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 2014

CHAIRMAN'S STATEMENT

I am pleased to present the operating and financial results of the Group for the six months ended 30 June 2014. Confronted with significant changes in the telecommunications market during the first half of 2014, the Group sustained a steady business development in general as it adopted effective measures and endeavoured to make new inroads in the Hong Kong, Macau and overseas markets as well as the market of Mainland China with a broad vision and innovative thinking based on judicious evaluation.

I. FINANCIAL PERFORMANCE

In the first half of 2014, the Group recorded a total revenue of HK$4,139.1 million, representing an increase of 120.0% over the corresponding period of the previous year. Profit attributable to equity shareholders of the Company was HK$360.4 million, decreasing by 54.6% compared to the corresponding period of the previous year. Excluding the one-off revaluation gain relating to the 20% equity interest in Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") originally held by the Group following the acquisition of CTM during the first half of 2013 and after deduction of exceptional items, the profit attributable to equity shareholders of the Company increased by 100.9% compared to the corresponding period of the previous year.

Basic earnings per share for the first six months of the year decreased by 65.7% to HK10.8 cents as compared to the corresponding period of the previous year. Excluding the one-off revaluation gain relating to the 20% equity interest in CTM originally held by the Group following the acquisition of CTM during the first half of 2013 and after deduction of exceptional items, basic earnings per share would be HK7.1 cents, increasing by 52.1% as compared to the corresponding period of the previous year.

The Board declared an interim dividend of HK2.7 cents per share for 2014, increasing by 12.5% as compared to the dividend payment for the corresponding period of the previous year.

II. BUSINESS DEVELOPMENT

CTM sustained a steady business growth during the first half of the year, with turnover increasing by approximately 7.8% as compared to the corresponding period of the previous year. Such increase in turnover was mainly driven by the growth in the mobile services, Internet services and enterprise solutions services, which reported turnover growth of 3.6%, 17.1% and 29.1%, respectively, as compared to the corresponding period of the previous year. Net profit after taxation of CTM amounted to HK$531.6 million, representing a 7.1% growth as compared to the corresponding period of the previous year.

During the first half of the year, CITIC Telecom International CPC Limited ("CPC") achieved notable results in the expansion of its VPN service and Internet access business and made further progress in the integration of China Enterprise ICT Solutions Limited ("CEC"). Through equipment replacement and software upgrade, the Group has further enhanced the functions of the technological platform of its telecommunications hubbing networks to provide a better quality service to the customers, and address the needs of various business developments. On 25 April 2014, the Group signed a management service agreement with 中信網絡有限公司 ("CITIC Networks"), pursuant to which CITIC Networks has appointed the Group to provide certain management consultation and technical services. The Group has strengthened its cooperation with CITIC Networks to leverage fully the resources of China's nationwide optic fibre network and to step up with the development of the Group's VPN service and Internet access business.

1. CTM sustained steady business growth with ongoing improvement in engineering quality

The Group has strengthened its quality management at CTM, working closely with CTM's engineering personnel to optimise the overall architecture and operation and improve the quality of the CTM network through in-depth deliberations and researches. CTM has focused on enhancing overall network stability, as it adopted plans and measures to secure safe operation and sought ongoing technical improvements to avoid breakdowns. The quality of our engineering technologies has been further improved as a result. CTM sustained a steady business growth during the first half of the year, as turnover for handset sales increased by 4.2% as compared to the corresponding period of the previous year following extensive marketing efforts. Its mobile user base was stable with approximately 766,000 users representing a market share of 45%. It also sustained a steady growth in its Internet user base, reporting net growth of more than 4,000 users during the first half of the year to take the total number of users to approximately 156,000 (including approximately 22,000 users of fibre-optic broadband services), representing a 100% market share. Meanwhile, there was a slight decrease in the number of local fixed line users to approximately 166,000, which represented a 100% market share.

2. Higher standards in CTM's operations as a result of improved services

CTM has conducted a "customer satisfaction poll" and devised a range of issue-specific improvement plans based on the findings of the poll. Key service quality benchmarks were then formulated jointly by various business departments. These included a number of mobile network and Internet upgrade and optimisation works planned to ensure stable and uninterrupted network services for customers, and close scrutiny of the service performance of various major customer contact points, such as outlets, hotlines, installation and maintenance services, to ensure continuous improvement in the quality of our products and services. Higher customer satisfaction has been achieved as a result. To address the busy mobile traffic problem of certain areas in Macau and to ensure smooth communication services for customers, CTM has adopted measures to smooth out the situation and to ensure the normal operation of the data and voice services in the area. CTM also launched a new tablet application across all service outlets to further shorten service lead-time and raise our work efficiencies. As a result of the improvements in services, higher operating standards have been attained.

3. Stronger market competitiveness for the Group's data centre business after the official commissioning of the data centre in Ap Lei Chau, Hong Kong

Following the Group's active collaboration with its contractors and consultants, the data centre in Ap Lei Chau, Hong Kong ("Ap Lei Chau Data Centre") was completed as scheduled and officially commissioned in March this year. The Group has enhanced the efficiency of its data centre business by rolling out marketing initiatives for the Ap Lei Chau Data Centre.

Through the setting up of the Ap Lei Chau Data Centre and the ongoing optimisation of the Group's network of data centres in Hong Kong, the standard of the Group's network operations has been improved. With a strong emphasis on the returns of its investments in networks and equipment, the Group has formulated detailed plans to complete various tasks in the relocation of the circuits and equipment to the Ap Lei Chau Data Centre in a prudent manner. The Group has also decided to expand the existing data centres of CTM by building 300 additional racks to strengthen the capability of CTM to develop data centre business.

4. Commendable results reported for the Group's VPN, Internet service, cloud computing and information security businesses

The Group made proactive moves to increase the points of presence ("POPs") of its VPN service and invest in the expansion of its cloud computing centre, while launching new solutions to further optimise and strengthen a number of its existing services, which included: a new POP at each of Hanoi in Vietnam and Zhengzhou and Changsha in China, so that the coverage of its VPN service was expanded to more than 60 POPs to meet local needs for services. We also reported rapid development in our cloud computing business, which has launched a very competitive cloud back-up and storage solution to provide corporate customers with the best cloud back-up solution.

CPC and CEC continued to reinforce their strategy of collaboration and strive for greater synergies to optimise their service quality. In addition to integrating their full range of products and services, upgrading their network equipment and improving efficiency by utilising resources of the two parties, a data centre was also built in Mainland China through CEC in line with the development of the cloud computing and big data businesses and the growth in demand from Internet customers, with the aim of leveraging their strong synergies and enriching their cloud computing services, so that corporate customers looking to expand and manage their businesses could enjoy data centre infrastructure facilities with premium quality and comprehensive cloud computing services.

5. New developments in the business of China Enterprise ICT Solutions Limited

In March 2014, the Ministry of Industry and Information Technology issued to China Enterprise ICT Solutions Limited ("CEC") a new "Telecommunications VAS Business Permit" which incorporated the new business scopes of VPN Internet Data Centre and Internet Content Provider. Before the grant of the said permit, CEC had already obtained business permits for the operation of telecommunications VAS businesses such as VPN services, call centre services and Internet access services in Mainland China. In June 2014, CEC signed a cooperation agreement with 上海科技網絡通信有限公司 (Shanghai Science and Technology Network Communication Co., Ltd.) ("STNC") to set up a cloud computing data centre in Baoshan, Shanghai. The data centre, with a gross floor area of approximately 14,000 square metres, is to be built to international T3+ standard. According to the cooperation agreement, Phase I of the data centre shall provide approximately 500 standard racks over a gross floor area of approximately 1,000 square metres. Hardware support and operational maintenance shall be provided by STNC, while CEC shall provide solutions for business partners. The data centre is expected to offer services within this year.

6. Fostering new profit growth niche with the development of new products and businesses

The Group was actively engaged in business cooperation with overseas as well as Chinese carriers to develop new products and services, with new inroads made in its cooperation with Chinese carriers in the Mobile Value Added Service ("MVAS") business. To support the development of corporate SMS business, the Group commenced the establishment of the A2P corporate SMS routing administration system for the administration of A2P SMS routing. As of now, the Group has completed the work for launching the routing administration system. The completion of the Group's corporate SMS routing administration system has provided a powerful impetus for the development of its corporate SMS business. The Group has commenced a project to revamp the functions and appearance of HIPPI, a customer-end VoIP product for smartphones, and the improved products have already been launched in the Taiwan and Hong Kong markets. The Group has also developed the IPX customer management software and provided IPX connection to CTM to enlarge the Group's business coverage of IPX.

In connection with new business development, the Group has commenced business negotiations with Mainland Chinese companies which have obtained the "License of Mobile Virtual Operator" of China and entered into contracts for mobile virtual operations with local mobile carriers of Hong Kong. This is a perfect start for the development of the Group's global MVNO business. We have also been engaged in discussions with other overseas customers regarding the feasibility of commencing the mobile virtual network enabler (MVNE) business.

III. OUTLOOK

In the second half of the year, the Group will further enhance its market development strategies with stronger marketing efforts. While expanding the Mainland China, Hong Kong, Macau and overseas markets through active development of new businesses and products, extensive efforts will also be made on various fronts to support the business development of Chinese and overseas carriers. The Group will actively develop its data businesses, such as VPN, Internet access and data centre, as well as its MVAS business, while making full preparations for the award of fourth-generation mobile communications (4G) licences by the Macau SAR Government. CTM will actively bid for Macau's 4G licences and strive to advance the development of its 4G business to provide new-generation mobile communication services for the Macau community.

The Group will exercise reasonable control over the size of its investments and time them in a prudent manner to avoid risks. Meanwhile, we will need to broaden our thinking and develop new products and businesses, tap new markets, solicit new customers and step up with the development of new frontiers for domestic and international business cooperation.

As our Group operates a global marketing network for its telecommunications business, I am convinced that so long as we firmly adhere to our development strategies, that is to say, by enhancing international market development while having the Mainland China market as the foundation and utilising Hong Kong and Macau as the intermediary base, strengthening cost control of the Group, rolling out innovation programmes and optimising the work process at various business levels, our Group will secure new developments in its business and create further value for our shareholders.

Xin Yue Jiang
Chairman
Hong Kong, 7 August 2014

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2014

		Six months ended 30 June	
	Note	*2014*	*2013*
		(Unaudited)	(Unaudited)
		HK$'000	HK$'000
Turnover	2(a)	4,139,054	1,881,266
Other revenue	3	1,783	7,679
Other net gain	4	2,180	1,125,903
		4,143,017	3,014,848
Cost of sales and services		(2,541,238)	(1,347,834)
Depreciation and amortisation	5(c)	(328,276)	(102,694)
Staff costs	5(b)	(352,500)	(261,153)
Other operating expenses		(305,835)	(382,544)
		615,168	920,623
Finance costs	5(a)	(165,434)	(177,558)
Share of profit of an associate		-	80,569
Share of loss of a joint venture		(589)	(1,048)
Profit before taxation	5	449,145	822,586
Income tax	6	(83,436)	(28,032)
Profit for the period		365,709	794,554
Attributable to:			
Equity shareholders of the Company		360,385	794,114
Non-controlling interests		5,324	440
Profit for the period		365,709	794,554
Earnings per share (HK cents)	8		
Basic		10.8	31.5
Diluted		10.7	31.2

Details of dividends payable to equity shareholders of the Company attributable to the profit for the period are set out in note 7(a).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended 30 June	
	2014	*2013*
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit for the period	365,709	794,554
Other comprehensive income for the period (after tax and reclassification adjustments):		
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	(149)	3,562
– release of exchange reserve upon deemed disposal of equity interest in an associate, net of $nil tax	-	(11,136)
Other comprehensive income for the period	(149)	(7,574)
Total comprehensive income for the period	365,560	786,980
Attributable to:		
Equity shareholders of the Company	360,203	786,613
Non-controlling interests	5,357	367
Total comprehensive income for the period	365,560	786,980

CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2014

	Note	*30 June 2014* (Unaudited) HK$'000	*31 December 2013* (Audited) HK$'000
Non-current assets			
Property, plant and equipment		1,848,009	1,884,339
Intangible assets		2,254,757	2,342,878
Goodwill		9,283,909	9,283,688
Interest in a joint venture		5,670	6,264
Non-current other receivables and deposits	9	213,075	164,974
Deferred tax assets		41,824	33,011
		13,647,244	13,715,154
Current assets			
Inventories		75,942	127,130
Trade and other receivables and deposits	9	2,076,266	1,727,741
Current tax recoverable		19,087	15,553
Cash and bank deposits		1,256,835	856,076
		3,428,130	2,726,500
Current liabilities			
Trade and other payables	10	2,081,744	1,871,540
Bank loans		100,000	100,000
Current tax payable		299,594	202,013
		2,481,338	2,173,553
Net current assets		946,792	552,947
Total assets less current liabilities		14,594,036	14,268,101

CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2014 (CONTINUED)

	Note	*30 June 2014* (Unaudited) HK$'000	*31 December 2013* (Audited) HK$'000
Non-current liabilities			
Interest-bearing borrowings		7,826,702	7,616,565
Non-current other payables	10	76,732	80,424
Net defined benefit retirement obligation		74,023	72,302
Deferred tax liabilities		298,651	310,859
		8,276,108	8,080,150
NET ASSETS		6,317,928	6,187,951
CAPITAL AND RESERVES			
Share capital: nominal value		-	332,324
Other statutory capital reserves		-	3,365,314
Share capital and other statutory capital reserves	11	3,733,072	3,697,638
Other reserves		2,564,528	2,465,633
Total equity attributable to equity shareholders of the Company		6,297,600	6,163,271
Non-controlling interests		20,328	24,680
TOTAL EQUITY		6,317,928	6,187,951

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 2013, 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 2014.

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.

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.

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	
	2014	*2013*
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Fees from the provision of telecommunications services	3,080,815	1,813,291
Sale of telecommunications equipment and mobile handsets	1,058,239	67,975
	4,139,054	1,881,266

(b) Segment reporting

The Group manages its businesses by business operations. 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:

- 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 People's Republic of China ("PRC"))

No operating segments have been aggregated to form the above reportable segments.

2 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities

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 period 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*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	1,112,255	1,164,173	2,397,928	135,416	628,871	581,677	4,139,054	1,881,266
Inter-segment revenue	27,416	14,766	5,601	-	3,789	1,090	36,806	15,856
Reportable segment revenue	1,139,671	1,178,939	2,403,529	135,416	632,660	582,767	4,175,860	1,897,122
Reportable segment profit (adjusted EBITDA)	109,145	50,921	760,370	36,135	119,054	109,473	988,569	196,529

	CITIC Telecom		*CTM*		*CPC*		*Total*	
	30 June 2014	*31 December 2013*	*30 June 2014*	*31 December 2013*	*30 June 2014*	*31 December 2013*	*30 June 2014*	*31 December 2013*
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Reportable segment assets	2,501,776	2,279,949	13,687,181	13,345,398	766,120	704,356	16,955,077	16,329,703
Reportable segment liabilities	991,955	817,428	1,031,696	1,052,028	175,706	146,371	2,199,357	2,015,827

The measure used for reporting segment profit is "adjusted EBITDA", i.e. earnings before interest, taxes, depreciation and amortisation, adjusted for gains/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.

2 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(ii) Reconciliations of reportable segment profit

	Six months ended 30 June	
	2014	*2013*
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Reportable segment profit	988,569	196,529
Net gain/(loss) on disposal of property, plant, and equipment	159	(88)
Depreciation and amortisation	(328,276)	(102,694)
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	(165,434)	(177,558)
Share of profit of an associate	-	80,569
Share of loss of a joint venture	(589)	(1,048)
Gain on deemed disposal of equity interest in an associate	-	1,115,426
Interest income	1,783	7,679
Unallocated head office and corporate expenses	(47,067)	(248,014)
Consolidated profit before taxation	449,145	822,586

3 Other revenue

	Six months ended 30 June	
	2014	*2013*
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest income from bank deposits	1,668	7,570
Other interest income	115	109
	1,783	7,679

4 Other net gain

	Six months ended 30 June	
	2014	*2013*
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Gain on deemed disposal of equity interest in an associate	-	1,115,426
Net gain/(loss) on disposal of property, plant and equipment	159	(88)
Net foreign exchange gain	2,021	10,565
	2,180	1,125,903

5 Profit before taxation

Profit before taxation is arrived at after charging:

		Six months ended 30 June	
		2014	*2013*
		(Unaudited)	(Unaudited)
		HK$'000	HK$'000
(a)	***Finance costs***		
	Interest on bank and other borrowings	152,724	76,910
	Other finance charges	11,244	100,648
	Other interest expense	1,466	-
		165,434	177,558
(b)	***Staff costs (including directors' remuneration)***		
	Contributions to defined contribution retirement plans	17,560	13,421
	Expenses recognised in respect of defined benefits retirement plan	4,262	239
	Total retirement costs	21,822	13,660
	Equity-settled share-based payment expenses	-	49,121
	Salaries, wages and other benefits	330,678	198,372
		352,500	261,153
(c)	***Other items***		
	Amortisation	87,963	17,718
	Depreciation	240,313	84,976
		328,276	102,694
	Impairment losses		
	– trade debtors, net	5,782	76,163
	– interest in a joint venture	-	37,811
	Goodwill written-off upon disposal of an operation outside Hong Kong	-	10,404
	Transaction costs for the acquisitions of subsidiaries	-	89,688

6 Income tax

	Six months ended 30 June	
	2014	*2013*
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax		
Hong Kong Profits Tax	28,726	27,547
Taxation for jurisdictions outside Hong Kong	75,505	4,004
	104,231	31,551
Deferred tax		
Origination and reversal of temporary differences	(20,795)	(3,519)
	83,436	28,032

The provision for Hong Kong Profits Tax for the six months ended 30 June 2014 is calculated at 16.5% (six months ended 30 June 2013: 16.5%) of the estimated assessable profits for the period.

Taxation for jurisdictions outside Hong Kong 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	
	2014	*2013*
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interim dividend declared and paid after the interim period of HK2.7 cents (six months ended 30 June 2013: HK2.4 cents) per share	90,116	79,544

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	
	2014	*2013*
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK7.6 cents (six months ended 30 June 2013: HK7.2 cents) per share	253,474	173,448

For the final dividend in respect of the year ended 31 December 2013, there was a difference of HK$908,000 between the final dividend disclosed in the 2013 annual report and the amount paid during the six months ended 30 June 2014, 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	
	2014	*2013*
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit attributable to equity shareholders of the Company	360,385	794,114

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

	Number of shares	
	Six months ended 30 June	
	2014	*2013*
	(Unaudited)	(Unaudited)
	'000	'000
Issued ordinary shares at 1 January	3,323,242	2,386,675
Effect of rights issue	-	119,831
Effect of share options exercised	7,932	16,210
Weighted average number of ordinary shares at 30 June	3,331,174	2,522,716
Effect of deemed issue of shares under the Company's share option plan	29,942	21,527
Weighted average number of ordinary shares (diluted) at 30 June	3,361,116	2,544,243
Basic earnings per share (HK cents)	10.8	31.5
Diluted earnings per share (HK cents)	10.7	31.2

9 Trade and other receivables and deposits

	30 June 2014 (Unaudited) HK$'000	*31 December 2013* (Audited) HK$'000
Trade debtors	1,743,377	1,503,486
Less: allowance for doubtful debts	(96,595)	(93,186)
	1,646,782	1,410,300
Other receivables and deposits	642,559	482,415
	2,289,341	1,892,715
Represented by:		
Non-current portion	213,075	164,974
Current portion	2,076,266	1,727,741
	2,289,341	1,892,715

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:

	30 June 2014 (Unaudited) HK$'000	*31 December 2013* (Audited) HK$'000
Within 1 year	1,395,013	1,326,944
Over 1 year	348,364	176,542
	1,743,377	1,503,486

Credit evaluations are performed on all customers requiring credit over a certain amount. Trade debtors are due within 7 to 180 days from the date of billing. Impairment losses are recorded for those overdue balances where there is objective evidence of impairment.

10 Trade and other payables

	30 June 2014 (Unaudited) HK$'000	*31 December 2013* (Audited) HK$'000
Trade creditors	1,208,193	985,111
Other payables and accruals	950,283	966,853
	2,158,476	1,951,964

Represented by:

	30 June 2014 (Unaudited) HK$'000	*31 December 2013* (Audited) HK$'000
Non-current portion	76,732	80,424
Current portion	2,081,744	1,871,540
	2,158,476	1,951,964

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 2014 (Unaudited) HK$'000	*31 December 2013* (Audited) HK$'000
Within 1 year	806,082	689,707
Over 1 year	402,111	295,404
	1,208,193	985,111

11 Share capital

At 31 December 2013, 5,000,000,000 ordinary shares, with par value of HK$0.10 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concepts of "authorised share capital" and "par value" no longer exist. As part of the transition to the no-par value regime, the amounts standing to the credit of the share premium account and the capital redemption reserve on 3 March 2014 have become part of the Company's share capital, under the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.

FINANCIAL REVIEW

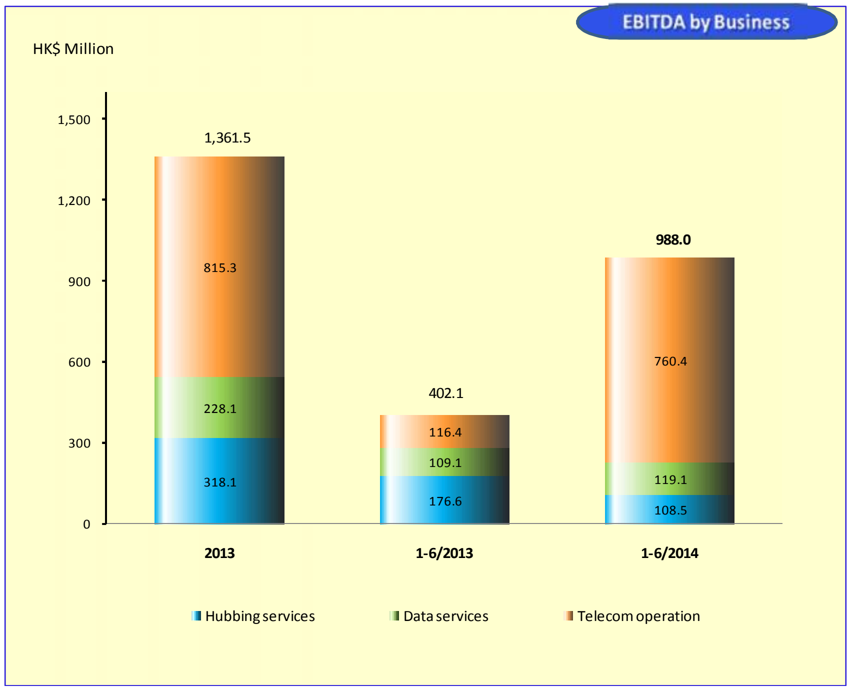
REVIEW OF FINANCIAL PERFORMANCE

Summary of Financial Results

	Half year ended 30 June		Increase/(Decrease)	
In HK$ Million	**2014**	2013		
Turnover	4,139.1	1,881.3	2,257.8	120%
Other revenue and net gain	4.0	1,133.6	(1,129.6)	(100%)
Cost of sales and services	(2,541.2)	(1,347.8)	1,193.4	89%
Depreciation and amortisation	(328.3)	(102.7)	225.6	>100%
Staff costs	(352.5)	(261.2)	91.3	35%
Other operating expenses	(306.0)	(382.6)	(76.6)	(20%)
Profit from consolidated activities	**615.1**	920.6	(305.5)	(33%)
Share of joint venture / associate results	(0.6)	79.5	(80.1)	(101%)
Finance costs	(165.4)	(177.6)	(12.2)	(7%)
Income tax	(83.4)	(28.0)	55.4	>100%
Profit for the period	**365.7**	794.5	(428.8)	(54%)
Less: Non-controlling interests	(5.3)	(0.4)	4.9	>100%
Profit attributable to equity shareholders of the Company	**360.4**	794.1	(433.7)	(55%)

The Group completed its acquisition of the controlling equity interest in Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") increasing the Group's equity shareholding in CTM from 20% to 99% on 20 June 2013 ("the Acquisition"). CTM is Macau's only full telecoms service provider and a market leader in providing excellent telecoms services to Macau residents and enterprises and its results had been consolidated into the Group's results subsequent to the Acquisition.

Following the Acquisition, the Group's business is primarily segregated into three business operations: telecom operation, hubbing services and data services.

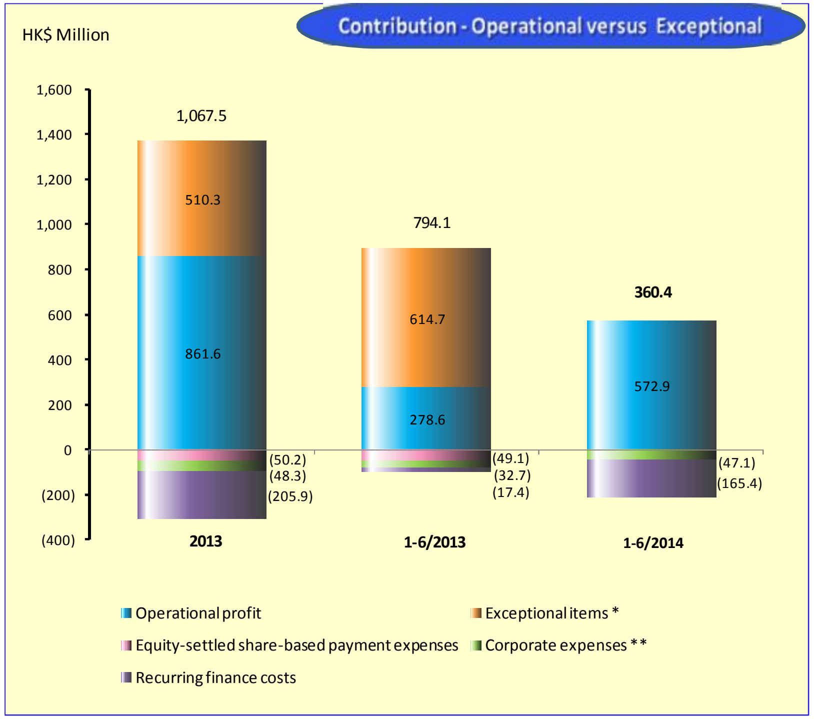


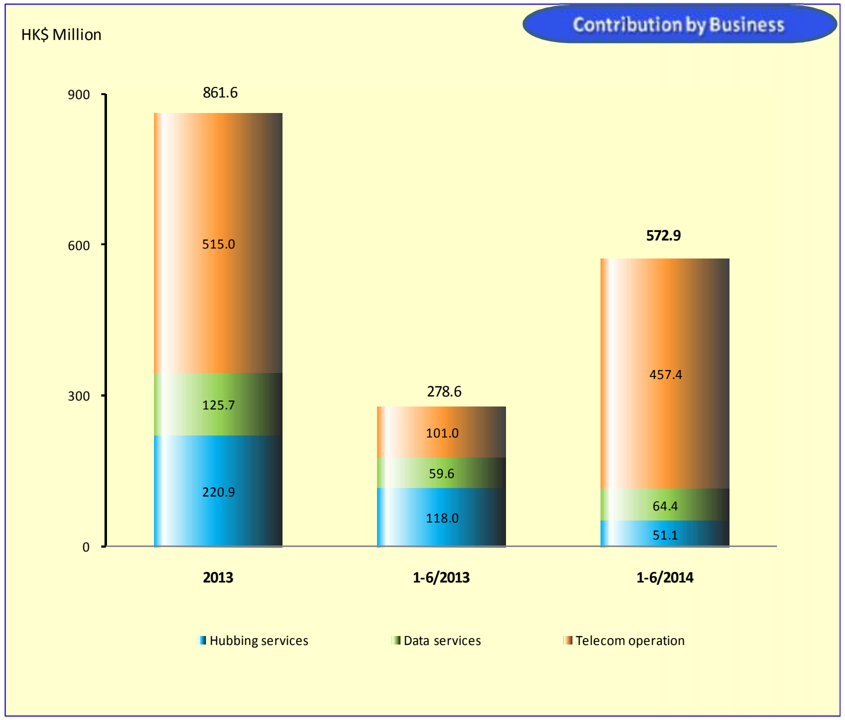
* *Exceptional items included items such as gain on deemed disposal of equity interest in an associate, transaction costs related to the Acquisition, impairment losses and others.*

** *Corporate expenses included staff cost for corporate function, listing fee, unallocated staff bonus and others.*

Note: Comparative figures for exceptional items and corporate expenses were restated to conform to the current period's presentation.

If the exceptional items and equity-settled share-based payment expenses were excluded, EBITDA for the Group increased by HK$571.5 million or 154.7% when compared with the first six months of 2013. The increase was due to the first time inclusion of six months telecom operation results since the Acquisition and the growth in the Group's data services, partly offset by the decrease in the EBITDA for hubbing services which was in line with the global trend in declining wholesale IDD businesses.





* *Exceptional items included items such as gain on deemed disposal of equity interest in an associate, transaction costs related to the Acquisition, impairment losses, finance costs incurred prior to completion of the Acquisition and others.*

** *Corporate expenses included staff cost for corporate function, listing fee, unallocated staff bonus and others.*

Note: Comparative figures for exceptional items and corporate expenses were restated to conform to the current period's presentation.

Profit attributable to equity shareholders of the Company for the first six months of 2014 amounted to HK$360.4 million, a decrease of HK$433.7 million when compared with the corresponding period of 2013 due to the inclusion of certain exceptional items in 2013. If the exceptional items were excluded, profit attributable to equity shareholders of the Company had increased by 100.9%. The increase was mainly due to the first time inclusion of 99% interest in the telecom operation and the steady growth in the Group's data services. The intensely challenging global wholesale IDD market has adversely impacted the Group's traditional hubbing business which has resulted in a decline in profits after the deduction of equity-settled share-based payment expenses.

Turnover

The Group's turnover increased by 120.0% from HK$1,881.3 million to HK$4,139.1 million for the six months ended 30 June 2014 when compared with the corresponding period of 2013. The increase was mainly due to the inclusion of CTM's results. With the Group's successful efforts in capitalising on data business opportunities, turnover for data services increased by 8.1% to HK$628.9 million. For the hubbing services, the Group has focused its efforts in regions with higher profit margins together with strong growth in the Group's corporate SMS business and product customisation, the Group has largely offset the adverse impact of the continued decrease in global IDD wholesale traffic coupled with mounting pressures on tariffs and emerging internet operations from OTT players.

Telecom Operation

Telecom operation represented the CTM operation.

	Half year ended 30 June				
	Turnover			Consolidated by CITIC Telecom Group	
In HK$ Million	**2014**	2013	**Increase/ (Decrease)**	**2014**	2013
Fixed line services	210.3	214.8	(2%)	204.7	
Mobile services and equipment sales	1,574.1	1,513.4	4%	1,574.1	
Internet services	272.6	232.8	17%	272.6	
Data, enterprise solutions services and others	346.5	268.4	29%	346.5	
Total	**2,403.5**	2,229.4	8%	**2,397.9**	135.4

Fixed line services
Fixed line services revenue was HK$210.3 million for the first six months of 2014 which represented a decrease of 2.1% when compared to the corresponding period of 2013. The decrease was in line with the worldwide trends of declining fixed IDD traffic volumes and the fixed residential lines, which are gradually being replaced by the mobile services. The decrease was partly offset by the increase in business fixed lines as a result of increase in demand during the period.

Mobile services and equipment sales
The total mobile services and equipment sales revenue was HK$1,574.1 million for the first six months of 2014 which was HK$60.7 million or 4.0% higher than the corresponding period of 2013. The increase was mainly due to the growth in sales of smartphones. Mobile services revenue increased by 3.6% to HK$515.9 million mainly due to the growth in mobile data.

Postpaid ARPU (excluding inbound roaming) increased by 13% to HK$207 for the six months ended 30 June 2014 mainly due to increase in mobile data. Prepaid ARPU decreased by 11% to HK$17 for the six months ended 30 June 2014 mainly due to drop in average airtime from individual customers.

The number of postpaid subscribers increased by 3.4% to 285,750 from June 2013 to June 2014. For the same period, the number of prepaid subscribers increased by 13.7% to 479,839. The mobile market share of CTM was estimated to be around 45% (2013: 46%) mainly driven by the fluctuation in the number of prepaid subscribers in the Macau market.

Internet services
Internet services revenue was HK$272.6 million for the first six months of 2014 which represented an increase of 17.1% when compared to the corresponding period of 2013. The increase was mainly due to higher revenue from the good uptake of fibre broadband service. Overall broadband ARPU increased by 10% to HK$295 for the six months ended 30 June 2014 when compared to the same period last year. Total broadband subscribers reached 156,216 in June 2014 with a net increase of 8,873 subscribers from June 2013. There were 22,456 residential customers enjoying fibre broadband in June 2014. Broadband market penetration rate in Macau was at around 83% in June 2014, an increase of 2% from June 2013.

Data, enterprise solutions services and others
During the first six months of 2014, the turnover from data, enterprise solutions services and others increased by 29.1% to HK$346.5 million when compared with HK$268.4 million for the same period of 2013. The increase was contributed by the growth of professional service projects from the government and corporate customers, as well as the higher demand for leased lines from the carrier and corporate customers.

Data Services

Data services mainly comprised CITIC Telecom International CPC Limited ("CPC")'s operations and other data services.

	Half year ended 30 June		**Increase/(Decrease)**	
In HK$ Million	**2014**	2013		
VPN services	524.2	485.8	38.4	8%
ISP services	43.1	41.9	1.2	3%
Data centre services	39.6	38.3	1.3	3%
Cloud computing services	10.5	6.7	3.8	57%
Others	11.5	9.0	2.5	28%
Total	**628.9**	581.7	47.2	8%

Data services comprised mainly of VPN services, data centre services, cloud computing solutions and information security services, and other value-added data services. These services are mainly provided by the Group's wholly-owned subsidiary, CPC and its subsidiary, China Enterprise ICT Solutions Limited ("CEC").

During the first six months of 2014, turnover from data services amounted to HK$628.9 million representing an increase of 8.1% when compared to the corresponding period of 2013. The increase was mainly due to the continuing popularity of VPN services. In addition, the Group recorded a steady growth in data centre services and cloud computing solutions and information security services.

In April 2014, the Group also entered into an agreement with CITIC Group Corporation and CITIC Networks Co., Limited to provide management consultancy and technical services at an annual fee of RMB10 million (approximately HK$12.5 million).

The Group's new data centre in Ap Lei Chau was commissioned at the end of March 2014. In view of the increasing demand in data centre services and encouraging feedback from customers, the Group is confident that the new data centre in Ap Lei Chau can gain more businesses. During the period, CEC secured the cross-regional value-added telecoms services Internet Data Centre / Internet Content Provider (IDC/ICP) operating licence from the Ministry of Industry and Information Technology of the People's Republic of China, making way for the Group to capture greater market opportunities in IDC, hosting and cloud computing services. CEC also signed a cooperation agreement with 上海科技網絡通信有限公司 (Shanghai Science and Technology Network Communication Co., Ltd.) to set up a cloud computing data centre in Baoshan, Shanghai which is expected to be commissioned in late 2014. According to the cooperation agreement, Phase I of the data centre under the two parties' cooperation shall provide approximately 500 standard racks over a gross floor area of approximately 1,000 square metres. The Group will continue to seize opportunities to further its data business in China, Hong Kong and Macau.

Hubbing Services

Hubbing services represent the Group's traditional telecom hubbing services, which include voice services, SMS services, mobile value-added services ("MVAS") and other services.

	Half year ended 30 June		**Increase/(Decrease)**	
In HK$ Million	**2014**	2013		
Voice services	769.3	834.7	(65.4)	(8%)
SMS services	199.1	199.4	(0.3)	-
MVAS	130.9	106.8	24.1	23%
Other services	13.0	23.3	(10.3)	(44%)
Total	**1,112.3**	1,164.2	(51.9)	(4%)

Voice services revenue decreased by HK$65.4 million or 7.8% to HK$769.3 million for the six months ended 30 June 2014 over the same period in 2013, owing to the challenging global voice wholesales market where tariffs and traffic volume are on a decreasing trend. Total traffic of 3.3 billion minutes was handled by the Group, representing a 7.2% reduction compared with the same period of last year. Total China inbound and outbound traffic for the period has increased by 2.9% and total international traffic dropped by 28.9% when compared to 2013. Despite the intensely competitive market conditions, the Group has continued to focus its efforts in regions with higher profit margins and has managed to maintain the overall revenue per minute stable at HK$0.23 which was the same as last year.

SMS services recorded stable performance during the first six months of 2014 with turnover at HK$199.1 million for the six months ended 30 June 2014 similar to corresponding period of 2013. The Group has been impacted by the increasing popularity of social networking applications, whereby the number of Hong Kong domestic and International SMS has dropped by 15.5% and 6.4% during the period respectively. However, the Group’s successful efforts in accelerating the development of corporate SMS have countered the substitution impact brought by emerging internet applications during the period. The number of messages handled by the Group dropped by 7.3% from the corresponding period of 2013 to 790.5 million messages, but the average revenue per SMS has increased by approximately 8%.

In order to better fulfill the needs of customers, the Group’s customisation of products to address changing market demand and providing bundled services has proven to be popular with China operators. The Group’s MVAS recorded significant growth in the first half of 2014 with turnover increasing by 22.6% to HK$130.9 million compared with the corresponding period for 2013.

Other services include enterprise solutions projects and leased lines revenue.

Profit for the period

The Group’s profit for the period decreased by HK$428.8 million for the first six months of 2014 to HK$365.7 million when compared with the corresponding period in 2013. The decrease was mainly due to the combined impact of the following factors:

Turnover

Turnover for the period increased by HK$2,257.8 million or 120.0% when compared with the first half of 2013, largely due to the inclusion of CTM’s revenue subsequent to the Acquisition in June 2013. Revenue contribution from CTM amounted to HK$2,397.9 million for the first six months of 2014 compared with only HK$135.4 million for the corresponding period of 2013. However, the increase in revenue of HK$47.2 million in respect of the growth in data services was offset by decline in hubbing services revenue of HK$51.9 million due to the intensely challenging global wholesale market when compared to the corresponding period of 2013.

Gain on deemed disposal of equity interest in an associate

Included in other net gain for the period ended 30 June 2013 was an amount of HK$1,115.4 million recognised in respect of the one-off gain on deemed disposal of equity interest in an associate. This was an extraordinary gain which was not derived from the ordinary course of business and the Group had no such extraordinary gain derived in the first half of 2014.

Cost of sales and services

Cost of sales and services includes costs of goods sold, and network and operations and support expenses. Cost of sales and services amounted to HK$2,541.2 million in the first half of 2014, an increase of 88.5% as compared with the corresponding period of 2013. As a result of the Acquisition, the increase in turnover was higher than the increase in cost of sales and services as the telecom operation had a comparatively higher profit margin than the Group’s other businesses.

Staff costs
Staff costs for the six months ended 30 June 2014 increased by 35.0% to HK$352.5 million compared with the same period of 2013. The increase was mainly due to the first time inclusion of the full six months' staff costs in relation to the Group's telecom operation which was partly offset by the equity-settled share-based payment expenses of HK$49.1 million recognised in the six months period ended 30 June 2013. There were no share options granted by the Company during the period.

Depreciation and amortisation
Depreciation and amortisation expenses more than doubled to HK$328.3 million as compared with the corresponding period of 2013. The increase was mainly due to the additional depreciation and amortisation resulting from the Acquisition and the commissioning of the new data centre and network system upgrades during the period.

Other operating expenses
Other operating expenses for the half year ended 30 June 2014 amounted to HK$306.0 million, a decrease of 20.0% when compared with corresponding period of 2013. The decrease was mainly due to the inclusion of certain exceptional items for the six months ended 30 June 2013. The exceptional items mainly represented the transaction costs in relation to the Acquisition, impairment of certain disputed debtor balances and interest in a joint venture. If the exceptional items were excluded, other operating expenses have increased by 129.2% or HK$172.5 million when compared with the first half of 2013, mainly due to the inclusion of CTM's operating expenses together with higher utilities charges in relation to the Group's new data centre and an increase in repair 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 first six months ended 30 June 2013 prior to the Acquisition amounted to HK$80.6 million.

Finance costs
Finance costs decreased from HK$177.6 million for the six months ended 30 June 2013 to HK$165.4 million for the six months ended 30 June 2014. If all one-off funding costs in connection with the Acquisition were excluded, the recurring finance costs increased from HK$17.4 million for the first half of 2013 to HK$165.4 million for the corresponding period of 2014 as a result of the Group's increased borrowings to finance the Acquisition in June 2013.

Income tax
The Group's income tax expense for the six months ended 30 June 2014 amounted to HK$83.4 million which was around three times that of the corresponding period of 2013. If non-taxable / non-deductible items including the gain on deemed disposal of equity interest in an associate, transaction costs related to the Acquisition, finance costs and the profit contribution from an associate were excluded, the effective tax rate for the six months ended 30 June 2014 and 2013 would be approximately 13.6% and 15.2% respectively.

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

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

The EBITDA for the Group's hubbing business amounted to HK$108.5 million, a decrease of HK$68.1 million or 38.6% as compared with the same period of 2013 due to the operating environment for the traditional hubbing business remained challenging around the globe in the first half of 2014. The Group aims to achieve higher profit through customisation of existing products to address market needs and focusing our businesses on higher margin regions.

The EBITDA for data services was up 9.2% from HK$109.1 million in the first six months of 2013 to HK$119.1 million for the current period, mainly driven by the strong VPN services growth and the increasing demand for cloud computing and data centre services.

Earnings per share ("EPS")

Basic EPS and diluted EPS both decreased by 65.7% to HK10.8 cents and HK10.7 cents respectively for the six months ended 30 June 2014 as compared with the corresponding period of last year. The decrease was mainly due to the absence of the extraordinary gain from deemed disposal of 20% equity interest in CTM which was partially offset by certain exceptional items such as the transaction costs and one-off finance costs in relation to the Acquisition during the first six months ended 30 June 2013. If the above exceptional items were excluded, both basic EPS and diluted EPS would increase by approximately 52%.

Dividends per share

An interim dividend of HK2.7 cents per share is proposed for the first half of 2014.

Cash flows

	Half year ended 30 June		Increase/(Decrease)	
In HK$ Million	**2014**	2013		
Source of cash:				
Cash inflows from business operations	935.2	164.9	770.3	>100%
Rights issue net of transaction costs	-	1,794.5	N/A	N/A
Net borrowings	45.7	8,319.8	(8,274.1)	(99%)
Other cash inflows	29.3	236.6	(207.3)	(88%)
Sub-total	**1,010.2**	10,515.8	(9,505.6)	(90%)
Use of cash:				
Capital expenditure*	(345.1)	(81.8)	263.3	>100%
Dividends paid to shareholders	(263.2)	(173.4)	89.8	52%
Acquisition of subsidiaries	(1.2)	(8,923.9)	(8,922.7)	(100%)
Other cash outflows	(2.2)	(162.9)	(160.7)	(99%)
Sub-total	**(611.7)**	(9,342.0)	(8,730.3)	(93%)
Net increase in cash	**398.5**	1,173.8	(775.3)	(66%)

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

Profit before taxation amounted to HK$449.1 million for the six months ended 30 June 2014. After accounting for the net changes in working capital and adding back the non-cash items like depreciation and amortisation, impairment losses and the gain on deemed disposal of equity interest in an associate, the cash inflows from business operations amounted to HK$935.2 million which was approximately five times that of the corresponding period of 2013 largely due to the strong position of CTM. The use of cash comprised capital expenditure, dividends distribution to shareholders, acquisition of subsidiaries and various other payments. In total, the Group generated net cash inflow of HK$398.5 million for the first half of 2014.

Capital expenditure

With the growing customer demand for data centre services, the Group has continued to expand its data centres whereby HK$56.4 million of fitting-out costs were incurred during the first half of 2014.

Capital expenditure for the Group including the telecom operation business amounted to HK$204.4 million for the first six months of 2014. Excluding the capital expenditure on the data centres, the capital expenditure for the first half of 2014 amounted to HK$148.0 million, an increase of 219.0% compared to the six months ended 30 June 2013. The increase for the period was mainly due to first time inclusion of the capital expenditure in relation to the telecom operation business.

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.

Net debt and liquidity risk management

Debt and leverage

At 30 June 2014, net gearing ratio decreased to 51%, from 53% at 31 December 2013, when the net debt decreased to HK$6,669.9 million.

At 30 June 2014, 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	299.4	7,627.3	-	-	-	7,926.7
Less: Cash and bank deposits	(144.0)	(136.0)	(865.2)	(51.5)	(60.1)	(1,256.8)
Net debt/(cash)	**155.4**	**7,491.3**	**(865.2)**	**(51.5)**	**(60.1)**	**6,669.9**

At 30 June 2014, the Group's net gearing ratio was as follows:

In HK$ Million	**30 June 2014**	31 December 2013
Total bank and other borrowings	7,926.7	7,716.6
Less: Cash and bank deposits	(1,256.8)	(856.1)
Net debt	**6,669.9**	6,860.5
Total equity attributable to equity shareholders of the Company	6,297.6	6,163.3
Total capital	**12,967.5**	13,023.8
Net gearing ratio	**51%**	53%

At 30 June 2014, the principal of total outstanding bank and other borrowings amounted to HK$8,022.0 million, of which HK$100.0 million will mature in the coming twelve months, against cash and bank deposits of HK$1,256.8 million.

The maturity profile of the Group's bank and other borrowings in principal amount at 30 June 2014 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 loans	100.0	200.0	1,937.5	505.4	1,769.1	-	4,512.0
US$450 million 6.1% guaranteed bonds	-	-	-	-	-	3,510.0	3,510.0
	100.0	**200.0**	**1,937.5**	**505.4**	**1,769.1**	**3,510.0**	**8,022.0**

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 interim financial report.

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. The strong cash flow from the Group's operating activities can meet its liquidity requirements in the short and longer term.

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 2014, the Group's cash and bank deposits and undrawn committed banking facilities were HK$1,256.8 million and HK$300.0 million respectively. The Group's cash balance together with the undrawn committed banking facilities at 30 June 2014 are more than sufficient to cover the repayments of principal amount of bank loan of HK$100.0 million in the coming twelve months and contractual capital commitments of HK$285.3 million at 30 June 2014.

At 30 June 2014, the Group had available trade facilities of approximately HK$282.5 million. Approximately HK$67.3 million was utilised as guarantees for cost payable to telecoms operators and performance guarantees to customers / the Macau government. Around HK$3.4 million of these utilised facilities were required to be secured by pledged deposits.

At 30 June 2014, 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	4,712.0	4,412.0	300.0
US$450 million 6.1% guaranteed bonds	3,510.0	3,510.0	-
	8,222.0	7,922.0	300.0
Uncommitted facilities:			
Short-term facilities	300.0	100.0	200.0
Trade facilities	282.5	67.3	215.2
	582.5	167.3	415.2
Total	**8,804.5**	**8,089.3**	**715.2**

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 2014, the Group pledged approximately HK$3.6 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 the concession agreement, assigned in favour of the Macau government.

Loan covenants

Committed banking facilities contain certain covenants, undertaking, financial covenants, change in control clause and/or events of default customary, which are commonly found in lending arrangement with financial institutions. If the Group were to breach the covenants or in any case of an event of default, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. At 30 June 2014, the Group was in compliance with the relevant requirements.

Capital commitments
At 30 June 2014, the Group had outstanding capital commitments of HK$465.6 million, mainly for the acquisition of telecommunications equipment which had yet to be delivered to the Group and fitting out costs of the data centres. Of these commitments, HK$285.3 million were outstanding contractual capital commitments and HK$180.3 million were capital commitments authorised but for which contracts had yet to be entered into.

Contingent liabilities
At 30 June 2014, 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 swaps, if necessary. At 30 June 2014, approximately 56% of the Group's borrowings in principal 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 2014, the average borrowing costs, which is after the inclusion of amortisation of transaction costs, was approximately 4.1%.

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 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. Impairment losses are recorded for those overdue balances where there is objective evidence of impairment.

The Group has certain concentration risk in respect of trade debtors due from the Group's five largest customers who accounted for approximately 50% and 46% of the Group's total trade debtors at 30 June 2014 and 31 December 2013 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 2014, 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 30 June 2014, the Group has approximately HK$1,232.6 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 of cash deposits from the financial institutions.

HUMAN RESOURCES

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

As at 30 June 2014, the Group employed a total of 2,037 employees for its headquarter in Hong Kong and its principal subsidiaries. Number of employees in Hong Kong was 484. Employees in Mainland China and Macau totalled 1,434. Employees in overseas countries totalled 119.

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

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

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

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

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

The Group continues its effort on quality of working environment, community support, and environmental protection that drives the growth of the Group and community.

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 60 of the 2013 annual report and the Company's website www.citictel.com.

Throughout the six months ended 30 June 2014, 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 2014.

DIVIDEND AND CLOSURE OF REGISTER

The board of directors of the Company have declared an interim dividend of HK2.7 cents (2013: HK2.4 cents) per share for the year ending 31 December 2014 payable on Friday, 12 September 2014 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 2 September 2014. The Register of Members of the Company will be closed from Wednesday, 27 August 2014 to Tuesday, 2 September 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 26 August 2014.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30 June 2014 and the Company has not redeemed any of its shares during the period ended 30 June 2014.

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 27 August 2014.

By Order of the Board
Xin Yue Jiang
Chairman

Hong Kong, 7 August 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	Liu Li Qing
Yuen Kee Tong		Kwong Che Keung, Gordon
Luo Ning		Zuo Xun Sheng
Chan Tin Wai, David		