has stepped up its efforts in achieving greater cost efficiency, and as a result the decrease in cost of sales and services was greater than the decrease in revenue.

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 the end of the year by the Group's independent valuer with a gain of HK$50.6 million (2016: HK$Nil) for the year ended 31 December 2017.

Staff costs

Staff costs for the year increased by 13.0% to HK$961.3 million when compared with 2016. The increase was mainly contributed by the increase in headcount as a result of the Group's acquisitions of subsidiaries in late 2016 and early 2017, and the increase in equity-settled share-based payment expenses of HK$11.8 million when compared with 2016.

Depreciation and amortisation

Depreciation and amortisation expenses totaled HK$695.6 million for the year ended 31 December 2017, an increase of HK$39.2 million or 6.0% when compared with 2016. The increase was mainly contributed by the newly acquired Acclivis and CPC Europe Group.

Other income and net gain / (loss)

Included in other income and net gain / (loss) was mainly the net foreign exchange gain of HK$11.1 million (2016: net loss of HK$22.5 million), and rental income of HK$23.2 million (2016: HK$4.7 million) as certain floors of the property held by the Group were leased out to third parties and an affiliate of the Group since the acquisition of the property in October 2016.

Other operating expenses

Other operating expenses for the year ended 31 December 2017 amounted to HK$658.9 million, an increase of HK$60.5 million or 10.1% when compared with 2016. The increase was mainly contributed by the newly acquired Acclivis and CPC Europe Group.

Finance costs

Despite additional borrowings for the Group's acquisitions of subsidiaries in late 2016 and early 2017, finance costs decreased by HK$4.0 million to HK$323.7 million for the year as a result of the Group's effective management of funding costs.

Income tax

Income tax for the year amounted to HK$165.5 million representing an effective tax rate of approximately 15.6% which was similar to last year. This included the reversal of the over-provision of tax of HK$20.1 million and HK$22.4 million for the year ended 31 December 2017 and 2016 respectively.

Earnings per share ("EPS")

Basic EPS and diluted EPS amounted to HK24.9 cents and HK24.8 cents respectively which were comparable with last year.

Dividends per share

Final dividend of HK13.00 cents per share is proposed for the year ended 31 December 2017.

Cash flows

	Year ended 31 December		Increase / (Decrease)	
In HK$ million	**2017**	2016		
Source of cash:				
Cash inflows from business operations	**1,853.9**	1,882.6	(28.7)	(1.5%)
Net cash inflows from borrowings	**-**	82.7	(82.7)	N/A
Other cash inflows	**26.6**	30.8	(4.2)	(13.6%)
Sub-total	**1,880.5**	1,996.1	(115.6)	(5.8%)
Use of cash:				
Net capital expenditure*	**(548.9)**	(608.1)	(59.2)	(9.7%)
Dividends paid to equity shareholders and non-controlling interests	**(483.3)**	(436.5)	46.8	10.7%
Acquisitions of subsidiaries	**(241.6)**	(681.9)	(440.3)	(64.6%)
Net cash outflows on loan repayments & borrowing cost	**(456.4)**	-	456.4	N/A
Other cash outflows	**(54.1)**	(56.1)	(2.0)	(3.6%)
Sub-total	**(1,784.3)**	(1,782.6)	1.7	0.1%
Net increase in cash	**96.2**	213.5	(117.3)	(54.9%)

* *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, proceeds from sales of other property, plant and equipment and others.*

Profit before taxation amounted to HK$1,061.2 million for the year ended 31 December 2017. 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$96.2 million for the year ended 31 December 2017.

Capital expenditure

The Group's total capital expenditure increased from HK$496.5 million for the year ended 31 December 2016 to HK$524.9 million for the year ended 31 December 2017. As the Group continued to expand its data centres, HK$10.4 million fitting-out costs were incurred in 2017 with the remainder of the capital expenditure for network development and upgrade projects.

Capital commitments

As at 31 December 2017, the Group had outstanding capital commitments of HK$92.2 million, mainly for the purchase of telecommunications equipment which had yet to be delivered to the Group and construction costs of the networks. Of these commitments, HK$18.5 million were outstanding contractual capital commitments and HK$73.7 million were capital commitments authorised but for which contracts had yet to be entered into.

TREASURY POLICY AND FINANCIAL RISK MANAGEMENT

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

1. Debt and leverage

   As the Group's net debt decreased to HK$6,192.8 million, the net gearing ratio decreased from 45% as at 31 December 2016 to 42% as at 31 December 2017.

   As at 31 December 2017, total debt and net debt of the Group were as follows:

	Denomination							
In HK$ million equivalents	**HKD**	**USD**	**SGD**	**EUR**	**RMB**	**MOP**	**Others**	**Total**
Total bank and other borrowings	3,682.9	3,523.5	382.4	210.9	23.9	-	1.5	**7,825.1**
Obligations under finance leases	-	-	3.3	-	-	-	-	**3.3**
Total debt	3,682.9	3,523.5	385.7	210.9	23.9	-	1.5	**7,828.4**
Less: Cash and bank deposits	(695.6)	(312.1)	(51.1)	(24.8)	(209.1)	(284.0)	(58.9)	**(1,635.6)**
Net debt/(cash)	**2,987.3**	**3,211.4**	**334.6**	**186.1**	**(185.2)**	**(284.0)**	**(57.4)**	**6,192.8**

As at 31 December 2017, the Group's net gearing ratio was as follows:

In HK$ million	31 December 2017	31 December 2016
Total bank and other borrowings	**7,825.1**	7,901.4
Obligations under finance leases	**3.3**	6.0
Total debt	**7,828.4**	7,907.4
Less: Cash and bank deposits	**(1,635.6)**	(1,459.1)
Net debt	**6,192.8**	6,448.3
Total equity attributable to equity shareholders of the Company	**8,396.4**	7,870.5
Total capital	**14,589.2**	14,318.8
Net gearing ratio	**42%**	45%

As at 31 December 2017, the principal of total debt amounted to HK$7,879.1 million, of which HK$286.0 million will mature in the coming year, against cash and bank deposits of HK$1,635.6 million.

The maturity profile of the Group's total debt in principal amount as at 31 December 2017 was as follows:

In HK$ million	2018	2019	2020	2021	2022	2023 & beyond	Total
Bank and other borrowings	284.5	563.3	3,118.0	400.0	-	-	4,365.8
Obligations under finance leases	1.5	1.0	0.8	-	-	-	3.3
US$450 million 6.1% guaranteed bonds	-	-	-	-	-	3,510.0	3,510.0
	286.0	**564.3**	**3,118.8**	**400.0**	**-**	**3,510.0**	**7,879.1**

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.

The Group's total debt in principal decreased to HK$7,879.1 million which was mainly due to the early repayment of HK$420.0 million bank loans from its surplus cash during the year, which was partly offset by a EUR22.1 million (approximately HK$181.3 million) new bank loan drawn down for the payment for the acquisition of CITIC Telecom CPC Netherlands B.V. (formerly known as Linx Telecommunications B.V.) and its subsidiaries, which headquarters is in the Netherlands. Other than the above-mentioned loan, the balance of the EUR borrowings of the Group as at 31 December 2017 was used to support the liquidity requirements of the Group's operation over Europe.

Available sources of financing

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

The Group's cash balance as at 31 December 2017 are more than sufficient to cover the repayments of principal amount of total debt of HK$286.0 million in the coming year and contractual capital commitments of HK$18.5 million as at 31 December 2017.

As at 31 December 2017, the Group had available trading facilities of HK$574.3 million. Amount of HK$364.4 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$219.7 million of the utilised facilities were required to be secured by pledged deposits or other property, plant and equipment as at 31 December 2017.

As at 31 December 2017, 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	4,114.5	4,114.5	-
- Uncommitted facilities:			
Short-term facilities	625.0	251.3	373.7
	4,739.5	4,365.8	373.7
Obligations under finance leases - Committed facilities	3.3	3.3	-
Guaranteed bonds - Committed facility			
US$450 million 6.1% guaranteed bonds	3,510.0	3,510.0	-
Trading facilities - Uncommitted facilities	574.3	364.4	209.9
Total	**8,827.1**	**8,243.5**	**583.6**

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. As at 31 December 2017, the Group was in compliance with the relevant requirements.

4. Contingent liabilities

As at 31 December 2017, the Group had no significant contingent liabilities.

5. Performance bonds, guarantees and pledged assets

As at 31 December 2017, performance bonds provided to the Macau Government and other customers for which no provision has been made in the consolidated financial statements amounted to HK$85.2 million.

As at 31 December 2017, guarantees of HK$273.1 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$208.6 million were required to be secured by pledged deposits of HK$225.7 million. In addition, bank deposits of HK$6.4 million and other property, plant and equipment of HK$5.0 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.

As at 31 December 2017, the Company has issued guarantees for its subsidiaries in respect of the bank and other loans in an amount of HK$631.9 million and obligations under finance leases 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 significant interest rate movements, as well as having regard to the floating/fixed rate mix appropriate to its current business portfolio.

Interest rate risk is managed by fixed rate borrowing or through use of interest rate swap, if necessary. As at 31 December 2017, approximately 54.9% 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

As at 31 December 2017, the average borrowing costs, which is after the inclusion of amortisation of transaction costs, was approximately 4.2%.

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 revenue 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 39.8% and 43.9% of the Group’s total trade debtors as at 31 December 2017 and 31 December 2016 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

As at 31 December 2017, 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. As at 31 December 2017, the Group has HK$1,589.8 million cash balance in the above-mentioned financial institutions, representing approximately 97.2% 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 emphasise 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. Our CSR is based on "People and Community", which are represented by the followings:

(I) Concertedly Building the "CITIC Telecom Team"
(II) Operating Practices
(III) Caring and Support for the Community
(IV) Employee's Health and Safety
(V) Training and Development
(VI) Caring for the Environment

As at the end of December 2017, the Group employed a total of 2,464 employees (2016: 2,360) for its headquarters in Hong Kong and its subsidiaries. The increase in number of employees was in line with business need of this 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, determines 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. The Group emphasises on Integrity Conduct Policy. There are training sessions to remind our employees on awareness of integrity behavior and anti-corruption as well as to strengthen overall corporate governance.

Service Excellence is the core value of the Group. The Group has put high priorities in collecting and analysing 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 and environmental protection. The Group encourages its staff to support voluntary services and community activities through various means. In 2017, the Group made charitable donations approximately HK$1.6 million. The volunteer service of the Group was over 710 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 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 2017, the Group provided training to employees over 48,000 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 2017 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 2017. In respect of the code provision A.6.7 of the Code, Messrs. Luo Ning and Liu Li Qing were unable to attend the annual general meeting of the Company held on 1 June 2017 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 2017 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 HK13.00 cents (2016: HK10.35 cents) per share, which together with the interim dividend of HK3.00 cents (2016: HK2.85 cents) per share already paid makes a total dividend of HK16.00 cents (2016: HK13.20 cents) per share for the year ended 31 December 2017.

The proposed final dividend of HK13.00 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, 14 May 2018, is to be payable on Monday, 4 June 2018 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 23 May 2018.

The Register of Members of the Company will be closed from Wednesday, 9 May 2018 to Monday, 14 May 2018 (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 Tuesday, 8 May 2018. In addition, the Register of Members of the Company will be closed from Friday, 18 May 2018 to Wednesday, 23 May 2018 (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 Thursday, 17 May 2018. 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 2017 and the Company has not redeemed any of its shares during the year ended 31 December 2017.

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 28 March 2018.

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

Hong Kong, 1 March 2018

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

Executive Directors:	*Non-executive Directors:*	*Independent Non-executive Directors:*
Xin Yue Jiang (Chairman)	Liu Jifu	Liu Li Qing
Lin Zhenhui	Fei Yiping	Zuo Xunsheng
Luo Ning		Lam Yiu Kin
Chan Tin Wai, David		