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 2017

CHAIRMAN'S STATEMENT

I am pleased to present the operating and financial results of CITIC Telecom International Holdings Limited (the "Group") for the first half of 2017.

The global economy showed signs of instability during the first half of 2017, as the trend of low growth for developed countries and slowdown in growth for developing countries remained unchanged. The Group confronted and overcame the challenges present in such complex conditions and confirmed "growth in strength and scale, achievement of higher standards, and delivery of top-rated results" as the Company's new objectives for development. Through the building of a top-rated management team, a top-rated engineering, technical and R&D team and a top-rated business team, we resolved major bottlenecks and major issues in our operations, thereby introducing a revamped setting for our operations. On the back of efforts to pursue growth in strength and scale in its products/businesses, customer base and geographic outreach, the Group achieved stable profit growth in its operating results, underpinned by steady growth in new businesses and products.

I. FINANCIAL RESULTS

Profit attributable to equity shareholders for the first half of 2017 was HK$454.6 million, increasing by 10.9% compared to the corresponding period of the previous year. If the valuation gain on investment property for the period in the sum of HK$19.6 million was excluded, it represented an increase of 6.1% compared to the corresponding period of the previous year.

The Group's total revenue amounted to HK$3,592.2 million, representing a decline of 6.1% compared to the corresponding period of the previous year. The revenue from the Group's principal operations (excluding sale of equipment and mobile handsets) increased by 7.5% compared to the corresponding period of the previous year.

Basic earnings per share for the first half of the year amounted to HK12.9 cents, representing an increase of 6.6% compared to the corresponding period of the previous year.

The Board declared an interim dividend of HK3.00 cents per share for 2017, representing a 5.3% growth over the corresponding period of the previous year.

II. BUSINESS DEVELOPMENT

The Group reported sound business results in its mobile sales & services for the first half of the year, with a market share of over 50% in Macau's 4G market. While experiencing rapid growth in its 4G business, Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") has enhanced its service standards on an ongoing basis, such as continuously improving and upgrading the quality of its 4G network, in order to sustain stable business development. The Group was also actively launching new products in its mobile services. In June this year, CTM launched the "Greater China Data Sharing Plan" on the basis of its existing service for the Mainland, Hong Kong and Macau to extend the geographic reach of its services to Taiwan in full coverage of the Mainland, Taiwan, Hong Kong and Macau, as well as assisting the development of "Guangdong-Hong Kong-Macau Big Bay Area". CTM achieved new breakthroughs in mobile network technologies, as it introduced Macau's first VoLTE IDD service in April in collaboration with a Hong Kong mobile carrier to herald market development with innovative products and extend the scope service of advanced VoLTE.

Meanwhile, the Group experienced substantial growth in the operating results of its international mobile services as compared to the corresponding period of the previous year, as it made strong efforts in the development of the "DataMall 自由行" business. We achieved good progress in overseas geographic coverage and rapid growth in business results as we expanded to Singapore, Thailand and Korea during the first half of the current year, further to the commencement of service in Hong Kong, Macau and Taiwan late last year. The Group has been developing new business models on an ongoing basis, aiming to orchestrate greater breakthroughs in the future. We made new progress in our transformation in connection with the Internet-based development of our traditional communications business, as our A2P SMS business also recorded notable growth over the corresponding period of last year to reverse the declining trend of the SMS business and become one of our growth engines. "CloudSMS", a new Internet-based SMS service platform developed by the Group, went online during the period, while we started to market the "YouCLink" corporate Internet call system, another new development featuring the perfect connection between phone call services and the Internet user interface, in Hong Kong, Singapore and the United States. The commencement of operation of these platform products will drive improvements in the Group's service standards for development towards a "Communication Platform as a Service" (CPaaS). Moreover, the Group also reported sound growth in its mobile roaming signalling service for carriers. Elsewhere, the Group confirmed cooperation in MVNO with a Hong Kong virtual mobile carrier during the first half of the year.

In connection with the Internet services, the Group's overall revenue had been notably affected by the price concessions that were implemented last October for CTM's Internet services, and in last December for Direct Internet Access and leased lines services. To make up for the effect on price reduction, CTM expedited the upgrade to optical fibre Internet services for existing residential and business broadband users. New users were added during the first half of the year and the number of users registered for optical broadband as at the end of June increased by 16% as compared to the number of users registered as at the end of last year. In the future, we will continue to increase the number of optical fibre users and raise the percentage of conversion, in order to provide speedier and higher-quality services to customers. The CITIC Telecom Tower data centre reported satisfactory sales and earnings. Currently, the deliberation process of the plan for the development of the new phase has been completed, and construction is scheduled to begin by the end of the year. The cloud computing data centre in Beijing was commissioned in May this year upon completion of construction.

In connection with our enterprise solutions services, the Group continued to report sound growth. We have completed the acquisition of Acclivis Technologies and Solutions Pte. Ltd. ("Acclivis") and CITIC Telecom CPC Netherlands B.V. (formerly known as Linx Telecommunications B.V.; "CPC Europe"), which are starting to make contributions and set to position the Group favourably for seizing business opportunities presented by the "One Belt One Road" national strategy. As one of the core businesses of the Group, enterprise solutions services continue to provide robust driving force for the ongoing growth of the Group.

III. OUTLOOK

The national strategies of "One Belt One Road" and "Guangdong-Hong Kong-Macau Big Bay Area" will present the Group with opportunities for development. As the impact of Internet and new technologies on the telecommunications industry becomes increasingly evident, the Group's business development will face challenges, and yet there would also be new opportunities, including primarily: (1) the opportunity to drive the Group's business transformation created by the robust development of Internet technologies and the extensive application of big data, cloud computing, artificial intelligence, Internet of Things and 5G technologies; (2) new advantages for the Group's development of ICT services in the Southeast Asian and Eurasian markets and further distinctive advantages in system integration, Internet services, cloud computing and data centre management and virtual private network businesses facilitated by the acquisition of Acclivis and CPC Europe; (3) the large-scale development of the data centre business into one of the Group's principal business segments. The rapid development of the Group's mobile business and Internet business has bolstered the potential and momentum of the Group's general strengths.

The Group will further enhance CTM's leading position in the market. On top of its traditional telecommunications business, CTM will also actively identify new businesses and sources of revenue.

The Group will continue to foster new strengths in enterprise solutions services and seize the new opportunities presented by the "One Belt One Road" national strategy. Through Acclivis and CPC Europe, our two new acquisitions, we will enhance our advantage in product mix, service standard and geographic coverage, providing one-stop, cross-regional and end-to-end integrated corporate ICT services to underpin the Group's ongoing growth.

The Group will continue to seek new breakthroughs in the Internet business. On the basis of existing regions under its coverage, the Group will continue to enlarge its portfolio of "DataMall 自由行" merchants and partners with ongoing innovations in business models. Active efforts will be made to expand the scale of Internet-based communications products such as CloudSMS and YouCLink, with a view to continuously fostering new niches for business growth.

In the meantime, the Group also expedite the development of key business segments such as the data centre business, as it procures work relating to the new phase of construction of the CITIC Telecom Tower data centre, in a move for the large-scale development of the data centre business and the nurturing of a new business segment for the Group.

Business training and skills training will also be enhanced to build a top-rated management team, a top-rated engineering, technical and R&D team, and a top-rated business team, in an effort to improve the professional standards of the Company and provide a solid foundation for the delivery of top-rated results.

Furthermore, the Group will continue to maintain close strategic partnerships with key customers and upgrade its servicing ability on an ongoing basis. In this connection, the Group will be engaged in active development of new customer groups, such as OTT carriers.

The hard-earned results we have achieved for the first half of the year would not have been possible without the wise counsel of the board of directors, the dedication and hard work of all employees, the trust of our customers and the support of our shareholders. To them I must express sincere gratitude. The Group will continue to work in concerted effort and venture from strength to strength in pursuit of excellence, seeking to benefit the community with our contributions while enhancing shareholders' value.

Xin Yue Jiang
Chairman
Hong Kong, 11 August 2017

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017

(Expressed in Hong Kong dollars)

	Note	*Six months ended 30 June* *2017* (Unaudited) $'000	*2016* (Unaudited) $'000
Turnover	2(a)	3,592,189	3,823,576
Other revenue	3	20,599	3,887
Other net gain/(loss)	4	4,682	(8,706)
Valuation gain on investment property		19,629	-
		3,637,099	3,818,757
Cost of sales and services		(1,811,792)	(2,110,834)
Depreciation and amortisation	5(c)	(344,239)	(333,914)
Staff costs	5(b)	(424,075)	(403,243)
Other operating expenses		(340,995)	(303,938)
		715,998	666,828
Finance costs	5(a)	(162,906)	(175,263)
Share of (loss)/profit of a joint venture		(1,713)	1,011
Profit before taxation	5	551,379	492,576
Income tax	6	(90,279)	(76,587)
Profit for the period		461,100	415,989
Attributable to:			
Equity shareholders of the Company		454,644	410,008
Non-controlling interests		6,456	5,981
Profit for the period		461,100	415,989
Earnings per share (HK cents)	8		
Basic		12.9	12.1
Diluted		12.8	12.0

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2017

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2017	*2016*
	(Unaudited)	(Unaudited)
	$'000	$'000
Profit for the period	461,100	415,989
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside Hong Kong, net of $Nil tax	18,540	(8,215)
Other comprehensive income for the period	18,540	(8,215)
Total comprehensive income for the period	479,640	407,774
Attributable to:		
Equity shareholders of the Company	473,174	401,783
Non-controlling interests	6,466	5,991
Total comprehensive income for the period	479,640	407,774

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2017

(Expressed in Hong Kong dollars)

	Note	*30 June 2017* (Unaudited) $'000	*31 December 2016* (Audited) $'000
Non-current assets			
Investment property		654,957	635,328
Other property, plant and equipment		2,509,774	2,553,923
		3,164,731	3,189,251
Intangible assets		1,804,850	1,878,846
Goodwill		9,743,315	9,596,599
Interest in a joint venture		5,653	7,367
Non-current other receivables and deposits	9	210,501	198,920
Deferred tax assets		82,244	85,764
		15,011,294	14,956,747
Current assets			
Inventories		91,388	69,945
Trade and other receivables and deposits	9	1,820,968	1,691,446
Current tax recoverable		7,579	5,687
Cash and bank deposits		1,374,712	1,459,050
		3,294,647	3,226,128
Current liabilities			
Trade and other payables	10	1,685,553	1,706,100
Bank and other loans		258,956	43,739
Obligations under finance leases		2,036	2,928
Current tax payable		313,829	230,183
		2,260,374	1,982,950
Net current assets		1,034,273	1,243,178
Total assets less current liabilities		16,045,567	16,199,925

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017 (CONTINUED)

(Expressed in Hong Kong dollars)

	Note	*30 June 2017* (Unaudited) $'000	*31 December 2016* (Audited) $'000
Non-current liabilities			
Interest-bearing borrowings		7,599,178	7,857,680
Obligations under finance leases		2,432	3,063
Non-current other payables	10	65,061	77,594
Net defined benefit retirement obligation		115,420	112,878
Deferred tax liabilities		235,039	249,024
		8,017,130	8,300,239
NET ASSETS		8,028,437	7,899,686
CAPITAL AND RESERVES			
Share capital		4,275,178	4,262,457
Reserves		3,728,097	3,608,047
Total equity attributable to equity shareholders of the Company		8,003,275	7,870,504
Non-controlling interests		25,162	29,182
TOTAL EQUITY		8,028,437	7,899,686

Notes

(Expressed in Hong Kong dollars unless otherwise indicated)

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 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 2016 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 2017.

Adoption of the new and revised HKFRSs that are first effective for the current accounting period does not result in a significant impact on the Group's results of operations and financial position for the current or comparative periods. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company and the 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 HKICPA, whose unmodified review report is included in the interim report to be sent to shareholders.

The financial information relating to the financial year ended 31 December 2016 that is included in this announcement of the interim results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2 Turnover and segment reporting

(a) Turnover

The Group is principally engaged in the provision of telecommunications services, including mobile services, Internet services, international telecommunications services, enterprise solutions and fixed line services and sale of equipment and mobile handsets.

Turnover represents fees from the provision of telecommunications services and sale of 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	
	2017	*2016*
	(Unaudited)	(Unaudited)
	$'000	$'000
Mobile services	614,355	574,920
Internet services	468,015	461,628
International telecommunications services	654,573	656,573
Enterprise solutions	1,270,048	1,084,950
Fixed line services	150,453	160,463
Fees from the provision of telecommunications services	3,157,444	2,938,534
Sale of equipment and mobile handsets	434,745	885,042
	3,592,189	3,823,576

(b) Segment reporting

The Group manages its businesses by business operations. The financial results of the Group are reported to the Group's most senior executive management as one operating segment for the purposes of resource allocation and performance assessment.

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 only one operating segment, i.e. telecommunications operations.

2 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

Reconciliations of reportable segment profit

	Six months ended 30 June	
	2017	*2016*
	(Unaudited)	(Unaudited)
	$'000	$'000
Reportable segment profit	1,088,456	1,051,686
Net gain on disposal of other property, plant and equipment	24	87
Net foreign exchange gain/(loss)	4,658	(8,793)
Depreciation and amortisation	(344,239)	(333,914)
Finance costs	(162,906)	(175,263)
Share of (loss)/profit of a joint venture	(1,713)	1,011
Interest income	6,850	3,887
Rentals receivable from investment property less direct outgoings	9,851	-
Unallocated head office and corporate expenses	(49,602)	(46,125)
Consolidated profit before taxation	551,379	492,576

(c) Seasonality of operations

The Group's telecommunications services are not significantly impacted by seasonal factors and there were historically no significant seasonal or cyclical trends in the operating results.

3 Other revenue

	Six months ended 30 June	
	2017	*2016*
	(Unaudited)	(Unaudited)
	$'000	$'000
Interest income from bank deposits	4,586	3,863
Other interest income	2,264	24
	6,850	3,887
Gross rental income from investment property	13,749	-
	20,599	3,887

4 Other net gain/(loss)

	Six months ended 30 June	
	2017	*2016*
	(Unaudited)	(Unaudited)
	$'000	$'000
Net gain on disposal of other property, plant and equipment	24	87
Net foreign exchange gain/(loss)	4,658	(8,793)
	4,682	(8,706)

5 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2017	*2016*
	(Unaudited)	(Unaudited)
	$'000	$'000
(a) Finance costs		
Interest on bank and other borrowings	154,382	143,036
Finance charges on obligations under finance leases	118	-
Other finance charges	6,863	30,622
Other interest expense	1,543	1,605
	162,906	175,263
(b) Staff costs (including directors' emoluments)		
Contributions to defined contribution retirement plans	27,940	21,525
Expenses recognised in respect of defined benefits retirement plan	5,019	5,143
Total retirement costs	32,959	26,668
Equity-settled share-based payment expenses	16,395	11,464
Salaries, wages and other benefits	374,721	365,111
	424,075	403,243

5 Profit before taxation (continued)

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

	Six months ended 30 June	
	2017	*2016*
	(Unaudited)	(Unaudited)
(c) Other items	$'000	$'000
Depreciation	258,668	249,055
Amortisation	85,571	84,859
	344,239	333,914
Net impairment losses for trade debtors	7,424	7,322
Rentals receivable from investment property less direct outgoings of $3,898,000 (six months ended 30 June 2016: $Nil)	(9,851)	-

6 Income tax

	Six months ended 30 June	
	2017	*2016*
	(Unaudited)	(Unaudited)
	$'000	$'000
Current tax		
Hong Kong Profits Tax		
– Provision for the period	32,295	25,895
– Under-provision in respect of prior years	304	94
	32,599	25,989
Jurisdictions outside Hong Kong		
– Provision for the period	70,116	76,418
– Over-provision in respect of prior years	(5,450)	(14,576)
	64,666	61,842
Deferred tax		
Origination and reversal of temporary differences	(6,986)	(11,244)
	90,279	76,587

6 Income tax (continued)

The provision for Hong Kong Profits Tax for the six months ended 30 June 2017 is calculated at 16.5% (six months ended 30 June 2016: 16.5%) of the estimated assessable profits for the period.

The provision for Macau Complementary Tax for the six months ended 30 June 2017 is calculated at 12% (six months ended 30 June 2016: 12%) of the estimated assessable profits for the period. Assessable profits of the first MOP600,000 (equivalent to approximately $583,000) (six months ended 30 June 2016: MOP600,000 (equivalent to approximately $583,000)) are exempted from Macau Complementary Tax.

Taxation for jurisdictions outside Hong Kong and Macau 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	
	2017	*2016*
	(Unaudited)	(Unaudited)
	$'000	$'000
Interim dividend declared/declared and paid after the interim period of HK3.00 cents (six months ended 30 June 2016: HK2.85 cents) per share	106,242	96,648

The interim dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(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	
	2017	*2016*
	(Unaudited)	(Unaudited)
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK10.35 cents (six months ended 30 June 2016: HK9.70 cents) per share	366,503	328,612

7 Dividends (continued)

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

For the final dividend in respect of the year ended 31 December 2016, there was a difference of $674,000 between the final dividend disclosed in the 2016 annual report and the amount paid during the six months ended 30 June 2017, 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	
	2017	*2016*
	(Unaudited)	(Unaudited)
	$'000	$'000
Profit attributable to equity shareholders of the Company	454,644	410,008

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

	Number of shares	
	Six months ended 30 June	
	2017	*2016*
	(Unaudited)	(Unaudited)
	'000	'000
Issued ordinary shares at 1 January	3,534,581	3,382,342
Effect of share options exercised	3,215	2,139
Weighted average number of ordinary shares (basic) at 30 June	3,537,796	3,384,481
Effect of deemed issue of shares under the Company's share option plan	8,781	28,995
Weighted average number of ordinary shares (diluted) at 30 June	3,546,577	3,413,476
Basic earnings per share (HK cents)	12.9	12.1
Diluted earnings per share (HK cents)	12.8	12.0

9 Trade and other receivables and deposits

	30 June 2017 (Unaudited) $'000	*31 December 2016* (Audited) $'000
Trade debtors	1,349,995	1,312,809
Less: allowance for doubtful debts	(44,616)	(38,759)
	1,305,379	1,274,050
Other receivables and deposits	726,090	616,316
	2,031,469	1,890,366
Represented by:		
Non-current portion	210,501	198,920
Current portion	1,820,968	1,691,446
	2,031,469	1,890,366

At the end of the reporting period, 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 2017 (Unaudited) $'000	*31 December 2016* (Audited) $'000
Within 1 year	1,266,693	1,196,840
Over 1 year	83,302	115,969
	1,349,995	1,312,809

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 2017 (Unaudited) $'000	*31 December 2016* (Audited) $'000
Trade creditors	785,679	751,836
Other payables and accruals	964,935	1,031,858
	1,750,614	1,783,694
Represented by:		
Non-current portion	65,061	77,594
Current portion	1,685,553	1,706,100
	1,750,614	1,783,694

At the end of the reporting period, the ageing analysis of trade creditors (included in trade and other payables) based on the invoice date is as follows:

	30 June 2017 (Unaudited) $'000	*31 December 2016* (Audited) $'000
Within 1 year	573,617	494,475
Over 1 year	212,062	257,361
	785,679	751,836

FINANCIAL REVIEW

OVERVIEW

Profit attributable to equity shareholders and basic earnings per share amounted to HK$454.6 million and HK12.9 cents respectively, an increase of 10.9% and 6.6% when compared with the same period of 2016.

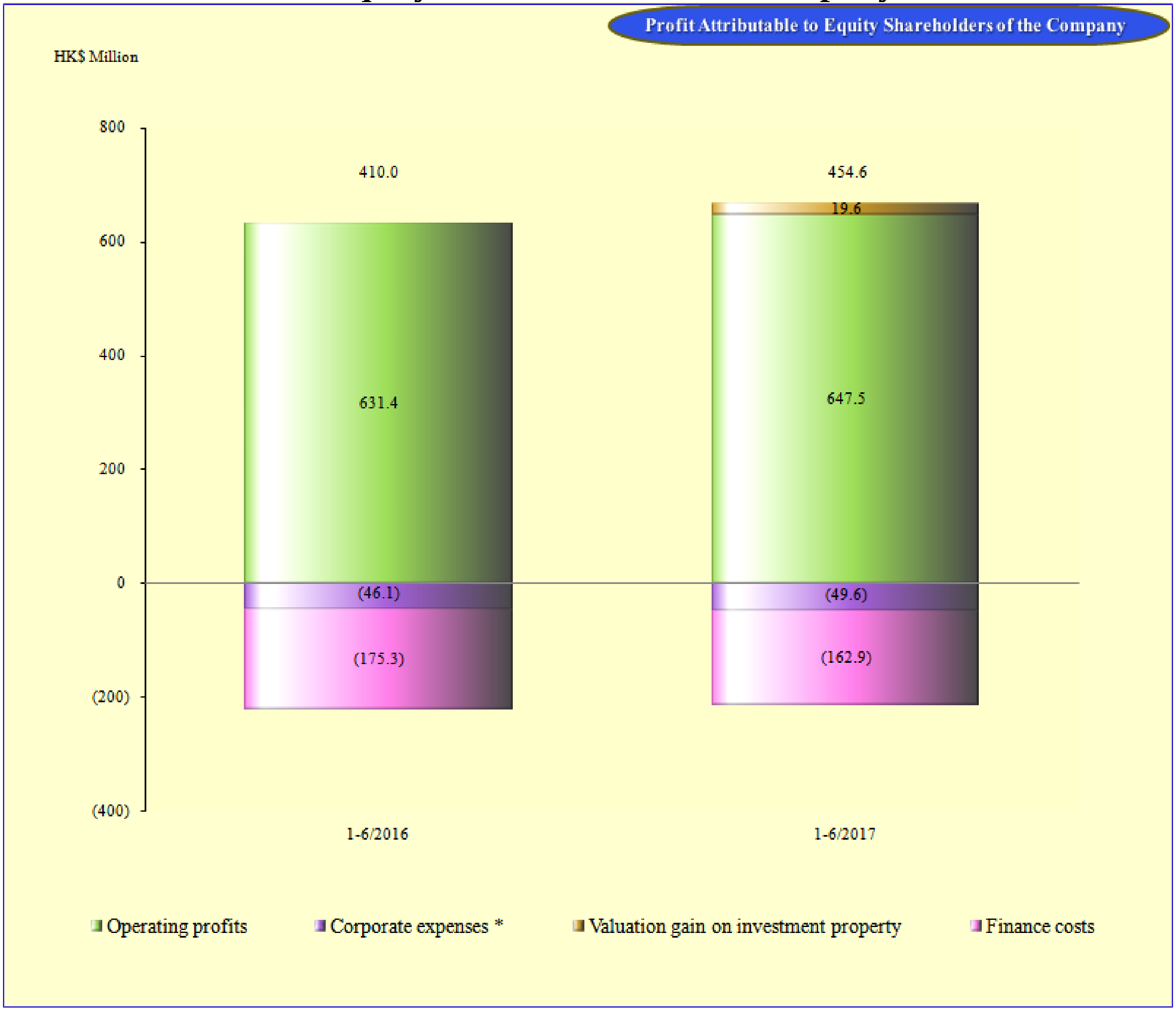
Turnover for the six months ended 30 June 2017 amounted to HK$3,592.2 million, a decrease of 6.1% as compared to 2016. The decrease in turnover was primarily due to the weak mobile handsets sales. The Group achieved strong growth in both enterprise solutions and mobile services. In light of the fact that the Group offered a tariff reduction in relation to their Internet services near the end of 2016, the Group still managed to sustain stable growth in Internet services revenue for the six months ended 30 June 2017 when compared with the corresponding period of 2016.

Summary of Financial Results

	Half year ended 30 June		**Increase/(Decrease)**	
In HK$ million	**2017**	2016		
Turnover	**3,592.2**	3,823.6	(231.4)	(6.1%)
Other revenue and net gain/(loss)	**25.3**	(4.8)	N/A	N/A
Valuation gain on investment property	**19.6**	-	19.6	N/A
Cost of sales and services	**(1,811.8)**	(2,110.8)	(299.0)	(14.2%)
Depreciation and amortisation	**(344.2)**	(333.9)	10.3	3.1%
Staff costs	**(424.1)**	(403.2)	20.9	5.2%
Other operating expenses	**(341.0)**	(304.0)	37.0	12.2%
Profit from consolidated activities	**716.0**	666.9	49.1	7.4%
Share of joint venture results	**(1.7)**	1.0	N/A	N/A
Finance costs	**(162.9)**	(175.3)	(12.4)	(7.1%)
Income tax	**(90.3)**	(76.6)	13.7	17.9%
Profit for the period	**461.1**	416.0	45.1	10.8%
Less: Non-controlling interests	**(6.5)**	(6.0)	0.5	8.3%
Profit attributable to equity shareholders of the Company	**454.6**	410.0	44.6	10.9%
EBITDA *	**1,051.7**	997.9	53.8	5.4%

* *EBITDA represents earnings before interest, taxes, depreciation and amortisation.*

Profit attributable to equity shareholders of the Company



* *Corporate expenses included staff costs for corporate functions, equity-settled share-based payment expenses, listing fee and unallocated staff bonus and others.*

Profit attributable to equity shareholders of the Company for the six months ended 30 June 2017 amounted to HK$454.6 million, an increase of HK$44.6 million when compared with the same period of 2016. If we exclude the valuation gain on investment property of HK$19.6 million (six months ended 30 June 2016: HK$Nil), profit attributable to equity shareholders of the Company for the first six months of 2017 would amount to HK$435.0 million (six months ended 30 June 2016: HK$410.0 million) representing an increase of 6.1% from the corresponding period of 2016. The increase is mainly contributed by the strong growth in enterprise solutions business.

Acquisition during the period

On 1 February 2017, the Group completed the acquisition of the entire equity interest in CITIC Telecom CPC Netherlands B.V. (formerly known as Linx Telecommunications B.V.) for a consideration of EUR21.0 million (approximately HK$172.5 million). The final consideration was adjusted to EUR22.1 million (approximately HK$181.3 million) by reference to the completion accounts prepared in accordance with the share sale and purchase agreement. The financial results of CITIC Telecom CPC Netherlands B.V. and its subsidiaries (collectively referred to as "CPC Europe Group") had been consolidated into the Group's financial results subsequent to the acquisition completion.

CPC Europe Group is engaged in the provision of data networks across Western Europe, Central and Eastern Europe, as well as Central Asia.

Turnover by Services

The Group provides a large spectrum of services which are classified into five major categories: mobile sales & services, Internet services, international telecommunications services, enterprise solutions and fixed line services.

The Group's enterprise solutions revenue continued to record stable growth in the Mainland China and Hong Kong markets but was partly offset by the decrease in enterprise solutions revenue in Macau. Coupled with the revenue contribution from Acclivis Technologies and Solutions Pte. Ltd. ("Acclivis") since November 2016 and CPC Europe Group since February 2017, revenue from enterprise solutions achieved an increase of HK$185.0 million or 17.1% for the period. Revenue from mobile services grew by 6.9% or HK$39.5 million to HK$614.4 million in the first half of 2017. Internet services also experienced a steady increase of 1.4% or HK$6.4 million to HK$468.0 million despite the Group's tariff reduction in Macau since October 2016.

However, the Group's overall turnover decreased by 6.1% from HK$3,823.6 million to HK$3,592.2 million for the six months ended 30 June 2017. The decrease was mainly due to the drop of equipment and mobile handsets sales from HK$885.1 million in the six months ended 30 June 2016 to HK$434.7 million for the first half of 2017, and the decrease in traditional services such as international telecommunications services and fixed line services.

Mobile sales & services

Mobile sales & services revenue includes the revenue from equipment and mobile handsets sales, mobile roaming services, and other mobile value-added services. Total mobile sales & services revenue amounted to HK$1,049.1 million for the first six months of 2017, a decrease of 28.1% when compared to the corresponding period of 2016. The decrease was due to the drop in mobile handsets sales.

Postpaid ARPU (after adjusting the effect arising from inbound roaming and other adjustments) was up 1.5% when compared with the corresponding period of 2016, while prepaid ARPU was up by 6.0% for the first six months of 2017. The overall number of subscribers in June 2017 was around 856,000, which were similar to that in December 2016, of which approximately 78.8% were 4G subscribers. The Group's mobile market share in Macau was around 42.4% at 30 June 2017 (31 December 2016: 43.5%), while the Group had around 51.2% market share in the 4G subscribers of Macau mobile market at 30 June 2017 (31 December 2016: 57.0%).

Internet services

Internet services revenue including the Group's data centre revenue amounted to HK$468.0 million for the current period which represented an increase of HK$6.4 million or 1.4% when compared to the corresponding period in 2016. The increase was mainly due to increase in data centre revenue, which has more than countered the adverse impact of the Group's tariff reduction on Internet services in Macau in late 2016. Overall broadband ARPU decreased by 11.9% for the first six months of 2017 while the total number of broadband subscribers increased by 2.1% from December 2016.

International telecommunications services

Voice services revenue decreased by HK$55.6 million or 10.1% to HK$497.1 million for the six months ended 30 June 2017 over the same period in 2016, which is in line with the global trend in decreasing tariffs and traffic volume for wholesale voice market. Despite the intensely competitive market conditions, the Group has continued to focus its efforts in regions with higher profit margins and has managed to achieve average revenue of HK$0.31 per minute for the first half of 2017 which is 19.2% higher than the average for the corresponding period of 2016.

Despite the SMS market has continued to be adversely impacted by the increasing popularity of social networking applications, the Group's total SMS revenue increased 26.4% to HK$131.2 million when compared with the first half of 2016, mainly due its successful efforts in growing its A2P SMS services.

Revenue from "DataMall 自由行" had recorded tremendous growth reaching HK$26.3 million in just the first half of 2017, representing a 61.3% increase when compared to the whole year of 2016.

Enterprise solutions

Enterprise solutions revenue increased 17.1% from HK$1,085.0 million in the first half of 2016 to HK$1,270.0 million in the first half of 2017. The increase was due to the steady growth in enterprise solutions services especially in the Mainland China and the first time inclusion of Acclivis' financial results which had more than offset the drop in the Group's enterprise solutions revenue in Macau.

Fixed line services

Fixed line services revenue was HK$150.5 million for the first six months in 2017 which represented a decrease of 6.2% when compared to the first half of 2016. The decrease was in-line with the global trends of declining fixed IDD traffic volumes and the decrease in fixed residential lines, which are gradually being replaced by the mobile services.

Profit for the period

The Group achieved HK$461.1 million in profit for the period, an increase of HK$45.1 million when compared with the same period of 2016. The increase was mainly due to the combined impact of the following factors:

Turnover

Turnover for the period decreased by HK$231.4 million or 6.1% when compared with the same period of last year. The Group experienced growth in enterprise solutions, mobile services and Internet services, but the decrease in equipment and mobile handsets sales and the continued deterioration of revenue from international telecommunications services and fixed line services had offset the growth in other businesses contributing to the decrease in turnover.

Cost of sales and services

Cost of sales and services included costs of goods sold, and network, operations and support expenses. Consistent with the decrease in turnover, cost of sales and services amounted to HK$1,811.8 million, a decrease of HK$299.0 million or 14.2% when compared with the corresponding period of last year. As the Group stepped up efforts in achieving greater cost efficiency, therefore the decrease in cost of sales and services was greater than the decrease in turnover.

Valuation gain on investment property

On 28 October 2016, the Group acquired 100% equity interest in Neostar Investment Limited ("Neostar") from a fellow subsidiary, namely Talisgold Limited. Neostar is principally engaged in property holding in Hong Kong and certain floors of the property held by Neostar had been leased out to third parties. The floors that were leased out were revalued at 30 June 2017 by the Group's independent valuer with a gain of HK$19.6 million for the period.

Staff costs

Staff costs for the period increased by 5.2% to HK$424.1 million compared with the same period of 2016. The increase was due to HK$4.9 million increase in equity-settled share-based payment expenses and increase in headcount during the period mainly as a result of the Group's acquisitions of subsidiaries in late 2016 and early 2017.

Depreciation and amortisation

Depreciation and amortisation expenses totaled HK$344.2 million for the six months ended 30 June 2017, an increase of HK$10.3 million or 3.1% when compared with the same period of 2016. The increase was mainly contributed by the newly acquired Acclivis and CPC Europe Group.

Other operating expenses

Other operating expenses for the period amounted to HK$341.0 million, an increase of HK$37.0 million or 12.2% when compared with the same period of 2016. The increase was mainly contributed by the newly acquired Acclivis and CPC Europe Group.

Finance costs

Finance costs for the period decreased from HK$175.3 million to HK$162.9 million when compared with the corresponding period of 2016. If the one-off write-off of the prepaid front end fee of HK$23.4 million in relation to the loans that were refinanced in the first half of 2016 were excluded, the finance costs for the period have increased 7.2% or HK$11.0 million, mainly due to the finance costs incurred in relation to additional borrowings for the Group's acquisitions of subsidiaries in late 2016 and early 2017.

Income tax

Income tax for the period amounted to HK$90.3 million, an increase of HK$13.7 million or 17.9% when compared with the same period of 2016. The increase was mainly due to the reversal of an over-provision of tax of HK$14.5 million in the first half of 2016 whereas the amount of reversal of the over-provision for tax in the period was only HK$5.1 million.

Earnings per share ("EPS")

Basic EPS and diluted EPS amounted to HK12.9 cents and HK12.8 cents respectively, representing an increase of 6.6% and 6.7% respectively when compared with the corresponding period of 2016.

Dividends per share

Interim dividend of HK3.00 cents per share is proposed for the first half of 2017.

Cash flows

In HK$ million	Half year ended 30 June **2017**	2016	Increase/(Decrease)	
Source of cash:				
Cash inflows from business operations	**885.7**	1,019.8	(134.1)	(13.1%)
Other cash inflows	**16.6**	17.2	(0.6)	(3.5%)
Sub-total	**902.3**	1,037.0	(134.7)	(13.0%)
Use of cash:				
Net capital expenditure*	**(221.1)**	(308.4)	(87.3)	(28.3%)
Dividends paid to equity shareholders and non-controlling interests	**(377.0)**	(339.8)	37.2	10.9%
Transaction costs for acquisitions	**(1.0)**	(8.8)	(7.8)	(88.6%)
Acquisition of subsidiaries	**(158.5)**	-	158.5	N/A
Net cash outflows from borrowings	**(243.6)**	(442.1)	(198.5)	(44.9%)
Increase in pledged deposits	**(81.7)**	(26.4)	55.3	>100%
Other cash outflows	**-**	(0.1)	(0.1)	N/A
Sub-total	**(1,082.9)**	(1,125.6)	(42.7)	(3.8%)
Net decrease in cash and cash equivalents	**(180.6)**	(88.6)	92.0	>100%

* *Included in the amounts are payments for other purchase of property, plant and equipment in respect of both current period additions and prior years unsettled purchases, and proceed from sale of other property, plant and equipment and others.*

Profit before taxation amounted to HK$551.4 million for the six months ended 30 June 2017. The Group maintained a strong cash position, where HK$885.7 million cash inflow was generated from operations. The use of cash mainly comprised of capital expenditure, payment for acquisition of subsidiaries, loans and repayments, dividends distribution to equity shareholders and non-controlling interests and various other payments. In total, the Group recorded a net cash outflow of HK$180.6 million for the six months ended 30 June 2017 as the Group utilised its excess cash to early settle some of its outstanding loans during the period.

Capital expenditure

The Group's total capital expenditure for the six months ended 30 June 2017 amounted to HK$142.4 million. HK$0.3 million of fitting-out costs were incurred for the Group's data centres and the remainder of the capital expenditure was mainly for network systems upgrade and expansion.

Capital commitments

At 30 June 2017, the Group had outstanding capital commitments of HK$247.8 million, mainly for the acquisition of telecommunications equipment which had yet to be delivered to the Group and construction costs of the networks. Of these commitments, HK$106.2 million were outstanding contractual capital commitments and HK$141.6 million were capital commitments authorised but for which contracts had yet to be entered into.

TREASURY POLICY AND FINANCIAL RISK MANAGEMENT

General

Managing financial risks to which the Group 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, each business unit within the Group is responsible for its own cash management which is closely monitored by the headquarters. In addition, the decision of financing activities is centralised at head office level.

1. Debt and leverage

As the Group has arranged new bank loan for payment for the acquisition of subsidiaries, the Group's net debt increased to HK$6,487.9 million. Benefits from the increase in the total capital which amounted to HK$14,491.2 million, the net gearing ratio maintained at 45% at 30 June 2017.

At 30 June 2017, total debt and net debt of the Group were as follows:

	Denomination							
In HK$ million equivalents	**HKD**	**USD**	**SGD**	**EUR**	**MOP**	**RMB**	**Others**	**Total**
Total bank and other borrowings	3,797.7	3,531.1	323.2	206.1	-	-	-	**7,858.1**
Finance lease liabilities	-	-	4.5	-	-	-	-	**4.5**
Total debt	3,797.7	3,531.1	327.7	206.1	-	-	-	**7,862.6**
Less: Cash and bank deposits	(381.9)	(448.1)	(63.8)	(33.9)	(200.6)	(200.5)	(45.9)	**(1,374.7)**
Net debt/(cash)	**3,415.8**	**3,083.0**	**263.9**	**172.2**	**(200.6)**	**(200.5)**	**(45.9)**	**6,487.9**

At 30 June 2017, the Group's net gearing ratio was as follows:

In HK$ million	**30 June 2017**	31 December 2016
Total bank and other borrowings	**7,858.1**	7,901.4
Finance lease liabilities	**4.5**	6.0
Total debt	**7,862.6**	7,907.4
Less: Cash and bank deposits	**(1,374.7)**	(1,459.1)
Net debt	**6,487.9**	6,448.3
Total equity attributable to equity shareholders of the Company	**8,003.3**	7,870.5
Total capital	**14,491.2**	14,318.8
Net gearing ratio	**45%**	45%

At 30 June 2017, the principal of total debt amounted to HK$7,920.1 million, of which HK$261.0 million will mature in the coming twelve months, against cash and bank deposits of HK$1,374.7 million.

The maturity profile of the Group's total debt in principal amount at 30 June 2017 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 and other borrowings	259.0	341.1	287.5	3,118.0	400.0	-	4,405.6
Finance lease liabilities	2.0	1.2	1.3	-	-	-	4.5
US$450 million 6.1% guaranteed bonds	-	-	-	-	-	3,510.0	3,510.0
	261.0	**342.3**	**288.8**	**3,118.0**	**400.0**	**3,510.0**	**7,920.1**

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

The Group's total debt in principal decreased to HK$7,920.1 million which was mainly due to the early repayment of HK$300.0 million bank loan from its surplus cash during the interim period, which was partly offset by a EUR22.1 million (approximately HK$181.3 million) new bank loan drawn down for the payment for the acquisition of CPC Europe Group, which headquarters is in Netherlands. Other than the above-mentioned loan, the balance of the EUR borrowings of the Group at 30 June 2017 was used to support the liquidity requirements of the Group's operation over Europe.

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 twelve months.

The Group's cash balance at 30 June 2017 are more than sufficient to cover the repayments of principal amount of total debt of HK$261.0 million in the coming twelve months and contractual capital commitments of HK$106.2 million at 30 June 2017.

At 30 June 2017, the Group had available trade facilities of approximately HK$639.6 million. Approximately HK$407.0 million was utilised as guarantees for performance to customers/the Macau Government, costs payable to telecoms operators and others, and to secure loans drawn by a fellow subsidiary from the commercial banks under the offshore-security-onshore-loan arrangements. Around HK$242.2 million of these utilised facilities were required to be secured by pledged deposits or fixed assets.

At 30 June 2017, the type of facilities of the Group was summarised as follows:

In HK$ million	**Total available facilities**	**Amount utilised**	**Amount unutilised**
Bank and other loans			
- Committed facilities:			
Term loans	4,330.2	4,183.4	146.8
- Uncommitted facilities:			
Short-term facilities	597.5	222.2	375.3
	4,927.7	4,405.6	522.1
Finance lease liabilities - Committed facilities	4.5	4.5	-
Guaranteed bonds - Committed facility			
US$450 million 6.1% guaranteed bonds	3,510.0	3,510.0	-
Trade facilities - Uncommitted facilities	639.6	407.0	232.6
Total	**9,081.8**	**8,327.1**	**754.7**

2. Liquidity risk management

Each business unit within the Group is responsible for its own cash management, including predetermined short term investment of its cash surpluses. The raising of loans to cover its 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, the Group arranged long-term borrowings from the capital market, and the term loan with repayment by instalment to meet the funding needs. 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.

3. 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 2017, the Group was in compliance with the relevant requirements.

4. Contingent liabilities

At 30 June 2017, the Group had no significant contingent liabilities.

5. Performance bonds, guarantees and pledged assets

At 30 June 2017, performance bonds provided to the Macau Government and other customers for which no provision has been made in the consolidated financial statements amounted to approximately HK$72.7 million.

At 30 June 2017, the Company has provided guarantee to its subsidiary in an amount of HK$34.4 million to support its performance under a construction contract.

At 30 June 2017, guarantees of HK$328.6 million were issued by the Group to secure the bank loans drawn by a fellow subsidiary from the commercial banks under the offshore-security-onshore-loan arrangements, of which, HK$229.2 million were required to be secured by pledged deposits of HK$252.9 million. In addition, bank deposits of approximately HK$5.9 million and fixed assets of approximately HK$5.8 million were pledged to secure parts of the facilities of the Group.

On 5 March 2013, CITIC Telecom International Finance Limited, a wholly-owned subsidiary of the Company, issued US$450 million (approximately HK$3,510.0 million) guaranteed bonds with a maturity of twelve years due on 5 March 2025 and the bonds bore interest at 6.1% per annum. The bonds were unconditionally and irrevocably guaranteed by the Company.

At 30 June 2017, the Company has issued guarantees for its subsidiaries in respect of the bank and other loans in an amount of HK$571.1 million and finance lease liabilities in an amount of HK$4.0 million.

Certain other property, plant and equipment of Companhia de Telecomunicações de Macau, S.A.R.L. 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.

6. Interest rate risk

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

Interest rate risk is managed by borrowing fixed rate or through use of interest rate swap, if necessary. At 30 June 2017, approximately 55.0% of the Group’s borrowings in principal were linked to floating interest rates. During the period, the Group did not enter into any interest rate swap arrangement.

Average borrowing costs

At 30 June 2017, the average borrowing costs, which is after the inclusion of amortisation of transaction costs, was approximately 3.9%.

7. 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 current assets, current 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.

8. 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 to 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 45.2% and 43.9% of the Group’s total trade debtors at 30 June 2017 and 31 December 2016 respectively. The credit risk exposure to trade debtors balance has been and will continue to be monitored by the Group on an ongoing basis.

9. Counterparty risk

At 30 June 2017, 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's and Fitch Group), or the note issuing banks in Hong Kong, Macau and Mainland China, or group companies. At 30 June 2017, the Group has approximately HK$1,368.1 million cash balance in the above-mentioned financial institutions, representing approximately 99.5% of the total cash and bank deposits of the Group. Management does not expect any losses from non-recovery from our financial counterparties.

HUMAN RESOURCES

The 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 2017, the Group employed a total of 2,394 employees for its headquarters in Hong Kong and its subsidiaries. Number of employees in Hong Kong was 506. Employees in Mainland China and Macau totalled 1,560. Employees in overseas countries totalled 328.

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.

To adopt our philosophy of committing and making contribution to the community, the Group has organised our employees to participate into various volunteer work and charitable activities. Moreover, the Group continues to utilise our strength on information technology to support the community.

The Group is committed to conduct business in an environmentally responsible manner. The Group has formulated and ongoing reviewed our policies of environmental protection and energy saving in order to achieve sustainable targets.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The board of directors of the Company 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 continual review to ensure their consistent application and will continue to improve our practices having regard to the latest developments. Details of our corporate governance practices can be found on page 53 of the 2016 annual report and the Company's website www.citictel.com.

Save as disclosed below, the Company has fully complied with the applicable code provisions in the Corporate Governance Code (the "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") throughout the six months ended 30 June 2017. In respect of the code provision A.6.7 of the Code, Messrs Luo Ning and Liu Li Qing were unable to attend the annual general meeting of the Company held on 1 June 2017 as they had other engagements.

The Audit Committee has reviewed the interim report with management and the external auditors and recommended its adoption by the board. The Committee consists of three independent non-executive directors and a non-executive director.

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 for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all directors of the Company have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2017.

DIVIDEND AND CLOSURE OF REGISTER

The board of directors of the Company has declared an interim dividend of HK3.00 cents (2016: HK2.85 cents) per share for the year ending 31 December 2017 payable on Wednesday, 20 September 2017 to shareholders whose names appear on the Register of Members of the Company on Thursday, 7 September 2017. The Register of Members of the Company will be closed from Friday, 1 September 2017 to Thursday, 7 September 2017, 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 Registrar, 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 Thursday, 31 August 2017.

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 2017 and the Company has not redeemed any of its shares during the period ended 30 June 2017.

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 current expectations, beliefs, assumptions or projections concerning future events and involve known and unknown risks and uncertainties 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.hkexnews.hk). The full interim report will be made available on the website of the Company and the Stock Exchange around 1 September 2017.

By Order of the Board
Xin Yue Jiang
Chairman

Hong Kong, 11 August 2017

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
Lin Zhenhui	Fei Yiping	Zuo Xunsheng
Luo Ning		Lam Yiu Kin
Chan Tin Wai, David		