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

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

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of CITIC Telecom International Holdings Limited (the "Group") for 2011.

The Group recorded stable growth in its operating results during 2011 as it proactively responded to challenges with strong market development efforts amidst a testing international economic environment and more intense competition in the telecommunications market. Total revenue of the Group for 2011 amounted to HK$3,196.8 million, a rise of 7.8% compared with the previous year. Net profit amounted to HK$458.2 million, a 14.2% increase from the previous year. Basic earnings per share increased by 7.3% to HK19.2 cents.

Despite intensified competition, our voice services business remained stable during 2011 with a modest 1.8% increase in revenue over the previous year. Both the China inbound and outbound voice businesses were affected by adverse market changes during the year. Thus the volume of China inbound traffic handled by the Group declined in comparison to the previous year. Confronted by this adverse market situation, the Group strived to develop new areas in its voice services by increasing its offering of higher-margin voice services, which partially offset the impact of adverse factors such as the continued decline in the voice services market.

Revenue generated from our SMS Services and Mobile Value-added Services ("VAS") increased by 10.0% and 25.4%, respectively, as compared to the previous year. Data businesses such as virtual private networks ("VPN") and Internet access services recorded rapid growth, rising by 21.4% as compared to the previous years, due to revenue contributions from China Enterprise Netcom Corporation Limited ("CEC-HK") following the completion of the acquisition of CEC-HK's entire issued share capital on 29 July 2011. Profit contributions to the

Group from Companhia de Telecomunicacoes de Macau, S.A.R.L. ("CTM") also grew by 67.2% compared with the previous year.

While maintaining steady development in its businesses, the Group also committed diligent efforts to significant matters which would impact the Group's long term development with an aim of further improving its corporate governance and management tasks in all aspects. In 2011, our Directors made a solid contribution to the Group's corporate governance practices, ensuring that all decisions would be made in accordance with the Group's requirement for best corporate governance. As a result, the procedures of the Group's Board of Directors have become more systematic, rigourous and democratic. We completed the acquisition of 65% interest in VidaCom Group USA, Inc. (which indirectly owns the entire interests in IVAS Brasil, S.A.), as well as certain shareholdings in E-Tone Network Corporation in Taiwan. The Group enhanced its business development advantage with the completion of its network operation centre and data centre. We also placed a strong emphasis on staff training, where employees' awareness and motivation for domestic as well as international market development were enhanced and their business and technical capabilities were improved through various forms of education and training. By leveraging its internal dynamics, the Group achieved notable results in terms of effective resource deployment, systematisation of billing and routing processes, establishment of financial information management system building, improvements to customer and commercial management, as well as capital cost control. Our work in the past year has provided a strong driving force to bolster the Group's general efficiencies.

The Board recommended a final dividend of HK7.2 cents per share for 2011. Together with the interim dividend of HK2.4 cents for 2011, the total dividend per share for 2011 amounted to HK9.6 cents, which was 1.1% higher compared with the previous year. The dividend payout ratio for the year is 50.0%.

I. Review for 2011

Proactive measures adopted to enhance the operating efficiencies of our voice services

In 2011, the Group's voice services business was subject to the pressure and challenges of an ever-changing telecommunications market. To address such changes, a number of measures were adopted to secure the stable development in all aspects of our voice services business.

The Group enhanced its efforts in business research and market analysis by conducting sessions for these subjects on a regular basis in response to changes in telecoms operators and overseas markets. These sessions have rendered strong support to the management and the business departments through timely provision of accurate information. The Group conducted business with the provincial branch companies of the PRC telecoms operators based on its existing platforms and embarked on initiatives to support these operators in the development of single IMSI dual number service ("SIDN") in China's neighboring countries and regions. We continued to explore high-quality overseas routing to reduce costs of international voice services. Initial results were achieved for the Group's IPX and other projects as marketing efforts in these areas paid off. To strengthen the market development work of the Group's overseas offices, we set up a new International Business Department to oversee their operations and focus efforts to develop new high-value voice services. The closer coordination between headquarters and overseas offices as well as among the offices themselves enabled continuous profit growth in voices services overseas and contributed to the stable development of the Group's overall voice services.

Vigorous new market development efforts yield rapid growth for Mobile VAS, VPN and data businesses and stable growth for SMS business

Leveraging its established market leadership and premium service quality in the international Mobile VAS business, the Group endeavoured to participate in projects with the PRC telecoms operators and cooperation in that area with PRC telecoms operators has been enhanced as a result. The Group's successful bids for projects of these operators' provincial branches, such as the "Campus Card" project, was a strong driving force behind the rapid growth of its Mobile VAS business. For data businesses, CITIC Telecom International CPC Limited exerted major efforts in the new areas of cloud computing, information security and data centres following the completion of its initial business integration with China Enterprise Communications Ltd.. The Group's competitiveness in the international SMS business has been enhanced as it secured new customers in enterprise SMS and entered into a contract with a major telecommunications player in Southeast Asia to become its SMS international gateway to certain Asian countries. Advances have been made in the enterprise SMS business with multinational corporations. Through the marketing activities described above, we have broadened our market base and achieved rapid growth in our Mobile VAS, VPN and data businesses, while our SMS business also managed to achieve moderate growth.

Endeavours to tap new business frontiers underpinned by diligent product and business innovation including cloud computing services

SmartCLOUD Cloud Computing Solution, the flagship product of CITIC Telecom International CPC Limited, was launched in July 2011 and aimed at providing Asia Pacific corporate users with innovative, flexible and efficient cloud computing services. SmartCLOUD was well received by the market and we were one of the first service providers in the Greater China region to obtain the VMware vCloud® Powered Certification. The cloud computing services of CITIC Telecom International CPC Limited were fully supported by various internationally renowned suppliers in cloud computing and virtualisation technologies. SmartCLOUD M@i1, another cloud computing solution provided by CITIC Telecom International CPC Limited, offers email, calendar and other supplementary functions as well as seamless compatibility with various platforms and hardware enabling operation on any equipment at any time.

Highly focused on realising the potential for the development of its IPX business, the Group adopted various measures to meet market demand for IPX and cloud computing. With its IPX gateway in place, the Group started negotiations with CTM and other telecoms operators in IPX business cooperation with bundled voice, SMS and Mobile VAS services. The Group launched all-in-one roaming service products that featured integrated networks, technical platforms, operations and maintenance for voice, SMS and Mobile VAS and carried out market promotion of IPX technical services. Through product and business innovation, the Group endeavoured to explore new frontiers in its business development.

Corporate internal control standards enhanced through improved internal management and control procedures

In tandem with our rapid development and growing scale of operations in recent years, the business segments of our Group's departments and subsidiaries increasingly extended their scope of business and become more sophisticated. Our Group is facing heightened challenges and risks as our scale of operations and business expands. An imminent issue to be addressed would be the enhancement of our Group's management and control measures commensurate with our rapid business growth. Towards this end, the Group set up the Internal Control Department and formulated the "Working Rules for Internal Control and Examination" and commenced a range of internal control initiatives implementing rules and regulations to provide a strong assurance of the Group's internal control ability.

Departments concerned and overseas offices of the Group were organised to roll out work on a massive scale for the establishment of the enterprise resource planning (ERP) system and notable results were achieved. Our ERP system, officially commissioned in April 2011, has enhanced the internal control standards of the Group.

Quality of services to customers further upgraded in tandem with improved network quality management standards

The Group placed key emphasis on the quality of worldwide network communications. Quality management was further strengthened to meet the requirements of both the Group's business development and its customers. The Group's principal telecommunications platforms were optimised, upgraded and expanded in capacity on a continuing basis, while new exchange firewalls were built. Quality management for project works and job orders were also strengthened through the development of the customer service management system to deal with quality issues for customers in a proactive manner. A Quality Assurance and Testing Committee set up early last year conducted meetings on a regular basis to analyse work and routing quality, and review and resolve quality issues in a timely manner. The Group also proactively launched and revised overseas quality testing programmes on an ongoing basis, under which overseas offices were required to promptly return test results to the Hong Kong headquarters to identify and resolve existing quality problems before they were identified by customers. The measures adopted by the Group to enhance network management have further improved our standard of network quality management and provided a solid foundation for offering customers higher quality services.

Staff competency and standards consistently improved by building corporate culture and enhanced training on team calibre

The Group has enhanced internal business training and education, by organising specialised training and seminars on a regular basis followed by sessions where department heads and staff shared their knowledge and observations on market development as well as insights into business training. Meetings of the management teams from overseas offices at the Hong Kong headquarters enabled proactive and effective business development overseas and enhanced overseas offices' understanding of the Group's business and other developments. At these meetings, management teams shared information on their respective business development efforts and future plans as well as received training on the Group's ERP system. Through this learning and training, the ability of staff to handle and resolve issues has been improved.

II. Outlook for 2012

In 2012, the world economy will remain subject to the adverse impact of the sovereign debt crisis in Europe. The Group will continue to face enormous pressure in the international telecommunications market with lingering uncertainties in the business environment. Hence, building on the foundation we created in 2011, the Group will continue developing its businesses to achieve growth. At the same time, the Group will continue to be innovative in order to adapt to changes and new demands in the market, and to realise our goal to become an operations-oriented enterprise.

Over the past few years, a diversified approach has been adopted for the Group's telecommunications business with the strong support of CITIC Group Corporation and CITIC Pacific Limited. In addition to our traditional transit businesses of international voice services, SMS and Mobile VAS, we have also established a solid brand name in the market for our data business including VPN and Internet access services. The Group's equity interest in CTM has contributed to a stronger foundation for future development. Our more extensive overseas network has positioned us favourably for even further access to international markets. On the basis of these positive factors and our constant efforts in prudent development, we are striving for stable profit growth in 2012.

To further enhance profit contributions through the local marketing strengths of overseas offices

Stronger efforts will be committed to boosting business, technology and team building of overseas offices, as we strive to fully realise their potential in order to extend our international marketing reach and network coverage, aiming to achieve stable growth in our international business. Further to the acquisitions of a controlling stake in IVAS Brasil and shareholdings in an enterprise voice services company in Taiwan in 2011, we are looking to enhance post-acquisition management to bring the practices of these companies in financial, human resources and business matters in line with the headquarters. Profit contributions from these overseas offices are expected to further increase leveraging the benefit of their inherent marketing strengths.

To actively penetrate the markets of developing countries and broaden the scope of business cooperation with Third-world nations

Leveraging fully its worldwide marketing regime and telecommunications network, the Group will conduct timely analysis of customer demands and continue to tap emerging markets such as Africa, Central Asia, the Middle East and South America for business cooperation on new frontiers through the formulation of effective marketing initiatives. We will need to look into the international business development of the PRC telecoms operators in order to correctly position ourselves in the international market and identify new niches for cooperation with PRC operators under different market situations. On the back of our market strength in the telecommunications markets in developing countries, we look to commence mutually beneficial business ventures with operators in developing countries in a proactive and effective manner.

To sustain business development by providing more comprehensive services to PRC telecommunications operators and domestic enterprises

We are well-disposed to provide better services for the PRC telecoms operators and will strengthen our marketing efforts in the PRC telecommunications market. Efforts will be devoted to the research and development of new products based on the business requirements of the PRC telecoms operators which we closely track. Through constant improvement of our quality of service, our working relationships with the PRC telecoms operators will be enhanced. The Group will also work in close tandem with the nation's economic development to provide VPN and other telecommunications services to domestic enterprises engaged in overseas expansion.

To strengthen the application and research and development in new technologies and businesses such as cloud computing

The Group will continue to invest in SmartCLOUD products with a view to introduce state-of-the-art technologies and specialised services and support, so that customers could fully benefit from cloud computing services with upgraded efficiencies and flexibility. At the same time, the Group would be able to further enlarge its market share in cloud computing.

We will engage in active research and development of new technologies and businesses that cater for our development, based on the requirements of telecoms operators and changes in the market. In particular, we will continue to enhance our efforts in the research and development of IPX, mobile roaming payments, and 3G and 4G technologies with a view to turning research outcomes into products. Special emphasis would be given to enhance the research and development of IPX applications so that we could provide customers with IPX services of top quality. We will also seek to advance the progress of our 3G-VT video phone transit business.

To improve the standard of the Group's network operation by enhancing data centre and network capabilities

We also intend to enhance the standard of our network operation through the construction of new data centres. We are focusing on the development of the data centre (servers) located at CITIC Telecom Tower in Hong Kong. Further to the completion of Phase I, we are ready to start construction of Phase II and actively plan for Phase III. We are undertaking efforts to ensure the quality of the construction work, the benefits of investments in networks and equipment and the proper relocation of cables and equipment. Through careful planning as well as sound and effective arrangement of investments in equipment and cable, the data centre would be well-positioned for healthy development.

Regarding internal management and development strategies for our Group, in 2012 we will continue to seek improvements in the management quality of staff at all levels by reviewing past experience and outcomes in internal management, so that we will be able to pursue scientific and standardised management at a more profound level. This should enable us to further consolidate and enhance the benefits of our existing businesses, foster the development of new products and businesses and engage in active international market development. In this way, our integrated competitive strengths will be continuously enhanced.

With the support of our shareholders and the concerted efforts of all employees, I am confident that our Group will continue to achieve steady progress in business development and deliver sound returns to our shareholders in 2012.

May I express sincere gratitude to all shareholders, business partners and parties who have shown their concern for the Group. I would also like to pay tribute to all employees of the Group for their dedication and hard work.

Xin Yue Jiang
Chairman
Hong Kong, 22 February 2012

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	*2011* HK$'000	*2010* HK$'000
Turnover	3	3,196,753	2,966,469
Other revenue	4	1,485	3,493
Other net gain/(loss)	5	213	(6,999)
		3,198,451	2,962,963
Network, operations and support expenses	6(b)	(2,214,373)	(2,042,320)
Depreciation and amortisation	6(b)	(127,062)	(113,633)
Staff costs		(300,150)	(262,778)
Other operating expenses		(181,389)	(187,218)
Profit from operations		375,477	357,014
Finance costs	6(a)	(974)	(214)
Share of profit of an associate		148,770	88,957
Share of profit of a jointly controlled entity		410	-
Profit before taxation	6	523,683	445,757
Income tax	7	(65,437)	(44,469)
Profit attributable to equity holders of the Company		458,246	401,288
Earnings per share (HK cents)	9		
Basic		19.2	17.9
Diluted		19.2	17.8

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 HK$'000	*2010* HK$'000
Profit for the year	458,246	401,288
Other comprehensive income for the year (after tax)		
Exchange differences on translation of financial statements of overseas subsidiaries	298	14,843
Total comprehensive income for the year attributable to equity holders of the Company	458,544	416,131

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2011

	Note	*2011*	*2010*
		HK$'000	HK$'000
Non-current assets			
Property, plant and equipment		668,521	595,350
Intangible assets		89,888	48,362
Goodwill		363,549	281,465
Interest in an associate		1,472,414	1,489,382
Interest in a jointly controlled entity		43,176	-
Non-current other receivables and deposits	10	109,347	171,370
Deferred tax assets		19,902	22,172
		2,766,797	2,608,101
Current assets			
Trade receivables, other receivables and deposits	10	1,308,036	1,140,333
Current tax recoverable		5,630	6,265
Cash and bank deposits		257,023	327,026
		1,570,689	1,473,624
Current liabilities			
Trade and other payables	11	852,196	876,849
Loans from an associate		123,328	96,350
Current tax payable		26,006	23,703
		1,001,530	996,902
Net current assets		569,159	476,722
Total assets less current liabilities		3,335,956	3,084,823

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2011 (continued)

	Note	*2011* HK$'000	*2010* HK$'000
Non-current liabilities			
Non-current other payables	11	95,192	102,582
Deferred tax liabilities		61,638	38,424
		156,830	141,006
NET ASSETS		3,179,126	2,943,817
CAPITAL AND RESERVES			
Share capital		238,599	238,520
Reserves		2,940,527	2,705,297
TOTAL EQUITY		3,179,126	2,943,817

Notes to the Accounts

1 Significant accounting policies

The accounting policies used in the preparation of the financial statements are consistent with those adopted in the financial statements for the year ended 31 December 2010 except for the adoption of certain new and revised standards, amendments and new interpretations of Hong Kong Financial Reporting Standards ("HKFRSs") which were issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and became effective during the year ended 31 December 2011.

The adoption of such standards, amendments and new interpretations does not result in significant changes to the Group's accounting policies and has no significant effect on the results reported for the year ended 31 December 2011.

The Group has not early adopted any new and revised standards, amendments and new interpretations issued by the HKICPA that are not yet effective for the year ended 31 December 2011, and is in the process of assessing their impact on future accounting periods.

2 Changes in accounting policies

The HKICPA has issued a number of amendments to 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 adoption of these developments has no material impact on the Group's operating results.

3 Turnover and segment reporting

(a) Turnover

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

Turnover recognised during the year may be analysed as follows:

	2011	*2010*
	HK$'000	HK$'000
Fees from the provision of voice services	1,939,124	1,905,617
Fees from the provision of short message services	347,240	315,713
Fees from the provision of other telecommunications services	910,389	745,139
	3,196,753	2,966,469

3 Turnover and segment reporting (continued)

(a) Turnover (continued)

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 government-related 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$1,295,567,000 for the year ended 31 December 2011 (2010: HK$1,141,951,000).

(b) 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.

(i) Reconciliation of reportable segment profit

	2011	*2010*
	HK$'000	HK$'000
Profit		
Reportable segment profit	379,834	370,450
Share of profit of an associate	148,770	88,957
Share of profit of a jointly controlled entity	410	-
Unallocated other revenue	1,485	3,493
Unallocated head office and corporate expenses	(6,816)	(17,143)
Consolidated profit before taxation	523,683	445,757

Revenue and expenses are allocated to the reportable segment with reference to sales generated by the segment and the expenses incurred by the segment or which otherwise arise from the depreciation or amortisation of assets attributable to the segment.

3 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(ii) Reconciliation of reportable segment assets and liabilities

	2011 HK$'000	*2010* HK$'000
Assets		
Reportable segment assets	2,796,364	2,497,975
Interest in an associate	1,472,414	1,489,382
Interest in a jointly controlled entity	43,176	-
Current tax recoverable	5,630	6,265
Deferred tax assets	19,902	22,172
Unallocated corporate assets	-	65,931
Consolidated total assets	4,337,486	4,081,725
Liabilities		
Reportable segment liabilities	944,112	970,374
Current tax payable	26,006	23,703
Deferred tax liabilities	61,638	38,424
Loans from an associate	123,328	96,350
Unallocated corporate liabilities	3,276	9,057
Consolidated total liabilities	1,158,360	1,137,908

Segment assets include all tangible, intangible assets and current and non-current assets with the exception of interest in an associate, interest in a jointly controlled entity, 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.

3 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(iii) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of revenue is based on the physical location of assets through which the services were provided.

	2011 HK$'000	*2010* HK$'000
Hong Kong (place of domicile)	2,837,265	2,633,033
United States of America	133,713	148,160
Singapore	115,748	113,168
Other countries	110,027	72,108
	3,196,753	2,966,469

4 Other revenue

	2011 HK$'000	*2010* HK$'000
Bank interest income	180	601
Other interest income	705	763
Total interest income	885	1,364
Rental income from operating leases	600	2,129
	1,485	3,493

5 Other net gain/(loss)

	2011 HK$'000	*2010* HK$'000
Net gain/(loss) on disposal of property, plant and equipment	160	(313)
Net foreign exchange gain/(loss)	53	(6,686)
	213	(6,999)

6 Profit before taxation

Profit before taxation is arrived at after charging:

		2011	*2010*
		HK$'000	HK$'000
(a)	Finance costs		
	Interest on borrowings wholly repayable within 5 years	974	214
(b)	Other items		
	Network, operations and support expenses	2,214,373	2,042,320
	– operating leases - leased circuits	252,903	212,892
	Depreciation	115,602	105,186
	Amortisation	11,460	8,447
	Impairment loss on trade debtors	13,720	13,685
	Transaction costs for acquisition of subsidiaries	172	10,468

7 Income tax

Income tax in the consolidated income statement represents:

	2011	*2010*
	HK$'000	HK$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	44,590	46,858
Under-provision in respect of prior years	80	533
	44,670	47,391
Current tax - Overseas		
Provision for the year	4,118	4,097
Under/(over)-provision in respect of prior years	491	(190)
	4,609	3,907
Deferred tax		
Recognition of tax losses not recognised in prior years	-	(23,692)
Origination and reversal of temporary differences	16,158	16,863
	16,158	(6,829)
	65,437	44,469

7 Income tax (continued)

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

8 Dividends

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

	2011 HK$'000	*2010* HK$'000
Interim dividend declared and paid of HK2.4 cents per share (2010: HK2.4 cents per share)	57,264	57,205
Final dividend proposed after the balance sheet date of HK7.2 cents per share (2010: HK7.1 cents per share)	171,791	169,405
	229,055	226,610

The final 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 year

	2011 HK$'000	*2010* HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK7.1 cents per share (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 year ended 31 December 2011 which represents dividends attributable to shares issued upon exercise of share options before the closing date of the register of members.

9 Earnings per share

	2011	*2010*
	HK$'000	HK$'000
Profit attributable to equity holders of the Company	458,246	401,288

Weighted average number of ordinary shares

	Number of shares	
	2011	*2010*
	'000	'000
Issued ordinary shares at 1 January	2,385,202	1,977,731
Effect of shares issued for acquisition of an associate	-	267,956
Effect of share options exercised	739	379
Weighted average number of ordinary shares at 31 December	2,385,941	2,246,066
Effect of deemed issue of shares under the Company's share option plan	-	2,645
Weighted average number of ordinary shares (diluted) at 31 December	2,385,941	2,248,711
Basic earnings per share (HK cents)	19.2	17.9
Diluted earnings per share (HK cents)	19.2	17.8

The diluted earnings per share for the year ended 31 December 2011 was the same as the basic earnings per share as the potential ordinary shares outstanding during the year ended 31 December 2011 were anti-dilutive.

10 Trade receivables, other receivables and deposits

	2011	*2010*
	HK$'000	HK$'000
Trade debtors	1,098,564	988,516
Less: allowance for doubtful debts	(28,635)	(19,690)
	1,069,929	968,826
Other receivables and deposits	260,916	342,877
Amount due from a fellow subsidiary	86,538	-
	1,417,383	1,311,703
Represented by:		
Non-current portion	109,347	171,370
Current portion	1,308,036	1,140,333
	1,417,383	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:

	2011	*2010*
	HK$'000	HK$'000
Within 1 year	1,044,958	817,549
Over 1 year	53,606	170,967
	1,098,564	988,516

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. Debtors with balances due over one year, the Group will assign an officer who will be responsible to agree on a settlement plan with those debtors to reduce the outstanding balance within a reasonable time. Normally, the Group does not obtain collateral from customers.

11 Trade and other payables

	2011	*2010*
	HK$'000	HK$'000
Trade creditors	642,600	693,385
Other payables and accruals	304,788	286,046
	947,388	979,431
Represented by:		
Non-current portion	95,192	102,582
Current portion	852,196	876,849
	947,388	979,431

All current trade and other payables are expected to be settled within one year.

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

	2011	*2010*
	HK$'000	HK$'000
Within 1 year	554,576	475,514
Over 1 year	88,024	217,871
	642,600	693,385

FINANCIAL REVIEW AND ANALYSIS

REVIEW OF OVERALL PERFORMANCE

Turnover

The Group's turnover for 2011 was HK$3,196.8 million, an increase of 7.8% compared with HK$2,966.5 million for 2010.

Profit attributable to equity holders of the Company

The Group recorded a net profit of HK$458.2 million for the year ended 31 December 2011, an increase of 14.2% over 2010. The increase was mainly due to the first time inclusion of the full year profit contribution from Companhia de Telecomunicacoes de Macau, S.A.R.L. ("CTM"). If the share of profits of CTM was excluded, the profit after tax would be of similar level of 2010.

Acquisition of subsidiaries/ jointly controlled entity

In order to strengthen the Group's market position and further expand its business, the Group has made several acquisitions during the year. The major acquisitions are as follows:

a) Acquisition of China Enterprise Netcom Corporation Limited ("CEC-HK")

   On 29 July 2011, the Group acquired the entire equity interest of CEC-HK for a consideration of HK$114.1 million. CEC-HK is engaged in the provision of telecommunications leasing and technology services.

b) Acquisition of 85% equity interest in Cheer Harvest Holdings Limited ("Cheer Harvest")

   On 30 November 2011, the Group acquired 85% equity interest in Cheer Harvest for a consideration of HK$41.1 million. As the Group and the other shareholder of Cheer Harvest share joint control over the economic activities of the entity, the equity interest in Cheer Harvest is treated as a jointly controlled entity of the Group. Cheer Harvest is engaged in the provision of telecommunications services.

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 year, the Group's cash and cash equivalents decreased by HK$72.2 million to HK$253.3 million at 31 December 2011 as compared to HK$325.5 million at 31 December 2010. The decrease was mainly due to HK$122.6 million and HK$299.1 million spent on investing and financing activities respectively, which was offset by HK$349.5 million generated from operating activities during the year.

The investment was mainly used for the capital expenditure of HK$221.4 million and the acquisition of a jointly controlled entity of HK$42.8 million, partially offset by the final dividend received from CTM for 2010 amounting to HK$157.6 million.

For financing activities during the year, the Group paid dividends of HK$226.7 million, repaid a loan of HK$96.9 million to CTM, settled a bank loan of HK$30.0 million and repaid a loan due to a previous shareholder of CEC-HK of HK$70.8 million. In the meantime, the Group received HK$124.1 million from CTM for a short-term loan during the year.

Borrowings

At 31 December 2011, the Group had a HK$123.3 million short-term loan from an associate. The loan bears interest at the prevailing market rate. It is unsecured and repayable on 30 March 2012.

Net cash

At 31 December 2011, the Group maintained a net cash position of HK$133.7 million.

Banking facilities

At 31 December 2011, the Group had banking facilities approximately HK$136.7 million. About HK$6.7 million of these facilities was required to be secured by pledged deposits.

Of the total banking facilities, approximately HK$12.9 million was utilised as guarantees for the Group’s purchases from telecoms operators, performance to customers, and rental deposits.

Securities and guarantees

At 31 December 2011, the Group pledged approximately HK$3.7 million of 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 31 December 2011, the Group had outstanding capital commitments of HK$110.2 million, mainly for the acquisition of network equipment which had yet to be delivered to the Group and the fitting-out cost of the new data centre, of which HK$43.8 million were outstanding contractual capital commitments and HK$66.4 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 Corporation (formerly known as 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 (“CPC”), 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 Corporation together with a purchase right (the “Purchase Right”) to acquire the remaining 45.09% equity interest in CEC held by CITIC Group Corporation, in which the Purchase Right shall be exercisable by CPC when CPC is permitted to hold more equity interest in CEC under the then prevailing PRC laws and regulations; and

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

The aggregate consideration payable by the Group is approximately HK$286.1 million:

(i) Renmibi (“RMB”) 93.3 million (approximately HK$115.1 million) payable to CE-SCM by instalments;

(ii) RMB80.8 million (approximately HK$99.8 million) payable to CITIC Group Corporation at completion, out of which RMB62.0 million (approximately HK$76.5 million) is paid as advance payment for the acquisition of the remaining 45.09% equity interest in CEC held by CITIC Group Corporation upon CPC 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 US$9.1 million (approximately HK$70.8 million) owed by CEC-HK to a subsidiary of CITIC Group Corporation.

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

On 29 July 2011, the Group completed the acquisition of CEC-HK pursuant to the Framework Agreement. At 31 December 2011, included in other payable was HK$48.2 million being the unpaid portion of the acquisition cost in CEC-HK. Further, the Group has a remaining sum of approximately RMB79.1 million being the unpaid portion of the aggregate consideration (including the advance payment), that shall be payable at completion after the Framework Agreement becoming unconditional.

Exchange rate risk

A substantial portion of the Group’s turnover 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 risks and implement the necessary hedging arrangement to mitigate any significant foreign exchange risk.

Credit risk

Credit evaluations are performed on all customers with a 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 exceeding one year to reduce the outstanding balance within a reasonable period.

The Group has a certain concentration of risk in respect of trade receivables due from the Group's five largest customers who accounted for approximately 54% and 43% of the Group's total trade receivables at 31 December 2011 and 2010 respectively. The credit risk exposure of trade receivables has been and will continue to 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 December 2011, the Group employed a total of 554 employees (2010: 517) for its headquarters in Hong Kong and its principal subsidiaries. Employees in overseas and Mainland China totalled 109.

The Group is an equal opportunity employer and adheres to non-discriminatory employment practices and procedures in recognising and respecting individuals' rights. The Group promotes equal opportunities to applicants and existing employees, determining staff promotion and development in accordance with individual performance and job requirements. It also upholds a high standard of business ethics and personal conduct of its employees. Every employee of the Group is required to strictly comply with the Code of Conduct.

The Group's compensation strategy is to cultivate a pay-for-performance culture to incentivise and reward employee performance that will lead to a long-term enhancement of the overall calibre of the Group. The Group reviews the cash compensation and benefit packages provided to its employees to ensure that the total compensation is internally equitable, externally competitive and supports the Group's business strategy.

The Group continues its effort in staff training and development to support the needs of its business and staff. We also support and encourage self-initiated personal development of our employees by providing training subsidies for external training courses to enhance their skills and abilities. In 2011, the Group provided training to employees for 1,869 times.

The Group organises a variety of employee activities and provides channels for employee communications. These actions help to enhance mutual communication among different levels of employees and increase their sense of belonging to the Group.

Under the share option plan (the "Plan") adopted by the Company on 17 May 2007, the Board may in its absolute discretion invite any person employed by the Company or any of its subsidiaries and any person who is an officer or director (whether executive or non-executive) of the Company or any of its subsidiaries to subscribe for options over the Company's shares.

Since the adoption of the Plan, the Company has granted three lots of share options :

Date of grant	Number of share options	Exercise period	Exercise price HK$
23 May 2007	18,720,000	23 May 2007 to 22 May 2012	3.26
17 September 2009	17,912,500	17 September 2010 to 16 September 2015	2.10
17 September 2009	17,912,500	17 September 2011 to 16 September 2016	2.10
19 August 2011	24,227,500	19 August 2012 to 18 August 2017	1.54
19 August 2011	24,227,500	19 August 2013 to 18 August 2018	1.54

All options granted and accepted under the Plan can be exercised in whole or in part within 5 years from the date of grant. All options granted on 19 August 2011 were accepted except for options for 200,000 shares. Options for 791,000 shares were exercised and options for 2,278,000 shares have lapsed during the year ended 31 December 2011.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The board of directors believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. At CITIC Telecom International Holdings, we attach importance to our people, our code of conduct, and our corporate policies and standards, which together form the basis of our governance practices. We respect the laws, rules and regulations of each country and area in which we operate, and we strive to ensure for our people a healthy and safe working environment which is our paramount concern. We endeavour to contribute to the sustainable development of the Company, with particular focus on our accountability to shareholders and stakeholders. A full description of the Company's corporate governance will be set out in the section of Corporate Governance contained in the 2011 annual report.

The Company has fully complied throughout the year 2011 with all the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in force prior to 1 April 2012. The Audit Committee of the Board, consisting of three independent non-executive directors, has reviewed the 2011 financial statements with management and the Company's internal and external auditors and recommended its adoption by the Board.

PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION

In view of changes to the Listing Rules relating to, among other things, the constitutional documents of listed issuers and the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules, the Board proposes to amend the articles of association of the Company (the "Articles") and to adopt the New Articles to, amongst others, align it with the relevant changes. The proposed amendments to the Articles are subject to approval by the shareholders by way of a special resolution at the forthcoming annual general meeting (the "AGM") of the Company to be held on Friday, 27 April 2012.

Details of the proposed amendments to the Articles will be set out in the circular to be despatched by the Company in respect of the AGM.

DIVIDEND AND CLOSURE OF REGISTER

The Directors have resolved to recommend to shareholders the payment of a final dividend of HK7.2 cents (2010: HK7.1 cents) per share, which together with the interim dividend of HK2.4 cents (2010: HK2.4 cents) per share already paid makes a total dividend of HK9.6 cents (2010: HK9.5 cents) per share for the year ended 31 December 2011. The total dividend of HK9.6 cents per share will amount to HK$229,055,316 (2010: HK$226,610,871) of the Company's profit for the year ended 31 December 2011.

The proposed final dividend of HK7.2 cents per share, the payment of which is subject to approval of the shareholders at the AGM, is to be payable on Wednesday, 16 May 2012 to shareholders whose names appear on the Register of Members of the Company on 9 May 2012.

The Register of Members of the Company will be closed from Wednesday, 25 April 2012 to Friday, 27 April 2012 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 24 April 2012. In addition, the Register of Members of the Company will be closed from Friday, 4 May 2012 to Wednesday, 9 May 2012 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Thursday, 3 May 2012. During such periods, no share transfer will be effected.

SHARE CAPITAL

Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's shares during the year ended 31 December 2011 and the Company has not redeemed any of its shares during the year ended 31 December 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.

ANNUAL REPORT AND FURTHER INFORMATION

A copy of the announcement will be found on the Company's website (www.citictel.com) and the website of the Stock Exchange (www.hkex.com.hk). The additional information including a full financial analysis will be posted on the Company's website as soon as possible and the full Annual Report will be made available on the website of the Company and the Stock Exchange around 13 March 2012.

By Order of the Board
Xin Yue Jiang
Chairman

Hong Kong, 22 February 2012

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