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中信國際電訊集團有限公司
CITIC TELECOM INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 01883)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

CHAIRMAN'S STATEMENT

I am pleased to present the operating and financial results of CITIC Telecom International Holdings Limited (the "Group") for the first half of 2018.

Facing a complex and volatile international economy in the first half of 2018, the Group made timely use of the opportunities created by the transformation and upgrades of the Chinese economy as well as the new trends in the international telecommunications market and strove to enhance its core competitive advantages. New products were launched pro-actively and network platforms were incessantly improved in terms of quality, and the Group continuously rolled out staff training programmes to forge a team of "three excellences". Our work on management, marketing and services were delivered in a state-of-the-art manner. We continued to venture into innovative transformation and strengthen the synergies between various business segments. The Group ensured a high quality and reliable service and continued to work on the expansion of its network coverage. There was a rapid growth in income from new products, and improvement in operational efficiency was noted. The Group's profit continued to grow. After years of effort, the Group has become an Internet-oriented telecommunications enterprise providing comprehensive services with diversified development. Such key and material breakthrough will bring about an even more prosperous development future to the Group.

I. FINANCIAL RESULTS

Profit attributable to equity shareholders for the first half of 2018 was HK$488.8 million, increasing by 7.5% compared to the corresponding period of the previous year. If the valuation gain on investment property for the period in the sum of HK$23.7 million was excluded, it represented an increase of 6.9% compared to the corresponding period of the previous year.

The Group's revenue from telecommunications services amounted to HK$3,520.7 million, increased by 11.5% compared to the corresponding period of the previous year. Including sale of equipment and mobile handsets, the Group's total revenue amounted to HK$4,913.8 million, representing a growth of 36.8% compared to the corresponding period of the previous year.

Basic earnings per share for the first half of the year amounted to HK13.8 cents, representing an increase of 7.0% compared to the corresponding period of the previous year.

The Board declared an interim dividend of HK4.0 cents per share for 2018, representing a 33.3% growth over the corresponding period of the previous year.

II. BUSINESS DEVELOPMENT

The Group continued to strive for leadership in technology and service in its mobile sales & services business by enhancing its network quality and upgrading its service level. Always focusing on ironing out stumbling blocks in customers' experience, we promptly launched products and services satisfying their needs. Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") continued to maintain its leading position in the mobile communications market amidst intense competition. The Group continued to leverage on its advantages as a well-connected node in the international telecommunications network, and actively developed its mobile roaming services which grew with the rapid increase in customers' use of roaming data. "CTM DataMall", a travel mobile application launched by the Group in Macau in April 2018, allows users to purchase overseas roaming data services in a brand-new manner.

In connection with its Internet services business and enterprise solutions services business, the Group continuously promoted the application of optic fibres for the existing domestic and business broadband users, where the number of subscribers increased continuously with approximately 80% of the subscribers using full optic broadband. Building upon the successful performance in phase 1 to phase 3 of the smart traffic transmission project commissioned by the Macau government, the Group won the contract of the phase 4 construction in May 2018, further proved the Group's service capability and strength in developing the smart city. Global network servicing capabilities of the Group continued to expand as TrueCONNECT, our exclusive VPN, covered over 130 countries and regions around the globe in the first half of the year with approximately 140 network service spots. The focus of the Group's capabilities in enterprise solutions services has moved from Asia to the entire globe.

Massive resources were dedicated to the development of the smart city, and a number of public utility companies and government authorities in Macau were approached whereby the feasibilities and potentials for development of the mobile Internet of Things had been demonstrated. Pilot projects were being explored in various industries and preliminary achievements were made in the first half of the year.

In the first half of the year, the cloud computing centre in Guangzhou Science City was put into operation following completion of construction. Together with the cloud computing centres of the Group in Hong Kong, Macau, Beijing and Shanghai, the centres form the data computing network servicing the Greater China region which allows the Group to perform cross-regional disaster backups for its clients in

Mainland China, Hong Kong and Macau. The service level of the Group's cloud computing centres was further enhanced.

In connection with its international telecommunications services business, a greater growth was experienced in comparison to the same period of last year. The Group made strenuous efforts in the development of the "DataMall 自由行" business, resulting in satisfactory progress in terms of merchants' coverage and business development. Revenue substantially increased as compared to the same period of last year. Besides, revenue from the Group's A2P SMS business continued to maintain a rapid growth.

In order to enhance the Group's core competitiveness, the Group strengthened its software development capabilities by establishing a software development centre in Zhuhai (TeleOne China (Zhuhai) Company Limited (珠海一訊牽通信科技有限公司)), which commenced operation on 23 June this year. Such centre represents a major component in our efforts to encourage the construction of the smart city. At present, the size of the entire R&D team of the Group has exceeded 200 persons. With our continuous and increasing power in R&D, the centre will develop more smart applications for the Group and will serve the important function of promoting business transformation.

III. OUTLOOK

Looking to the second half of the year, the Group believes that demands will continue to increase in the Internet services, Internet of Things, cloud computing, mobile sales & services, smart city, data centre and enterprise solutions services, where future development opportunities are located. The Group will keep a clear mind and grasp the right strategic direction while insisting on innovative developments. We will remain prudent and optimistic in response to challenges and opportunities brought by market changes.

The Group accords great importance to the new opportunities brought by "One Belt One Road" and the central government's strategic planning of the Guangdong-Hong Kong-Macau Bay Area, and is advancing for synergies between the Group's business and the macro-economic developments.

Strategically positioning itself as an industry leader in Macau and extending into Mainland China and overseas markets, CTM will track closely the 5G technological development and make timely investment and business preparation in order to ensure better mobile communications service experience for the customers. Using smart city development initiatives in Macau as a handle, the Group will greatly develop its smart city development capabilities and transform into a major smart city operator. Making full use of the new Zhuhai software development centre, we will also develop more software and applications compatible with the Group's business development in order to enhance the level of proprietary intellectual properties and foster new growth points for the Group.

We will also make use of the synergies between the Group and CPC Europe to further our expansion in our exclusive VPN, cloud computing and Internet access businesses in Europe. We will seek to upscale our enterprise solutions services in the Southeast Asian markets as a new source of growth for our business.

Incessant innovation will be achieved by enhancing our R&D efforts for new technologies and new products. An advanced business system shall be established to promote the Group's transformation into an Internet-oriented company. Business scale of "DataMall 自由行" shall be expanded at a faster pace such that it may become a leverage for faster transformation of the Group in its international business.

We will closely monitor the phase 3 expansion project of the CITIC Telecom Tower data centre and accelerate the scale development of our data centre business.

We will also continue to strengthen our technical training and enhance the quality of our staff. We will build a first-rate management team, as well as first-rate engineering, technical, R&D and business teams to realise our strategy of "growth in strength, excellence and scale, achievement of higher standards and delivery of top-rated results".

Based on its established strategic goals, the Group will pay constant attention to market development opportunities and act promptly to suitable opportunities to strive for greater business scale and greater values for shareholders.

The orderly advancement of the Group's work and the steady growth of business results in the first half of the year cannot be achieved without the staff's diligence as well as the support from our shareholders, investors, business partners and other people of various sectors who concern for the Group's development. I hereby express my most sincere gratitude.

Xin Yue Jiang
Chairman
Hong Kong, 16 August 2018

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

(Expressed in Hong Kong dollars)

	Note	*Six months ended 30 June* *2018* (Unaudited) $'000	*2017* (Unaudited) $'000
Revenue	3(a)	4,913,779	3,592,189
Valuation gain on investment property		23,683	19,629
Other income	4	18,361	20,599
Other net (loss)/gain	5	(5,069)	4,682
		4,950,754	3,637,099
Cost of sales and services		(3,047,919)	(1,811,792)
Depreciation and amortisation	6(c)	(351,884)	(344,239)
Staff costs	6(b)	(461,002)	(424,075)
Other operating expenses		(356,398)	(340,995)
		733,551	715,998
Finance costs	6(a)	(165,467)	(162,906)
Share of profit/(loss) of a joint venture		2,024	(1,713)
Profit before taxation	6	570,108	551,379
Income tax	7	(73,729)	(90,279)
Profit for the period		496,379	461,100
Attributable to:			
Equity shareholders of the Company		488,754	454,644
Non-controlling interests		7,625	6,456
Profit for the period		496,379	461,100
Earnings per share (HK cents)	9		
Basic		13.8	12.9
Diluted		13.8	12.8

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2018

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2018	*2017*
	(Unaudited)	(Unaudited)
	$'000	$'000
Profit for the period	496,379	461,100
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside Hong Kong, net of $Nil tax	(10,804)	18,540
Other comprehensive income for the period	(10,804)	18,540
Total comprehensive income for the period	485,575	479,640
Attributable to:		
Equity shareholders of the Company	478,144	473,174
Non-controlling interests	7,431	6,466
Total comprehensive income for the period	485,575	479,640

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2018
(Expressed in Hong Kong dollars)

	Note	*30 June 2018* (Unaudited) $'000	*31 December 2017* (Audited) $'000
Non-current assets			
Investment property		580,751	685,969
Other property, plant and equipment		2,608,803	2,625,731
		3,189,554	3,311,700
Intangible assets		1,636,943	1,722,074
Goodwill		9,717,052	9,729,268
Interest in a joint venture		7,875	5,972
Non-current contract assets		43,682	-
Non-current other receivables and deposits	10	137,151	207,509
Deferred tax assets		77,257	81,428
		14,809,514	15,057,951
Current assets			
Inventories and other contract costs		169,776	103,771
Contract assets		571,374	-
Trade and other receivables and deposits	10	1,443,707	1,783,151
Current tax recoverable		4,807	3,701
Cash and bank deposits		1,579,537	1,635,635
		3,769,201	3,526,258
Current liabilities			
Trade and other payables	11	1,798,405	1,739,334
Contract liabilities		170,900	-
Bank and other loans		340,460	284,438
Obligations under finance leases		1,194	1,541
Current tax payable		269,596	211,453
		2,580,555	2,236,766
Net current assets		1,188,646	1,289,492
Total assets less current liabilities		15,998,160	16,347,443

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018 (CONTINUED)

(Expressed in Hong Kong dollars)

	Note	*30 June 2018* (Unaudited) $'000	*31 December 2017* (Audited) $'000
Non-current liabilities			
Interest-bearing borrowings		7,128,507	7,540,698
Obligations under finance leases		1,379	1,793
Non-current other payables	11	48,025	61,808
Net defined benefit retirement obligation		60,659	68,303
Deferred tax liabilities		260,967	244,643
		7,499,537	7,917,245
NET ASSETS		8,498,623	8,430,198
CAPITAL AND RESERVES			
Share capital		4,337,301	4,280,542
Reserves		4,128,645	4,115,865
Total equity attributable to equity shareholders of the Company		8,465,946	8,396,407
Non-controlling interests		32,677	33,791
TOTAL EQUITY		8,498,623	8,430,198

Notes

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Basis of preparation

The interim results set out in this announcement do not constitute CITIC Telecom International Holdings Limited and its subsidiaries' interim financial report for the six months ended 30 June 2018 but are extracted from those financial statements.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 16 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company and the independent auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA, whose unmodified review report is included in the interim report to be sent to shareholders.

The financial information relating to the financial year ended 31 December 2017 that is included in this announcement of the interim results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2 Changes in accounting policies

(a) Overview

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards ("HKFRSs") and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

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

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and financial liabilities and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of revenue recognition, significant financing benefit obtained from customers, capitalisation of contract costs and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

Under the transition methods chosen, the Group shall recognise cumulative effect of the initial application of HKFRS 9 and HKFRS 15, if any, as an adjustment to the opening balance of equity at 1 January 2018. The adoption of HKFRS 9 and HKFRS 15 does not have a significant impact on the opening balance of equity at 1 January 2018 and no adjustment was made to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 15:

	At 31 December 2017	Impact on initial application of HKFRS 15 (Note 2(c))	At 1 January 2018
	$'000	$'000	$'000
Non-current contract assets	-	32,710	32,710
Non-current other receivables and deposits	207,509	(32,710)	174,799
Contract assets	-	542,827	542,827
Trade and other receivables and deposits	1,783,151	(542,827)	1,240,324
Contract liabilities	-	(170,156)	(170,156)
Trade and other payables	(1,739,334)	170,156	(1,569,178)

Further details of these changes are set out in sub-section (c) of this note.

2 Changes in accounting policies (continued)

(b) HKFRS 9*, Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has concluded that the initial adoption of HKFRS 9 had no impact on opening balance of equity at 1 January 2018.

Details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The measurement categories for all financial assets and financial liabilities of the Group remain the same.

The carrying amounts for all financial assets and financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit loss ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables and deposits); and

- contract assets as defined in HKFRS 15 (see note 2(c)).

2 Changes in accounting policies (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and deposits and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2 Changes in accounting policies (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 to 180 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

2 Changes in accounting policies (continued)

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated, the information presented for 2017 continues to be reported under HKAS 39.
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

2 Changes in accounting policies (continued)

(c) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has concluded that the initial adoption of HKFRS 15 had no impact on opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The Group has concluded that the initial adoption of HKFRS 15 in relation to timing of revenue recognition, significant financing benefit obtained from customers and capitalisation of contract costs had no material impact on opening balances at 1 January 2018. However, in future periods it may have material impact on the Group's financial results.

Details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

2 Changes in accounting policies (continued)

If the contract terms and the entity's activities do not fall into any of these three situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

(ii) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group's arrangements with its customers.

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the date when the customer obtains control of the promised good or service in the contract. This accrual increases the amount of the contract liability during the period, and therefore increases the amount of revenue recognised when control of the promised good or service is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*.

(iii) Sales commissions payable related to sales contracts

The Group previously recognised sales commissions payable related to sales contracts as costs of sales and services when they were incurred. Under HKFRS 15, the Group is required to capitalise these sales commissions as costs of obtaining contracts when they are incremental and are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the sales commissions can be expensed when incurred. Capitalised commissions are charged to profit or loss when the revenue from the related revenue is recognised and are included as costs of sales and services at that time.

2 Changes in accounting policies (continued)

(iv) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances were presented in the statement of financial position under "non-current other receivables and deposits", "trade and other receivables and deposits" or "trade and other payables" respectively.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

A. Amount of $32,710,000 which was previously included in non-current other receivables and deposits is now included under non-current contract assets;

B. Amount of $542,827,000 which was previously included in trade and other receivables and deposits is now included under contract assets; and

C. Amount of $170,156,000 which was previously included in trade and other payables is now included under contract liabilities.

(d) HK(IFRIC) 22*, Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial results of the Group.

3 Revenue and segment reporting

(a) Disaggregation of 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.

Disaggregation of revenue from contracts with customers by major products or service lines and geographical location of the Group's revenue from external customers is as follows:

	Six months ended 30 June	
	2018	*2017*
	(Unaudited)	(Unaudited)
	$'000	$'000
Disaggregated by major products or service lines:		
Mobile services	615,281	614,355
Internet services	489,401	468,015
International telecommunications services	833,926	597,183
Enterprise solutions	1,462,093	1,327,438
Fixed line services	120,018	150,453
Fees from the provision of telecommunications services	3,520,719	3,157,444
Sale of equipment and mobile handsets	1,393,060	434,745
	4,913,779	3,592,189
Disaggregated by geographical location of the Group's revenue from external customers:		
– Hong Kong (place of domicile)	1,618,583	1,365,182
– The People's Republic of China	315,350	240,055
– Macau	2,546,461	1,624,855
– Singapore	255,113	233,483
– Others	178,272	128,614
	3,295,196	2,227,007
	4,913,779	3,592,189

3 Revenue and segment reporting (continued)

(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.

Reconciliation of reportable segment profit

	Six months ended 30 June	
	2018	*2017*
	(Unaudited)	(Unaudited)
	$'000	$'000
Reportable segment profit	1,116,386	1,076,750
Net gain on disposal of other property, plant and equipment	3	24
Net foreign exchange (loss)/gain	(5,072)	4,658
Depreciation and amortisation	(351,884)	(344,239)
Finance costs	(165,467)	(162,906)
Share of profit/(loss) of a joint venture	2,024	(1,713)
Interest income	6,870	6,850
Rentals receivable from investment property less direct outgoings	9,264	9,851
Valuation gain on investment property	23,683	19,629
Unallocated head office and corporate expenses	(65,699)	(57,525)
Consolidated profit before taxation	570,108	551,379

(c) Seasonality of operations

The Group's telecommunications services are not significantly impacted by seasonal factors and there were historically no significant seasonal or cyclical trends in the operating results.

4 Other income

	Six months ended 30 June	
	2018	*2017*
	(Unaudited)	(Unaudited)
	$'000	$'000
Interest income from bank deposits	4,947	4,586
Other interest income	1,923	2,264
	6,870	6,850
Gross rental income from investment property	11,491	13,749
	18,361	20,599

5 Other net (loss)/gain

	Six months ended 30 June	
	2018	*2017*
	(Unaudited)	(Unaudited)
	$'000	$'000
Net gain on disposal of other property, plant and equipment	3	24
Net foreign exchange (loss)/gain	(5,072)	4,658
	(5,069)	4,682

6 Profit before taxation

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

	Six months ended 30 June *2018* (Unaudited) $'000	*2017* (Unaudited) $'000
(a) Finance costs		
Interest on bank and other borrowings	156,050	154,382
Finance charges on obligations under finance leases	65	118
Other finance charges	8,329	6,863
Other interest expense	1,023	1,543
	165,467	162,906
(b) Staff costs (including directors' emoluments)		
Contributions to defined contribution retirement plans	33,973	27,940
Expenses recognised in respect of defined benefit retirement plan	4,530	5,019
Total retirement costs	38,503	32,959
Equity-settled share-based payment expenses	9,649	16,395
Salaries, wages and other benefits	412,850	374,721
	461,002	424,075
(c) Other items		
Depreciation	267,926	258,668
Amortisation	83,958	85,571
	351,884	344,239
Net impairment losses for trade debtors and contract assets	6,241	7,424
Write off for other receivables	26,207	-
Rentals receivable from investment property less direct outgoings of $2,227,000 (six months ended 30 June 2017: $3,898,000)	(9,264)	(9,851)

7 Income tax

	Six months ended 30 June	
	2018	*2017*
	(Unaudited)	(Unaudited)
	$'000	$'000
Current tax	53,600	97,265
Deferred tax	20,129	(6,986)
	73,729	90,279

The provision for Hong Kong Profits Tax for the six months ended 30 June 2018 is calculated at 16.5% (six months ended 30 June 2017: 16.5%) of the estimated assessable profits for the period.

The provision for Macau Complementary Tax for the six months ended 30 June 2018 is calculated at 12% (six months ended 30 June 2017: 12%) of the estimated assessable profits for the period. Assessable profits of the first Macau Patacas ("MOP") 600,000 (equivalent to approximately $582,000) (six months ended 30 June 2017: 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 interim period

	Six months ended 30 June	
	2018	*2017*
	(Unaudited)	(Unaudited)
	$'000	$'000
Interim dividend declared/declared and paid after the interim period of HK4.00 cents (six months ended 30 June 2017: HK3.00 cents) per share	142,613	106,303

The interim 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 interim period

	Six months ended 30 June	
	2018	*2017*
	(Unaudited)	(Unaudited)
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK13.00 cents (six months ended 30 June 2017: HK10.35 cents) per share	463,252	366,503

For the final dividend in respect of the year ended 31 December 2017, there was a difference of $2,511,000 between the final dividend disclosed in the 2017 annual report and the amount paid during the six months ended 30 June 2018, 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

	Six months ended 30 June	
	2018	*2017*
	(Unaudited)	(Unaudited)
	$'000	$'000
Profit attributable to equity shareholders of the Company	488,754	454,644

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

	Number of shares	
	Six months ended 30 June	
	2018	*2017*
	(Unaudited)	(Unaudited)
	'000	'000
Issued ordinary shares at 1 January	3,544,164	3,534,581
Effect of share options exercised	6,487	3,215
Weighted average number of ordinary shares (basic) at 30 June	3,550,651	3,537,796
Effect of deemed issue of shares under the Company's share option plan	2,063	8,781
Weighted average number of ordinary shares (diluted) at 30 June	3,552,714	3,546,577
Basic earnings per share (HK cents)	13.8	12.9
Diluted earnings per share (HK cents)	13.8	12.8

10 Trade and other receivables and deposits

	30 June 2018 (Unaudited) $'000	*31 December 2017* (Audited) $'000
Trade debtors	1,125,191	1,330,736
Less: allowance for doubtful debts	(25,326)	(22,480)
	1,099,865	1,308,256
Other receivables and deposits	480,993	682,404
	1,580,858	1,990,660
Represented by:		
Non-current portion	137,151	207,509
Current portion	1,443,707	1,783,151
	1,580,858	1,990,660

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:

	30 June 2018 (Unaudited) $'000	*31 December 2017* (Audited) $'000
Within 1 year	1,051,145	1,175,884
Over 1 year	74,046	154,852
	1,125,191	1,330,736

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

11 Trade and other payables

	30 June 2018 (Unaudited) $'000	*31 December 2017* (Audited) $'000
Trade creditors	1,233,848	895,489
Other payables and accruals	612,582	905,653
	1,846,430	1,801,142
Represented by:		
Non-current portion	48,025	61,808
Current portion	1,798,405	1,739,334
	1,846,430	1,801,142

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:

	30 June 2018 (Unaudited) $'000	*31 December 2017* (Audited) $'000
Within 1 year	976,231	690,770
Over 1 year	257,617	204,719
	1,233,848	895,489

FINANCIAL REVIEW

OVERVIEW

Profit attributable to equity shareholders and basic earnings per share amounted to HK$488.8 million and HK13.8 cents respectively, an increase of 7.5% and 7.0% when compared with the interim period of 2017.

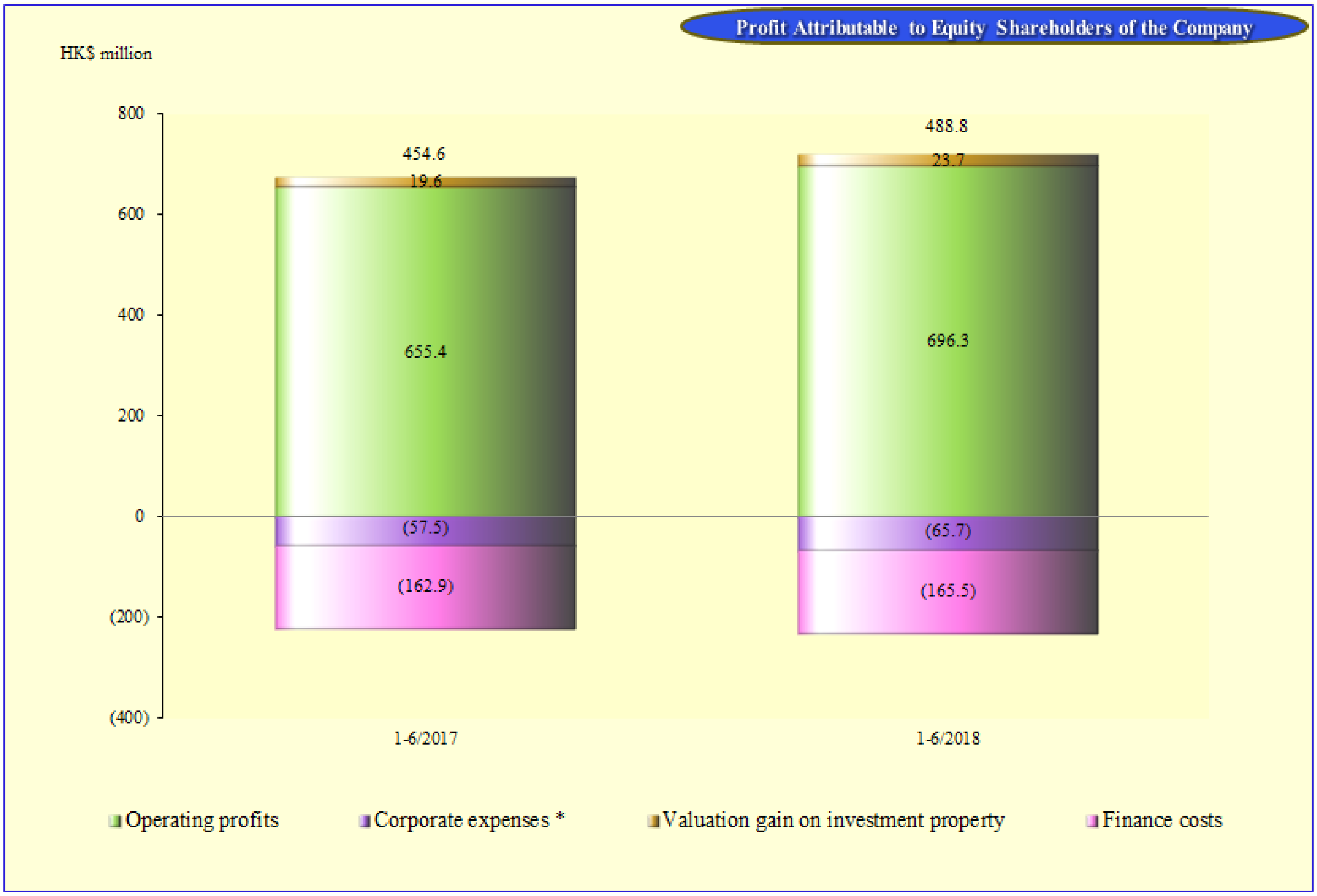
The Group's revenue from telecommunications services amounted to HK$3,520.7 million, an increase of 11.5% when compared with the interim period of 2017. Total revenue which includes equipment and mobile handsets sales surged by 36.8% when compared with the first six months of 2017 reaching HK$4,913.8 million for the first half of 2018 as the Group achieved growth in nearly all major businesses, but the main contributor for the significant increase in revenue was mobile handsets sales.

Summary of Financial Results

	Half year ended 30 June		**Increase/(Decrease)**	
In HK$ million	**2018**	2017		
Revenue	**4,913.8**	3,592.2	1,321.6	36.8%
Valuation gain on investment property	**23.7**	19.6	4.1	20.9%
Other income and net (loss)/gain	**13.3**	25.3	(12.0)	(47.4%)
Cost of sales and services	**(3,047.9)**	(1,811.8)	1,236.1	68.2%
Depreciation and amortisation	**(351.9)**	(344.2)	7.7	2.2%
Staff costs	**(461.0)**	(424.1)	36.9	8.7%
Other operating expenses	**(356.4)**	(341.0)	15.4	4.5%
Profit from consolidated activities	**733.6**	716.0	17.6	2.5%
Share of joint venture results	**2.0**	(1.7)	N/A	N/A
Finance costs	**(165.5)**	(162.9)	2.6	1.6%
Income tax	**(73.7)**	(90.3)	(16.6)	(18.4%)
Profit for the period	**496.4**	461.1	35.3	7.7%
Less: Non-controlling interests	**(7.6)**	(6.5)	1.1	16.9%
Profit attributable to equity shareholders of the Company	**488.8**	454.6	34.2	7.5%
EBITDA *	**1,080.6**	1,051.7	28.9	2.7%

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

Profit attributable to equity shareholders of the Company



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

Profit attributable to equity shareholders of the Company for the six months ended 30 June 2018 amounted to HK$488.8 million, an increase of HK$34.2 million when compared with the first six months of 2017. Excluding the valuation gain on investment property of HK$23.7 million (six months ended 30 June 2017: HK$19.6 million), profit attributable to equity shareholders of the Company for the first six months of 2018 would amount to HK$465.1 million (six months ended 30 June 2017: HK$435.0 million) representing an increase of 6.9% from the corresponding period of 2017. The increase in profit was mainly contributed by the growth in the Group's major businesses.

Revenue by Services

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

The Group's revenue from telecommunications services amounted to HK$3,520.7 million, an increase of 11.5% when compared with the interim period of 2017. The Group's overall revenue which includes equipment and mobile handsets sales increased by 36.8% from HK$3,592.2 million to HK$4,913.8 million for the six months ended 30 June 2018. In addition to the significant growth in equipment and mobile handsets sales revenue by HK$958.4 million, the growth of enterprise solutions revenue by HK$134.7 million, the growth of international telecommunications services revenue by HK$236.7 million and the growth of Internet services revenue by HK$21.4 million also contributed to the increase in total revenue but was partly offset by the decrease in fixed line services revenue for the period.

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$2,008.4 million for the first six months of 2018, an increase of 91.4% when compared with the corresponding period of 2017. There were growth in both outbound roaming and prepaid revenue, but the main contributor for the significant increase in mobile sales & services revenue for the period was mobile handsets sales.

The overall number of subscribers as at 30 June 2018 was over 995,000, an increase of 2.6% when compared with 31 December 2017 of which approximately 92.3% were 4G subscribers. The Group's mobile market share in Macau was around 41.8% as at 30 June 2018 (31 December 2017: 43.1%), while the Group had around 43.4% market share in the 4G subscribers of Macau mobile market as at 30 June 2018 (31 December 2017: 46.2%).

Internet services

Internet services revenue including the Group's data centre revenue amounted to HK$489.4 million for the current period which represented an increase of HK$21.4 million or 4.6% when compared with the corresponding period in 2017. The increase was mainly due to the increase in data centre revenue as the Group continues to expand its data centre operation and the increase in revenue from fibre broadband service as a result of the 3.9% increase in the average number of broadband users to around 184,200 users. The Group's Internet market share in Macau was around 97.4% (31 December 2017: 97.6%) while broadband market penetration rate in Macau was around 88.3% (31 December 2017: 87.8%).

International telecommunications services

Voice services revenue increased by HK$181.4 million or 41.3% to HK$621.1 million for the six months ended 30 June 2018 over the same period in 2017. There were unusual increases in traffic to regions with relatively higher tariffs during the period which led to the surge in voice service revenue.

Total SMS revenue grew 20.6% to HK$158.2 million when compared with the first six months of 2017. Concern over banking security has meant that demand for SMS based services like authentication services and confirmation of transactions have increased significantly. Changes in consumer's communication behavior have resulted in more and more enterprises using A2P SMS as a key customer relationship management (CRM) tool to connect with their customers. The Group has been able to capitalise on the increased demand.

Since the launch of our "DataMall 自由行" service in 2016, it has been well received by consumers travelling abroad and with its extended coverage in the second half of 2017, revenue from our DataMall service reached HK$54.6 million, representing a 107.6% increase when compared with the first six months of 2017.

Enterprise solutions

Enterprise solutions revenue increased 10.1% from HK$1,327.4 million in the first six months of 2017 to HK$1,462.1 million in the first six months of 2018. The increase was mainly due to the steady growth in enterprise solutions services in Mainland China, while enterprise solutions revenue in Macau was relatively stable for the period due to the phasing of casinos, resorts and government projects resulting in slightly lower revenue from professional service projects.

Fixed line services

In line with global trends of declining fixed IDD traffic volumes and the decrease in fixed residential lines, revenue from fixed line services decreased 20.3% to HK$120.0 million for the period when compared with the first six months of 2017.

Profit for the period

The Group achieved HK$496.4 million in profit for the period, an increase of HK$35.3 million when compared with the interim period of 2017. The increase was mainly due to the combined impact of the following factors:

Revenue

The Group's revenue from telecommunications services amounted to HK$3,520.7 million, an increase of 11.5% when compared with the interim period of 2017. The Group's total revenue which includes equipment and mobile handsets sales amounted to HK$4,913.8 million, representing a growth of 36.8% compared with the interim period of 2017. During the period, apart from fixed line services, the Group experienced growth in all major businesses, especially for equipment and mobile handsets sales when compared with the first six months of 2017.

Cost of sales and services

Cost of sales and services included costs of goods sold, and network, operations and support expenses. Consistent with the increase in revenue, cost of sales and services amounted to HK$3,047.9 million, an increase of HK$1,236.1 million or 68.2% when compared with the first six months of 2017. Although the Group has continued its efforts in achieving greater cost efficiency, the increase in cost of sales and services was due to the significant increase in mobile handsets sales during the period.

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 30 June 2018 by the Group's independent surveyors with a gain of HK$23.7 million (six months ended 30 June 2017: HK$19.6 million) for the first half of 2018.

Staff costs

Due to the larger headcount as a result of the Group's continuous business expansion, staff costs for the period increased by 8.7% or HK$36.9 million to HK$461.0 million when compared with the first six months of 2017.

Depreciation and amortisation

Depreciation and amortisation expenses totaled HK$351.9 million for the six months ended 30 June 2018 which was similar to the first six months of 2017.

Other operating expenses

Other operating expenses for the period included an exceptional item, being the write off for other receivables of HK$26.2 million (six months ended 30 June 2017: HK$Nil). If the exceptional item was excluded, other operating expenses amounted to HK$330.2 million, a decrease of HK$10.8 million when compared with the first six months of 2017, as a result of the Group's continued success in its cost saving initiatives.

Finance costs

As a result of the increase in the general borrowing rate, the effective variable interest rate for the Group increased from 2.14% p.a. as at 30 June 2017 to 3.07% p.a. as at 30 June 2018. However, with the implementation of the Group's effective policies to manage its interest rate risks, finance costs increased by only 1.6% from HK$162.9 million for the first six months of 2017 to HK$165.5 million for the first six months of 2018.

Income tax

Income tax for the period amounted to HK$73.7 million, a decrease of HK$16.6 million or 18.4% when compared with the first six months of 2017. The decrease was mainly due to the net impact from the reversal of the over-provision of tax. Excluding finance costs and the net impact from the reversal of the over-provision, the effective tax rate was around 14% for both the six months period ended 30 June 2018 and 30 June 2017.

Earnings per share ("EPS")

Basic EPS and diluted EPS amounted to HK13.8 cents and HK13.8 cents respectively, representing an increase of 7.0% and 7.8% respectively when compared with the corresponding period of 2017.

Dividends per share

Interim dividend of HK4.0 cents per share is proposed for the first half of 2018.

Cash flows

	Half year ended 30 June		Increase/(Decrease)	
In HK$ million	**2018**	2017		
Source of cash:				
Cash inflows from business operations	**1,079.2**	885.7	193.5	21.8%
Decrease in pledged deposits	**220.4**	-	220.4	N/A
Other cash inflows	**53.4**	16.6	36.8	>100%
Sub-total	**1,353.0**	902.3	450.7	50.0%
Use of cash:				
Net capital expenditure*	**(205.4)**	(221.1)	(15.7)	(7.1%)
Dividends paid to equity shareholders and non-controlling interests	**(471.8)**	(377.0)	94.8	25.1%
Transaction costs for acquisition of subsidiaries	**-**	(1.0)	(1.0)	N/A
Acquisition of subsidiaries	**-**	(158.5)	(158.5)	N/A
Net cash outflows from borrowings	**(507.4)**	(243.6)	263.8	>100%
Increase in pledged deposits	**-**	(81.7)	(81.7)	N/A
Sub-total	**(1,184.6)**	(1,082.9)	101.7	9.4%
Net increase/(decrease) in cash and cash equivalents	**168.4**	(180.6)	N/A	N/A

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

Profit before taxation amounted to HK$570.1 million for the six months ended 30 June 2018. The Group maintained a strong cash position, where HK$1,079.2 million cash inflow was generated from operations. The use of cash mainly comprised of capital expenditure, loans and repayments, dividends distribution to equity shareholders and non-controlling interests and various other payments. In total, the Group recorded a net cash inflow of HK$168.4 million for the six months ended 30 June 2018.

Capital expenditure

The Group's total capital expenditure for the six months ended 30 June 2018 amounted to HK$125.2 million. HK$1.6 million of fitting-out costs were incurred for the Group's data centres and the remainder of the capital expenditure were mainly for network systems upgrade and expansion.

Capital commitments

As at 30 June 2018, the Group had outstanding capital commitments of HK$309.5 million, mainly for the data centre development, system upgrades and construction costs of networks, and acquisition of telecommunications equipment which had yet to be delivered to the Group. Of these commitments, HK$140.5 million were outstanding contractual capital commitments and HK$169.0 million were capital commitments authorised but for which contracts had yet to be entered into.

TREASURY POLICY AND FINANCIAL RISK MANAGEMENT

General

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

1. Debt and leverage

As the Group's net debt decreased to HK$5,892.0 million, the net gearing ratio decreased from 42% as at 31 December 2017 to 41% as at 30 June 2018.

As at 30 June 2018, 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	3,289.3	3,555.6	424.3	199.7	-	-	-	**7,468.9**
Obligations under finance leases	-	-	2.6	-	-	-	-	**2.6**
Total debt	3,289.3	3,555.6	426.9	199.7	-	-	-	**7,471.5**
Less: Cash and bank deposits	(803.8)	(295.8)	(54.9)	(33.1)	(178.4)	(157.4)	(56.1)	**(1,579.5)**
Net debt/(cash)	**2,485.5**	**3,259.8**	**372.0**	**166.6**	**(178.4)**	**(157.4)**	**(56.1)**	**5,892.0**

As at 30 June 2018, the Group's net gearing ratio was as follows:

In HK$ million	**30 June 2018**	31 December 2017
Total bank and other borrowings	**7,468.9**	7,825.1
Obligations under finance leases	**2.6**	3.3
Total debt	**7,471.5**	7,828.4
Less: Cash and bank deposits	**(1,579.5)**	(1,635.6)
Net debt	**5,892.0**	6,192.8
Total equity attributable to equity shareholders of the Company	**8,465.9**	8,396.4
Total capital	**14,357.9**	14,589.2
Net gearing ratio	**41%**	42%

As at 30 June 2018, the principal of total debt amounted to HK$7,514.2 million, of which HK$341.7 million will mature in the coming twelve months, against cash and bank deposits of HK$1,579.5 million.

The maturity profile of the Group's total debt in principal amount as at 30 June 2018 was as follows:

In HK$ million	**Within 1 year**	**After 1 year but within 2 years**	**After 2 years but within 3 years**	**After 3 years but within 4 years**	**After 4 years but within 5 years**	**After 5 years**	**Total**
Bank and other borrowings	340.5	351.1	2,910.0	400.0	-	-	4,001.6
Obligations under finance leases	1.2	1.0	0.4	-	-	-	2.6
US$450 million 6.1% guaranteed bonds	-	-	-	-	-	3,510.0	3,510.0
	341.7	**352.1**	**2,910.4**	**400.0**	**-**	**3,510.0**	**7,514.2**

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$7,514.2 million which was mainly due to the early repayment of HK$400.0 million bank loans from its surplus cash during the period.

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 twelve months.

The Group's cash balance as at 30 June 2018 are more than sufficient to cover the repayments of principal amount of total debt of HK$341.7 million in the coming twelve months and contractual capital commitments of HK$140.5 million as at 30 June 2018.

As at 30 June 2018, the Group had available trading facilities of HK$298.1 million. Amount of HK$94.8 million was utilised as guarantees for performance to customers / the Macau Government, costs payable to telecoms operators and others.

Around HK$15.3 million of the utilised facilities were required to be secured by pledged deposits or other property, plant and equipment as at 30 June 2018.

As at 30 June 2018, 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	3,690.4	3,690.4	-
- Uncommitted facilities:			
Short-term facilities	705.4	311.2	394.2
	4,395.8	4,001.6	394.2
Obligations under finance leases - Committed facilities	2.6	2.6	-
Guaranteed bonds - Committed facility			
US$450 million 6.1% guaranteed bonds	3,510.0	3,510.0	-
Trading facilities - Uncommitted facilities	298.1	94.8	203.3
Total	**8,206.5**	**7,609.0**	**597.5**

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 30 June 2018, the Group was in compliance with the relevant requirements.

4. Contingent liabilities

As at 30 June 2018, the Group had no significant contingent liabilities.

5. Performance bonds, guarantees and pledged assets

As at 30 June 2018, 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$89.9 million.

As at 30 June 2018, bank deposits of HK$11.4 million and other property, plant and equipment of HK$3.7 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 (equivalent to 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 30 June 2018, the Company has issued guarantees for its subsidiaries in respect of the bank and other loans in an amount of HK$691.4 million and obligations under finance leases in an amount of HK$2.6 million.

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

6. Interest rate risk

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 30 June 2018, approximately 52.5% of the Group's borrowings in principal were linked to floating interest rates. During the period, the Group did not enter into any interest rate swap arrangement.

Average borrowing costs

As at 30 June 2018, the average borrowing costs, which is after the inclusion of amortisation of transaction costs, was approximately 4.5%.

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 and contract assets. 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 on trade debtors are measured based on expected credit loss model.

The Group has certain concentration risk in respect of trade debtors and contract assets due from the Group's five largest customers who accounted for approximately 32.1% and 39.8% of the Group's total trade debtors and contract assets as at 30 June 2018 and 31 December 2017 respectively. The credit risk exposure to trade debtors and contract assets balances has been and will continue to be monitored by the Group on an ongoing basis.

9. Counterparty risk

As at 30 June 2018, 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 30 June 2018, the Group has HK$1,544.9 million cash balance in the above-mentioned financial institutions, representing approximately 97.8% of the total cash and bank deposits of the Group. Management does not expect any losses from non-recovery from our financial counterparties.

HUMAN RESOURCES

The Group has a strong sense of commitment in fulfilling corporate social responsibility ("CSR"). CSR has always been an integral part of the Group's corporate business strategy and philosophy.

As at 30 June 2018, the Group employed a total of 2,509 employees for its headquarters in Hong Kong and its subsidiaries. Number of employees in Hong Kong was 526. Employees in Mainland China and Macau totalled 1,647. Employees in overseas countries totalled 336.

The Group continues our initiatives in raising operational efficiency whilst maintaining harmonious staff relations, promoting a culture of open communication and investing in human resources to support business growth.

To ensure that the overall compensation for employees is internally equitable, in line with local norms, and in support of the business strategy, the Group conducts regular review on the cash remuneration and benefits package provided to its employees. No major amendment was made to the human resources management policy or procedures in the last six months.

The need for a proper balance between work and life is well recognised by the Group as an important contributor to the well being of employees and their work efficiency. The Group organised a variety of employee activities including hiking and ball competitions. It would enhance mutual communication and maintain a positive atmosphere.

The Group actively promotes a culture of open communication. Management collects the opinion of employees through different channels including team meetings and employee suggestion box.

Developing employees to enable them to grow personally and professionally has always been an ongoing priority of the Group. The Group has provided internal training opportunities and training subsidies for outside training courses to our employees to enhance their skills and abilities. This will help employees to be well equipped for the future development of the Group.

To adopt our philosophy of committing and making contribution to the community, the Group has organised our employees to participate into various volunteer work and charitable activities. Moreover, the Group continues to utilise our strength on information technology to support the community.

The Group is committed to conduct business in an environmentally responsible manner. The Group has formulated and ongoing reviewed our policies of environmental protection and energy saving in order to achieve sustainable targets.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The board of directors of the Company believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. Looking ahead, we will keep our corporate governance practices under continual review to ensure their consistent application and will continue to improve our practices having regard to the latest developments. Details of our corporate governance practices can be found on page 50 of the 2017 annual report and the Company's website www.citictel.com.

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 30 June 2018. 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 14 May 2018 as they had other engagements.

The Audit Committee has reviewed the interim report with management and the external auditors and recommended its adoption by the board. The Committee consists of three independent non-executive directors and a non-executive director.

The interim financial report, which is prepared in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*, has been reviewed by the Company's independent auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all directors of the Company have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2018.

DIVIDEND AND CLOSURE OF REGISTER

The board of directors of the Company has declared an interim dividend of HK4.0 cents (2017: HK3.0 cents) per share for the year ending 31 December 2018 payable on Monday, 24 September 2018 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 12 September 2018. The Register of Members of the Company will be closed from Thursday, 6 September 2018 to Wednesday, 12 September 2018, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, 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 Wednesday, 5 September 2018.

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 six months ended 30 June 2018 and the Company has not redeemed any of its shares during the period ended 30 June 2018.

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.

INTERIM REPORT AND FURTHER INFORMATION

A copy of the announcement will be posted on the Company's website (www.citictel.com) and the website of the Stock Exchange (www.hkexnews.hk). The full interim report will be made available on the website of the Company and the Stock Exchange around 6 September 2018.

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

Hong Kong, 16 August 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		