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 2011

CHAIRMAN'S STATEMENT

I am pleased to present the operating and financial results of the Group for the six months ended 30 June 2011. The Group's business was subject to certain new pressure and challenges during the first half of 2011 amidst intense competition in the international telecommunications market. We addressed the highly competitive environment in a pro-active manner, employing effective measures and applying diligent efforts in overseas as well as China markets in order to sustain stable growth.

I. FINANCIAL RESULTS

For the first half of 2011, the Group recorded total revenue of HK$1,491.6 million, representing an increase of 15.5% as compared to the corresponding period of the previous year. Net profit of the Group was HK$233.8 million, representing an increase of 29.8% as compared to the same period of the previous year.

Basic earnings per share for the six months ended 30 June 2011 amounted to HK9.8 cents, representing an increase of 14.0% as compared to the corresponding period of the previous year.

The Board has declared an interim dividend of HK2.4 cents per share for 2011, the same as the corresponding period of the previous year.

II. BUSINESS DEVELOPMENT

The Group sustained stable growth in its voice, SMS, Mobile Value-added Services ("VAS") and data businesses during the first half of the year, as we continued to strengthen our business relationships with various major telecoms operators in China and overseas. Our market share was further enlarged, with the number of telecoms operators served by our Group increased from 537 as at the end of the previous year to 556 as at the end of June this year.

Companhia de Telecomunicacoes de Macau, S.A.R.L. ("CTM") recorded strong business growth. Since the Group's acquisition of a 20% equity interest in CTM, it has generated sound investment returns for the Group while offering positive synergies to the Group's businesses.

For the first half of the year, revenue generated from voice services amounted to HK$924.4 million, representing an increase of 17.0% compared to the corresponding period of the previous year. A total of 4.32 billion voice traffic minutes were recorded, representing a drop of 11.9% compared to the same period of the previous year. Revenue generated from SMS services increased by 11.0% to HK$168.0 million compared to the corresponding period of the previous year. The volume of SMS carried was 978.0 million messages, an increase of 10.0% compared to the corresponding period of the previous year. Revenue from our Mobile VAS business amounted to HK$77.1 million, representing an increase of 17.2% compared to the corresponding period of the previous year. Revenue from virtual private networks ("VPN") and Internet access services amounted to HK$322.1 million, representing an increase of 13.5% compared to the corresponding period of the previous year. With CTM contributing to the Group for the entire first six months for the first time, the profit of CTM recorded a significant increase compared to the corresponding period of the previous year.

1. Operating profitability of voice business benefited from strong overseas and PRC market development.

In order to gear up the marketing efforts of our overseas subsidiaries, the International Business Department was set up at Group level with the aim of strengthening the coordination between headquarters and subsidiaries as well as cooperation among subsidiaries in the operation of their voice services. Turnover contributions from overseas subsidiaries increased by 10.2% compared to the corresponding period of 2010, while their operating profitability also showed remarkable improvements over the corresponding period of the previous year. Profitability of our Group's international voice business improved as we made further inroads in the development of our overseas premium-quality routing. Meanwhile, our marketing initiatives for 3GTV and Wi-Fi roaming, etc started to deliver positive results. In a move to open up new markets, we commenced services for the provincial headquarters of PRC telecoms operators basing on our existing SIMN service platforms for inter-provincial roaming. Efforts were made to further enhance our SIMN service for use in China and its neighbouring countries and regions in support of the PRC telecoms operators.

2. Strong VPN sales supported by effective integration of CEC.

China Enterprise Communications Ltd. ("CEC") owns a marketing and servicing network in Mainland China that covers the entire nation with over 2,600 customer nodes. Subsequent to shareholders' approval at the Group's extraordinary general meeting held in last November on the acquisition of CEC by CITIC Telecom International CPC Limited ("CPC"), a wholly-owned subsidiary of our Group, we have been progressively integrating resources on both sides and providing technical and management support to CEC where necessary to deliver maximum synergies. As of now, the consolidation process has achieved initial success with the completion of the integration of networks, network management and operating / maintenance systems and product sales teams. CeOneConnect, our unified VPN brand name, has also been officially launched. Following the integration, the Group now offers a strong sales and servicing network for the VPN market in Mainland China. With the completion of its acquisition of the subsidiary of CEC in Hong

Kong, China Enterprise Netcom Corporation Limited, a solid foundation has also been provided for the further growth of CEC's overseas business.

The Group has also made progress in the development of its VPN business in China. During the first half of the year, CEC signed a co-operation agreement with the Shanghai Branch of Great Wall Broadband Network Service Co., Ltd., a subsidiary of our parent company CITIC Group, pursuant to which the two companies would consolidate their resources and complement each other in joint efforts to develop the corporate communications market in China.

3. Stable growth for SMS, Mobile VAS and VPN businesses supported by pro-active marketing initiatives.

Our market competitiveness in the international SMS business has been enhanced with the signing of an agreement with a major telecoms company in Southeast Asia, for which we will act as the international SMS gateway in Asia. In Mainland China, the Group strengthened our cooperation with the PRC telecoms operators. For data business, we sought to broaden our business scope by developing cloud computing, information security and data centres. In connection with the data centre business, a solid foundation has been formed with the completion of the first phase of our data centre and the commencement of related marketing activities. Through various marketing initiatives, we succeeded in broadening our market bases and achieved stable growth in our SMS, Mobile VAS and VPN businesses.

4. Ongoing business growth driven by active product innovation.

While most PRC companies are in the stage of rapid business growth, it becomes increasingly evident that their investments in information technology fall short of meeting their pressing needs for informatisation. In this regard, cloud computing technologies, known for low costing, efficient performance and the ability to facilitate services on demand, have become a subject of increasing interest for companies who look to lower their costs for software / hardware investments and maintenance expenses while enhancing their level of informatisation. The Group monitored the development of cloud computing technologies closely and adopted measures to fulfill corporate clients' requirements for cloud computing. During the first half of 2011, we established a cloud computing centre and launched two innovative cloud computing services, namely "SmartCLOUD M@il" that integrated e-mailing, calendar and collaboration functions and "SmartCLOUD Compute", a virtual server solution. Both services were very well received by our corporate clients. A comprehensive roaming service product that embodied voice, SMS and Mobile VAS was launched, incorporating the functions of networks, technology platforms and maintenance in one single product, while IPX-based technical services were also introduced. The Group will continue to conduct research and make timely launches of new business models such as cloud computing, 4G mobile communications technology (LTE), with a view to drive business growth on a continuing basis through product innovation.

5. Further quality improvements in engineering, network and routing through enhanced quality management.

The standard of quality management at our Group has further improved as we have enhanced our telecommunications network and technology platforms and taken timely actions to expand the capacity of our equipment and upgrade our equipment software. To further strengthen our quality management and to meet the requirements of our business development as well as customers' needs, the Group has set up a Communications Quality Assurance Testing Function. Overseas subsidiaries were organised to conduct regular quality tests on our international roaming communications services, so that any potential issues of the Group's products and services would be identified on a pre-emptive basis. Quality hazards in engineering, network, routing and customer services were investigated and rectified in a timely manner. The Group's telecoms hubbing business has been effectively enhanced in respect of call connection rate and hubbing service quality.

6. Stronger internal control underpinned by more stringent supervision and review across the businesses.

Following a series of acquisitions completed in recent years, the Group's various businesses have been enjoying rapid development, as evidenced by growing sizes and expanding geographic coverage. In the meantime, as the Group's businesses and overseas subsidiaries are located in different business segments and locate over broad geographic regions, management of such an extensive business portfolio tends to be complicated owing to differences in the business approaches. The Group is well aware that the internal control system has to be further strengthened. In this regard, the "Internal Supervision and Examination System" was formulated and implemented during the first half of the year and an Internal Supervision and Examination Department was also formed to ensure internal control system compliance. The Department conducted internal supervision and examination in accordance with the provisions of the System to identify any management and operational shortcomings, and the Group's management standards have been effectively enhanced as a result.

III. OUTLOOK

To address new challenges arising from market dynamics, the Group will further increase our efforts to develop the international voice markets in the second half of the year, aiming to sustain a stable international voice business complementary to positive synergies with our voice business in Mainland China. The Group will continue to facilitate the integration of CPC and CEC in terms of marketing, business and assets to generate greater synergies. Stronger efforts will also be made in the research and development of new products in SMS and Mobile VAS, so that we can sustain rapid growth in these businesses. The marketing of our VPN and Internet access services will be further enhanced with the timely launch of new products, so that CPC will become a brand name with growing influence in both domestic and international enterprise market. The establishment of data centres will continue as part of our efforts to provide a solid foundation for future development. Meanwhile, positive growth is expected from the business of CTM, which will offer synergies as well as significant profit contributions to the Group.

The 26th Universiade, to be held in Shenzhen, the PRC in August, will present the Group with good opportunity for business growth given the demand for China-based telecoms services that the event will create. Fully prepared for the Shenzhen Universiade in respect of technical staff deployment, equipment, network capacity, customer service and technical requirements, the Group is working closely with PRC operators to adopt communications security measures for the Universiade, so that the event will be supported by top-rate telecoms hub services and that all voice, SMS and Mobile VAS services facilitated through the Group will be delivered in a smooth and seamless manner.

Given the global outreach of our well-established telecoms marketing network, our ability to implement effective measures in response to changing market conditions and competitive landscapes, our high-calibre management team and our dedicated staff, I have no doubt that our Group will generate sound economic benefits and investment returns for our shareholders. We will continue to grow our market in Mainland China and explore new overseas markets, whiling gearing up our efforts in cost control, technology upgrades, product innovation and process optimisation.

Xin Yue Jiang
Chairman
Hong Kong, 12 August 2011

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Note	*Six months ended 30 June* *2011* (Unaudited) HK$'000	*2010* (Unaudited) HK$'000
Turnover	4	1,491,550	1,291,209
Other revenue	5	987	2,421
Other net loss	6	(10)	(1,944)
		1,492,527	1,291,686
Network, operations and support expenses		(1,025,230)	(851,191)
Depreciation and amortisation		(58,484)	(58,396)
Staff costs		(136,247)	(111,065)
Other operating expenses		(82,272)	(83,613)
Profit from operations		190,294	187,421
Finance costs		(141)	-
Share of profit of an associate		76,998	21,694
Profit before taxation	7	267,151	209,115
Income tax	8	(33,315)	(28,992)
Profit attributable to equity holders of the Company for the period		233,836	180,123
Earnings per share (HK cents)	10		
Basic		9.8	8.6
Diluted		9.8	8.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Six months ended 30 June	
	2011	*2010*
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit for the period	233,836	180,123
Other comprehensive income for the period (after tax)		
Exchange differences on translation of financial statements of overseas subsidiaries	6,266	1,043
Total comprehensive income for the period attributable to equity holders of the Company	240,102	181,166

CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2011

	Note	*30 June 2011* (Unaudited) HK$'000	*31 December 2010* (Audited) HK$'000
Non-current assets			
Property, plant and equipment		607,140	595,350
Intangible assets		44,734	48,362
Goodwill		283,503	281,465
Interest in an associate		1,409,410	1,489,382
Non-current other receivables and deposits	11	166,150	171,370
Deferred tax assets		22,825	22,172
		2,533,762	2,608,101
Current assets			
Trade receivables, other receivables and deposits	11	1,008,765	1,140,333
Current tax recoverable		2,231	6,265
Cash and bank deposits		309,410	327,026
		1,320,406	1,473,624
Current liabilities			
Trade and other payables	12	661,797	876,849
Loan from an associate		-	96,350
Current tax payable		31,759	23,703
		693,556	996,902
Net current assets		626,850	476,722

CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2011 (CONTINUED)

	Note	*30 June 2011* (Unaudited) HK$'000	*31 December 2010* (Audited) HK$'000
Total assets less current liabilities		3,160,612	3,084,823
Non-current liabilities			
Non-current other payables	12	98,884	102,582
Deferred tax liabilities		42,836	38,424
		141,720	141,006
NET ASSETS		3,018,892	2,943,817
CAPITAL AND RESERVES			
Share capital		238,599	238,520
Reserves		2,780,293	2,705,297
TOTAL EQUITY		3,018,892	2,943,817

Notes to the Accounts

1 Basis of preparation

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").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in the 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 by the 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.

2 Changes in accounting policies

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

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)

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

The developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

3 Segment reporting

The Group manages its businesses by business operations and geography. 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 only identified one business segment, i.e. telecommunications operations. Further, the Group's business participates primarily in only one geographical location classified by the location of assets, i.e. Hong Kong. The Group's overseas operation constitutes an insignificant portion of the Group's business.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and other current and non-current assets with the exception of interest in an associate, deferred tax assets, current tax recoverable, and other corporate assets. Segment liabilities include trade and other payables attributable to the operating activities of the segment.

Revenue and expenses are allocated to the reportable segments 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.

Revenue generated from the telecommunications segment includes the fees derived from the provision of voice services; provision of short message services; and provision of other telecommunications services. Revenue from the provision of these services to state-controlled entities in the People's Republic of China ("PRC") represents more than 10% of the Group's total revenue. The revenue received from these customers amounted to HK$588,130,000 for the six months ended 30 June 2011 (six months ended 30 June 2010: HK$509,649,000).

3 Segment reporting (continued)

(b) Reconciliation of reportable segment profit, assets and liabilities

	Six months ended 30 June	
	2011	*2010*
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit		
Reportable segment profits	191,781	188,396
Share of profit of an associate	76,998	21,694
Unallocated other revenue	987	2,421
Unallocated head office and corporate expenses	(2,615)	(3,396)
Consolidated profit before taxation	267,151	209,115

	30 June 2011	*31 December 2010*
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Assets		
Reportable segment assets	2,353,771	2,497,975
Interest in an associate	1,409,410	1,489,382
Current tax recoverable	2,231	6,265
Deferred tax assets	22,825	22,172
Unallocated corporate assets	65,931	65,931
Consolidated total assets	3,854,168	4,081,725

	30 June 2011	*31 December 2010*
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Liabilities		
Reportable segment liabilities	754,296	970,374
Current tax payable	31,759	23,703
Deferred tax liabilities	42,836	38,424
Loan from an associate	-	96,350
Unallocated corporate liabilities	6,385	9,057
Consolidated total liabilities	835,276	1,137,908

4 Turnover

The Group is principally engaged in the provision of voice services, short message services and other telecommunications services.

Turnover recognised during the period may be analysed as follows:

	Six months ended 30 June	
	2011	*2010*
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Fees from the provision of voice services	924,402	790,091
Fees from the provision of short message services	167,983	151,353
Fees from the provision of other telecommunications services	399,165	349,765
	1,491,550	1,291,209

5 Other revenue

	Six months ended 30 June	
	2011	*2010*
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Bank interest income	65	405
Other interest income	472	337
Total interest income	537	742
Rental receivable from operating leases	450	1,679
	987	2,421

6 Other net loss

	Six months ended 30 June	
	2011	*2010*
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net loss on disposal of property, plant and equipment	(26)	(69)
Net foreign exchange gain/(loss)	16	(1,875)
	(10)	(1,944)

7 Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June *2011* (Unaudited) HK$'000	*2010* (Unaudited) HK$'000
Network, operations and support expenses		
– operating leases - leased circuits	120,164	97,354
Depreciation	54,139	54,209
Amortisation	4,345	4,187
Impairment losses on trade debtors	3,653	5,490
Operating lease charges in respect of land and buildings	18,561	24,290

8 Income tax

	Six months ended 30 June *2011* (Unaudited) HK$'000	*2010* (Unaudited) HK$'000
Current tax - Hong Kong Profits Tax		
Provision for the period	27,227	26,930
Over-provision in respect of prior years	(314)	-
	26,913	26,930
Current tax - Overseas		
Provision for the period	1,640	1,793
Under/(over)-provision in respect of prior years	276	(150)
	1,916	1,643
Deferred tax		
Origination and reversal of temporary differences	4,486	419
	33,315	28,992

The provision for Hong Kong Profits Tax for the six months ended 30 June 2011 is calculated at 16.5% (six months ended 30 June 2010: 16.5%) of the estimated assessable profits for the period. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

9 Dividends

(a) Dividends payable to equity holders of the Company attributable to the interim period

	Six months ended 30 June *2011* (Unaudited) HK$'000	*2010* (Unaudited) HK$'000
Interim dividend declared and paid after the interim period, of HK2.4 cents per share (six months ended 30 June 2010: HK2.4 cents per share)	57,264	57,205

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity holders of the Company attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June *2011* (Unaudited) HK$'000	*2010* (Unaudited) HK$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK7.1 cents per share (six months ended 30 June 2010: HK7.1 cents per share)	169,405	140,419

In respect of the final dividend in respect of the year ended 31 December 2010, there is a difference of HK$56,000 between the final dividend disclosed in the 2010 annual report and amounts paid during the six months ended 30 June 2011 which represents dividends attributable to shares issued upon exercise of share options before the closing date of the register of members.

10 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the six months ended 30 June 2011 of HK$233,836,000 (six months ended 30 June 2010: HK$180,123,000) and the weighted average number of 2,385,888,000 ordinary shares (six months ended 30 June 2010: 2,105,533,000 shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company for the six months ended 30 June 2011 of HK$233,836,000 (six months ended 30 June 2010: HK$180,123,000) and the weighted average number of 2,389,150,000 ordinary shares (six months ended 30 June 2010: 2,107,371,000 shares), after adjusting for the deemed issue of shares under the Company's share option plan.

11 Trade receivables, other receivables and deposits

	30 June 2011 (Unaudited) HK$'000	*31 December 2010* (Audited) HK$'000
Trade debtors	848,798	988,516
Less: allowance for doubtful debts	(23,159)	(19,690)
	825,639	968,826
Other receivables and deposits	349,276	342,877
	1,174,915	1,311,703
Represented by:		
Non-current portion	166,150	171,370
Current portion	1,008,765	1,140,333
	1,174,915	1,311,703

Included in trade receivables, other receivables and deposits are trade debtors (before allowance for doubtful debts) with the following ageing analysis at the balance sheet date:

	30 June 2011 (Unaudited) HK$'000	*31 December 2010* (Audited) HK$'000
Within 1 year	782,591	817,549
Over 1 year	66,207	170,967
	848,798	988,516

Credit evaluations are performed on all customers with credit level over a certain amount. Trade receivables are due within 7 to 180 days from the date of billing. The Group will assign an officer who will be responsible to agree on a settlement plan with those debtors with balances due over one year to reduce the outstanding balance within a reasonable period.

At 30 June 2011, and 31 December 2010, included in other receivables was a cash balance of USD1,221,000 (equivalent to HK$9,524,000) seized and held under foreign government custody as a result of an investigation against a customer of the Group. On 8 August 2011, the Group received a notice from the foreign government advising the termination of the investigation and the full amount will be returned back to the Group.

12 Trade and other payables

	30 June 2011 (Unaudited) HK$'000	*31 December 2010* (Audited) HK$'000
Trade creditors	482,602	693,385
Other payables and accruals	278,079	286,046
	760,681	979,431
Represented by:		
Non-current portion	98,884	102,582
Current portion	661,797	876,849
	760,681	979,431

Included in trade and other payables are trade creditors with the following ageing analysis at the balance sheet date:

	30 June 2011 (Unaudited) HK$'000	*31 December 2010* (Audited) HK$'000
Within 1 year	372,678	475,514
Over 1 year	109,924	217,871
	482,602	693,385

FINANCIAL REVIEW AND ANALYSIS

REVIEW OF OVERALL PERFORMANCE

Turnover

The Group's turnover for the six months ended 30 June 2011 was HK$1,491.6 million, representing an increase of 15.5% compared with HK$1,291.2 million for the same period of 2010.

Profit attributable to equity holders of the Company

The Group recorded a net profit of HK$233.8 million for the six months ended 30 June 2011, an increase of 29.8% as compared with the same period of 2010. The increase was mainly due to the first time inclusion of the six months contribution from the associate, Companhia de Telecomunicacoes de Macau, S.A.R.L. ("CTM"). If the effect of the share of profit of CTM was excluded, the net profit for the first half of 2011 was maintained at the same level as 2010.

Group liquidity and capital resources

The Group manages its exposure to liquidity risk by reviewing the cash resources required to meet its business objectives.

During the review period, the Group recorded HK$193.6 million operating cash inflow and received HK$157.6 million final dividend for 2010 from CTM. In the meantime, the Group paid HK$101.2 million for capital expenditure. In addition, the Group repaid a loan from CTM of HK$96.9 million and paid final dividend for 2010 of HK$169.4 million during the period. As a result, the Group's cash and cash equivalents decreased by HK$17.2 million to HK$308.3 million at 30 June 2011 compared to HK$325.5 million at 31 December 2010.

Borrowings

At 30 June 2011, the Group had no outstanding borrowings.

Banking facilities

At 30 June 2011, the Group had banking facilities amounted to SGD0.3 million, USD4.2 million, TWD10.0 million and HK$100.0 million (equivalent to a total of HK$137.0 million). About HK$6.9 million of these facilities was required to be secured by pledged deposits.

Of the total banking facilities, approximately HK$11.0 million was utilised as guarantees for the Group's purchases from telecoms operators, performance to customers, and rental deposits.

Securities and guarantees

At 30 June 2011, the Group pledged SGD85,000 and USD80,000 (equivalent to a total of HK$1.2 million) of fixed deposits to secure its banking facilities. The Group had not created any other security over its assets and had not provided any corporate guarantee.

Capital commitments

At 30 June 2011, the Group had outstanding capital commitments of HK$127.3 million, mainly for the acquisition of network equipment which had yet to be delivered to the Group and the new data centre fitting-out cost, of which HK$43.7 million were outstanding contractual capital commitments and HK$83.6 million were capital commitments authorised but for which contracts had yet to be entered into.

Other commitments

On 2 September 2010, the Group entered into a framework agreement (the "Framework Agreement") with CITIC Group, CE-SCM Network Technology Co., Ltd. ("CE-SCM"), Information Centre of State-owned Assets Supervision & Administration Commission of the State Council and China Enterprise Communications Ltd. ("CEC"), pursuant to which the Group, through CITIC Telecom International CPC Limited ("CPCNet"), a wholly-owned subsidiary of the Company, will, upon satisfaction of certain conditions set out therein, acquire:

(i) 40.77% equity interest in CEC from CE-SCM;

(ii) 8.23% equity interest in CEC from CITIC Group together with a purchase right (the "Purchase Right") to acquire the remaining 45.09% equity interest in CEC held by CITIC Group, in which the Purchase Right shall be exercisable by CPCNet when CPCNet is permitted to hold more equity interest in CEC under the then prevailing PRC laws and regulations; and

(iii) all the issued shares of China Enterprise Netcom Corporation Limited ("CEC-HK") held by China Enterprise Communications Technology (Holding) Limited ("CEC-HK Holding"), a wholly-owned subsidiary of CEC.

The aggregate consideration payable by the Group is approximately HK$280.8 million comprising:

(i) RMB93.3 million (approximately HK$112.3 million) payable to CE-SCM by instalments;

(ii) RMB80.8 million (approximately HK$97.3 million) payable to CITIC Group at completion, out of which RMB62.0 million (approximately HK$74.6 million) is paid as advance payment for the acquisition of the remaining 45.09% equity interest in CEC held by CITIC Group upon CPCNet exercising the Purchase Right;

(iii) HK$0.4 million as consideration for the entire equity interest in CEC-HK; and

(iv) the assumption of debts in amount of USD9.1 million (approximately HK$70.8 million) owed by CEC-HK to a subsidiary of CITIC Group.

Details of the Framework Agreement are set out in the Company's circular to shareholders dated 22 October 2010.

At 30 June 2011, the Group has, pursuant to the Framework Agreement, paid approximately HK$65.6 million to CE-SCM and HK$0.4 million to CEC-HK Holding. The remaining sum of approximately $214.8 million, being the unpaid portion of the aggregate consideration (including the advance payment), shall be payable at completion after the Framework Agreement becoming unconditional.

On 29 July 2011, the Group completed the acquisition of CEC-HK through CPCNet pursuant to the Framework Agreement dated 2 September 2010. Details of the acquisition of CEC-HK are set out in the Company's circular to shareholders dated 22 October 2010.

Exchange rate risk

A substantial portion of the Group's sales revenue and cost of sales are denominated in United States dollar, to which the Hong Kong dollar is pegged. In addition, the Group's financial assets, financial liabilities and transactions are mainly denominated either in Hong Kong dollar or United States dollar. Management considers that the Group's exposure to foreign currency risk is not material and will continue to monitor closely all possible exchange rate risk and implement the necessary hedging arrangement to mitigate any significant foreign exchange risk.

Credit risk

Credit evaluations are performed on all customers with credit level over a certain amount. Trade receivables are due within 7 to 180 days from the date of billing. The Group will assign an officer who will be responsible to agree on a settlement plan with those debtors with balances due over one year to reduce the outstanding balance within a reasonable period.

The Group has certain concentration risk in respect of trade receivables due from the Group's five largest customers who accounted for approximately 47% and 43% of the Group's total trade receivables at 30 June 2011 and 31 December 2010 respectively. The credit risk exposure to trade receivables balance has been and will be monitored by the Group on an ongoing basis and the impairment loss on doubtful debts has been within management's expectations.

HUMAN RESOURCES

As at the end of June 2011, the Group employed a total of 539 employees for its headquarters in Hong Kong and its principal subsidiaries. Employees in Hong Kong totalled 428 and employees in overseas and Mainland China totalled 111.

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

To ensure that overall compensation 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 positive atmosphere.

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

Developing employees to enable them to grow personally and professionally has always been an ongoing priority at the Group. The Group has provided internal training opportunities and training subsidy 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.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The Board believes that good corporate governance practices are important to maintain and promote investor confidence, protect the interests of shareholders and enhance shareholder value. Corporate governance requirements keep changing, therefore the Board reviews its corporate governance practices to ensure they meet stakeholders' expectations, comply with legal and professional standards and reflect the latest local and international developments. Details of our corporate governance practices can be found on page 40 of the 2010 annual report and the Company's website www.citictel.com.

Throughout the six months ended 30 June 2011, the Company has complied with all code provisions in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Audit Committee has reviewed the Interim Report with management and the Company's internal and external auditors and recommended its adoption by the Board. The Committee consists of three independent non-executive directors.

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.

DIVIDEND AND CLOSURE OF REGISTER

The Directors have declared an interim dividend of HK2.4 cents (2010: HK2.4 cents) per share for the year ending 31 December 2011 payable on Friday, 9 September 2011 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 6 September 2011. The Register of Members of the Company will be closed from Wednesday, 31 August 2011 to Tuesday, 6 September 2011, 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 Registrars, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 30 August 2011.

SHARE CAPITAL

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 2011 and the Company has not redeemed any of its shares during the period ended 30 June 2011.

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 expectations or beliefs concerning future events and involve known and unknown risks and uncertainty 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.hkex.com.hk). Additional information including a full financial analysis will be posted on the Company's website as soon as possible and the full Interim Report will be made available on the website of the Company and the Stock Exchange around 31 August 2011.

By Order of the Board
Xin Yue Jiang
Chairman

Hong Kong, 12 August 2011

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	Yang Xianzu
Yuen Kee Tong	Fei Yiping	Liu Li Qing
Chan Tin Wai, David		Kwong Che Keung, Gordon