Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2013

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of CITIC Telecom International Holdings Limited (the "Group") for 2013.

2013 is an important year in the history of the Group's development. The successful acquisition of a controlling interest in Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") marked a milestone in the Group's business development. With CTM providing fresh impetus, the Group reported total revenue of HK$6,018.5 million for 2013, representing an increase of 66.7% over the previous year. Profit attributable to equity shareholders of the Company grew 131.4% year-on-year to HK$1,067.5 million.

Basic earnings per share amounted to HK36.5 cents, which was 89.1% higher than that of the previous year. The growth rate for earnings per share was relatively lower due to the 3 for 8 rights issue in June 2013.

The Board recommended a final dividend of HK7.6 cents per share for 2013. Together with the 2013 interim dividend of HK2.4 cents per share, total dividend per share for 2013 amounted to HK10.0 cents, representing a 4.2% growth over the previous year.

A. Review of 2013

1. Upon Successful completion of CTM acquisition the Group became a full telecommunications services operator.

Against the ever-changing global economic landscape, the Group continued to advance its business transformation in a vigorous yet prudent manner. On 20 June 2013, the Group successfully acquired 51% and 28% interests in CTM held by Cable & Wireless Communications Plc and Portugal Telecom, respectively. Together with the 20% interest in CTM already held by the Group, the Group now owns 99% of

CTM's shares, highlighting the transition from its traditional principal business of telecommunications hubbing to an operator of full telecommunications services.

After becoming the controlling shareholder of CTM, the Group has mainly focused on our end-customers in terms of business structure, customer mix, source of operating revenue and profit. With a strengthened business model and solid customer base, the Group is better positioned to create further value for our shareholders.

2. Leveraging depth in resources to support improvement of CTM services.

Upon acquisition of controlling interests in CTM, the Group has quickly formulated CTM's future development plans and put in place the necessary supportive measures for these developments. The overall quality of CTM's network has been enhanced following equipment improvements, system modifications and network upgrades. CTM has launched a number of initiatives aimed at improving customer satisfaction. For instance, the broadband speed test website was launched to provide customers with accurate speed data of our fibre-optic broadband services. We are also modifying the billing system for Internet and fixed line services, with the aim of providing more customer-friendly access to their billing information. The services of our retail outlets have been further improved to meet the diverse needs of customers. CTM provides quality mobile phone roaming services for Mainland Chinese tourists visiting Macau, as evidenced by the expansion of network capacity in anticipation of increased demand for communications from the massive influx of tourists attending mega events such as the diamond jubilee of the Macau Grand Prix. The exclusive Just One SIM "Macau / China / H.K.", a single IMSI triple-number mobile phone service, provided cross-border services with added convenience and security. CTM has also provided specialised business solutions to government departments, education institutions and industrial and commercial corporate customers in a timely manner to address their various needs. To prepare for the launch of 4G services, CTM has conducted extensive research and development of the 4G network to cater for the diversified nature of mobile data service. By enhancing quality management and providing a broad range of products, the service standards of CTM have been further improved.

3. Successful commercial application of 4G hubbing and corporate SMS productication facilitated new business growth in response to market developments.

In response to developments in the global telecommunications market, the Group has vigorously rolled out its 4G LTE service. We have successfully implemented the 4G hubbing between a Hong Kong carrier and a Southeast Asian carrier. The success of this operation means that the Group is now ready to provide LTE international roaming signal hubbing services. To support the development of its corporate SMS business, the Group has standardised our corporate SMS products and improved the SMS routing system, to enhance the operating service standards of its telecommunications hubbing services.

4. We continued to drive our cloud computing business with enhanced marketing, while solid growth was reported for our virtual private network and Internet access business.

With the dawning of the Age of Data, the demand for mega data storage will increase as businesses and corporations face the prospect of globalisation and informatisation. In conjunction with enhancing business efficiency and data security, the Group is also putting more emphasis on the development of new services, such as disaster recovery and custodian back-up services which can guarantee uninterrupted business operation under any circumstances. In this connection, CITIC Telecom International CPC Limited ("CPC") has not only opened additional outlets for TrueCONNECT™ Multiprotocol Label Switching and invested in the expansion of COC (Cloud Operation Centre) in 2013, but it has also launched a number of new products in TrueCONNECT™ (Multiprotocol Label Switching), TrustCSI™ (integrated information security services) and SmartCLOUD™ (cloud computing solutions) to optimise and enhance its services. Through effective marketing activities, CPC has laid a firm foundation for more dynamic growth of the cloud computing business. Coupled with cloud computing products developed in the past and the deployment of new cloud operation centres, the aforesaid new cloud computing products have enriched the portfolio of the Group's cloud computing products and improved its service standards, thus elevating the Group to a yet stronger position in market competition amid a wave of new technologies.

The Group is also marketing its cloud computing and information security service solutions to companies of CITIC Group, such as CITIC Pacific, and CITIC Bank, with a view to serving the parent group as well as increasing synergies. The Group's integrated solutions in cloud computing and information security services, together with the quality of its services, command a strong competitive edge in the market.

5. The construction and marketing of our new data centre provided solid foundation for the development of data business.

Construction of the Group's data centre in Ap Lei Chau, Hong Kong commenced in May 2013. With a strong emphasis on cost effectiveness, the Group selected the best bid by conducting careful vetting of the qualifications of bidders and detailed assessment of construction costs. The Group's data centre in Ap Lei Chau is scheduled for delivery and operation in February 2014. Given substantial customer demand for data centre services on Hong Kong Island, where the supply of data centres is scarce, the Ap Lei Chau Data Centre will further enhance the Group's competitiveness in the market for data centre services. The Group will continue to procure the construction and marketing of the new data centre at strategic locations.

6. Syndicate loan restructured to lower finance costs and increase profitability for the Group.

In December 2013, the Group restructured the syndicate loan obtained for its acquisition of CTM and entered into a new USD540 million facility agreement with a group of banks. Drawings made under the new facility agreement were applied to refinance all amounts owing under the previous facility agreement dated 5 June 2013.

The new facility provides the Group with a lower cost of funding without any restrictions on dividend distributions.

B. Outlook for 2014

Looking to 2014, the path for global economic recovery is expected to remain thorny, while the Asia Pacific economy will also be facing new challenges amid positive momentum for development. External risks and challenges will increase as economic growth in emerging markets is expected to slow down while the world economy remains in a period of adjustment. The Group's business will face yet further challenges arising from changes of government policies on the telecommunications industry, market dynamics and impact of evolving technology and applications. At the same time, there will also be abounding opportunities for the Group's development. The year of 2014 will mark CTM's first full year of profit contribution to the Group, which is set to further enhance the Group's profitability. Macau will sustain rapid economic growth as inbound tourists will continue to drive massive demand for cross-border and local communication, while the development of Hengqin Island in Zhuhai will also present CTM with new opportunities. In respect of the Group's telecommunications hubbing business, virtual private network and internet access businesses, we will strengthen our efforts to create more innovative services and products, and continue to improve our service quality to meet the needs of market development. In 2014, China is expected to sustain solid economic growth that will bring plenty of room of expansion for the Group's business development.

1. Strengthening CTM's telecom infrastructure on an on-going basis in order to provide high quality services to satisfy market demands.

The demand for data centre services from various business sectors in Macau will continue to grow in tandem with the city's economic development. CTM will strengthen its marketing efforts on our data centre business, while plans for the construction of new data centres will be put in place to provide a sound foundation for future growth. CTM will continue to vigorously promote the popular use of "Fibre-to-Home" technologies in Macau and will devote full efforts to the development of a stable, high-speed optical network, with the aim of full coverage of all residential buildings in Macau by the end of 2014. We will also drive the integration of the "triple play," namely the provision of multiple interactive services, such as HDTV, communications, interactive mobile phone applications, multimedia centre solutions and high-speed Internet connection through one single platform. We will also actively contribute to the advancement of e-commerce and the development of Macau into a leading digitalised city in the region, making due contributions to Macau's sustainable social and economic development.

2. To aggressively grow our data centre business by timely completion of our Ap Lei Chau data centre in Hong Kong and planning for further data centres in Greater China.

Data centre business represents a strategic focus in the Group's future business development. We will ensure sound planning and development of data centres and will complete the construction of our data centre at Ap Lei Chau according to our plans. Detailed plans will be drawn up for the development of data centres in Macau and in Greater China to form an industry chain with the Group's existing cloud computing and virtual private network businesses. This will enable us to provide one-stop services to corporate customers. The Group will further leverage CTM's existing resources in international submarine cables and strengthen the collaboration with CITIC Group's optical cables in Mainland China to enhance the operating capability and coverage of the Group's data business.

3. **To foster new growth niche by increasing marketing efforts and accelerating the development of cloud computing and LTE hubbing.**

   The Group will continue to develop the market for our cloud computing services. We will actively conduct research and development on new technologies and services in accordance with market demands. We will also continue to develop new solutions for cloud computing services to assist our customers in their businesses, as thereby creating a win-win situation to both our customers and the Group. The Group will seek to foster a new niche in business growth by engaging more 4G operators in our LTE hubbing services.

4. **To increase our competitive edge in overseas markets through ongoing expansion of our presence.**

   We will establish new service presence as appropriate based on the requirements of our overseas development, striving to secure stable growth in our international business by extending the outreach of our marketing channels and our coverage in the international market. We will accelerate the business, technology and team building at our overseas companies, in order to fully leverage our existing coverage and improve our overall competitive edge.

5. **To broaden our vision, develop new businesses and products, penetrate new markets and grow our customer base. To enlarge the scope of international business cooperation.**

   Leveraging our worldwide marketing outreach and telecommunications networks, we will continue to tap new markets such as Africa, Central Asia, Middle East and South America, and open up new frontiers through effective marketing initiatives based on timely analyses of customers' needs. We need to establish our position in the international market in the light of a new market environment, and we will leverage the synergies created through the integration of businesses between the Group and CTM. New areas for cooperation with the Chinese carriers need to be identified after they have started to operate international business on their own. We need to gain insight into the specifics of Chinese carriers' international business and leverage our marketing edge in the telecommunication markets of developing countries. We will strive hard to create a win-win situation by effective business collaboration with the Chinese carriers.

We owe our success in the past year to the longstanding trust and support of our customers and shareholders, as well as the dedication and hard work of our staff as a whole. I would like to take this opportunity to express sincere appreciation to them.

Xin Yue Jiang
Chairman
Hong Kong, 18 February 2014

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	*2013* HK$'000	*2012* HK$'000
Turnover	3(a)	6,018,543	3,609,810
Other revenue	4	9,361	545
Other net gain/(loss)	5	1,136,185	(6,432)
		7,164,089	3,603,923
Cost of sales and services		(3,935,560)	(2,527,843)
Depreciation and amortisation	6(c)	(416,972)	(154,282)
Staff costs	6(b)	(589,747)	(353,003)
Other operating expenses		(656,349)	(219,985)
		1,565,461	348,810
Finance costs	6(a)	(444,457)	(3,063)
Share of profit of an associate		80,569	158,295
Share of (loss)/profit of a joint venture		(448)	1,179
Profit before taxation	6	1,201,125	505,221
Income tax	7	(130,826)	(40,232)
Profit for the year		1,070,299	464,989
Attributable to:			
Equity shareholders of the Company		1,067,506	461,283
Non-controlling interests		2,793	3,706
Profit for the year		1,070,299	464,989
Earnings per share (HK cents)	9		
Basic		36.5	19.3
Diluted		36.2	19.3

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	*2013* HK$'000	*2012* HK$'000
Profit for the year		1,070,299	464,989
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit obligation:			
– actuarial gain		16,208	-
– deferred tax recognised on the actuarial gain		(1,897)	-
		14,311	-
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments:			
– exchange differences on translation of financial statements of operations outside Hong Kong, net of $nil tax		857	8,867
– release of exchange reserve upon deemed disposal of equity interest in an associate, net of $nil tax	12(d)	(11,136)	-
		(10,279)	8,867
Other comprehensive income for the year		4,032	8,867
Total comprehensive income for the year		1,074,331	473,856
Attributable to:			
Equity shareholders of the Company		1,071,590	469,956
Non-controlling interests		2,741	3,900
Total comprehensive income for the year		1,074,331	473,856

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2013

	Note	*2013* HK$'000	*2012* HK$'000
Non-current assets			
Property, plant and equipment		1,884,339	742,376
Intangible assets		2,342,878	105,825
Goodwill		9,283,688	402,456
Interest in an associate		-	1,449,938
Interest in a joint venture		6,264	45,950
Non-current other receivables and deposits	10	164,974	174,352
Deferred tax assets		33,011	37,451
		13,715,154	2,958,348
Current assets			
Inventories		127,130	-
Trade and other receivables and deposits	10	1,727,741	1,363,583
Current tax recoverable		15,553	3,611
Cash and bank deposits		856,076	354,816
		2,726,500	1,722,010
Current liabilities			
Trade and other payables	11	1,871,540	801,248
Bank loans		100,000	100,000
Loan from an associate		-	161,868
Current tax payable		202,013	43,169
		2,173,553	1,106,285
Net current assets		552,947	615,725
Total assets less current liabilities		14,268,101	3,574,073

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2013 (CONTINUED)

	Note	*2013* HK$'000	*2012* HK$'000
Non-current liabilities			
Interest-bearing borrowings		7,616,565	-
Non-current other payables	11	80,424	87,808
Net defined benefit retirement obligation		72,302	-
Deferred tax liabilities		310,859	65,241
		8,080,150	153,049
NET ASSETS		6,187,951	3,421,024
CAPITAL AND RESERVES			
Share capital		332,324	238,668
Reserves		5,830,947	3,194,035
Total equity attributable to equity shareholders of the Company		6,163,271	3,432,703
Non-controlling interests		24,680	(11,679)
TOTAL EQUITY		6,187,951	3,421,024

Notes

1 Significant accounting policies

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("SEHK"). 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 2012 except for the adoption of all new and revised HKFRSs that are first effective for accounting periods beginning on or after 1 January 2013 (see note 2).

2 Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. The adoption of such standards and amendments does not have significant effect on the results of operation and financial position of the Group for the years presented.

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 referred to 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 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 2013, and is in the process of assessing their impact on future accounting periods.

3 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.

According to the Concession Agreement of the Public Telecommunications Services between CTM, a subsidiary of the Company, and the Macau Government ("Concession Agreement") as revised in November 2009, CTM has retained the right to continue to provide fixed telecommunications services on a non-exclusive basis, without interruption, for a period of 5 years from 1 January 2012 until 31 December 2016, renewable for another 5-year period until 31 December 2021. The second 5-year period will be automatically granted at the end of 2016, except in the case of serious breach by CTM of the relevant laws and regulations or for duly justified imperative reasons of public interest.

As an outcome of a public tender launched in January 2012, the Macau Government had issued two licenses for the installation and operation of fixed public telecommunications networks in June 2013. One of the licences was automatically granted to CTM in accordance with the terms of the Concession Agreement. The licences were published in the official gazette on 3 June 2013 and they will be valid until 31 December 2021 covering the provision of bandwidth to duly authorised telecommunications operators, local and international leased circuits and data centre services. CTM's remaining fixed network services – essentially the local and international fixed telephony – continue to be provided, on a non-exclusive basis, under the terms of the Concession Agreement.

CTM holds a mobile licence covering Global System for Mobile Communications 2G and Wideband Code Division Multiple Access 3G networks and services, which CTM operates in competition with three other mobile operators. The mobile license is valid until June 2015 and its renewal is currently being processed by the Macau Government as timely applied by CTM. CTM also operates an internet services provider ("ISP") licence which is valid until April 2018.

3 Turnover and segment reporting (continued)

(a) Turnover (continued)

Turnover 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 year is as follows:

	2013	*2012*
	HK$'000	HK$'000
Fees from the provision of telecommunications services	4,936,704	3,609,810
Sale of telecommunications equipment and mobile handsets	1,081,839	-
	6,018,543	3,609,810

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$1,089,508,000 (2012: HK$1,364,897,000) for the year ended 31 December 2013.

(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 years' 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 year ended 31 December 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 (mainly engaged in the provision of fixed lines services, mobile services, internet services, and data, enterprise solutions services and others in Macau)

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

3 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(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 retirement 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. earnings before interest, taxes, depreciation and amortisation, adjusted for gains and losses on disposal of property, plant and equipment and goodwill written-off upon disposal of an operation outside Hong Kong. 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, impairment loss on interest in a joint venture, gain on deemed disposal of equity interest in an associate, and head office and corporate expenses.

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, depreciation, 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.

3 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

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

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 years ended 31 December 2013 and 2012 is set out below:

	CITIC Telecom		*CTM*		*CPC*		*Total*	
	2013	*2012*	*2013*	*2012*	*2013*	*2012*	*2013*	*2012*
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	2,373,591	2,706,239	2,463,670	-	1,181,282	903,571	6,018,543	3,609,810
Inter-segment revenue	39,221	24,471	5,039	-	3,780	2,792	48,040	27,263
Reportable segment revenue	2,412,812	2,730,710	2,468,709	-	1,185,062	906,363	6,066,583	3,637,073
Reportable segment profit (adjusted EBITDA)	152,151	363,175	734,789	-	228,103	200,877	1,115,043	564,052
Interest income	8,234	370	1,017	-	110	175	9,361	545
Finance costs	(442,998)	(3,063)	(1,459)	-	-	-	(444,457)	(3,063)
Depreciation and amortisation	(105,823)	(95,072)	(236,298)	-	(74,851)	(59,210)	(416,972)	(154,282)
Goodwill written-off upon disposal of an operation outside Hong Kong	(10,404)	-	-	-	-	-	(10,404)	-
Reportable segment assets	2,279,949	2,326,434	13,345,398	-	704,356	741,926	16,329,703	3,068,360
Additions to non-current segment assets during the year	180,806	110,301	12,432,265	-	75,516	174,306	12,688,587	284,607
Reportable segment liabilities	817,428	737,939	1,052,028	-	146,371	147,631	2,015,827	885,570

3 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(ii) Reconciliation of reportable segment revenue and profit

	2013 HK$'000	*2012* HK$'000
Revenue		
Reportable segment revenue	6,066,583	3,637,073
Elimination of inter-segment revenue	(48,040)	(27,263)
Consolidated turnover	6,018,543	3,609,810
Profit		
Reportable segment profit	1,115,043	564,052
Net loss on disposal of property, plant and equipment	(128)	(4,654)
Depreciation and amortisation	(416,972)	(154,282)
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	(444,457)	(3,063)
Share of profit of an associate	80,569	158,295
Share of (loss)/profit of a joint venture	(448)	1,179
Gain on deemed disposal of equity interest in an associate	1,116,298	-
Interest income	9,361	545
Unallocated head office and corporate expenses	(209,926)	(56,851)
Consolidated profit before taxation	1,201,125	505,221

3 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(iii) Reconciliation of reportable segment assets and liabilities

	2013 HK$'000	*2012* HK$'000
Assets		
Reportable segment assets	16,329,703	3,068,360
Elimination of inter-segment receivables	(21,718)	(2,014)
	16,307,985	3,066,346
Interest in an associate	-	1,449,938
Interest in a joint venture	6,264	45,950
Deferred tax assets	33,011	37,451
Current tax recoverable	15,553	3,611
Unallocated head office and corporate assets	78,841	77,062
Consolidated total assets	16,441,654	4,680,358
Liabilities		
Reportable segment liabilities	2,015,827	885,570
Elimination of inter-segment payables	(21,718)	(2,014)
	1,994,109	883,556
Bank loans	100,000	100,000
Loan from an associate	-	161,868
Current tax payable	202,013	43,169
Non-current interest-bearing borrowings	7,616,565	-
Deferred tax liabilities	310,859	65,241
Unallocated head office and corporate liabilities	30,157	5,500
Consolidated total liabilities	10,253,703	1,259,334

3 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 the assets, 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 a joint venture. The geographical location of revenue is based on the physical location of assets through which the services were provided.

	Revenue from external customers		*Specified non-current assets*	
	2013	*2012*	*2013*	*2012*
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong (place of domicile)	2,845,220	3,144,538	1,039,451	958,893
Macau	2,463,670	-	12,196,025	1,449,938
Other countries	709,653	465,272	281,693	337,714
	6,018,543	3,609,810	13,517,169	2,746,545

4 Other revenue

	2013	*2012*
	HK$'000	HK$'000
Interest income from bank deposits	9,088	279
Other interest income	273	266
	9,361	545

5 Other net gain/(loss)

	2013 HK$'000	*2012* HK$'000
Gain on deemed disposal of equity interest in an associate (note 12(d))	1,116,298	-
Net loss on disposal of property, plant and equipment	(128)	(4,654)
Net foreign exchange gain/(loss)	20,015	(1,778)
	1,136,185	(6,432)

6 Profit before taxation

Profit before taxation is arrived at after charging:

	2013 HK$'000	*2012* HK$'000
(a) Finance costs		
Interest on bank and other borrowings		
– wholly repayable within five years	79,658	2,530
– not wholly repayable within five years	175,451	-
	255,109	2,530
Other finance charges	187,889	533
Other interest expense	1,459	-
	444,457	3,063

(b) Staff costs (including directors' remuneration)

	2013 HK$'000	*2012* HK$'000
Contributions to defined contribution retirement plans	30,226	15,093
Expenses recognised in respect of defined benefits retirement plan	4,528	-
Total retirement costs	34,754	15,093
Equity-settled share-based payment expenses	50,229	12,800
Salaries, wages and other benefits	504,764	325,110
	589,747	353,003

6 Profit before taxation (continued)

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

	2013	*2012*
	HK$'000	HK$'000
(c) Other items		
Operating lease charges in respect of leased circuits	674,279	325,564
Depreciation	311,110	137,391
Amortisation	105,862	16,891
	416,972	154,282
Impairment losses		
– trade debtors, net	77,558	5,594
– interest in a joint venture	37,811	-
Goodwill written-off upon disposal of an operation outside Hong Kong	10,404	-
Auditors' remuneration		
– audit services	5,218	3,601
– non-audit services*	6,747	4,004
Operating lease charges in respect of land and buildings	73,274	53,134
Transaction costs for the acquisitions of subsidiaries	111,395	2,361

* Auditors' remuneration for non-audit services of HK$1,650,000 (2012: HK$Nil) has been offset against the proceeds from the corresponding bonds and rights issue during the year ended 31 December 2013.

7 Income tax

	2013	*2012*
	HK$'000	HK$'000
Current tax		
Hong Kong Profits Tax		
– Provision for the year	45,626	55,042
– Under/(over)-provision in respect of prior year	984	(201)
	46,610	54,841
Jurisdictions outside Hong Kong		
– Provision for the year	114,611	1,768
– (Over)/under-provision in respect of prior year	(1,576)	33
	113,035	1,801
Deferred tax		
Recognition of tax losses not recognised in prior years	-	(15,806)
Origination and reversal of temporary differences	(28,819)	(604)
	(28,819)	(16,410)
	130,826	40,232

The provision for Hong Kong Profits Tax for 2013 is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year.

Taxation for jurisdictions outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

8 Dividends

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

	2013 HK$'000	*2012* HK$'000
Interim dividend declared and paid of HK2.4 cents (2012: HK2.4 cents) per share	79,544	57,264
Final dividend proposed after the balance sheet date of HK7.6 cents (2012: HK7.2 cents) per share	252,566	171,841
	332,110	229,105

For the interim dividend in respect of the period ended 30 June 2013, there was a difference of HK$16,000 between the interim dividend disclosed in 2013 interim report and the amount paid during the year ended 31 December 2013, which represented dividends attributable to shares issued upon exercise of share options before the closing date of register of members.

The final dividend proposed after the 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 year

	2013 HK$'000	*2012* HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK7.2 cents (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 year ended 31 December 2013, which represented dividends attributable to shares issued upon exercise of share options before the closing date of the register of members.

9 Earnings per share

	2013	2012
	HK$'000	HK$'000
Profit attributable to equity shareholders of the Company	1,067,506	461,283

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

	Number of shares	
	2013	*2012*
	'000	'000
Issued ordinary shares at 1 January	2,386,675	2,385,993
Effect of rights issue	514,998	-
Effect of share options exercised	21,793	20
Weighted average number of ordinary shares at 31 December	2,923,466	2,386,013
Effect of deemed issue of shares under the Company's share option plan	21,779	818
Weighted average number of ordinary shares (diluted) at 31 December	2,945,245	2,386,831
Basic earnings per share (HK cents)	36.5	19.3
Diluted earnings per share (HK cents)	36.2	19.3

10 Trade and other receivables and deposits

	2013 HK$'000	*2012* HK$'000
Trade debtors	1,503,486	1,282,678
Less: allowance for doubtful debts	(93,186)	(40,898)
	1,410,300	1,241,780
Other receivables and deposits	482,415	296,155
	1,892,715	1,537,935
Represented by:		
Non-current portion	164,974	174,352
Current portion	1,727,741	1,363,583
	1,892,715	1,537,935

At the balance sheet date, the ageing analysis of trade debtors (before allowance for doubtful debts and included in trade and other receivables and deposits) based on the invoice date is as follows:

	2013 HK$'000	*2012* HK$'000
Within 1 year	1,326,944	1,164,022
Over 1 year	176,542	118,656
	1,503,486	1,282,678

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. For 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. The Group does not hold any collateral over these balances.

11 Trade and other payables

	2013 HK$'000	*2012* HK$'000
Trade creditors	985,111	605,168
Other payables and accruals	966,853	283,888
	1,951,964	889,056
Represented by:		
Non-current portion	80,424	87,808
Current portion	1,871,540	801,248
	1,951,964	889,056

All current trade and other payables are expected to be settled or recognised as income within one year.

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:

	2013 HK$'000	*2012* HK$'000
Within 1 year	689,707	462,358
Over 1 year	295,404	142,810
	985,111	605,168

12 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 referred to 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 adjusted consideration is US$1,250,193,000 (approximately HK$9,751,506,000), which is referenced to the completion accounts 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.

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

	Acquiree's carrying amount before combination	*Fair value adjustments*	*Fair value*
	HK$'000	HK$'000	HK$'000
Property, plant and equipment	838,655	66,188	904,843
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	(287,562)	(276,068)
Net identifiable assets and liabilities	1,252,976	2,108,786	3,361,762
Non-controlling interests arising from the Acquisitions			(33,618)
Goodwill on the Acquisitions			8,892,097
Fair value of previously held 20% equity interest in CTM Group			(2,468,735)
			9,751,506

12 Acquisitions of CTM Group (continued)

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

	HK$'000
Satisfied by:	
Cash paid	9,751,506
Cash consideration paid	9,751,506
Cash and cash equivalents acquired	(859,562)
Net outflow of cash and cash equivalents in respect of the Acquisitions of CTM Group	8,891,944

(c) The goodwill is attributable mainly to the skills and technical talent of CTM Group's work force, and the synergies expected to be achieved from integrating CTM Group into the Group's existing telecommunications business. None of the goodwill is expected to be deductible for tax purposes.

(d) The gain on deemed disposal of previously held 20% equity interest in CTM Group of HK$1,116,298,000 (note 5) was measured as the excess of the fair value of the 20% equity interest in CTM Group of HK$2,468,735,000 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 (Revised), *Business combinations*.

FINANCIAL REVIEW AND ANALYSIS

REVIEW OF OVERALL PERFORMANCE

Acquisition of Companhia de Telecomunicações de Macau, S.A.R.L. and its subsidiaries (“CTM”)

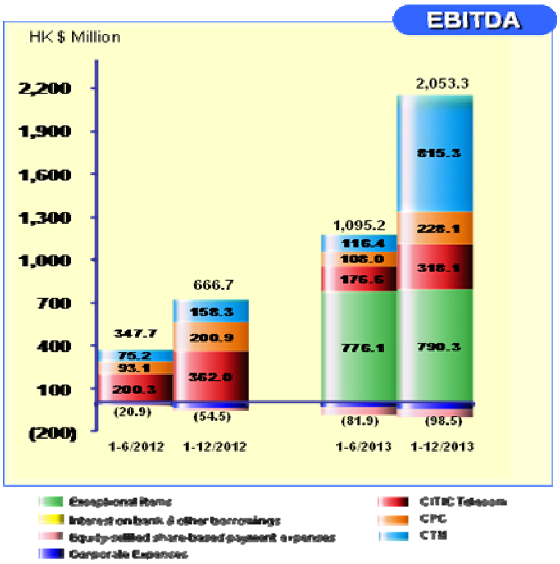
On 20 June 2013, the Group completed its acquisition of an additional 79% equity interest in CTM (“the Acquisition”) increasing its total shareholding in CTM to 99%. The results of CTM had been consolidated into the Group’s results subsequent to the Acquisition.

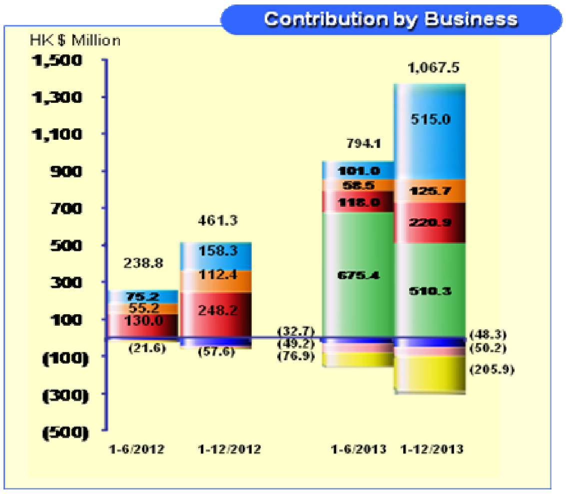
CTM is the only full telecoms service provider in Macau and a long-time leader in providing world-class telecoms services to Macau residents and enterprises. It also plays a major role in the ongoing development of Macau’s infrastructure. The Acquisition was funded by a combination of debt and equity financing.

Summary of Financial Results

	Year ended 31 December		**Increase/(Decrease)**	
In HK$ million	**2013**	**2012**		
Turnover	6,018.5	3,609.8	2,408.7	66.7%
Profit from consolidated activities	1,565.5	348.8	1,216.7	348.8%
EBITDA	2,053.3	666.7	1,386.6	208.0%
Finance costs	(444.5)	(3.1)	441.4	N/A
Income tax	(130.8)	(40.2)	90.6	225.4%
Profit attributable to equity shareholders of the Company	1,067.5	461.3	606.2	131.4%

Contribution by Business Operations





Remarks:

1. *CPC represents CITIC Telecom International CPC Limited and its subsidiaries.*
2. *EBITDA and profit contributed from CTM 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, finance and transaction costs related to the Acquisition, one-off refinancing costs, impairment losses and others.*

Turnover

The Group's turnover increased by 66.7% to HK$6,018.5 million for the year ended 31 December 2013 compared with HK$3,609.8 million for the corresponding period of 2012.

CTM

	Turnover		Consolidated by CITIC Telecom Group	
In HK$ million	**2013**	2012	**2013**	2012
Fixed lines services	**428.5**	525.1	220.2	
Mobile and equipment sales	**3,044.3**	3,299.8	1,616.0	
Internet services	**486.0**	443.5	266.4	
Data, enterprise solutions services and others	**603.8**	510.4	361.1	
Total	**4,562.6**	4,778.8	**2,463.7**	-

Fixed line services

Fixed line services revenue was HK$428.5 million in 2013 which represented a decrease of 18.4% when compared to 2012. The decrease was in line with the worldwide trends of declining fixed IDD traffic volumes and the fixed residential lines are gradually being replaced by the mobile services. The decrease was partly offset by the increase in business fixed lines and other fixed lines as a result of the completion of new hotels during the year.

Mobile and equipment sales

The total mobile and equipment sales revenue was HK$3,044.3 million in 2013 which was HK$255.5 million lower than 2012. The decrease was mainly due to the decline in sales of smartphones. The mobile service revenue increased by 21% to HK$1,015.2 million mainly due to the growth for the inbound roaming and mobile data.

Overall Average Revenue Per User ("ARPU") increased by 17% to HK$118 in 2013 when compared to 2012. Postpaid ARPU (excluding inbound roaming) increased by 11% to HK$189 in 2013 mainly due to increase in mobile data. Prepaid ARPU decreased by 3% to HK$20 in 2013 mainly due to drop in voice call.

The number of postpaid subscribers increased by 3.5% to 281,768 from 2012 to 2013. The mobile market share of CTM in Macau was estimated to be around 47%, same as 2012.

Internet services

Internet revenue was HK$486.0 million in 2013 which represented an increase of 9.6% when compared to 2012. The increase was mainly due to higher revenue from the good uptake of both residential and business fiber broadband services. Overall broadband ARPU increased by 4.5% to HK$274 in 2013 despite price reduction at the end of last year. Total broadband subscribers reached 151,796 in 2013 with a net increase of 7,200 subscribers from 2012. Broadband market penetration rate in Macau was at around 82% in 2013 (2012: 80%).

Data, enterprise solutions services and others

The turnover from data, enterprise solutions services and others increased by 18.3% to HK$603.8 million when compared with HK$510.4 million in 2012. The increase was contributed by the growth of professional service projects from the government and corporates, as well as growth in leased lines revenue from carriers and corporate customers despite tariff reduction in both local and international leased circuits in late 2013.

CITIC Telecom

Voice services for CITIC Telecom represent the Group's traditional telecoms hubbing services. Voice services revenue decreased by HK$403.3 million or 19.4% to HK$1,676.3 million for 2013 when compared with 2012. The Group handled a total traffic of 7.01 billion minutes, a 19.1% reduction compared with last year. Total China inbound and outbound traffic for the year has dropped by 18.4% and total international traffic dropped by 20.4% when compared to 2012. The decrease in traffic is due to the weak performance of global voice wholesales market. In order to mitigate the adverse impact, the Group implemented a strategy in targeting regions with higher margin. As a result, overall revenue per minute was HK$0.24 which was the same as last year.

SMS services sustained stable growth in 2013 with turnover reaching HK$416.5 million for the year ended 31 December 2013, an overall growth of 10.9% as compared to 2012. Owing to the increasing popularity of social networking applications, the number of Hong Kong domestic SMS dropped by 29.0% during the year. 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 22.7% 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 has dropped by 8.6% to 1,691.5 million messages from 2012, the average revenue per SMS has increased by approximately 25.0%.

Mobile value-added services ("VAS") registered steady growth in 2013 with turnover increasing by 16.2% to HK$235.5 million when compared with 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 2013 and 2012.

Data Services

Data services comprised mainly of VPN services, cloud computing and data centre services. During 2013, turnover from data services amounted to HK$1,181.3 million representing an increase of 30.7% when compared to 2012. The increase is mainly due to the consolidation of China Enterprise ICT Solutions Limited (formerly known as China Enterprise Communication Ltd.) ("CEC")'s revenue since its acquisition in September 2012. In addition, the Group's cloud computing and data centre services were well accepted by the market and recorded a growth of 44.3% in revenue. Our cloud computing services such as SmartCLOUD™ TAB (Traffic and Application Balancer), SmartCLOUD™ Compute PA and SmartCLOUD™ MMCC (Multimedia Contact Center) had received good feedback from the market. The renovation of the Group's new data centre in Ap Lei Chau was progressing smoothly and is scheduled to be completed in the first quarter of 2014. In view of the encouraging feedback from customers, the Group is formulating to extend new data centers in China, Hong Kong and Macau.

Profit from consolidated activities

The Group's profit from consolidated activities quadrupled to HK$1,565.5 million for 2013 when compared with 2012. The increase was mainly due to the first time consolidation of CTM's results as well as the combined impact of the following factors:

Gain on deemed disposal of equity interest in an associate

A one-off gain on deemed disposal of equity interest in an associate of HK$1,116.3 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. This is an extraordinary gain which is not derived from the ordinary course of business of the Group and has contributed significantly to the increase in the Group's 2013 results.

Net foreign exchange gain/(loss)

Net foreign exchange gain 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 year.

Cost of sales and services

Cost of sales and services includes cost of goods sold, and network and operations and support expenses. Cost of sales and services amounted to HK$3,935.6 million for 2013, an increase of 55.7% as compared with 2012. As a result of the Acquisition, the increase in turnover was much higher than the increase in cost of sales and services as CTM has a comparative higher profit margin than other business segments.

Staff costs

Staff costs comprise equity-settled share-based payment expenses of HK$50.2 million. If the equity-settled share-based payment expenses were excluded, staff costs for the year ended 31 December 2013 amounted to HK$539.5 million, an increase of 58.6% compared with HK$340.2 million for the same period of 2012. The increase was mainly due to the inclusion of full year impact of CEC, and the first time inclusion of CTM.

Depreciation and amortisation

Depreciation and amortisation expenses amounted to HK$417.0 million, an increase of HK$262.7 million as compared with 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 acquisitions of CEC in September 2012 and CTM in June 2013 respectively.

Other operating expenses

Other operating expenses of HK$656.3 million included exceptional items of HK$234.5 million. If the exceptional items were excluded, other operating expenses for 2013 amounted to HK$421.8 million which represented an increase of 91.7% when compared to 2012. Exceptional items mainly represent the transaction costs in relation to the Acquisition, 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 and CTM'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 year 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 a decrease of HK$77.7 million when compared with the Group's share for the year ended 31 December 2012. The decrease was mainly due to the Group's consolidation of CTM's financial results subsequent to the Acquisition.

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

The significant increase in EBITDA was mainly due to the first time inclusion of CTM's results.

The EBITDA for the Group's hubbing business amounted to HK$318.1 million, a decrease of HK$43.9 million or 12.1% as compared with last year due to the operating environment for the traditional hubbing business remained challenging around the globe in 2013.

EBITDA for CPC was up 13.5% from HK$200.9 million in 2012 to HK$228.1 million for the current year, mainly driven by the strong VPN services growth and the inclusion of CEC's results.

Finance costs

Finance costs increased from HK$3.1 million for 2012 to HK$444.5 million for 2013 as a result of the Group's increased borrowings to finance the Acquisition during the year.

Income tax

The Group's income tax expense for the year amounted to HK$130.8 million which represented an increase of HK$90.6 million as compared to 2012. If non-taxable / non-deductible items including the gain on deemed disposal of equity interest in an associate, transaction costs for the Acquisition, interest expenses and the profit contribution from an associate were excluded, the effective tax rate for 2013 and 2012 would be approximately 11.7% and 11.6% respectively.

Earnings per share ("EPS")

Basic EPS and diluted EPS nearly doubled to HK36.5 cents and HK36.2 cents respectively for 2013 as compared with last year. The increase was mainly due to the deemed disposal gain of the Group's 20% equity interest in CTM during the year and the subsequent consolidation of CTM's financial results but was partially offset by the transaction costs and finance costs in relation to the Acquisition. If the exceptional profit was excluded, basic EPS from operation amounted to HK19.1 cents which is similar to 2012 at HK19.3 cents.

Dividend per share

A final dividend of HK7.6 cents per share is proposed for 2013. Total dividends per share will therefore amount to HK10.0 cents for the year.

Cash flows

	Year ended 31 December		***Increase/(Decrease)***	
In HK$ Million	***2013***	***2012***		
Source of cash:				
Cash inflows from business operations	1,072.7	291.2	781.5	268.4%
Rights issue net of transaction costs	1,794.5	-	1,794.5	N/A
Net borrowings	7,246.8	257.7	6,989.1	N/A
Other cash inflows	256.9	182.9	74.0	40.5%
Sub-total	**10,370.9**	**731.8**	**9,639.1**	**N/A**
Use of cash:				
Capital expenditure*	(470.9)	(160.3)	310.6	193.8%
Dividends paid to equity shareholders	(253.0)	(229.1)	23.9	10.4%
Acquisition of subsidiaries	(8,979.5)	(122.2)	8,857.3	N/A
Other cash outflows	(162.8)	(124.2)	38.6	31.1%
Sub-total	**(9,866.2)**	**(635.8)**	**9,230.4**	**N/A**
Net increase in cash	**504.7**	**96.0**	**408.7**	**425.7%**

* 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$1,201.1 million for the year ended 31 December 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$1,072.7 million representing an increase of 268.4% when compared with the corresponding period of 2012. During the year, the Group made a rights issue and new borrowings totaling HK$10,206.7 million to finance the Acquisition. The use of cash comprised capital expenditure, dividend distribution to equity shareholders, purchase consideration and transaction costs for the Acquisition, and various other payments. As a result, the Group generated net cash inflow of HK$504.7 million for 2013.

Capital expenditure

Capital expenditure was HK$550.4 million for 2013, an increase of HK$377.3 million as compared to 2012. As data centre has proven to be very popular to customers during recent years, the Group has continued to expand its data centers where HK$122.9 million of fitting-out costs were incurred during 2013.

Excluding the capital expenditure on the data centre, the capital expenditure for 2013 amounted to HK$427.5 million, a rise of 229.4% compared to 2012. The increase was mainly for the network systems upgrade for the Group, including CTM, 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

During the year, the Group paid a total cash consideration, including consideration adjustments, of US$1,250.2 million (approximately HK$9,751.5 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) (the "US$630 million Facility") 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 Facility contained 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 required the Group to comply with certain financial covenants commencing from 31 December 2013, including consolidated borrowings over net worth, leverage ratio, cash flow cover and maximum capital expenditure. In addition, this facility contained change in control clause and events of default customary for such financing.

During the year, the Group early repaid part of the US$630 million Facility from its surplus cash. In addition, the Group entered into another facility agreement with a group of banks in aggregate amount of US$540 million (approximately HK$4,212.0 million, "US$540 million Facility") to refinance the outstanding amounts owing under the US$630 million Facility. This allows the Company to refinance the US$630 million Facility with a lower cost of funding and less restrictive covenants and undertakings given by the Group.

US$540 million Facility contains certain covenants, undertaking, financial covenants, change in control clause and events of default customary, which are commonly found in lending arrangement with financial institutions. If the Group were to breach the covenants or in any case of an event of default, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. At 31 December 2013, the Group was in compliance with the relevant requirements.

Net debt and liquidity risk management

Debt and leverage

At 31 December 2013, net gearing ratio rose to 53%, when the net debt increased to HK$6,860.5 million. It was mainly due to the issuance of US$450 million 6.1% guaranteed bonds and US$540 million Facilities for financing of the Acquisition.

At 31 December 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	100.0	7,616.6	-	-	-	7,716.6
Less: Cash and bank deposits	(139.2)	(180.2)	(455.1)	(32.4)	(49.2)	(856.1)
Net debt/(cash)	**(39.2)**	**7,436.4**	**(455.1)**	**(32.4)**	**(49.2)**	**6,860.5**

At 31 December 2013, the Group's net gearing ratio was as follows:

In HK$ million	31 December 2013	31 December 2012
Total bank and other borrowings	7,716.6	261.9
Less: Cash and bank deposits	(856.1)	(354.8)
Net debt/(cash)	**6,860.5**	**(92.9)**
Total equity attributable to equity shareholders of the Company	6,163.3	3,432.7
Total capital	**13,023.8**	**3,339.8**
Net gearing ratio	**53%**	**N/A**

At 31 December 2013, the principal of total outstanding bank and other borrowings amounted to HK$7,822.0 million, of which HK$100 million will mature in the coming year, against cash and bank deposits of HK$856.1 million.

The maturity profile of the Group's bank and other borrowings in principal amount at 31 December 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	100.0	-	1,684.8	505.4	2,021.8	-	4,312.0
US$450 million 6.1% guaranteed bonds	-	-	-	-	-	3,510.0	3,510.0
	100.0	-	1,684.8	505.4	2,021.8	3,510.0	7,822.0

Note: *For illustrative purpose, the above analysis is based on the principal amount of bank and other borrowings, rather 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 banking facilities at a reasonable level to meet the debt repayments and capital expenditure requirement in the coming year.

The Group's cash balance at 31 December 2013 are more than sufficient to cover the repayments of principal amount of bank borrowings of HK$100.0 million in the coming year and contractual capital commitments of HK$239.6 million at 31 December 2013.

At 31 December 2013, the Group had available trade facilities of approximately HK$229.5 million. Approximately HK$103.0 million was utilised as guarantees for costs payable to telecoms operators and performance to customers / the Macau Government. Around HK$1.1 million of these utilised facilities were required to be secured by pledged deposits.

At 31 December 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	4,212.0	4,212.0	-
US$450 million 6.1% guaranteed bonds	3,510.0	3,510.0	-
	7,722.0	7,722.0	-
Uncommitted facilities:			
Short-term facilities	100.0	100.0	-
Trade facilities	229.5	103.0	126.5
	329.5	203.0	126.5
Total	**8,051.5**	**7,925.0**	**126.5**

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 31 December 2013, the Group pledged approximately HK$1.3 million of bank deposits to secure parts of the trade facilities.

Certain property, plant and equipment of CTM are designated for the provision of basic infrastructure of public telecommunications services. They may need to be shared with other licensed telecommunications operators or the Macau Government with fair compensation, or, upon termination of Macau Concession, assigned in favour of the Macau Government.

148,500 shares in CTM, represented 99% equity interest in the share capital of CTM held by the Company, had been pledged to secure the US$630 million Facility. During the year, the Group entered into another facility agreement to refinance the US$630 million Facility and the security of 99% equity interest in CTM had been withdrawn. It is expected to be completed in February 2014.

Loan covenants

At 31 December 2013, the Group was in compliance with the relevant loan covenants.

Capital commitments

At 31 December 2013, the Group had outstanding capital commitments of HK$402.7 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$239.6 million were outstanding contractual capital commitments and HK$163.1 million were capital commitments authorised but for which contracts had yet to be entered into.

Contingent liabilities

At 31 December 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 Macau, whose functional currency is Hong Kong dollar or Macau Pataca. The Group is exposed to currency risk primarily from currencies other than the functional currency of the operations to which the transactions relate.

A substantial portion of the Group's 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 31 December 2013, approximately 55% of the Group's borrowings were linked to floating interest rates. During the year, the Group did not enter any interest rate swap arrangement.

Average borrowing costs

At 31 December 2013, the average borrowing costs, which is after the inclusion of amortisation of transaction costs, was approximately 4.2%.

Credit risk

The Group's credit risk is primarily attributable to trade debtors. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining the economic environment in which the customer operates. 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.

The Group has certain concentration risk in respect of trade debtors due from the Group's five largest customers who accounted for approximately 46% and 57% of the Group's total trade debtors at 31 December 2013 and 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 31 December 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, Macau and the PRC. At 31 December 2013, the Group has HK$836.5 million cash balance in the above-mentioned financial institutions, representing approximately 98% of the total cash and bank deposits of the Group. Management does not expect any losses from non-recovery from our financial counterparties.

SUSTAINABILITY REPORT

CITIC Telecom International Group has a strong sense of commitment in fulfilling corporate social responsibility and ensuring that it is part of our core corporate value in our daily operation. The Group has a team of committed and competent employees who possess the variety of skills and experience required to support its operations and sustainable development.

Fairness and Integrity

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. Discrimination is prohibited in the daily operation.

The Group 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 and Conflict of Interest Policy.

Concertedly Building the "CITIC Telecom Team"

As at the end of December 2013, the Group employed a total of 2,016 employees (2012 : 900) for its headquarters in Hong Kong and its principal subsidiaries. The increase in number of employees was mainly due to acquisition projects completed during the year.

The Group strives to ensure that our staff enjoy a healthy, safe and positive environment in which to work and interact with others. The comprehensive benefits will be provided to our staff.

The Group supports and organises various kinds of outdoor sports activities and ball games competitions. The Group has also built the indoor sports centre and multi-functional recreation centre in our headquarter.

The Group's compensation strategy is to cultivate a pay-for-performance culture to incentivise and reward employee performance that will lead to long-term enhancement of the overall calibre of the Group.

Caring for the Community

The Group has set up the community services team since 2009 and has been active in fulfilling its social responsibility and encouraging its staff to support voluntary services and community activities through various means. The activities in 2013 included charitable donations over HK$600,000, visit to "Ronald McDonald House" and "YMCA Elderly Day Care Centre", selling campaign for "30-Hour Famine" and ORBIS, charity sale for Macao Special Olympics, etc.

Community Support

The Group together with mobile operators in Hong Kong have provided full support to the 50222 Hiker SMS Tracking Service.

The Group also continues to sponsor the projects of the Hong Kong Internet eXchange (HKIX) and Hong Kong Internet eXchange 2 (HKIX2), both of which are non-profit organisations.

The Group has been awarded as "Caring Company", "Award for Volunteer Service Commitment 2013", "Best World Company", "Corporate Citizenship", "Partner Employer Award" and "Happy Company" in recognition of our commitment and contribution through caring for the community, employees and environment.

Training and Development

Our staff is our greatest asset. The Group continues its effort in staff training and development to support the needs of its business and staff. In 2013, the Group provided training to employees over 40,000 hours.

The Group contributes to the society by providing various working and internship opportunities, including "ICT Elite Incubation Program" and young technical talents exchange program.

All board directors also participate in continuous professional training to develop and refresh their knowledge and skills.

Caring for the Environment

The Group is committed to conduct business in an environmentally responsible manner. In 2013, we continued to be the "Carbon Audit • Green Partner" of Environmental Protection Department. We also participated in the "Energy Saving Charter on Indoor Temperature" scheme.

The Singapore office of the Group was succeeded in obtaining re-certification as an Eco-office for another two years. Our Singapore subsidiary was a lead-sponsor for "the Asian Environmental Journalism Awards" in 2013. The Singapore subsidiary continued "CITIC Telecom Scholarship" at Singapore Polytechnic in this year to help students pursuing the related courses concerning the preservation of the environment.

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, we attach importance to our people, our code of conduct, and our corporate policies and standards, which together form the basis of our corporate governance practices. We respect the laws, rules and regulations of each country and area in which we operate, and we strive to ensure for our people a healthy and safe working environment which is our paramount concern. We endeavour to contribute to the sustainable development of the Company, with particular focus on our accountability to shareholders and stakeholders. A full description of the Company's corporate governance will be set out in the section of "Corporate Governance" contained in the 2013 annual report.

Throughout the year 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 of the Board, consisting of three independent non-executive directors, has reviewed the 2013 financial statements with management and the Company's internal and external auditors and recommended its adoption by the Board.

PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

As the legislation governing the companies law of Hong Kong has undergone quite a significant overhaul with the commencement of the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) with effect from 3 March 2014, the Board proposes to seek the approval of the shareholders of the Company by way of special resolution for the adoption of the New Articles of Association of the Company (the "New Articles") at the forthcoming annual general meeting (the "AGM") of the Company to be held on Friday, 25 April 2014, so as to bring the constitution of the Company in line with provisions of the new Companies Ordinance. The Board also proposes to make certain housekeeping amendments in the New Articles.

Details of the proposed amendments to the existing articles of association of the Company 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 HK7.6 cents (2012: HK7.2 cents) per share, which together with the interim dividend of HK2.4 cents (2012: HK2.4 cents) per share already paid makes a total dividend of HK10.0 cents (2012: HK9.6 cents) per share for the year ended 31 December 2013. The total dividend of HK10.0 cents per share will amount to HK$332,110,000 (2012: HK$230,712,000) of the Company's profit for the year ended 31 December 2013.

The proposed final dividend of HK7.6 cents per share, the payment of which is subject to approval of the shareholders at the AGM, is to be payable on Friday, 16 May 2014 to shareholders whose names appear on the Register of Members of the Company on 7 May 2014.

The Register of Members of the Company will be closed from Wednesday, 23 April 2014 to Friday, 25 April 2014 (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, 22 April 2014. In addition, the Register of Members of the Company will be closed from Friday, 2 May 2014 to Wednesday, 7 May 2014 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Wednesday, 30 April 2014. During such periods, no share transfer will be effected.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31 December 2013 and the Company has not redeemed any of its shares during the year ended 31 December 2013.

RETIREMENT OF DIRECTOR

Mr. Yang Xianzu shall retire by rotation in the AGM pursuant to Article 104(A) of the Articles of Association of the Company. Due to retirement, Mr. Yang will not seek for re-election at the AGM. Accordingly, Mr. Yang Xianzu will cease to be the chairman of the Remuneration Committee, the member of the Audit Committee and the Nomination

Committee of the Company, all to be effective from the conclusion of the AGM. The Company is expected to make announcement on the appointment to fill his vacancy in due course and in accordance with the requirements of the Listing Rules.

Mr. Yang has confirmed that there is no disagreement with the Board and there is no matter that needs to be brought to the attention of the shareholders of the Company.

Mr. Yang has been serving on the Board since March 2007. The Board would like to express its sincere gratitude to him for his support, devotion and invaluable contribution to the Company during his tenure of office.

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 10 March 2014.

By Order of the Board
Xin Yue Jiang
Chairman

Hong Kong, 18 February 2014

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