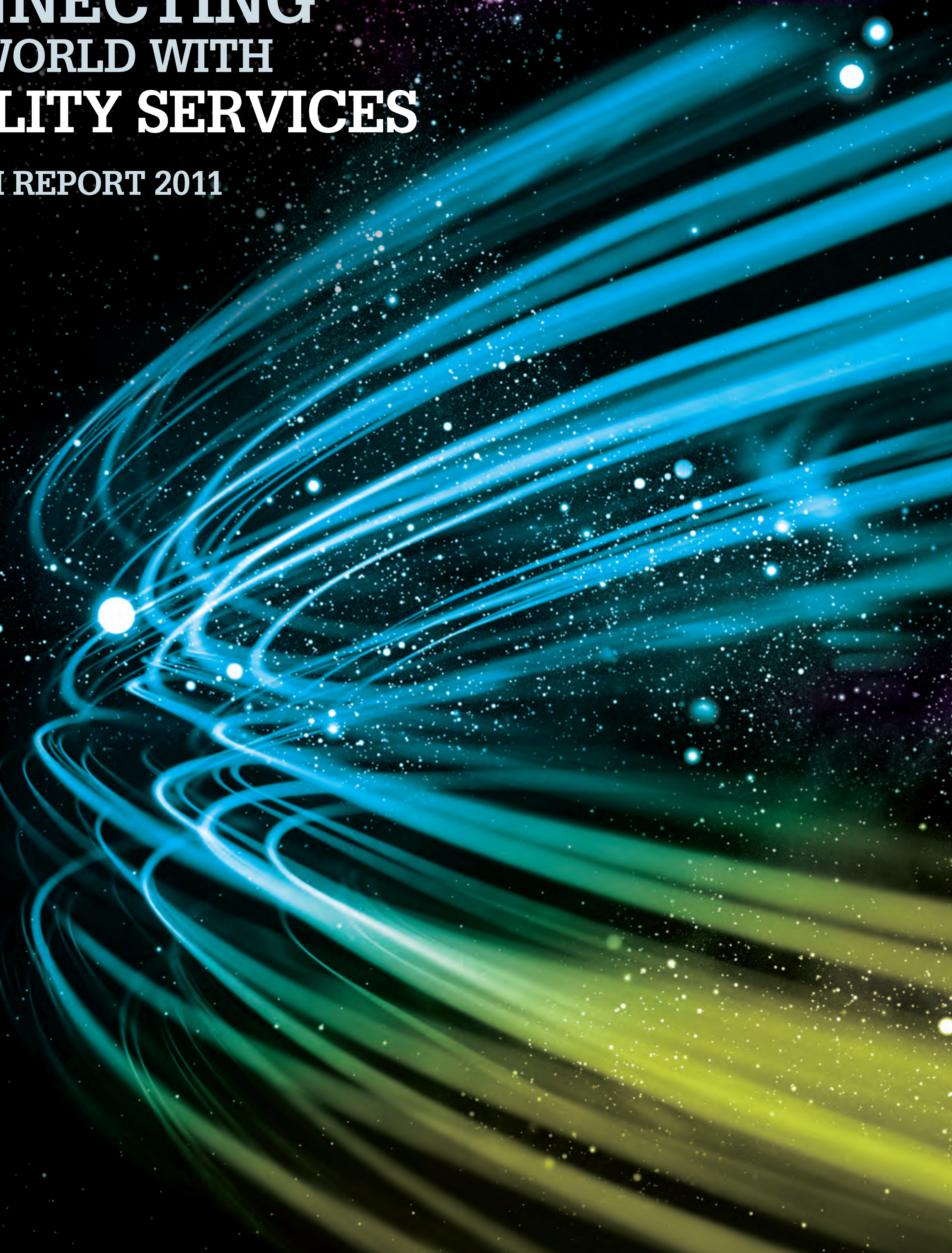
中信國際電訊
CITIC TELECOM INTERNATIONAL

Stock Code: 01883

CONNECTING THE WORLD WITH QUALITY SERVICES

INTERIM REPORT 2011



About Us

CITIC Telecom International is Asia's leading telecoms services provider, specialising in hub-based services. In addition to serving its key markets in China and Hong Kong, the Group is actively expanding its services to international telecoms operators. The Group has four main types of business, namely Voice Services, SMS Services, Mobile VAS and Data Services. Its independent hub connects over 556 telecoms operators in 70 countries or areas.

Contents


ALWAYS
WELL CONNECTED
CITIC Telecom Tower
(design picture)
CITIC Tower
Telecentro
中信電訊大廈
中信國際電訊
CITIC TELECOM
CTM

Our Vision

To become the International Telecommunications Hubbing Provider of choice providing voice, mobile and data services to mobile operators, ISPs, and carriers.

Our Mission

To capitalise on the Mainland as the marketing base and Hong Kong as the Communications Hub for Asia to deliver telecommunications services on a global basis.

To consistently provide best-of-breed services and exceed customer expectations.

To be the partner of choice in dealing with today's dynamic and changing markets.

To deliver telecoms solutions and to provide a diverse range of services to enable our customers to capture new revenue.

Financial Highlights

in HK$ million	Six months ended 30 June **2011**	2010	
Turnover			
Voice Services	**924.4**	790.1	Increase 17.0%
SMS Services	**168.0**	151.4	Increase 11.0%
Mobile VAS	**77.1**	65.8	Increase 17.2%
Data Services	**322.1**	283.9	Increase 13.5%
	1,491.6	1,291.2	Increase 15.5%
Profit attributable to equity holders of the Company	**233.8**	180.1	Increase 29.8%

in HK$ million	**At 30 June 2011**	At 31 December 2010	
Total assets	**3,854.2**	4,081.7	Decrease 5.6%
Shareholders' fund	**3,018.9**	2,943.8	Increase 2.6%
Cash and bank deposits	**309.4**	327.0	Decrease 5.4%

in HK cents	Six months ended 30 June **2011**	2010	
Earnings per share			
Basic	**9.8**	8.6	Increase 14.0%
Diluted	**9.8**	8.5	Increase 15.3%
Dividend per share			
Interim dividend	**2.4**	2.4	Same level as last year

Chairman's Statement

I am pleased to present the operating and financial results of the Group for the six months ended 30 June 2011. The Group's business was subject to certain new pressure and challenges during the first half of 2011 amidst intense competition in the international telecommunications market. We addressed the highly competitive environment in a pro-active manner, employing effective measures and applying diligent efforts in overseas as well as China markets in order to sustain stable growth.

I. FINANCIAL RESULTS

For the first half of 2011, the Group recorded total revenue of HK$1,491.6 million, representing an increase of 15.5% as compared to the corresponding period of the previous year. Net profit of the Group was HK$233.8 million, representing an increase of 29.8% as compared to the same period of the previous year.

Basic earnings per share for the six months ended 30 June 2011 amounted to HK9.8 cents, representing an increase of 14.0% as compared to the corresponding period of the previous year.

The Board has declared an interim dividend of HK2.4 cents per share for 2011, the same as the corresponding period of the previous year.

II. BUSINESS DEVELOPMENT

The Group sustained stable growth in its voice, SMS, Mobile Value-added Services ("VAS") and data businesses during the first half of the year, as we continued to strengthen our business relationships with various major telecoms operators in China and overseas. Our market share was further enlarged, with the number of telecoms operators served by our Group increased from 537 as at the end of the previous year to 556 as at the end of June this year.

Companhia de Telecomunicacoes de Macau, S.A.R.L. ("CTM") recorded strong business growth. Since the Group's acquisition of a 20% equity interest in CTM, it has generated sound investment returns for the Group while offering positive synergies to the Group's businesses.

For the first half of the year, revenue generated from voice services amounted to HK$924.4 million, representing an increase of 17.0% compared to the corresponding period of the previous year. A total of 4.32 billion voice traffic minutes were recorded, representing a drop of 11.9% compared to the same period of the previous year. Revenue generated from SMS services increased by 11.0% to HK$168.0 million compared to the corresponding period of the previous year. The volume of SMS carried was 978.0 million messages, an increase of 10.0% compared to the corresponding period of the previous year. Revenue from our Mobile VAS business amounted to HK$77.1 million, representing an increase of 17.2% compared to the corresponding period of the previous year. Revenue from virtual private networks ("VPN") and Internet access services amounted to HK$322.1 million, representing an increase of 13.5% compared to the corresponding period of the previous year. With CTM contributing to the Group for the entire first six months for the first time, the profit of CTM recorded a significant increase compared to the corresponding period of the previous year.

1. Operating profitability of voice business benefited from strong overseas and PRC market development.

In order to gear up the marketing efforts of our overseas subsidiaries, the International Business Department was set up at Group level with the aim of strengthening the coordination between headquarters and subsidiaries as well as cooperation among subsidiaries in the operation of their voice services. Turnover contributions from overseas subsidiaries increased by 10.2% compared to the corresponding period of 2010, while their operating profitability also showed remarkable improvements over the corresponding period of the previous year. Profitability of our Group's international voice business improved as we made further inroads in the development of our overseas premium-quality routing. Meanwhile, our marketing initiatives for 3GTV and Wi-Fi roaming, etc started to deliver positive results. In a move to open up new markets, we commenced services for the provincial headquarters of PRC telecoms operators basing on our existing SIMN service platforms for inter-provincial roaming. Efforts were made to further enhance our SIMN service for use in China and its neighbouring countries and regions in support of the PRC telecoms operators.

2. Strong VPN sales supported by effective integration of CEC.

China Enterprise Communications Ltd. ("CEC") owns a marketing and servicing network in Mainland China that covers the entire nation with over 2,600 customer nodes. Subsequent to shareholders' approval at the Group's extraordinary general meeting held in last November on the acquisition of CEC by CITIC Telecom International CPC Limited ("CPC"), a wholly-owned subsidiary of our Group, we have been progressively integrating resources on both sides and providing technical and management support to CEC where necessary to deliver maximum synergies. As of now, the consolidation process has achieved initial success with the completion of the integration of networks, network management and operating/maintenance systems and product sales teams. CeOneConnect, our unified VPN brand name, has also been officially launched. Following the integration, the Group now offers a strong sales and servicing network for the VPN market in Mainland China. With the completion of its acquisition of the subsidiary of CEC in Hong Kong, China Enterprise Netcom Corporation Limited, a solid foundation has also been provided for the further growth of CEC's overseas business.

The Group has also made progress in the development of its VPN business in China. During the first half of the year, CEC signed a co-operation agreement with the Shanghai Branch of Great Wall Broadband Network Service Co., Ltd., a subsidiary of our parent company CITIC Group, pursuant to which the two companies would consolidate their resources and complement each other in joint efforts to develop the corporate communications market in China.

3. Stable growth for SMS, Mobile VAS and VPN businesses supported by pro-active marketing initiatives.

Our market competitiveness in the international SMS business has been enhanced with the signing of an agreement with a major telecoms company in Southeast Asia, for which we will act as the international SMS gateway in Asia. In Mainland China, the Group strengthened our cooperation with the PRC telecoms operators. For data business, we sought to broaden our business scope by developing cloud computing, information security and data centres. In connection with the data centre business, a solid foundation has been formed with the completion of the first phase of our data centre and the commencement of related marketing activities. Through various marketing initiatives, we succeeded in broadening our market bases and achieved stable growth in our SMS, Mobile VAS and VPN businesses.

4. Ongoing business growth driven by active product innovation.

While most PRC companies are in the stage of rapid business growth, it becomes increasingly evident that their investments in information technology fall short of meeting their pressing needs for informatisation. In this regard, cloud computing technologies, known for low costing, efficient performance and the ability to facilitate services on demand, have become a subject of increasing interest for companies who look to lower their costs for software/hardware investments and maintenance expenses while enhancing their level of informatisation. The Group monitored the development of cloud computing technologies closely and adopted measures to fulfill corporate clients' requirements for cloud computing. During the first half of 2011, we established a cloud computing centre and launched two innovative cloud computing services, namely "SmartCLOUD M@il" that integrated e-mailing, calendar and collaboration functions and "SmartCLOUD Compute", a virtual server solution. Both services were very well received by our corporate clients. A comprehensive roaming service product that embodied voice, SMS and Mobile VAS was launched, incorporating the functions of networks, technology platforms and maintenance in one single product, while IPX-based technical services were also introduced. The Group will continue to conduct research and make timely launches of new business models such as cloud computing, 4G mobile communications technology (LTE), with a view to drive business growth on a continuing basis through product innovation.

5. Further quality improvements in engineering, network and routing through enhanced quality management.

The standard of quality management at our Group has further improved as we have enhanced our telecommunications network and technology platforms and taken timely actions to expand the capacity of our equipment and upgrade our equipment software. To further strengthen our quality management and to meet the requirements of our business development as well as customers' needs, the Group has set up a Communications Quality Assurance Testing Function. Overseas subsidiaries were organised to conduct regular quality tests on our international roaming communications services, so that any potential issues of the Group's products and services would be identified on a pre-emptive basis. Quality hazards in engineering, network, routing and customer services were investigated and rectified in a timely manner. The Group's telecoms hubbing business has been effectively enhanced in respect of call connection rate and hubbing service quality.

6. Stronger internal control underpinned by more stringent supervision and review across the businesses.

Following a series of acquisitions completed in recent years, the Group's various businesses have been enjoying rapid development, as evidenced by growing sizes and expanding geographic coverage. In the meantime, as the Group's businesses and overseas subsidiaries are located in different business segments and locate over broad geographic regions, management of such an extensive business portfolio tends to be complicated owing to differences in the business approaches. The Group is well aware that the internal control system has to be further strengthened. In this regard, the "Internal Supervision and Examination System" was formulated and implemented during the first half of the year and an Internal Supervision and Examination Department was also formed to ensure internal control system compliance. The Department conducted internal supervision and examination in accordance with the provisions of the System to identify any management and operational shortcomings, and the Group's management standards have been effectively enhanced as a result.

III. OUTLOOK

To address new challenges arising from market dynamics, the Group will further increase our efforts to develop the international voice markets in the second half of the year, aiming to sustain a stable international voice business complementary to positive synergies with our voice business in Mainland China. The Group will continue to facilitate the integration of CPC and CEC in terms of marketing, business and assets to generate greater synergies. Stronger efforts will also be made in the research and development of new products in SMS and Mobile VAS, so that we can sustain rapid growth in these businesses. The marketing of our VPN and Internet access services will be further enhanced with the timely launch of new products, so that CPC will become a brand name with growing influence in both domestic and international enterprise market. The establishment of data centres will continue as part of our efforts to provide a solid foundation for future development. Meanwhile, positive growth is expected from the business of CTM, which will offer synergies as well as significant profit contributions to the Group.

The 26th Universiade, to be held in Shenzhen, the PRC in August, will present the Group with good opportunity for business growth given the demand for China-based telecoms services that the event will create. Fully prepared for the Shenzhen Universiade in respect of technical staff deployment, equipment, network capacity, customer service and technical requirements, the Group is working closely with PRC operators to adopt communications security measures for the Universiade, so that the event will be supported by top-rate telecoms hub services and that all voice, SMS and Mobile VAS services facilitated through the Group will be delivered in a smooth and seamless manner.

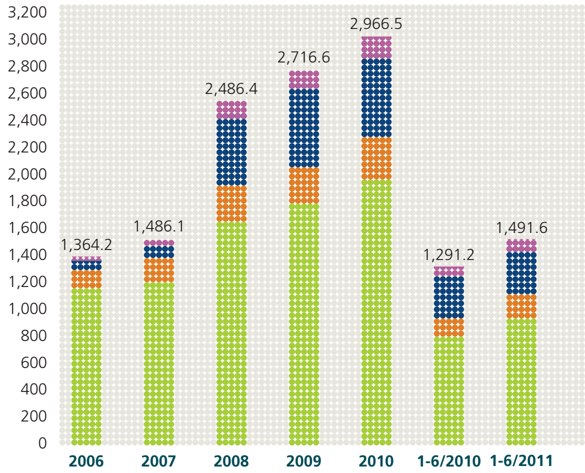
Given the global outreach of our well-established telecoms marketing network, our ability to implement effective measures in response to changing market conditions and competitive landscapes, our high-calibre management team and our dedicated staff, I have no doubt that our Group will generate sound economic benefits and investment returns for our shareholders. We will continue to grow our market in Mainland China and explore new overseas markets, whiling gearing up our efforts in cost control, technology upgrades, product innovation and process optimisation.

Xin Yue Jiang
Chairman

Hong Kong, 12 August 2011

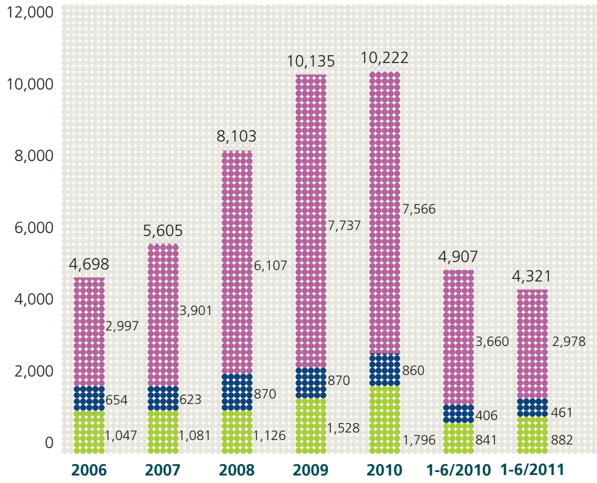
TURNOVER

HK$ Million



TRAFFIC (BY LOCATION)

Minutes in Million



INTRODUCTION

This Financial Review is designed to assist the reader in understanding the statutory information by discussing the performance and financial position of the Group as a whole.

Pages 17 to 21 of the Interim Report contain the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement. Following these financial information, on pages 22 to 40 of the Interim Report, are notes that further explain certain figures presented in the report.

On page 41 is the report of CITIC Telecom International's auditor — KPMG — of their independent review of the Group's interim financial report.

BASIS OF ACCOUNTING

The Group prepares its interim financial report in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

REVIEW OF FINANCIAL PERFORMANCE

Turnover

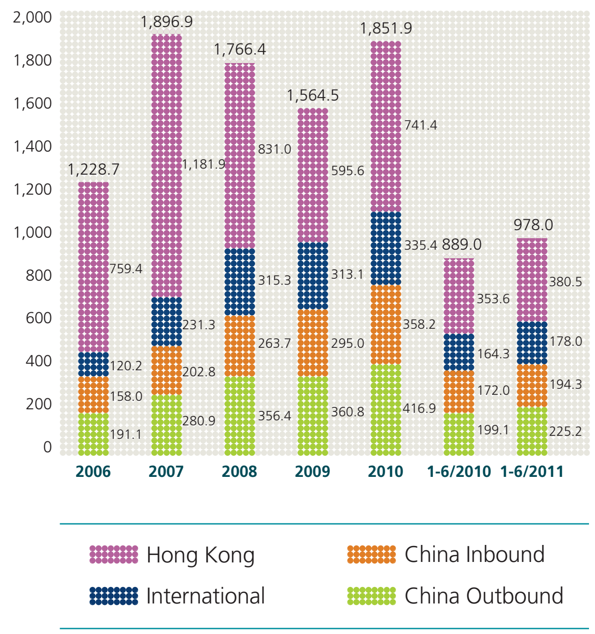
The Group's turnover for the six months ended 30 June 2011 was HK$1,491.6 million, representing an increase of 15.5% compared with HK$1,291.2 million for the same period of 2010.

Voice Services turnover has grown by HK$134.3 million or 17.0% to HK$924.4 million for the six months ended 30 June 2011 as compared to 2010. The Group handled total traffic of 4.32 billion minutes, a decrease of 11.9% as compared with the same period of last year. The decrease was mainly caused by an 18.6% drop in China inbound traffic to 2.98 billion minutes which was partly compensated by the increases in China outbound and international traffic. During the period, the Group carried 0.46 billion China outbound minutes and 0.88 billion international minutes, an increase of 13.5% and 4.9% respectively as compared with the corresponding period of 2010. The increase in China outbound traffic and international traffic was the result of the Group's enhanced focus on higher yield routes.

SMS Services continued to maintain stable growth during the first six months of 2011. SMS turnover increased by HK$16.6 million to HK$168.0 million for the six months ended 30 June

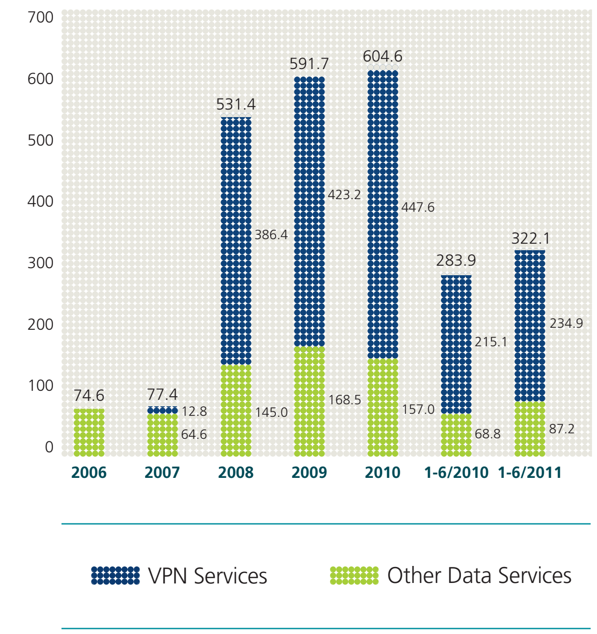
NUMBER OF SMS

Messages in Million



DATA SERVICES TURNOVER

HK$ Million



2011, representing an 11.0% growth as compared to the same period of 2010. During the period, the Group handled 978.0 million messages, representing an increase of 10.0% as compared to 2010. The Group's expansion in international network coverage successfully enabled us to secure additional China inbound and outbound traffic which grew by 13.0% over last year. For the Hong Kong market, the Group recorded a 7.6% growth in traffic during the first half of 2011. The Group continued to secure its leading market position by enhancing service quality and effective pricing strategy.

Mobile Value-added Services ("VAS") recorded good growth momentum during the first half of 2011. The Group's strategy to provide bundle services continued to be well accepted by our customers. Turnover for the six months ended 30 June 2011 amounted to HK$77.1 million, representing an increase of 17.2% compared with the corresponding period of 2010.

Data Services comprise managed VPN services and other services such as resale of lease lines. During the first six months of 2011, turnover from data services increased by 13.5% to HK$322.1 million as compared with HK$283.9 million for the same period of 2010. Turnover of VPN services increased by 9.2% to HK$234.9 million benefiting from the strengthening of the marketing and sales effort in the Asia Pacific Region.

Other revenue

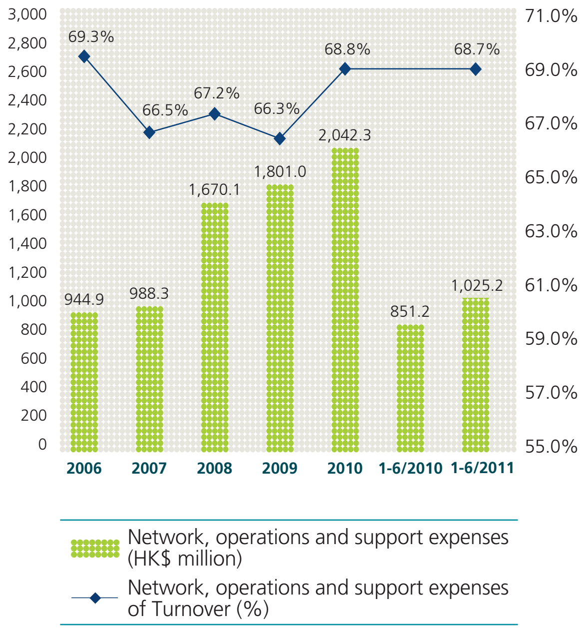
The Group's other revenue for the first half of 2011 amounted to HK$1.0 million, a decrease of HK$1.4 million as compared to the same period of 2010. As the Group has terminated several rental agreements with the tenants in CITIC Telecom Tower for the expansion of the new data centre, the Group's rental income decreased from HK$1.7 million to HK$0.5 million as compared with the same period of last year.

Net foreign exchange gain/(loss)

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

NETWORK, OPERATIONS AND SUPPORT EXPENSES

HK$ Million



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

HK$ Million

Network, operations and support expenses

Network, operations and support expenses amounted to HK$1,025.2 million in the first half of 2011, representing an increase of 20.4% as compared with the corresponding period of 2010. The increase was mainly due to the expansion of the Group's global MPLS network. The expansion of the Global MPLS network further enhanced the Group's network coverage and service quality thereby enabling the Group's acquisition of higher value international traffic which in turn, drove up the Group's average rate per minute. The percentage of network, operations and support expenses over turnover increased by 2.8% to 68.7% for the first half of 2011 as compared to same period of 2010 and was similar to that for the full year of 2010.

Staff costs

Staff costs for the six months ended 30 June 2011 amounted to HK$136.2 million, representing an increase of 22.6% as compared with HK$111.1 million for the same period of 2010. The increase was due to salary adjustment in 2011, an increase in performance incentives which are in line with the business performance and the increase in headcount for business expansion.

Other operating expenses

Other operating expenses for the six months ended 30 June 2011 amounted to HK$82.3 million, representing a slight decrease of 1.6% as compared with HK$83.6 million for the corresponding period of 2010. The decrease was a result of the Group's effective cost control policy.

Share of profit of an associate

During the first six months of 2011, the Group's 20% share of profit of the associate, Companhia de Telecomunicacoes de Macau, S.A.R.L. ("CTM") amounted to HK$77.0 million. For the same period of last year, the share of profit of CTM from 5 May 2010 to 30 June 2010 amounted to HK$21.7 million.

Income tax

The Group's income tax expense for the six months ended 30 June 2011 amounted to HK$33.3 million, representing a rise of 14.8% as compared with the corresponding period of last year. Effective tax rate decreased from 13.9% in 2010 to 12.5% in 2011 owing to the increased profit contribution from CTM. If the effect of the share of profit of CTM was excluded, the effective tax rate would be 17.5% in 2011.

Profit attributable to equity holders of the Company

The Group recorded a net profit of HK$233.8 million for the six months ended 30 June 2011, an increase of 29.8% as compared with the same period of 2010. The increase was mainly due to the first time inclusion of the six months contribution from CTM. If the effect of the share of profit of CTM was excluded, the net profit for the first half of 2011 was maintained at the same level as 2010.

BASIC EARNINGS PER SHARE

HK Cents

DIVIDEND PER SHARE (POST IPO)

HK Cents

Earnings per share ("EPS")

Basic EPS and diluted EPS were both HK9.8 cents for the six months ended 30 June 2011, representing an increase of 14.0% and 15.3% as compared with the corresponding period of last year. The increase was mainly due to the first time inclusion of the six months contribution from CTM.

Dividend per share

An interim dividend of HK2.4 cents per share is proposed for the first half of 2011.

Capital expenditure

Capital expenditure was HK$66.4 million for the first six months of 2011, an increase of 44.7% as compared to 2010. During the period, the Group incurred HK$40.3 million fitting-out cost for the new data centre at CITIC Telecom Tower. If the capital expenditure on the data centre was excluded, capital expenditure for the first half of 2011 amounted to HK$26.1 million, a decrease of 40.1% as compared to the same period of last year.

TREASURY POLICY AND RISK MANAGEMENT

General

The Group's treasury function has primary responsibility for managing financial risks to which the Group is exposed. Financing and cash management activities are centralised to maintain a high degree of financial control and enhance risk management. The surplus fund was held as bank deposits.

Exchange rate risk

A substantial portion of the Group's sales revenue and cost of sales are denominated in United States dollar, to which the Hong Kong dollar is pegged. In addition, the Group's financial assets, financial liabilities and transactions are mainly denominated either in Hong Kong dollar or United States dollar. Management considers that the Group's exposure to foreign currency risk is not material and will continue to monitor closely all possible exchange rate risk and implement the necessary hedging arrangement to mitigate any significant foreign exchange risk.

Credit risk

Credit evaluations are performed on all customers with credit level over a certain amount. Trade receivables are due within 7 to 180 days from the date of billing. The Group will assign an officer who will be responsible to agree on a settlement plan with those debtors with balances due over one year to reduce the outstanding balance within a reasonable period.

The Group has certain concentration risk in respect of trade receivables due from the Group's five largest customers who accounted for approximately 47% and 43% of the Group's total trade receivables at 30 June 2011 and 31 December 2010 respectively. The credit risk exposure to trade receivables balance has been and will be monitored by the Group on an ongoing basis and the impairment loss on doubtful debts has been within management's expectations.

GROUP LIQUIDITY AND CAPITAL RESOURCES

The Group manages its exposure to liquidity risk by reviewing the cash resources required to meet its business objectives.

During the review period, the Group recorded HK$193.6 million operating cash inflow and received HK$157.6 million final dividend for 2010 from CTM. In the meantime, the Group paid HK$101.2 million for capital expenditure. In addition, the Group repaid a loan from CTM of HK$96.9 million and paid final dividend for 2010 of HK$169.4 million during the period. As a result, the Group's cash and cash equivalents decreased by HK$17.2 million to HK$308.3 million at 30 June 2011 compared to HK$325.5 million at 31 December 2010.

Currency Portfolio

The original denomination of the Group's cash and bank deposits by currencies at 30 June 2011 is summarised as follows:

	Denomination				
HK$ million equivalent	HKD	USD	SGD	Others	Total
Cash and bank deposits	107.9	143.6	13.2	44.7	309.4
Percentage of total amount	34.9%	46.4%	4.3%	14.4%	100.0%

The Group maintained currencies other than Hong Kong dollar and United States dollar at the balance sheet date to meet the business needs in different regions.

Borrowings

At 30 June 2011, the Group had no outstanding borrowings.

Banking facilities

At 30 June 2011, the Group had banking facilities amounted to SGD0.3 million, USD4.2 million, TWD10.0 million and HK$100.0 million (equivalent to a total of HK$137.0 million). About HK$6.9 million of these facilities was required to be secured by pledged deposits.

Of the total banking facilities, approximately HK$11.0 million was utilised as guarantees for the Group's purchases from telecoms operators, performance to customers, and rental deposits.

Securities and guarantees

At 30 June 2011, the Group pledged SGD85,000 and USD80,000 (equivalent to a total of HK$1.2 million) of fixed deposits to secure its banking facilities. The Group had not created any other security over its assets and had not provided any corporate guarantee.

Capital commitments

At 30 June 2011, the Group had outstanding capital commitments of HK$127.3 million, mainly for the acquisition of network equipment which had yet to be delivered to the Group and the new data centre fitting-out cost, of which HK$43.7 million were outstanding contractual capital commitments and HK$83.6 million were capital commitments authorised but for which contracts had yet to be entered into.

Other commitments

Details of the Group's other commitments at 30 June 2011 are stated under Note 16(b) and Note 18(b) to the interim financial report.

FORWARD LOOKING STATEMENTS

This Interim Report 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.

Forward looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward looking statement.

Human Resources

As at the end of June 2011, the Group employed a total of 539 employees for its headquarters in Hong Kong and its principal subsidiaries. Employees in Hong Kong totalled 428 and employees in overseas and Mainland China totalled 111.

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

To ensure that overall compensation 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 positive atmosphere.

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

Developing employees to enable them to grow personally and professionally has always been an ongoing priority at the Group. The Group has provided internal training opportunities and training subsidy 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.

Financial Statements

INTERIM RESULTS

The board of directors (the "Board") of CITIC Telecom International Holdings Limited (the "Company") presents herewith the unaudited consolidated income statement, unaudited consolidated statement of comprehensive income, unaudited consolidated statement of changes in equity and unaudited consolidated cash flow statement of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2011 and the unaudited consolidated balance sheet of the Group at 30 June 2011, together with the comparative figures for the six months ended 30 June 2010 and at 31 December 2010 respectively.

Consolidated Income Statement

for the six months ended 30 June 2011
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June **2011** **(Unaudited)** **$'000**	2010 (Unaudited) $'000
Turnover	4	**1,491,550**	1,291,209
Other revenue	5	**987**	2,421
Other net loss	6	**(10)**	(1,944)
		1,492,527	1,291,686
Network, operations and support expenses		**(1,025,230)**	(851,191)
Depreciation and amortisation		**(58,484)**	(58,396)
Staff costs	7(b)	**(136,247)**	(111,065)
Other operating expenses		**(82,272)**	(83,613)
Profit from operations		**190,294**	187,421
Finance costs	7(a)	**(141)**	—
Share of profit of an associate	11(a)	**76,998**	21,694
Profit before taxation	7	**267,151**	209,115
Income tax	8	**(33,315)**	(28,992)
Profit attributable to equity holders of the Company for the period		**233,836**	180,123
Earnings per share (HK cents)	9		
Basic		**9.8**	8.6
Diluted		**9.8**	8.5

The notes on pages 22 to 40 form part of this interim financial report. Details of dividends payable to equity holders of the Company are set out in note 15(a).

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2011
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	$'000	$'000
Profit for the period	**233,836**	180,123
Other comprehensive income for the period (after tax)		
Exchange differences on translation of financial statements of overseas subsidiaries	**6,266**	1,043
Total comprehensive income for the period attributable to equity holders of the Company	**240,102**	181,166

The notes on pages 22 to 40 form part of this interim financial report.

Consolidated Balance Sheet

at 30 June 2011
(Expressed in Hong Kong dollars)

	Note	30 June 2011 (Unaudited) $'000	31 December 2010 (Audited) $'000
Non-current assets			
Property, plant and equipment	*10*	**607,140**	595,350
Intangible assets		**44,734**	48,362
Goodwill		**283,503**	281,465
Interest in an associate	*11(a)*	**1,409,410**	1,489,382
Non-current other receivables and deposits	*12*	**166,150**	171,370
Deferred tax assets		**22,825**	22,172
		2,533,762	2,608,101
Current assets			
Trade receivables, other receivables and deposits	*12*	**1,008,765**	1,140,333
Current tax recoverable		**2,231**	6,265
Cash and bank deposits	*13(a)*	**309,410**	327,026
		1,320,406	1,473,624
Current liabilities			
Trade and other payables	*14*	**661,797**	876,849
Loan from an associate	*11(b)*	**—**	96,350
Current tax payable		**31,759**	23,703
		693,556	996,902
Net current assets		**626,850**	476,722
Total assets less current liabilities		**3,160,612**	3,084,823
Non-current liabilities			
Non-current other payables	*14*	**98,884**	102,582
Deferred tax liabilities		**42,836**	38,424
		141,720	141,006
NET ASSETS		**3,018,892**	2,943,817
CAPITAL AND RESERVES			
Share capital	*15(b)*	**238,599**	238,520
Reserves		**2,780,293**	2,705,297
TOTAL EQUITY		**3,018,892**	2,943,817

The notes on pages 22 to 40 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2011
(Expressed in Hong Kong dollars)

		Attributable to equity holders of the Company						
	Note	**Share capital** (Unaudited) $'000	**Share premium** *(Note 15(c))* (Unaudited) $'000	**Capital reserve** (Unaudited) $'000	**Capital redemption reserve** *(Note 15(c))* (Unaudited) $'000	**Exchange reserve** (Unaudited) $'000	**Retained profits** (Unaudited) $'000	**Total** (Unaudited) $'000
Balance at 1 January 2010 (Audited)		197,773	629,517	15,129	2,034	(3,995)	876,482	1,716,940
Changes in equity for the six months ended 30 June 2010:								
Shares issued for acquisition of an associate	*15(b)(ii)*	40,583	949,603	—	—	—	—	990,186
Equity-settled share-based transactions		—	—	8,350	—	—	—	8,350
Total comprehensive income for the period		—	—	—	—	1,043	180,123	181,166
Dividends approved in respect of the previous financial year	*15(a)(ii)*	—	—	—	—	—	(140,419)	(140,419)
Balance at 30 June 2010		238,356	1,579,120	23,479	2,034	(2,952)	916,186	2,756,223
Balance at 1 July 2010		238,356	1,579,120	23,479	2,034	(2,952)	916,186	2,756,223
Changes in equity for the six months ended 31 December 2010:								
Shares issued under share option plan	*15(b)(iii)*	164	4,431	(1,146)	—	—	—	3,449
Equity-settled share-based transactions		—	—	6,228	—	—	—	6,228
Release upon lapse of share options		—	—	(97)	—	—	97	—
Total comprehensive income for the period		—	—	—	—	13,800	221,165	234,965
Dividends approved in respect of the current financial year	*15(a)(i)*	—	—	—	—	—	(57,205)	(57,205)
Share of reserve of an associate		—	—	157	—	—	—	157
Balance at 31 December 2010 (Audited)		238,520	1,583,551	28,621	2,034	10,848	1,080,243	2,943,817
Balance at 1 January 2011		**238,520**	**1,583,551**	**28,621**	**2,034**	**10,848**	**1,080,243**	**2,943,817**
Changes in equity for the six months ended 30 June 2011:								
Shares issued under share option plan	*15(b)(iii)*	**79**	**2,133**	**(551)**	**—**	**—**	**—**	**1,661**
Equity-settled share-based transactions		**—**	**—**	**3,021**	**—**	**—**	**—**	**3,021**
Release upon lapse of share options		**—**	**—**	**(549)**	**—**	**—**	**549**	**—**
Total comprehensive income for the period		**—**	**—**	**—**	**—**	**6,266**	**233,836**	**240,102**
Dividends approved in respect of the previous financial year	*15(a)(ii)*	**—**	**—**	**—**	**—**	**—**	**(169,405)**	**(169,405)**
Share of reserve of an associate		**—**	**—**	**(304)**	**—**	**—**	**—**	**(304)**
Balance at 30 June 2011		**238,599**	**1,585,684**	**30,238**	**2,034**	**17,114**	**1,145,223**	**3,018,892**

The notes on pages 22 to 40 form part of this interim financial report.

Consolidated Cash Flow Statement

for the six months ended 30 June 2011
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2011 (Unaudited) $'000	2010 (Unaudited) $'000
Operating activities			
Cash generated from operations	13(b)	**210,293**	242,349
Hong Kong Profits Tax paid		**(15,019)**	(17,842)
Overseas tax paid		**(1,720)**	(2,849)
Overseas tax refunded		**—**	150
Net cash generated from operating activities		**193,554**	221,808
Investing activities			
Payment for the purchase of property, plant and equipment		**(101,154)**	(49,891)
Proceeds from sale of property, plant and equipment		**1,154**	—
Payment for acquisition of an associate		**—**	(410,082)
Transaction costs for acquisition of subsidiaries		**(6,183)**	—
Decrease in pledged deposits		**390**	—
Interest received		**239**	745
Dividends received from an associate		**157,635**	—
Net cash generated from/(used in) investing activities		**52,081**	(459,228)
Financing activities			
Proceeds from new shares issued under share option plan		**1,661**	—
Repayment of loan from an associate	11(b)	**(96,946)**	—
Borrowing cost paid		**(359)**	—
Dividends paid to equity holders of the Company		**(169,405)**	(140,419)
Net cash used in financing activities		**(265,049)**	(140,419)
Net decrease in cash and cash equivalents		**(19,414)**	(377,839)
Cash and cash equivalents at 1 January		**325,499**	684,397
Effect of foreign exchange rate changes		**2,165**	(1,424)
Cash and cash equivalents at 30 June	13(a)	**308,250**	305,134

The notes on pages 22 to 40 form part of this interim financial report.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has 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"). It was authorised for issue on 12 August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in the accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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. KPMG's independent review report to the Board is included on page 41.

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 February 2011.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

3 SEGMENT REPORTING

The Group manages its businesses by business operations and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has only identified one business segment, i.e. telecommunications operations. Further, the Group's business participates primarily in only one geographical location classified by the location of assets, i.e. Hong Kong. The Group's overseas operation constitutes an insignificant portion of the Group's business.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and other current and non-current assets with the exception of interest in an associate, deferred tax assets, current tax recoverable, and other corporate assets. Segment liabilities include trade and other payables attributable to the operating activities of the segment.

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

Revenue generated from the telecommunications segment includes the fees derived from the provision of voice services; provision of short message services; and provision of other telecommunications services. Revenue from the provision of these services to state-controlled entities in the People's Republic of China ("PRC") represents more than 10% of the Group's total revenue. The revenue received from these customers amounted to $588,130,000 for the six months ended 30 June 2011 (six months ended 30 June 2010: $509,649,000).

(b) Reconciliation of reportable segment profit, assets and liabilities

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	$'000	$'000
Profit		
Reportable segment profit	**191,781**	188,396
Share of profit of an associate	**76,998**	21,694
Unallocated other revenue	**987**	2,421
Unallocated head office and corporate expenses	**(2,615)**	(3,396)
Consolidated profit before taxation	**267,151**	209,115

3 SEGMENT REPORTING (Continued)

(b) Reconciliation of reportable segment profit, assets and liabilities (Continued)

	30 June 2011 (Unaudited) $'000	31 December 2010 (Audited) $'000
Assets		
Reportable segment assets	**2,353,771**	2,497,975
Interest in an associate	**1,409,410**	1,489,382
Current tax recoverable	**2,231**	6,265
Deferred tax assets	**22,825**	22,172
Unallocated corporate assets	**65,931**	65,931
Consolidated total assets	**3,854,168**	4,081,725
Liabilities		
Reportable segment liabilities	**754,296**	970,374
Current tax payable	**31,759**	23,703
Deferred tax liabilities	**42,836**	38,424
Loan from an associate	**—**	96,350
Unallocated corporate liabilities	**6,385**	9,057
Consolidated total liabilities	**835,276**	1,137,908

4 TURNOVER

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

Turnover recognised during the period may be analysed as follows:

	Six months ended 30 June	
	2011 (Unaudited) $'000	2010 (Unaudited) $'000
Fees from the provision of voice services	**924,402**	790,091
Fees from the provision of short message services	**167,983**	151,353
Fees from the provision of other telecommunications services	**399,165**	349,765
	1,491,550	1,291,209

5 OTHER REVENUE

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	$'000	$'000
Bank interest income	**65**	405
Other interest income	**472**	337
Total interest income	**537**	742
Rental income from operating leases	**450**	1,679
	987	2,421

6 OTHER NET LOSS

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	$'000	$'000
Net loss on disposal of property, plant and equipment	**(26)**	(69)
Net foreign exchange gain/(loss)	**16**	(1,875)
	(10)	(1,944)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		Six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
		$'000	$'000
(a)	Finance costs		
	Interest on borrowings wholly repayable within 5 years	**141**	—
(b)	Staff costs (including directors' remuneration)		
	Contributions to defined contribution retirement plans	**4,755**	3,767
	Equity-settled share-based payment expenses	**3,021**	8,350
	Salaries, wages and other benefits	**128,471**	98,948
		136,247	111,065

7 PROFIT BEFORE TAXATION (Continued)

	Six months ended 30 June 2011 (Unaudited) $'000	2010 (Unaudited) $'000
(c) Other items		
Network, operations and support expenses — operating leases — leased circuits	**120,164**	97,354
Depreciation	**54,139**	54,209
Amortisation	**4,345**	4,187
Impairment losses on trade debtors	**3,653**	5,490
Operating lease charges in respect of land and buildings	**18,561**	24,290

8 INCOME TAX

	Six months ended 30 June 2011 (Unaudited) $'000	2010 (Unaudited) $'000
Current tax — Hong Kong Profits Tax		
Provision for the period	**27,227**	26,930
Over-provision in respect of prior years	**(314)**	—
	26,913	26,930
Current tax — Overseas		
Provision for the period	**1,640**	1,793
Under/(over)-provision in respect of prior years	**276**	(150)
	1,916	1,643
Deferred tax		
Origination and reversal of temporary differences	**4,486**	419
	33,315	28,992

The provision for Hong Kong Profits Tax for the six months ended 30 June 2011 is calculated at 16.5% (six months ended 30 June 2010: 16.5%) of the estimated assessable profits for the period. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the six months ended 30 June 2011 of $233,836,000 (six months ended 30 June 2010: $180,123,000) and the weighted average number of 2,385,888,000 ordinary shares (six months ended 30 June 2010: 2,105,533,000 shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company for the six months ended 30 June 2011 of $233,836,000 (six months ended 30 June 2010: $180,123,000) and the weighted average number of 2,389,150,000 ordinary shares (six months ended 30 June 2010: 2,107,371,000 shares), after adjusting for the deemed issue of shares under the Company's share option plan.

10 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2011, the Group acquired items of property, plant and equipment with total costs of $66,393,000 (six months ended 30 June 2010: $45,855,000). Items of property, plant and equipment with net book value of $1,180,000 were disposed of during the six months ended 30 June 2011(six months ended 30 June 2010: $69,000), resulting in a loss on disposal of $26,000 (six months ended 30 June 2010: $69,000).

11 INTEREST IN AN ASSOCIATE

(a)

	30 June 2011 (Unaudited) $'000	31 December 2010 (Audited) $'000
Share of net assets		
At 1 January 2011/2010	**671,132**	—
Additions through acquisition	**—**	582,018
Share of profit	**76,998**	88,957
Dividend received	**(156,666)**	—
Share of reserve	**(304)**	157
	591,160	671,132
Goodwill	**818,250**	818,250
	1,409,410	1,489,382

On 5 May 2010, the Group acquired a 20% equity interest in Companhia de Telecomunicacoes de Macau, S.A.R.L. ("CTM") from its intermediate holding company, CITIC Pacific Limited, for a consideration of $1,396,354,000 (excluding transaction costs). The consideration was satisfied by $406,138,000 in cash and $990,216,000 by the issue of the Company's shares.

11 INTEREST IN AN ASSOCIATE (Continued)

(a) (Continued)

Set out below are the particulars of the associate:

Name of associate	Place of incorporation/ operation	Issued and fully paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Principal activity
Companhia de Telecomunicacoes de Macau, S.A.R.L.	Macau	150,000 shares of MOP1,000 each	20%	20%	Provision of telecommunications services

Summary of financial information of the associate:

	At 30 June 2011			For the six months ended 30 June 2011	
	Assets (Unaudited) $'000	**Liabilities (Unaudited) $'000**	**Equity (Unaudited) $'000**	**Revenue (Unaudited) $'000**	**Profit (Unaudited) $'000**
100 per cent	**4,036,009**	**1,080,210**	**2,955,799**	**1,879,744**	**384,988**
Group's effective interest	**807,202**	**216,042**	**591,160**	**375,949**	**76,998**

	At 31 December 2010			For the period from 5 May 2010 (date of acquisition of CTM) to 30 June 2010	
	Assets (Audited) $'000	Liabilities (Audited) $'000	Equity (Audited) $'000	Revenue (Unaudited) $'000	Profit (Unaudited) $'000
100 per cent	4,277,892	922,235	3,355,657	444,964	108,469
Group's effective interest	855,579	184,447	671,132	88,993	21,694

(b) The loan from an associate at 31 December 2010 was unsecured and bore interest at the prevailing market rate. The loan was fully repaid during the six months period ended 30 June 2011.

12 TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS

	30 June 2011 (Unaudited) $'000	31 December 2010 (Audited) $'000
Trade debtors	**848,798**	988,516
Less: allowance for doubtful debts	**(23,159)**	(19,690)
	825,639	968,826
Other receivables and deposits	**349,276**	342,877
	1,174,915	1,311,703
Represented by:		
Non-current portion	**166,150**	171,370
Current portion	**1,008,765**	1,140,333
	1,174,915	1,311,703

Included in trade receivables, other receivables and deposits are trade debtors (before allowance for doubtful debts) with the following ageing analysis at the balance sheet date:

	30 June 2011 (Unaudited) $'000	31 December 2010 (Audited) $'000
Within 1 year	**782,591**	817,549
Over 1 year	**66,207**	170,967
	848,798	988,516

Credit evaluations are performed on all customers with credit level over a certain amount. Trade receivables are due within 7 to 180 days from the date of billing. The Group will assign an officer who will be responsible to agree on a settlement plan with those debtors with balances due over one year to reduce the outstanding balance within a reasonable period.

At 30 June 2011 and 31 December 2010, included in other receivables was a cash balance of USD1,221,000 (equivalent to $9,524,000) seized and held under foreign government custody as a result of an investigation against a customer of the Group. On 8 August 2011, the Group received a notice from the foreign government advising the termination of the investigation and the full amount will be returned back to the Group.

13 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	30 June 2011 (Unaudited) $'000	31 December 2010 (Audited) $'000
Cash at bank and in hand	**211,547**	220,844
Deposits with banks	**97,863**	106,182
Cash and bank deposits	**309,410**	327,026
Less: pledged deposits*	**(1,160)**	(1,527)
Cash and cash equivalents	**308,250**	325,499

Included in cash and bank deposits were $25,629,000 (31 December 2010: $25,442,000) placed in a financial institution in the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

* At 30 June 2011 and 31 December 2010, certain bank deposits were pledged to secure the general banking facilities provided to the Group.

(b) Reconciliation of profit before taxation to cash generated from operations:

	Six months ended 30 June	
	2011 (Unaudited) $'000	2010 (Unaudited) $'000
Profit before taxation	**267,151**	209,115
Adjustments for:		
Depreciation and amortisation	**58,484**	58,396
Net loss on disposal of property, plant and equipment	**26**	69
Share of profit of an associate	**(76,998)**	(21,694)
Finance costs	**141**	—
Interest income	**(537)**	(742)
Equity-settled share-based payment expenses	**3,021**	8,350
Foreign exchange (gain)/loss	**(19)**	1,986
	251,269	255,480
Changes in working capital:		
Decrease/(increase) in trade receivables, other receivables and deposits	**137,086**	(14,565)
(Decrease)/increase in trade and other payables	**(178,062)**	1,434
Cash generated from operations	**210,293**	242,349

14 TRADE AND OTHER PAYABLES

	30 June 2011 (Unaudited) $'000	31 December 2010 (Audited) $'000
Trade creditors	**482,602**	693,385
Other payables and accruals	**278,079**	286,046
	760,681	979,431
Represented by:		
Non-current portion	**98,884**	102,582
Current portion	**661,797**	876,849
	760,681	979,431

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

	30 June 2011 (Unaudited) $'000	31 December 2010 (Audited) $'000
Within 1 year	**372,678**	475,514
Over 1 year	**109,924**	217,871
	482,602	693,385

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity holders of the Company attributable to the interim period

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	$'000	$'000
Interim dividend declared and paid after the interim period, of 2.4 cents per share (six months ended 30 June 2010: 2.4 cents per share)	**57,264**	57,205

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of 7.1 cents per share (six months ended 30 June 2010: 7.1 cents per share)	**169,405**	140,419

In respect of the final dividend in respect of the year ended 31 December 2010, there is a difference of $56,000 between the final dividend disclosed in the 2010 annual report and amounts paid during the six months ended 30 June 2011 which represents dividends attributable to shares issued upon exercise of share options before the closing date of the register of members.

15 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Share capital

	Note	30 June 2011 (Unaudited) No. of shares	30 June 2011 (Unaudited) Amount $'000	31 December 2010 (Audited) No. of shares	31 December 2010 (Audited) Amount $'000
Authorised:					
Ordinary shares of $0.1 each		**5,000,000,000**	**500,000**	5,000,000,000	500,000
Issued and fully paid:					
At 1 January 2011/2010	*(i)*	**2,385,201,870**	**238,520**	1,977,731,283	197,773
Shares issued for acquisition of an associate	*(ii)*	**—**	**—**	405,826,087	40,583
Shares issued under share option plan	*(iii)*	**791,000**	**79**	1,644,500	164
	(i)	**2,385,992,870**	**238,599**	2,385,201,870	238,520

Notes:

(i) Holders of ordinary shares are entitled to receive dividends as declared from time to time and every member shall have one vote per share on a poll at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Pursuant to an agreement dated 11 February 2010, the Company agreed to acquire the 20% equity interest in CTM and as part of the consideration, the Company allotted 405,826,087 shares of the Company to the vendor. At the completion date on 5 May 2010, the fair value of the Company's share was $2.44 per share. The difference between the fair value (after deduction of share issue expenses) and the par value of the issued shares of $949,603,000 was included in share premium.

(iii) During the six months ended 30 June 2011, 791,000 ordinary shares (six months ended 30 June 2010: Nil; six months ended 31 December 2010: 1,644,500 ordinary shares) were issued at a weighted average price of $2.10 per ordinary share to share option holders who had exercised their options. These shares so issued rank pari passu with the then existing ordinary shares in issue.

(c) Share premium and capital redemption reserve

The application of the share premium account and the capital redemption reserve is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

Capital redemption reserve represents the nominal value of the shares repurchased which was paid out of the distributable reserves of the Company.

15 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Equity settled share-based transactions

Since adoption of the Company's share option plan ("CITIC Telecom International Plan"), the Company has granted two lots of share options on 23 May 2007 and 17 September 2009 respectively.

On 23 May 2007, options to subscribe for a total of 18,720,000 shares (the "First Lot") were granted to employees, directors and non-executive directors of the Company and its subsidiaries under the CITIC Telecom International Plan. A sum of $1 was payable by the grantee to the Company on acceptance of the offer of the option. Each option gives the holder the right to subscribe for one ordinary share of $0.1 each of the Company. These share options vested on 23 May 2007 and are exercisable until 22 May 2012. The exercise price is $3.26 per share, being the closing price of the Company's ordinary shares on the date of grant of the First Lot.

On 17 September 2009, options to subscribe for a total of 35,825,000 shares (the "Second Lot") were granted to employees, directors and non-executive directors of the Company and its subsidiaries under the CITIC Telecom International Plan. A sum of $1 was payable by the grantee to the Company on acceptance of the offer of the option. Each option gives the holder the right to subscribe for one ordinary share of $0.1 each of the Company. The first 50% of the Second Lot is exercisable from 17 September 2010 to 16 September 2015 and the remaining 50% of the Second Lot is exercisable from 17 September 2011 to 16 September 2016. The exercise price is $2.10 per share, being the closing price of the Company's ordinary shares on the date of grant of the Second Lot.

During the six months ended 30 June 2011, options for 791,000 shares (six months ended 30 June 2010: Nil; six months ended 31 December 2010: 1,644,500 shares) were exercised. During the six months ended 30 June 2011, options for 1,480,500 shares (six months ended 30 June 2010: 1,155,000 shares; six months ended 31 December 2010: 517,500 shares) have lapsed.

16 COMMITMENTS

(a) Capital commitments

Capital commitments of the Group outstanding at the balance sheet date not provided for in the interim financial report were as follows:

	30 June 2011 (Unaudited) $'000	31 December 2010 (Audited) $'000
Contracted for	**43,685**	48,802
Authorised but not contracted for	**83,596**	45,606

16 COMMITMENTS (Continued)

(b) Other commitments

On 2 September 2010, the Group entered into a framework agreement (the "Framework Agreement") with CITIC Group, CE-SCM Network Technology Co., Ltd. ("CE-SCM"), Information Centre of State-owned Assets Supervision & Administration Commission of the State Council and China Enterprise Communications Ltd. ("CEC"), pursuant to which the Group, through CITIC Telecom International CPC Limited ("CPCNet"), a wholly-owned subsidiary of the Company, will, upon satisfaction of certain conditions set out therein, acquire:

(i) 40.77% equity interest in CEC from CE-SCM;

(ii) 8.23% equity interest in CEC from CITIC Group together with a purchase right (the "Purchase Right") to acquire the remaining 45.09% equity interest in CEC held by CITIC Group, in which the Purchase Right shall be exercisable by CPCNet when CPCNet is permitted to hold more equity interest in CEC under the then prevailing PRC laws and regulations; and

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

The aggregate consideration payable by the Group is approximately $280,773,000 comprising:

(i) Renminbi ("RMB") 93,286,000 (approximately $112,307,000) payable to CE-SCM by instalments;

(ii) RMB80,818,000 (approximately $97,297,000) payable to CITIC Group at completion, out of which RMB61,987,000 (approximately $74,626,000) is paid as advance payment for the acquisition of the remaining 45.09% equity interest in CEC held by CITIC Group upon CPCNet exercising the Purchase Right;

(iii) $400,000 as consideration for the entire equity interest in CEC-HK; and

(iv) the assumption of debts in amount of United States dollar ("USD") 9,073,000 (approximately $70,769,000) owed by CEC-HK to a subsidiary of CITIC Group.

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

At 30 June 2011, the Group has, pursuant to the Framework Agreement, paid approximately $65,531,000 to CE-SCM and $400,000 to CEC-HK Holding. The remaining sum of approximately $214,842,000, being the unpaid portion of the aggregate consideration (including the advance payment), shall be payable at completion after the Framework Agreement becoming unconditional.

17 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with an intermediate holding company, CITIC Pacific Limited, and its affiliates and the affiliates of the Group

(i) Recurring transactions

		Six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Note	**$'000**	$'000
Telecommunications services and related income received/receivable from CTM	*(1)*	**8,396**	4,377
Telecommunications services and related expenses paid/payable to CTM		**3,523**	1,629
Professional fees paid/payable to CITIC Pacific Limited	*(2)*	**1,450**	1,250
Operating lease charges, building management fees, air conditioning charges and car parking spaces rental paid/payable to Goldon Investment Limited	*(3)*	**8,028**	12,834
Building management fees and air conditioning charges paid/payable to Broadway Centre Property Management Company Limited	*(4)*	**1,908**	879

Notes:

(1) CTM is an associate of the Group starting from May 2010(previously was an associate of CITIC Pacific Limited).

(2) Professional fees were paid/payable to CITIC Pacific Limited for the provision of internal audit and company secretarial services.

(3) Goldon Investment Limited (an associate of CITIC Pacific Limited) leases certain properties in Hong Kong to the Group under an operating lease. The amounts represent the lease charges, building management fees, air conditioning charges and car parking spaces rental paid/payable to Goldon Investment Limited.

(4) Broadway Centre Property Management Company Limited (a wholly-owned subsidiary of CITIC Pacific Limited) provides building management services to the Group. The amounts represent the building management fees and air conditioning charges paid/payable to Broadway Centre Property Management Company Limited.

17 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with an intermediate holding company, CITIC Pacific Limited, and its affiliates and the affiliates of the Group (Continued)

(ii) Non-recurring transactions

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	$'000	$'000
Acquisition of 20% equity interest in CTM from CITIC Pacific Limited	**—**	1,396,354
Mechanical ventilation and air-conditioning installation works provided by Dah Chong Hong (Engineering) Limited (a wholly-owned subsidiary of CITIC Pacific Limited)	**5,380**	—

(iii) Trade receivables, other receivables and deposits/(trade and other payables)

	30 June	31 December
	2011	2010
	(Unaudited)	(Audited)
	$'000	$'000
Amount due from/(to) CTM included in		
— Trade receivables, other receivables and deposits	**8,011**	11,493
— Trade and other payables	**(2,864)**	(2,455)
	5,147	9,038
Amount due to Dah Chong Hong (Engineering) Limited included in		
— Trade and other payables	**1,002**	—

(iv) Loan from an associate

	30 June	31 December
	2011	2010
	(Unaudited)	(Audited)
	$'000	$'000
Loan from CTM	**—**	96,350

17 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with an intermediate holding company, CITIC Pacific Limited, and its affiliates and the affiliates of the Group (Continued)

(v) Capital commitment to an affiliate

Capital commitment to an affiliate of the Group outstanding at the balance sheet date not provided for in the interim financial report was as follows:

	Note	30 June 2011 (Unaudited) $'000	31 December 2010 (Audited) $'000
Contracted for	(1)	—	5,380
Authorised but not contracted for	(1)	**8,108**	8,108

Note:

(1) The capital commitment was related to Dah Chong Hong (Engineering) Limited (a wholly-owned subsidiary of CITIC Pacific Limited) for providing mechanical ventilation and air-conditioning installation works to the Group.

(b) Transactions with a fellow subsidiary, China Enterprise Communications Ltd.

(i) Recurring transactions

	Six months ended 30 June	
	2011 (Unaudited) $'000	2010 (Unaudited) $'000
Telecommunications services and related expenses paid/payable to CEC	**39,835**	—

(c) Transactions with other state-controlled entities in the PRC

Other than those transactions with CITIC Pacific Limited and its affiliates and the affiliates of the Group as disclosed above, the Group conducts certain business activities with other state-controlled entities which include but are not limited to the following:

— Rendering and receiving services; and

— Financial services arrangements.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are state-controlled entities or not.

17 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with other state-controlled entities in the PRC (Continued)

Having considered the potential for transactions to be impacted by related party relationships, the Group's buying, pricing strategy and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions with other state-controlled entities require disclosure:

(i) Transactions with other state-controlled entities including state-controlled banks in the PRC

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	$'000	$'000
Interest income	**3**	185
Fees received/receivable from provision of telecommunications services	**579,734**	505,272
Fees paid/payable for network, operations and support services	**(330,199)**	(320,968)

(ii) Balances with other state-controlled entities, including state-controlled banks in the PRC

	30 June	31 December
	2011	2010
	(Unaudited)	(Audited)
	$'000	$'000
Bank deposits	**25,896**	26,290
Trade debtors	**422,557**	420,700
Trade creditors	**(91,426)**	(171,731)

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors is as follows:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	$'000	$'000
Short-term employee benefits	**6,336**	5,870
Share-based payments	**686**	1,569
Post-employment benefits	**179**	173
	7,201	7,612

18 NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) Interim dividend

After the balance sheet date, the directors proposed an interim dividend. Further details are disclosed in note 15(a).

(b) Other

On 29 July 2011, the Group completed the acquisition of CEC-HK through CPCNet pursuant to the Framework Agreement dated 2 September 2010. Details of the acquisition of CEC-HK are set out in the Company's circular to shareholders dated 22 October 2010.

19 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 30 JUNE 2011

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 30 June 2011 and which have not been adopted in this interim financial report.

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the following developments are expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

	Effective for accounting periods beginning on or after
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKAS 28, *Investments in associates and joint ventures (2011)*	1 January 2013

Independent Review Report

KPMG

Independent review report to the board of directors of
CITIC Telecom International Holdings Limited
(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 17 to 40 which comprise the consolidated balance sheet of CITIC Telecom International Holdings Limited (the "Company") as of 30 June 2011 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2011 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

12 August 2011

DIVIDEND AND CLOSURE OF REGISTER

The Directors have declared an interim dividend of HK2.4 cents (2010: HK2.4 cents) per share for the year ending 31 December 2011 payable on Friday, 9 September 2011 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 6 September 2011. The Register of Members of the Company will be closed from Wednesday, 31 August 2011 to Tuesday, 6 September 2011, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 30 August 2011.

SHARE OPTION PLAN

Under the share option plan of the Company (the "Plan") adopted on 17 May 2007, the Board may offer to grant an option over the Company's shares to any person employed by the Company or any of its subsidiaries and any person who is an officer or director (whether executive or non-executive) of the Company or any of its subsidiaries as the Board may, in its absolute discretion, select. HK$1.00 is payable by the grantee to the Company on acceptance of the offer of the option. The subscription price determined by the Board will not be less than the higher of (i) the closing price of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares. The maximum number of shares over which options may be granted under the Plan must not exceed 10% of (i) the shares of the Company in issue from time to time; or (ii) the shares of the Company in issue as at the date of adopting the Plan, whichever is the lower.

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

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

All options granted were accepted except for options for 115,000 shares granted on 17 September 2009. Options for 791,000 shares were exercised, options for 1,480,500 shares have lapsed and no options were cancelled during the six months ended 30 June 2011.

In addition, as announced by the Company, on 19 August 2011, options to subscribe for a total of 48,455,000 shares were granted under the Plan. The exercise price is HK$1.54 per share. The first 50% of the options granted and accepted is exercisable in whole or in part from 19 August 2012 to 18 August 2017 and the remaining 50% of the options granted and accepted is exercisable in whole or in part from 19 August 2013 to 18 August 2018. Such offer shall remain open for acceptance by the relevant grantees for a period of 28 days from the date of the offer.

SHARE OPTION PLAN (Continued)

A summary of the movements of the share options during the six months ended 30 June 2011 is as follows:

A. Directors of the Company

Name of director	Date of grant	Exercise price HK$	Exercise period	Number of Share Options: Balance as at 1.1.2011	Number of Share Options: Balance as at 30.6.2011	Percentage to the issued share capital %
Xin Yue Jiang	17.9.2009	2.10	17.9.2010 – 16.9.2015	900,000	900,000	
	17.9.2009	2.10	17.9.2011 – 16.9.2016	900,000	900,000	
					1,800,000	0.075
Yuen Kee Tong	23.5.2007	3.26	23.5.2007 – 22.5.2012	2,500,000	2,500,000	
	17.9.2009	2.10	17.9.2010 – 16.9.2015	800,000	800,000	
	17.9.2009	2.10	17.9.2011 – 16.9.2016	800,000	800,000	
					4,100,000	0.172
David Chan Tin Wai	23.5.2007	3.26	23.5.2007 – 22.5.2012	1,845,000	1,845,000	
	17.9.2009	2.10	17.9.2010 – 16.9.2015	700,000	700,000	
	17.9.2009	2.10	17.9.2011 – 16.9.2016	700,000	700,000	
					3,245,000	0.136
Yang Xianzu	23.5.2007	3.26	23.5.2007 – 22.5.2012	300,000	300,000	
	17.9.2009	2.10	17.9.2010 – 16.9.2015	150,000	150,000	
	17.9.2009	2.10	17.9.2011 – 16.9.2016	150,000	150,000	
					600,000	0.025
Liu Li Qing	23.5.2007	3.26	23.5.2007 – 22.5.2012	300,000	300,000	
	17.9.2009	2.10	17.9.2010 – 16.9.2015	150,000	150,000	
	17.9.2009	2.10	17.9.2011 – 16.9.2016	150,000	150,000	
					600,000	0.025
Gordon Kwong Che Keung	23.5.2007	3.26	23.5.2007 – 22.5.2012	300,000	300,000	
	17.9.2009	2.10	17.9.2010 – 16.9.2015	150,000	150,000	
	17.9.2009	2.10	17.9.2011 – 16.9.2016	150,000	150,000	
					600,000	0.025

SHARE OPTION PLAN (Continued)

B. Employees of the Company working under continuous contracts (as defined in the Employment Ordinance), other than the Directors

		Number of Share Options			
Date of grant	Exercise price HK$	Balance as at 1.1.2011	Exercised during the 6 months ended 30.6.2011 *(Note 1)*	Lapsed during the 6 months ended 30.6.2011 *(Note 2)*	Balance as at 30.6.2011
23.5.2007	3.26	9,620,000	—	760,000	8,860,000
17.9.2009	2.10	26,393,000	641,000	570,500	25,181,500

C. Others

		Number of Share Options			
Date of grant	Exercise price HK$	Balance as at 1.1.2011	Exercised during the 6 months ended 30.6.2011 *(Note 4)*	Lapsed during the 6 months ended 30.6.2011	Balance as at 30.6.2011
17.9.2009	2.10	300,000 *(Note 3)*	150,000	150,000	N/A

Notes:

1. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$2.63.

2. These are in respect of options granted to former employees under continuous contracts, who had resigned. The options had lapsed during the six months ended 30 June 2011.

3. These are in respect of options granted to a former director who has resigned in 2010.

4. The weighted average closing price of the shares immediately before the date on which the options were exercised was HK$2.69.

DIRECTORS' INTERESTS IN SECURITIES

The interests of the Directors in shares of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as at 30 June 2011 as recorded in the register required to be kept under section 352 of the SFO were as follows:

1. Shares in the Company and Associated Corporation

	Number of Shares		
	Personal interests unless otherwise stated		**Percentage to the issued share capital %**
CITIC Telecom International Holdings Limited			
Yuen Kee Tong	500,000		0.0210
David Chan Tin Wai	2,000		0.0001
CITIC Pacific Limited ("CITIC Pacific"), an associated corporation			
Yuen Kee Tong	1,033,000		0.0283
David Chan Tin Wai	40,000		0.0011
Liu Jifu	840,000		0.0230
Yang Xianzu	20,000		0.0005
Gordon Kwong Che Keung	70,000	*(Note 1)*	0.0019
Dah Chong Hong Holdings Limited, an associated corporation			
Yuen Kee Tong	20,000		0.0011
David Chan Tin Wai	5,279		0.0003
China CITIC Bank Corporation Limited (H shares), an associated corporation			
David Chan Tin Wai	3,000	*(Note 2)*	0.00002

2. Share Options in the Company

The interests of the Directors in the share options (being regarded as unlisted physically settled equity derivatives) of the Company are stated in detail in the preceding section of "Share Option Plan".

DIRECTORS' INTERESTS IN SECURITIES (Continued)

3. Share options in an associated corporation, CITIC Pacific

Name of director	Date of grant	Exercise period	Exercise price HK$	Number of share options as at 30.6.2011	Percentage to the issued share capital %
Liu Jifu *(Note 3)*	16.10.2007	16.10.2007 – 15.10.2012	47.32	700,000	
	19.11.2009	19.11.2009 – 18.11.2014	22.00	500,000	
				1,200,000	0.033
Fei Yiping	19.11.2009	19.11.2009 – 18.11.2014	22.00	300,000	0.008

Notes:

1. 20,000 shares are in respect of personal interests and 50,000 shares are in respect of corporate interests.

2. These 3,000 shares are in respect of family interests.

3. CITIC Pacific has granted an option for 700,000 shares to Mr Liu Jifu on 20 June 2006 at the exercise price of HK$22.10 per share. Such share options have expired at the close of business on 19 June 2011.

Save as disclosed above, as at 30 June 2011, none of the directors of the Company had nor were they taken to or deemed to have, under Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, the interests of the substantial shareholders, other than the directors of the Company or their respective associate(s), in the shares of the Company as recorded in the register of interests in shares and short positions required to be kept under section 336 of the SFO were as follows:

Name	Number of shares of the Company	Percentage to the issued share capital %
CITIC Group	1,445,584,370	60.586
CITIC Pacific	1,445,584,370	60.586
Crown Base International Limited	1,445,584,370	60.586
Effectual Holdings Corp.	1,445,584,370	60.586
CITIC Pacific Communications Limited ("CPC")	1,445,584,370	60.586
Douro Holdings Inc.	1,445,584,370	60.586
Ferretti Holdings Corp.	941,692,000	39.468
Ease Action Investments Corp.	941,692,000	39.468
Onway Assets Holdings Ltd.	405,826,087	17.009
Silver Log Holdings Ltd.	405,826,087	17.009
Matthews International Capital Management, LLC	143,933,000	6.032

SUBSTANTIAL SHAREHOLDERS (Continued)

CITIC Group is the ultimate holding company of CITIC Pacific and CITIC Pacific is the direct holding company of Crown Base International Limited, which is the direct holding company of Effectual Holdings Corp.. Effectual Holdings Corp. in turn holds CPC, which is then the direct holding company of Douro Holdings Inc.. Douro Holdings Inc. is the direct holding company of Ferretti Holdings Corp. and Onway Assets Holdings Ltd.. Ferretti Holdings Corp. is the direct holding company of Ease Action Investments Corp. and Onway Assets Holdings Ltd. is the direct holding company of Silver Log Holdings Ltd.. Accordingly, the interests of CITIC Group in the Company and the interests in the Company of all its direct and indirect subsidiaries as described above duplicate each other.

SHARE CAPITAL

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 2011 and the Company has not redeemed any of its shares during the period ended 30 June 2011.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The Board believes that good corporate governance practices are important to maintain and promote investor confidence, protect the interests of shareholders and enhance shareholder value. Corporate governance requirements keep changing, therefore the Board reviews its corporate governance practices to ensure they meet stakeholders' expectations, comply with legal and professional standards and reflect the latest local and international developments. Details of our corporate governance practices can be found on page 40 of the 2010 annual report and the Company's website www.citictel.com.

Throughout the six months ended 30 June 2011, the Company has complied with all code provisions in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

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 2011.

UPDATE ON DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Mr Gordon Kwong Che Keung, an independent non-executive director of the Company, has been appointed as an independent non-executive director of China COSCO Holdings Company Limited (a company listed on the Stock Exchange) with effect from 17 May 2011.

Mr Kwong has also retired as an independent non-executive director of COSCO International Holdings Limited and Beijing Capital International Airport Company Limited (both companies are listed on the Stock Exchange) with effect from 9 June 2011 and 15 June 2011 respectively and has been appointed as an independent supervisor of Beijing Capital International Airport Company Limited with effect from 15 June 2011.

Corporate Information

HEADQUARTERS AND REGISTERED OFFICE

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WEBSITE

www.citictel.com contains a description of CITIC Telecom International's business, copies of the reports to shareholders, announcements, press releases and other information.

STOCK CODES

The Stock Exchange of Hong Kong:	01883
Bloomberg:	1883 HK
Reuters:	1883.HK

SHARE REGISTRARS

Shareholders should contact our Registrars, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong at 2980 1333, or by fax: 2810 8185, on matters such as transfer of shares, change of name or address, or loss of share certificates.

ANNUAL AND INTERIM REPORTS

Shareholders may obtain printed copies of annual and interim reports from the Registrars. Others should contact the Company Secretary at 2377 8888 or by fax: 2376 2063 or at contact@citictel.com for a printed report.

FINANCIAL CALENDAR

Closure of Register:	31 August 2011 to 6 September 2011
Interim Dividend payable:	9 September 2011

The Interim Report is also available on our website at www.citictel.com. Shareholders may choose to receive the Interim Report in printed form or by electronic means. Shareholders who have chosen to receive the Interim Report using electronic means and who for any reason have difficulty in receiving or gaining access to the Interim Report will, promptly upon request to the Company's Share Registrars, be sent a printed copy free of charge.

Shareholders may at any time change their choice of means of receipt of the Interim Report by notice in writing to the Company's Share Registrars.

Non-shareholders who wish to receive a copy of the Interim Report are requested to write to the Company Secretary, CITIC Telecom International Holdings Limited, 25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong, or by fax: 2376 2063 or by email: contact@citictel.com.