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 2013

CHAIRMAN'S STATEMENT

I am pleased to present the operating and financial results of CITIC Telecom International Holdings Limited (the "Group") for the six months ended 30 June 2013.

During the first six months of 2013, there was some favourable development of the telecommunications industry amidst the slow progress of global economic recovery. Against such a complicated backdrop, the Group made meticulous efforts to analyse market situations, deliberate strategies and form consensus over relevant issues, overcoming adverse conditions and capitalising on favourable opportunities to fortify its traditional businesses while advancing its business transformation with vigorous yet prudent efforts. With the completion of the acquisition of Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM"), the Group has rapidly expanded its portfolio of quality assets and transformed itself into a full services operator, as the Group would further consolidate its resources to develop new businesses while assuring the quality of its work by providing superior services. Stable business growth was reported for the first half of the year as the Group continued to fortify its PRC business while making strong efforts to develop overseas markets with notable results.

A. Financial Performance

In the first half of 2013, the Group recorded a total revenue of HK$1,881.3 million, an increase of 7.9% over the corresponding period of the previous year. Profit attributable to equity shareholders of the Company was HK$794.1 million, rising 232.5% compared to the corresponding period of the previous year. The significant growth in the Group's profit attributable to equity shareholders was mainly due to the gain on deemed disposal of the 20% equity interest in CTM originally held by the Group and higher profit contribution from CTM and CITIC Telecom International CPC Limited ("CPC").

Basic earnings per share for the six months ended 30 June 2013 increased by 215.0% to HK31.5 cents as compared to the corresponding period of the previous year. The lower growth rate for basic earnings per share as compared to net profit growth was attributable to the rights issue in June 2013, where shareholders were allotted 3 rights shares for every 8 existing shares held.

The Board declared an interim dividend of HK2.4 cents per share for 2013, the same as the corresponding period of the previous year.

B. Business Development

1. Following two years of diligent efforts, the Group saw successful completion of the acquisition of CTM and accomplished transformation into an operator of full telecommunication services, as opposed to one of traditional telecommunication hubbing services

Against the backdrop of volatile global economic landscape, the Group continued to advance its business transformation in a vigorous and yet prudent manner. With the strong support of CITIC Group Corporation, CITIC Pacific Limited and the Macao SAR Government, the Group acquired 51% and 28% interests in CTM held by Cable & Wireless Communications Plc and Portugal Telecom respectively on 20 June 2013. Together with the 20% interest in CTM already held by the Group, the Group now owns 99% of CTM's shares in aggregate, while the remaining 1% continue to be held by Macao Post of the Macao SAR Government.

As the controlling shareholder of CTM, the Group operates full telecommunications services whose business structure, customer mix, operating revenue and source of profit are based mainly on end-user customers. This transformation has resulted in a more solid business model, broader development prospects and a stronger customer base for the Group, thereby enabling the Group to deliver greater value to shareholders.

2. Sustaining leadership in Macao's telecommunications market through the provision of full telecommunications services with superb quality

The Group is rolling out more conducive measures to advance the servicing capabilities of CTM in Macao's telecommunications market. CTM devised marketing plans addressing the demand of the fixed-line telecommunications market, in a bid to secure its fixed-line customer base. A SIMN mobile service with 3 numbers for Macao, Mainland China and Hong Kong was launched to provide cross-border service with convenience and ease. CTM was also vigorously engaged in the research and development of 4G networks in support of a diverse range of mobile data service applications, so as to prepare itself for the launch of 4G services. Macao is now 100% covered by CTM's optical cable network, while the "Fibre-to-the-Home" service attain 80% customer coverage. CTM worked closely with various public sectors to further popularise the use of optical-fibre broadband services, providing a variety of service packages to meet citizens' expectations. CTM also provided specialised business solutions for the government authorities, educational institutions, industrial and commercial corporate customers in Macao, as it continued to be a leader in Macao's telecommunications market providing full telecommunications services with superb quality.

3. **Sustaining stable development for the Group's telecommunications hubbing business by proactive response to changes in the domestic and overseas markets**

The telecommunications hub-based services of the Group include voice, SMS and Mobile VAS. During the first half of the year, the Group continued to work closely with the top three telecommunications operators in China in its voice and Mobile VAS businesses. Meanwhile, we also embarked on in-depth co-operation with domestic telecommunications technology companies and equipment providers to pave the way for diversification into new businesses. In response to changes in the international telecommunications market, the Group strived to sustain its voice and SMS businesses by developing overseas internet customers and corporate customers. The Group has also succeeded in sustaining the stable development of its Mobile VAS business by expanding its Mobile VAS market. To prepare itself for the introduction of LTE business (namely the application of fourth-generation mobile communication technologies), the Group completed the 4G testing between a Hong Kong carrier and a Southeast Asian carrier. The success of this trial operation has laid the foundation for the next phase of the Group's LTE business development. The Group has put in a lot of effort in staff training, technology and equipment, back-office support, marketing, and customer development, etc to provide a solid foundation for the commencement of LTE business.

4. **Stepping up with the construction of the Group's new data centre and related marketing campaigns to fortify the foundation for the Group's data centre business**

With the completion of Phase I and Phase II of the Data Centre, the Group has started to provide services to numerous customers apart from using the Data Centre to meet its own requirements. Meanwhile, the Group started to construct a new data centre in a property on Ap Lei Chau, Hong Kong owned by CITIC Pacific Limited in May this year. The Group stipulated qualifications for contractors bidding for the project and conducted detailed evaluations and focusing on cost efficiency. The Ap Lei Chau Data Centre of the Group is scheduled for commissioning in December this year. Given greater customer demand for data centre services on the Hong Kong Island, the new data centre is expected to provide better services to customers upon completion, thereby further enhancing the Group's competitiveness in the market for data centres on the Hong Kong Island side.

5. **Sustaining rapid growth for the Group's VPN and Internet access businesses by enhancing network construction and pursuing vigorous market development**

The Group realigned the distribution of its points of presence ("POPs") as well as upgraded its network equipment to enhance our service coverage. A new network POP was built in each of London, New York, Bangkok and two cities in Mainland China, so that its multi-protocol label switch ("MPLS") services would cover close to 60 network POPs to meet the needs of the Group's globalised services. The Group's overall service quality was enhanced through improvements in network efficiency. In addition to vigorously increasing the number of TrueCONNECT™ MPLS POPs, CPC also made investment to expand its COC (Cloud Operation Center) during the first six months of 2013, while launching a variety of new products in TrueCONNECT™ (MPLS), TrustCSI™ (integrated information security services) and SmartCLOUD™ (cloud computing solutions) to optimise and strengthen its existing services. Through ongoing launch of new products and enhancement of customer services, the Group managed to sustain strong growth in its Virtual Private Networks ("VPN") and Internet access businesses.

6. Development of Cloud computing business with extensive promotion to a broad range of companies

The Group has launched a series of solutions combining VPN and other services, which include: corporate security solution (VPN in association with information security services), corporate computing resources solution (VPN in association with Cloud computing services) and corporate office synergy solution (VPN association with Cloud video services). Such solutions can add value for customers and stimulate demand, while enhancing the competitive edge over our competitors by offering products with special features, as well as boosting sales of our Cloud video services and information security services. Furthermore, the Group has plans to launch 3 new Cloud services: SmartCLOUD Storage+ which provides Cloud storage services, SmartCLOUD vONE which provides private Cloud services and SmartCLOUD MMCC (Multi Media Contact Center) which provides multimedia communications centre services. Thanks to effective marketing activities, CPC has laid the foundation for thriving growth in the Cloud computing business.

C. Outlook

We are not only confident of meeting the full-year target, but are also resolved to forge a strong foundation for solid development in the longer term with relevant measures in place. The Group will leverage its existing business edge to develop new ventures and markets. We will improve our effort on all fronts to better meet the business needs of PRC and overseas carriers. We will strive for the ongoing development of various businesses by vigorously expanding into creative services and securing new customers through in-depth co-operation with strategic partners. We will continue to pursue further development of data businesses such as VPN and Internet access services, Mobile VAS business and corporate SMS business, while sustaining the value of our voice business. The Group will complete the construction of the Ap Lei Chau Data Centre with premium quality so as to enhance its servicing ability and competitiveness in the data centre market. The Group will also aggressively engage in the development of overseas as well as domestic markets by leveraging the solid foundation and substantial resources of CTM and the synergies among CITIC Group Corporation, CITIC Telecom International and CTM. Meanwhile, we will continue to enhance the service quality of CTM and step up with technological developments and product applications to better fulfill market demands.

Riding on the Group's extensive customer base, excellent telecommunications facilities, quality services, good foundation for co-operation with both PRC and overseas telecoms operators as well as extensive network connections, I believe the Group can sustain sound business development in the second half of the year.

The Group owes its outstanding performance to the longstanding trust and support of its business partners and shareholders, as well as the diligence and dedication of its management team and all employees. On behalf of the Board of Directors, I would like to express sincere gratitude to the shareholders and various parties for the trust and support and to the management and the rest of the staff team for their dedication and good work.

Xin Yue Jiang
Chairman
Hong Kong, 7 August 2013

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2013

		Six months ended 30 June	
	Note	*2013*	*2012*
		(Unaudited)	(Unaudited)
		HK$'000	HK$'000
Turnover	2(a)	1,881,266	1,743,967
Other revenue	3	7,679	240
Other net gain/(loss)	4	1,125,903	(1,425)
		3,014,848	1,742,782
Cost of sales and services		(1,347,834)	(1,233,749)
Depreciation and amortisation		(102,694)	(74,547)
Staff costs	5(b)	(261,153)	(140,777)
Other operating expenses		(382,544)	(96,670)
		920,623	197,039
Finance costs	5(a)	(177,558)	(738)
Share of profit of an associate		80,569	75,249
Share of (loss)/profit of a joint venture		(1,048)	1,113
Profit before taxation	5	822,586	272,663
Income tax	6	(28,032)	(33,863)
Profit for the period		794,554	238,800
Attributable to:			
Equity shareholders of the Company		794,114	238,800
Non-controlling interests		440	-
Profit for the period		794,554	238,800
Earnings per share (HK cents)	8		
Basic		31.5	10.0
Diluted		31.2	10.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Note	*Six months ended 30 June* *2013* (Unaudited) HK$'000	*2012* (Unaudited) HK$'000
Profit for the period		794,554	238,800
Other comprehensive income for the period (after tax)			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments:			
- exchange differences on translation of financial statements of operations outside Hong Kong		3,562	2,093
- release of exchange reserve upon deemed disposal of equity interest in an associate	11(d)	(11,136)	-
Other comprehensive income for the period		(7,574)	2,093
Total comprehensive income for the period		786,980	240,893
Attributable to:			
Equity shareholders of the Company		786,613	240,893
Non-controlling interests		367	-
Total comprehensive income for the period		786,980	240,893

CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2013

	Note	*30 June 2013* (Unaudited) HK$'000	*31 December 2012* (Audited) HK$'000
Non-current assets			
Property, plant and equipment		1,784,005	742,376
Intangible assets		2,429,482	105,825
Goodwill		9,133,147	402,456
Interest in an associate		-	1,449,938
Interest in a joint venture		5,634	45,950
Non-current other receivables and deposits	9	169,052	174,352
Deferred tax assets		36,285	37,451
		13,557,605	2,958,348
Current assets			
Inventories		83,266	-
Trade and other receivables and deposits	9	1,776,061	1,363,583
Current tax recoverable		6,844	3,611
Cash and bank deposits		1,527,094	354,816
		3,393,265	1,722,010
Current liabilities			
Trade and other payables	10	1,688,420	801,248
Bank loans		146,691	100,000
Loan from an associate		-	161,868
Current tax payable		252,885	43,169
		2,087,996	1,106,285
Net current assets		1,305,269	615,725
Total assets less current liabilities		14,862,874	3,574,073

CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2013 (CONTINUED)

	Note	*30 June 2013* (Unaudited) HK$'000	*31 December 2012* (Audited) HK$'000
Non-current liabilities			
Interest-bearing borrowings		8,366,064	-
Non-current other payables	10	84,116	87,808
Net defined benefit retirement obligation		90,881	-
Deferred tax liabilities		357,422	65,241
		8,898,483	153,049
NET ASSETS		5,964,391	3,421,024
CAPITAL AND RESERVES			
Share capital		331,365	238,668
Reserves		5,609,247	3,194,035
Total equity attributable to equity shareholders of the Company		5,940,612	3,432,703
Non-controlling interests		23,779	(11,679)
TOTAL EQUITY		5,964,391	3,421,024

Notes

1 Basis of preparation

The unaudited condensed consolidated interim financial statements have 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 accounting policies used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of all relevant new and revised Hong Kong Financial Reporting Standards ("HKFRSs") that are effective for accounting periods beginning on or after 1 January 2013.

Adoption of the new and revised HKFRSs does not result in a significant impact on the Group's results of operations and financial position for the current or comparative periods.

On 20 June 2013, the Group completed its acquisitions of 79% equity interest in Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") and its subsidiaries (collectively known as "CTM Group"). Upon completion, the Company holds a 99% equity interest in CTM Group, which became subsidiaries of the Company. The Group has adopted the relevant accounting policies of CTM Group as a result of the acquisitions which were not disclosed in the Group's 2012 annual financial statements.

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 Turnover and segment reporting

(a) Turnover

The Group is principally engaged in the provision of telecommunications services, including fixed lines services, mobile services, internet and data services, and sale of telecommunications equipment and mobile handsets.

CTM currently has the right granted from the Macao Government under a concession to provide local and international switched fixed voice and data services on a non-exclusive basis, without interruption, for a period of 5 years from 1 January 2012 until 31 December 2016, automatically renewable for another 5-year period until 31 December 2021 except in the case of serious breach by CTM of the relevant laws and regulations or for reasons of public interest. CTM also operates under a licence from the Macao Government to provide Global System for Mobile Communications 2G and Wideband Code Division Multiple Access 3G mobile services in competition with other operators in Macao, which will expire in June 2015 and is renewable. CTM is also licensed to operate internet services for a period up to April 2018.

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

	Six months ended 30 June	
	2013	*2012*
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Fees from the provision of telecommunications services	1,813,291	1,743,967
Sale of telecommunications equipment and mobile handsets	67,975	-
	1,881,266	1,743,967

Revenue from the provision of 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$433,726,000 (six months ended 30 June 2012: HK$719,953,000) for the six months ended 30 June 2013.

2 Turnover and segment reporting (continued)

(b) Segment reporting

The Group manages its businesses by business operations. Starting from 1 January 2013, the financial results of the Group reported as one reporting segment in previous periods' financial statements are reported to the Group's most senior executive management as three operating segments for the purposes of resource allocation and performance assessment. Following a change in the composition of the Group's operating segments that in turn results in a change in the reportable segments, the segment information for the six months ended 30 June 2012 and at 31 December 2012 has been restated.

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 three reportable segments. No operating segments have been aggregated to form the following reporting segments:

- CITIC Telecom (mainly engaged in the provision of hubbing services)

- CTM (engaged in the provision of fixed lines services, mobile services, internet services and enterprise solution services in Macao)

- CPC (mainly engaged in the provision of data services in Hong Kong and the PRC)

(i) 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 and intangible assets and other current and non-current assets with the exception of interest in an associate, interest in a joint venture, deferred tax assets, current tax recoverable, and other corporate assets. Segment liabilities include trade and other payables and net defined benefit obligation attributable to the operating activities of the segment.

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

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation". To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits/losses of an associate and a joint venture, and head office or corporate administration costs.

2 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

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

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and finance costs from cash balances and borrowings respectively managed directly by the segments, and depreciation and amortisation and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the periods ended 30 June 2013 and 2012 is set out below:

	CITIC Telecom		*CTM*		*CPC*		*Total*	
	Six months ended 30 June		*Six months ended 30 June*		*Six months ended 30 June*		*Six months ended 30 June*	
	2013 (Unaudited) HK$'000	*2012* (Unaudited) HK$'000	*2013* (Unaudited) HK$'000	*2012* (Unaudited) HK$'000	*2013* (Unaudited) HK$'000	*2012* (Unaudited) HK$'000	*2013* (Unaudited) HK$'000	*2012* (Unaudited) HK$'000
Revenue from external customers	1,164,173	1,344,305	135,416	-	581,677	399,662	1,881,266	1,743,967
Inter-segment revenue	14,766	8,803	-	-	1,090	1,176	15,856	9,979
Reportable segment revenue	1,178,939	1,353,108	135,416	-	582,767	400,838	1,897,122	1,753,946
Reportable segment profit (adjusted EBITDA)	50,921	199,119	36,135	-	121,473	93,343	208,529	292,462
Interest income	7,556	231	81	-	42	9	7,679	240
Finance costs	(177,418)	(738)	(140)	-	-	-	(177,558)	(738)
Depreciation and amortisation	(53,181)	(47,536)	(12,560)	-	(36,953)	(27,011)	(102,694)	(74,547)

	CITIC Telecom		*CTM*		*CPC*		*Total*	
	30 June 2013 (Unaudited) HK$'000	*31 December 2012* (Audited) HK$'000	*30 June 2013* (Unaudited) HK$'000	*31 December 2012* (Audited) HK$'000	*30 June 2013* (Unaudited) HK$'000	*31 December 2012* (Audited) HK$'000	*30 June 2013* (Unaudited) HK$'000	*31 December 2012* (Audited) HK$'000
Reportable segment assets	2,530,318	2,326,434	13,579,336	-	718,347	741,926	16,828,001	3,068,360
Additions to non-current segment assets during the period/year	264,550	110,301	11,922,851	-	21,522	174,306	12,208,923	284,607
Reportable segment liabilities	649,068	473,775	812,996	-	304,818	411,795	1,766,882	885,570

2 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(ii) Reconciliation of reportable segment revenue and profit

	Six months ended 30 June	
	2013	*2012*
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue		
Reportable segment revenue	1,897,122	1,753,946
Elimination of inter-segment revenue	(15,856)	(9,979)
Consolidated turnover	1,881,266	1,743,967
Profit		
Reportable segment profit	208,529	292,462
Net (loss)/gain on disposal of property, plant, and equipment	(88)	2
Depreciation and amortisation	(102,694)	(74,547)
Impairment loss on interest in a joint venture	(37,811)	-
Goodwill written-off upon disposal of an operation outside Hong Kong	(10,404)	-
Finance costs	(177,558)	(738)
Share of profit of an associate	80,569	75,249
Share of (loss)/profit of a joint venture	(1,048)	1,113
Gain on deemed disposal of equity interest in an associate	1,115,426	-
Unallocated other revenue	7,679	240
Unallocated head office and corporate expenses	(260,014)	(21,118)
Consolidated profit before taxation	822,586	272,663

2 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(iii) Reconciliation of reportable segment assets and liabilities

	30 June 2013 (Unaudited) HK$'000	*31 December 2012* (Audited) HK$'000
Assets		
Reportable segment assets	16,828,001	3,068,360
Elimination of inter-segment receivables	(3,712)	(2,014)
	16,824,289	3,066,346
Interest in an associate	-	1,449,938
Interest in a joint venture	5,634	45,950
Deferred tax assets	36,285	37,451
Current tax recoverable	6,844	3,611
Unallocated corporate assets	77,818	77,062
Consolidated total assets	16,950,870	4,680,358

	30 June 2013 (Unaudited) HK$'000	*31 December 2012* (Audited) HK$'000
Liabilities		
Reportable segment liabilities	1,766,882	885,570
Elimination of inter-segment payables	(3,712)	(2,014)
	1,763,170	883,556
Bank loans	146,691	100,000
Loan from an associate	-	161,868
Current tax payable	252,885	43,169
Interest-bearing borrowings	8,366,064	-
Deferred tax liabilities	357,422	65,241
Unallocated corporate liabilities	100,247	5,500
Consolidated total liabilities	10,986,479	1,259,334

2 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(iv) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's property, plant and equipment, intangible assets, goodwill and interests in an associate and a joint venture ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of asset in the case of property, plant and equipment, the location of the operation to which they are allocated in the case of intangible assets and goodwill, and the location of operations in the case of interests in an associate and joint venture. The geographical location of revenue is based on the physical location of assets through which the services were provided.

	Specified non-current assets		*Turnover from external customers*	
	30 June 2013	*31 December 2012*	*Six months ended 30 June 2013*	*2012*
	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong (place of domicile)	931,278	958,893	1,398,600	1,544,982
Macao	12,143,878	1,449,938	135,416	-
Other countries	277,112	337,714	347,250	198,985
	13,352,268	2,746,545	1,881,266	1,743,967

3 Other revenue

	Six months ended 30 June 2013	*2012*
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest income from bank deposits	7,570	99
Other interest income	109	141
	7,679	240

4 Other net gain/(loss)

	Six months ended 30 June 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Gain on deemed disposal of equity interest in an associate (note 11(d))	1,115,426	-
Net (loss)/gain on disposal of property, plant and equipment	(88)	2
Net foreign exchange gain/(loss)	10,565	(1,427)
	1,125,903	(1,425)

5 Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
(a) Finance costs		
Interest on bank and other borrowings		
– wholly repayable within five years	6,729	738
– not wholly repayable within five years	70,181	-
	76,910	738
Other finance charges	100,648	-
	177,558	738

5 Profit before taxation (continued)

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

(b) Staff costs (including directors' remuneration)

	Six months ended 30 June	
	2013	*2012*
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Contributions to defined contribution retirement plans	13,421	5,046
Expenses recognised in respect of defined benefits retirement plan	239	-
Total retirement costs	13,660	5,046
Equity-settled share-based payment expenses	49,121	7,891
Salaries, wages and other benefits	198,372	127,840
	261,153	140,777

(c) Other items

Cost of sales and services, including		
- operating lease charges in respect of leased circuits	284,235	126,078
- cost of goods sold	71,962	-
Amortisation	17,718	7,674
Depreciation	84,976	66,873
Impairment losses		
– trade debtors, net	76,163	1,437
– interest in a joint venture	37,811	-
Goodwill written-off upon disposal of an operation outside Hong Kong	10,404	-
Operating lease charges in respect of land and buildings	33,964	23,504
Transaction costs for the acquisitions of subsidiaries	89,688	-

6 Income tax

	Six months ended 30 June	
	2013	*2012*
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax		
Hong Kong Profits Tax		
- Provision for the period	27,559	31,094
- Over-provision in respect of prior years	(12)	(133)
	27,547	30,961
Macau Complementary Tax		
- Provision for the period	3,397	-
Jurisdictions outside Hong Kong and Macao		
- Provision for the period	607	1,261
	31,551	32,222
Deferred tax		
Origination and reversal of temporary differences	(3,519)	1,641
	28,032	33,863

The provision for Hong Kong Profits Tax for the six months ended 30 June 2013 is calculated at 16.5% (six months ended 30 June 2012: 16.5%) of the estimated assessable profits for the period.

The provision for Macau Complementary Tax for the six months ended 30 June 2013 is calculated at the rate of 9% (six months ended 30 June 2012: 9%) for assessable profits ranging from Macau Pataca ("MOP") 200,001 to MOP300,000 (approximately HK$194,000 to HK$291,000) and then at the flat rate of 12% (six month ended 30 June 2012: 12%) for the amount in excess of MOP300,000 (approximately HK$291,000). No Macau Complementary Tax is levied on the first MOP200,000 (approximately HK$194,000) assessable profits.

Taxation for subsidiaries in the PRC (excluding Hong Kong and Macao) and overseas is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

7 Dividends

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

	Six months ended 30 June	
	2013	*2012*
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interim dividend declared and paid after the interim period of HK2.4 cents (six months ended 30 June 2012: HK2.4 cents) per share	79,528	57,264

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 shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2013	*2012*
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period of HK7.2 cents (six months ended 30 June 2012: HK7.2 cents) per share	173,448	171,791

For the final dividend in respect of the year ended 31 December 2012, there was a difference of HK$1,607,000 between the final dividend disclosed in the 2012 annual report and the amount paid during the six months ended 30 June 2013, which represented dividends attributable to shares issued upon exercise of share options before the closing date of the register of members.

8 Earnings per share

	Six months ended 30 June	
	2013	*2012*
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit attributable to equity shareholders of the Company	794,114	238,800

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

	Number of shares	
	Six months ended 30 June	
	2013	*2012*
	(Unaudited)	(Unaudited)
	'000	'000
Issued ordinary shares at 1 January	2,386,675	2,385,993
Effect of rights issue	119,831	-
Effect of share options exercised	16,210	-
Weighted average number of ordinary shares at 30 June	2,522,716	2,385,993
Effect of deemed issue of shares under the Company's share option plan	21,527	-
Weighted average number of ordinary shares at 30 June (diluted)	2,544,243	2,385,993
Basic earnings per share (HK cents)	31.5	10.0
Diluted earnings per share (HK cents)	31.2	10.0

9 Trade and other receivables and deposits

At the balance sheet date, the ageing analysis of trade debtors (which are included in trade and other receivables and deposits), based on the invoice date is as follows:

	30 June 2013 (Unaudited) HK$'000	*31 December 2012* (Audited) HK$'000
Within 1 year	1,432,310	1,164,022
Over 1 year	127,094	118,656
Trade debtors	1,559,404	1,282,678
Less: allowance for doubtful debts	(119,609)	(40,898)
	1,439,795	1,241,780
Other receivables and deposits	505,318	296,155
	1,945,113	1,537,935
Represented by:		
Non-current portion	169,052	174,352
Current portion	1,776,061	1,363,583
	1,945,113	1,537,935

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 period.

10 Trade and other payables

At the balance sheet date, the ageing analysis of trade creditors (which are included in trade and other payables) based on the invoice date, is as follows:

	30 June 2013 (Unaudited) HK$'000	*31 December 2012* (Audited) HK$'000
Within 1 year	624,495	462,358
Over 1 year	216,513	142,810
Trade creditors	841,008	605,168
Other payables and accruals	931,528	283,888
	1,772,536	889,056
Represented by:		
Non-current portion	84,116	87,808
Current portion	1,688,420	801,248
	1,772,536	889,056

11 Acquisitions of CTM Group

(a) On 13 January 2013, the Company entered into two sale and purchase agreements with Sable Holding Limited (a wholly-owned subsidiary of Cable & Wireless Communications Plc) and Portugal Telecom, SGPS, S.A., PT Participações SGPS, S.A. and PT Comunicações, S.A. (collectively known as the "Sellers") respectively to acquire their entire equity interests in CTM (being a total of 79% equity interest), for a total cash consideration of US$1,161,300,000 (approximately HK$9,058,140,000), subject to adjustments as set out in the relevant sale and purchase agreements (together referred to as the "Acquisitions"). The estimated adjusted consideration is US$1,249,751,000 (approximately HK$9,748,058,000), which is subject to confirmation by reference to the completion accounts to be prepared in accordance with relevant sale and purchase agreements. All the conditions of the Acquisitions were fulfilled and the completion of the Acquisitions took place on 20 June 2013. Upon completion, the Company holds a 99% equity interest in CTM Group, which became subsidiaries of the Company.

11 Acquisitions of CTM Group (continued)

(b) The Acquisitions of CTM Group had the following effect on the Group's assets and liabilities:

	Acquiree's carrying amount before combination (Unaudited) HK$'000	*Fair value adjustments* (Unaudited) HK$'000	*Fair value* (Unaudited) HK$'000
Property, plant and equipment	838,655	233,587	1,072,242
Intangible assets	7,978	2,330,160	2,338,138
Other non-current assets	728	-	728
Inventories	135,741	-	135,741
Trade and other receivables and deposits	392,209	-	392,209
Cash and bank deposits	859,562	-	859,562
Trade and other payables	(706,805)	-	(706,805)
Current tax payable	(195,803)	-	(195,803)
Net defined benefit retirement obligation	(90,783)	-	(90,783)
Deferred tax assets/(liabilities)	11,494	(307,650)	(296,156)
Net identifiable assets and liabilities	1,252,976	2,256,097	3,509,073
Non-controlling interests arising from the Acquisitions			(35,091)
Goodwill on the Acquisitions			8,741,939
Fair value of previously held 20% equity interest in CTM Group			(2,467,863)
			9,748,058

(c) If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised.

(d) The gain on deemed disposal of previously held 20% equity interest in CTM Group of HK$1,115,426,000 (note 4) was measured as the excess of the fair value of the 20% equity interest in CTM Group of HK$2,467,863,000 at 20 June 2013 over the carrying amount of the 20% equity interest previously held in CTM Group of HK$1,352,280,000 at 20 June 2013, the share of reserve of CTM Group in previous years of a negative balance of HK$11,293,000 and the release of exchange reserve upon deemed disposal of the 20% equity interest previously held in CTM Group of HK$11,136,000 in accordance with HKFRS 3, *Business combinations*.

FINANCIAL REVIEW AND ANALYSIS

Review of overall performance

Acquisition of Companhia de Telecomunicacoes de Macau, S.A.R.L. and its subsidiaries ("CTM")

On 20 June 2013, the Group completed its acquisition of an additional 79% equity interest in CTM ("the Acquisition") increasing its total shareholding in CTM to 99%. The results of CTM had been consolidated into the Group's results subsequent to the Acquisition.

CTM is the dorminating telecom service provider in Macao and a long-time leader in providing world-class telecom services to Macao residents and enterprises. It also plays a major role in the ongoing development of Macao. The Acquisition was funded by a combination of debt and equity financing.

Summary of Financial Results

	Half year ended 30 June		**Increase/(Decrease)**	
In HK$ million	**2013**	**2012**		
Turnover	1,881.3	1,744.0	137.3	7.9%
Profit from consolidated activities	920.6	197.0	723.6	367.3%
EBITDA	1,095.2	347.7	747.5	215.0%
Finance costs	(177.6)	(0.7)	176.9	N/A
Income tax	(28.0)	(33.8)	(5.8)	(17.2%)
Profit attributable to the equity shareholders	794.1	238.8	555.3	232.5%

Contribution by Business Operations

	Half year ended 30 June					
Business operations	**Turnover**		**EBITDA**		**Profit attributable to equity shareholders**	
In HK$ million	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
CITIC Telecom	1,164.2	1,344.3	256.9	275.5	118.0	130.0
CPC[1]	581.7	399.7	121.5	94.9	71.9	57.0
CTM[2]	135.4	N/A	36.1	N/A	101.1	75.2
Corporate expenses	N/A	N/A	(45.1)	(13.2)	(45.1)	(13.2)
Equity-settled share-based payment expenses	N/A	N/A	(49.1)	(7.9)	(49.1)	(7.9)
Interest on bank and other borrowings	N/A	N/A	N/A	N/A	(76.9)	(0.7)
Exceptional items[3]	N/A	N/A	774.9	(1.6)	674.2	(1.6)
Total	**1,881.3**	**1,744.0**	**1,095.2**	**347.7**	**794.1**	**238.8**

1 *CPC represents CITIC Telecom International CPC Limited and its subsidiaries.*
2 *Profit attributable to equity shareholders included the Group's share of CTM's profit prior to the Acquisition.*
3 *Exceptional items include items such as gain on deemed disposal of equity interest in an associate, transaction costs related to the Acquisition, impairment losses and others.*

Turnover

The Group's turnover increased by 7.9% to HK$1,881.3 million for the six months ended 30 June 2013 compared with HK$1,744.0 million for the corresponding period of 2012.

CITIC Telecom

Voice services for CITIC Telecom represent the Group's traditional telecom hubbing service. Voice services revenue decreased by HK$204.4 million or 19.7% to HK$834.7 million for the six months ended 30 June 2013 over the same period in 2012. The Group handled a total traffic of 3.5 billion minutes, a 24.7% reduction compared with the same period of last year. Total China inbound and outbound traffic for the period has dropped by 30.5% and total international traffic dropped by 8.1% when compared to 2012. The Group consolidated its leading market position by enhancing the quality of service and implementing an effective pricing strategy, which resulted in a 6.7% increase in overall revenue per minute over the same period of last year.

SMS services sustained stable growth during the first six months of 2013. SMS turnover increased by HK$16.7 million to HK$199.4 million for the six months ended 30 June 2013, an overall growth of 9.1% as compared to the same period of 2012. Owing to the increasing popularity of social networking applications, the number of Hong Kong domestic SMS dropped by 30.8% during the period. However, the Group accelerated the development of corporate SMS to minimise the substitution impact brought by emerging internet applications. The number of international SMS achieved strong growth of 24.7% and the increase in international and corporate traffic has partly offset the decrease in local domestic SMS. Although the number of messages handled by the Group dropped by 11.6% to 852.7 million messages from the corresponding period of 2012, the average revenue per SMS has increased by 23.4%.

Mobile value-added services ("VAS") registered steady growth in the first half of 2013 with turnover increasing by 11.4% to HK$106.8 million compared with the corresponding period for 2012. The growth was due to the Group's successful strategy to customise existing products to address changing market needs and providing bundled services which were well received by China operators.

Others mainly comprised of Enterprises solution projects and other services. The revenue from these services was stable between the first half of 2013 and 2012.

Data Services

Data services comprised mainly of VPN services and data centre services. These services are mainly provided by the Group's wholly-owned subsidiary, CITIC Telecom International CPC Limited and its subsidiary China Enterprise Communications Ltd. ("CEC"). During the first six months of 2013, turnover from data services amounted to HK$581.7 million representing an increase of 45.5% when compared to the corresponding period of 2012. The increase is mainly due to the consolidation of CEC's revenue since its acquisition in September 2012 and new sales on Cloud Computing services such as SmartCLOUD^{TM} TAB (Traffic and Application Balancer), SmartCLOUD^{TM} Compute PA and SmartCLOUD^{TM} MMCC (Multimedia Contact Center).

CTM

	Half year ended 30 June			
	Turnover		**Consolidated by CITIC Telecom Group**	
In HK$ million	**2013**	**2012**	**2013**	**2012**
Fixed lines services	214.8	276.0		
Mobile and equipment sales	1,513.4	1,559.7		
Internet services	232.8	213.9		
Data, enterprise solutions services and others	268.4	242.4		
Total	**2,229.4**	**2,292.0**	**135.4**	**-**

The turnover of CTM had only been consolidated by the Group subsequent to the Acquisition. For the purpose of analysis, a comparison of CTM's first six months turnover for 2013 and 2012 was made.

Fixed lines services

Fixed lines services revenue was HK$214.8 million for the first six months of 2013 which represented a decrease of 22.2% when compared to the corresponding period of 2012. The decrease was mainly due to the worldwide trends of declining fixed IDD traffic volumes and the fixed residential lines are gradually being replaced by the mobile services.

Mobile and equipment sales

The total mobile and equipment sales revenue was HK$1,513.4 million for the first six months of 2013 which was HK$46.3 million lower than the corresponding period of 2012. The decrease was mainly due to the decline in sales of smartphones with a relatively low margin. The mobile service revenue increased by 33.1% to HK$498.1 million mainly due to the growth for the inbound roaming and mobile data.

Overall Average Revenue Per User ("ARPU") increased by 21.7% to HK$115 for the six months ended 30 June 2013 when compared to the same period last year. Postpaid ARPU (excluding inbound roaming) increased by 16% to HK$183 for the six months ended 30 June 2013. Prepaid ARPU decreased by 5% to HK$19 for the six months ended 30 June 2013 mainly due to the higher average customer base compared to the same period last year.

The number of postpaid customers increased by 4.7% to 276,341 from June 2012 to June 2013. The mobile market share of CTM in Macao were estimated to be around 46% (2012: 47%) mainly driven by the fluctuation in the number of prepaid customers.

Internet services

Internet revenue was HK$232.8 million for the first six months of 2013 which represented an increase of 8.8% when compared to the corresponding period of 2012. The increase was mainly due to higher revenue from the business fiber broadband service which was launched since June 2012. Total broadband customers reached 147,343 in June 2013 with a net increase of 7,076 subscribers from June 2012. Broadband market penetration rate in Macao was at around 81% for both June 2013 and 2012.

Data, enterprise solutions services and others

During the first six months of 2013, the turnover from data, enterprise solutions and other services increased by 10.7% to HK$268.4 million compared with HK$242.4 million for the same period of 2012. The increase was contributed by the growth of professional service projects from the government and corporates and also the higher demand for leased lines from the carrier and corporate customers.

Profit from consolidated activities

The Group's profit from consolidated activities increased more than three-fold to HK$920.6 million for the first six months of 2013 when compared with the corresponding period in 2012. The increase was mainly due to the change in the business mix as well as the combined impact of the following factors:

Gain on deemed disposal of equity interest in an associate

The gain on deemed disposal of equity interest in an associate of HK$1,115.4 million is measured as the excess of the fair value of the 20% equity interest in CTM over the carrying amount of the Group's 20% equity interest in CTM at the date of the Acquisition in accordance with the relevant accounting standard.

Net foreign exchange gain/(loss)

Net foreign exchange gain/(loss) arose mainly from the funding arrangements and normal trading business of both local and overseas operations of the Group. The Group's major trading currencies were the United States dollar, the Hong Kong dollar and the Macau Pataca. The Group has not entered into any foreign currency hedging arrangements during the period.

Cost of sales and services

Cost of sales and services includes costs of goods sold, network and operations and support expenses. Cost of sales and services amounted to HK$1,347.8 million in the first half of 2013, an increase of 9.2% as compared with the corresponding period of 2012. Owing to the acquisition of CEC in September 2012, the increase in cost of sales and services was higher than that of turnover. The percentage of cost of sales and services over turnover was 71.6% for the first half of 2013, similar to that of the corresponding period for 2012.

Staff costs

Staff costs comprise equity-settled share-based payment expenses of HK$49.1 million. If the equity-settled share-based payment expenses were excluded, staff costs for the six months ended 30 June 2013 amounted to HK$212.0 million, an increase of 59.5% compared with HK$132.9 million for the same period of 2012. The increase was mainly due to the inclusion of CEC and an increase in performance incentives which are in line with the Group's business performance and business expansion.

Depreciation and amortisation

Depreciation and amortisation expenses amounted to HK$102.7 million, an increase of HK$28.1 million as compared with the corresponding period of 2012. The rise was mainly due to the commissioning of the new data centre and the network system upgrade in late 2012 and early 2013, and also due to the increase in the corresponding amortisation and depreciation expenses in relation to intangible assets and tangible assets recognised on the acquisition of CEC in September 2012 and CTM in June 2013 respectively.

Other operating expenses

Other operating expenses of HK$382.5 million comprises exceptional items of HK$249.1 million. If the exceptional items were excluded, other operating expenses for the six months ended 30 June 2013 amounted to HK$133.4 million which represented an increase of 40.3% when compared with the corresponding period of 2012. Exceptional items represents impairment of certain disputed debtor balances and interest in a joint venture. The increase in other operating expenses (before exceptional items) was mainly due to the inclusion of CEC's operating expenses subsequent to its acquisition. Other contributory factors were higher utilities charges incurred by the new data centre and increase in repairs and maintenance expenses during the period which were consistent with the Group's operational expansion.

Share of profit of an associate

The Group's 20% share of the profit of CTM for the period up to the acquisition date amounted to HK$80.6 million. This represented an increase of HK$5.3 million when compared with the Group's share for the first six months of 2012. The increase was mainly due to the increase in CTM's data and other services revenue during 2013.

Earnings before interest, taxation, depreciation and amortisation ("EBITDA")

EBITDA for CITIC Telecom's hubbing business for the first six months of 2013 was fairly consistent with the corresponding period of 2012 at around HK$256.9 million. The operating environment for the Group's traditional hubbing business remained challenging in the first half of 2013. With the Group's successful strategy to customise existing products to address market needs and effective pricing strategies, the Group was able to sustain its earnings for the period.

EBITDA for CPC was up 28.0% from HK$94.9 million in the first six months of 2012 to HK$121.5 million for the current period, mainly driven by the strong VPN services growth and the inclusion of CEC's results.

Finance costs

Finance costs increased from HK$0.7 million to HK$177.6 million for the six months ended 30 June 2013 as the result of the Group's increased borrowings to finance the Acquisition during the period.

Income tax

The Group's income tax expense for the six months ended 30 June 2013 amounted to HK$28.0 million which represented a decrease of HK$5.8 million to the corresponding period of last year. If non-taxable / non-deductible items including the gain on deemed disposal of an associate, transaction costs related to the Acquisition, interest expenses and the profit contribution from an associate were excluded, the effective tax rate for the six months ended 30 June 2013 and 2012 would be approximately 15.2% and 16.6% respectively.

Earnings per share ("EPS")

Basic EPS and diluted EPS both increased by more than three-fold to HK31.5 cents and HK31.2 cents respectively for the six months ended 30 June 2013 as compared with the corresponding period of last year. The increase was mainly due to the deemed disposal gain of the Group's 20% equity interest in CTM during the period which was partially offset by the transaction costs and higher finance costs in relation to the Acquisition.

Dividend per share

An interim dividend of HK2.4 cents per share is proposed for the first half of 2013.

Cash Flows

	Half-year ended 30 June		Increase/(Decrease)	
In HK$ million	**2013**	**2012**		
Source of cash:				
Cash inflows from business operations	164.9	141.8	23.1	16.3%
Other cash inflows	236.6	181.0	55.6	30.7%
Rights issue net of transaction costs	1,794.5	-	1,794.5	N/A
Net borrowings	8,319.8	98.5	8,221.3	N/A
Sub-total	**10,515.8**	**421.3**	**10,094.5**	**N/A**
Use of cash:				
Capital expenditure*	(81.8)	(58.4)	23.4	40.1%
Dividends paid to equity shareholders	(173.4)	(171.8)	1.6	0.9%
Acquisition of subsidiaries	(8,923.9)	-	8,923.9	N/A
Other cash outflows	(162.9)	(177.8)	(14.9)	(8.4%)
Sub-total	**(9,342.0)**	**(408.0)**	**8,934.0**	**N/A**
Net increase in cash	**1,173.8**	**13.3**	**1,160.5**	**N/A**

* *Included in the amount are payment for purchase of property, plant and equipment in respect of both current period and prior year unsettled purchases.*

Profit before taxation amounted to HK$822.6 million for the six months ended 30 June 2013. After accounting for the net changes in working capital and adding back the non-cash items like the gain on deemed disposal of equity interest in an associate, depreciation and amortisation and impairment losses, the cash inflows from business operations was HK$164.9 million representing an increase of 16.3% when compared with the corresponding period of 2012. During the period, the Group made a rights issue and new borrowings totaling HK$10,214.9 million to finance the Acquisition. The use of cash comprised capital expenditure, dividend distribution to equity shareholders, purchase consideration and transaction costs related to the Acquisition, and various other payments. As a result, the Group generated net cash inflow of HK$1,173.8 million for the first half of 2013.

Capital expenditure

Capital expenditure was HK$53.5 million for the first six months of 2013, an increase of 5.1% as compared to the same period of 2012. As data centre has proven to be very popular to customers during recent years, the Group has continued to expand its data centre at CITIC Telecom Tower where HK$7.1 million of fitting-out costs were incurred during the first half of 2013.

Excluding the capital expenditure on the data centre, the capital expenditure for the first half of 2013 amounted to HK$46.4 million, a rise of 30.3% compared to the six months ended 30 June 2012. The increase was mainly incurred in the network system upgrade in order to further enhance the Group's quality of service.

TREASURY POLICY AND RISK MANAGEMENT

General

Managing financial risks to which the Group is 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, the individual operating units within the Group are responsible for their own cash management which are closely monitored by headquarter. In addition, the decision of financing activities is centralised at head office level.

Financing for the Acquisition

On 20 June 2013, the Group paid a total cash consideration, including estimated consideration adjustments, of US$1,249.8 million (approximately HK$9,748.1 million) for the Acquisition. To meet this huge funding requirement, CITIC Telecom International Finance Limited, a wholly-owned subsidiary of the Company, issued US$450 million (approximately HK$3,510.0 million) 6.1% guaranteed bonds due 2025 in March 2013; the Company raised additional capital through the rights issue of HK$1,825.5 million in June 2013; and the Company entered into a facility agreement with a group of eleven banks in aggregate amount of US$630 million (approximately HK$4,914.0 million) in June 2013.

US$450 million 6.1% guaranteed bonds would become payable on demand in case of an event of default.

US$630 million term loan facility contains affirmative and negative covenants customary for such financing, including, but not limited to, limitations on loans, guarantees and security, investments, acquisitions and asset sales, restricted distributions, and use of proceeds. This facility also requires the Group to comply with certain financial covenants commencing from 31 December 2013, including consolidated borrowings over net worth, leverage ratio, cashflow cover and maximum capital expenditure. In addition, this facility contains change in control clause and events of default customary for such financing.

Net debt and liquidity risk management

Debt and leverage

At 30 June 2013, net gearing ratio rose to 54%, when the net debt increased to HK$6,985.7 million. It was mainly due to the issuance of US$450 million 6.1% guaranteed bonds and drawdown of US$630 million term loan facility for funding of the Acquisition.

At 30 June 2013, total bank and other borrowings and net debt of the Group were as follows:

	Denomination					
In HK$ million equivalents	HKD	USD	MOP	RMB	Others	Total
Total bank and other borrowings	179.2	8,333.6	-	-	-	8,512.8
Cash and bank deposits	168.3	457.0	830.5	17.3	54.0	1,527.1
Net debt/(cash)	**10.9**	**7,876.6**	**(830.5)**	**(17.3)**	**(54.0)**	**6,985.7**

At 30 June 2013, the Group's net gearing ratio was as follows:

In HK$ million	**30 June 2013**	**31 December 2012**
Total bank and other borrowings	8,512.8	261.9
Cash and bank deposits	1,527.1	354.8
Net debt/(cash)	**6,985.7**	**(92.9)**
Total equity attributable to equity shareholders of the Company	5,940.6	3,432.7
Total capital	**12,926.3**	**3,339.8**
Net gearing ratio	**54%**	**N/A**

At 30 June 2013, the principal of total outstanding bank and other borrowings amounted to HK$8,604.0 million, of which HK$146.8 million will mature in the coming twelve months, against cash and bank deposits of HK$1,527.1 million.

The maturity profile of the Group's bank and other borrowings in principal amount at 30 June 2013 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 borrowings	146.8	267.2	280.8	421.2	3,978.0	-	5,094.0
US$450 million guaranteed bonds	-	-	-	-	-	3,510.0	3,510.0
	146.8	267.2	280.8	421.2	3,978.0	3,510.0	8,604.0

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

Liquidity risk management

Individual operating units within the Group are responsible for their own cash management, including predetermined short term investment of their cash surpluses. The raising of loans to cover their 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 after the Acquisition, the Group arranged long-term borrowing from capital market, and the term loan with repayment by instalment. 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. After integrated with CTM, the Group is confident that the strong cash flow from CTM and the additional cash generated from the synergy effect with CTM can meet the additional liquidity requirements.

Available sources of financing

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

At 30 June 2013, the Group's cash and bank deposits and undrawn committed banking facilities were HK$1,527.1 million and HK$120.0 million respectively. The Group can draw the loan under these unutilised committed facilities before contractual expiry dates.

The Group's cash balance together with the undrawn committed banking facilities at 30 June 2013 are more than sufficient to cover the repayments of principal amount of bank borrowings of HK$146.8 million in the coming twelve months and contractual capital commitments of HK$285.3 million at 30 June 2013.

At 30 June 2013, the Group had available trade facilities of approximately HK$231.8 million. Approximately HK$92.4 million was utilised as guarantees for cost payable to telecoms operators and performance to customers / the Macao Government. Around HK$3.4 million of these utilised facilities were required to be secured by pledged deposits.

At 30 June 2013, the type of facilities of the Group was summarised as follows:

In HK$ million	Total available facilities	Amount utilised	Amount unutilised
Committed facilities:			
Term loans	5,114.0	4,994.0	120.0
US$450 million 6.1% guaranteed bonds	3,510.0	3,510.0	-
	8,624.0	8,504.0	120.0
Uncommitted facilities:			
Short-term facilities	100.0	100.0	-
Trade facilities	231.8	92.4	139.4
	331.8	192.4	139.4
Total	**8,955.8**	**8,696.4**	**259.4**

Guarantees and pledged assets

CITIC Telecom International Finance Limited, a wholly-owned subsidiary of the Company, issued US$450 million 6.1% guaranteed bonds due 2025 on 5 March 2013. The bonds were unconditionally and irrevocably guaranteed by the Company.

At 30 June 2013, the Group pledged approximately HK$3.6 million of bank deposits to secure parts of trade facilities.

148,500 shares in CTM, representing 99% interest in the share capital of CTM held by the Company, have been pledged to secure the loan facility of US$630 million.

Certain fixed assets of CTM are designated for the provision of basic infrastructure of the public telecommunications services. Such fixed assets might need to be shared with other licensed telecommunications operators or the Macao Government with fair compensation, or, upon termination of Macau Concession, assigned in favour of the Macao Government.

Loan covenants

At 30 June 2013, the Group was in compliance with the relevant loan covenants.

Capital commitments

At 30 June 2013, the Group had outstanding capital commitments of HK$439.8 million, mainly for the acquisition of telecommunications equipment which had yet to be delivered to the Group and fitting out costs of the new data centre. Of these commitments, HK$285.3 million were outstanding contractual capital commitments and HK$154.5 million were capital commitments authorised but for which contracts had yet to be entered into.

Contingent liabilities

At 30 June 2013, the Group had no significant contingent liabilities.

Foreign currency risk

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

A substantial portion of the Group's turnover and cost of sales and services are denominated in United States dollars, Macau Patacas and Hong Kong dollars. The majority of the Group's assets, 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.

Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group manages its interest rate risk exposures in accordance with defined policies and regular review to achieve a balance between minimising the Group's overall cost of fund and managing large interest rate movements, as well as having regard to the floating/fixed rate mix appropriate to its current business portfolio.

Interest rate risk is managed by borrowing fixed rate or through use of interest rate swap, if necessary. At 30 June 2013, approximately 59% of the Group's borrowings were linked to floating interest rates. During the review period, the Group did not enter any interest rate swap arrangement.

Average borrowing costs

At 30 June 2013, the average borrowing costs, which is after the inclusion of amortisation of transaction costs, was approximately 4.5%.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposure to this credit risk is monitored on 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 the economic environment in which the customer operates. These receivables are due within 7 to 180 days from the date of billing. Debtors with balance 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 period.

The Group has certain concentration risk in respect of trade debtors due from the Group's five largest customers who accounted for approximately 47% and 57% of the Group's total trade debtors at 30 June 2013 and 31 December 2012 respectively. The credit risk exposure to trade debtors balance has been and will continue to be monitored by the Group on an ongoing basis.

Counterparty risk

At 30 June 2013, 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 and Fitch Group) or the note issuing banks in Hong Kong, Macao and the PRC. At 30 June 2013, the Group has HK$1,509.9 million cash balance in the abovementioned financial institutions, representing approximately 99% 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

As at 30 June 2013, the Group employed a total of 1,913 employees for its headquarters in Hong Kong and its principal subsidiaries. Employees in Hong Kong totalled 476. Employees in the PRC totalled 441. Employees in Macao totalled 889. 107 employees located in other overseas subsidiaries. The increase of number of employees in this year is mainly from the acquired project.

The Group continued 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.

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. Looking ahead, we will keep our corporate governance practices under continuous review to ensure their consistent application and will continue to improve our practices. Details of our corporate governance practices can be found on page 39 of the 2012 annual report and the Company's website www.citictel.com.

Throughout the six months ended 30 June 2013, the Company has fully complied with the applicable code provisions in the Corporate Governance 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").

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.

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2013.

DIVIDEND AND CLOSURE OF REGISTER

The board of directors of the Company have declared an interim dividend of HK2.4 cents (2012: HK2.4 cents) per share for the year ending 31 December 2013 payable on Tuesday, 10 September 2013 to shareholders whose names appear on the Register of Members of the Company on Friday, 30 August 2013. The Register of Members of the Company will be closed from Monday, 26 August 2013 to Friday, 30 August 2013, 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 Friday, 23 August 2013.

SHARE CAPITAL

On 7 June 2013, the Company issued 903,723,326 new shares under the rights issue on the basis of three rights shares for every eight existing shares at the subscription price of HK$2.02 per share.

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 2013 and the Company has not redeemed any of its shares during the period ended 30 June 2013.

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). The full interim report will be made available on the website of the Company and the Stock Exchange around 26 August 2013.

By Order of the Board
Xin Yue Jiang
Chairman

Hong Kong, 7 August 2013

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	Luo Ning	Liu Li Qing
Chan Tin Wai, David		Kwong Che Keung, Gordon