中信國際電訊

CITIC TELECOM INTERNATIONAL

A member of CITIC Group Corporation

STOCK CODE:1883

INTERIM REPORT 2013

CONNECTING THE WORLD
WITH QUALITY SERVICES

Contents

About Us

CITIC Telecom International ("CITIC Telecom") is a leading telecoms services provider in Asia and is listed on The Stock Exchange of Hong Kong Limited.

CITIC Telecom holds 99% interest in Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM"), one of Macao's leading integrated telecoms services provider. CTM, the only full telecoms service provider in Macao, is a long-time leader in providing world-class telecoms services to Macao residents and enterprises while playing a major role in the ongoing development of Macao.

In addition, CITIC Telecom is one of Asia's leading hub-based service providers. It owns and operates a telecoms hub with its key markets in China and Hong Kong. The Group is actively expanding its business internationally by providing interoperability and interconnection services to global telecoms operators. CITIC Telecom's main businesses cover Voice Services, SMS Services, Mobile VAS and Data Services. It also provides a full range of Information and Communications Technology (ICT) solutions through its wholly-owned subsidiary, CITIC Telecom International CPC Limited ("CITIC Telecom CPC"), across the Asia Pacific region. CITIC Telecom CPC is a preferred partner of leading multinational corporations and business enterprises.

CITIC Group Corporation, one of the largest commercial organisations in The People's Republic of China, is the ultimate holding company of CITIC Telecom.

Our Vision

To become the Telecommunications Services Provider of choice providing voice, mobile and data services to our enterprise and residential customers, as well as our telecoms operator partners.

Our Mission

To develop Hong Kong and Macao as the Communications Services Centres in Asia connecting China with the rest of the world.

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 provide a diverse range of services to enable our customers to capture value.

Milestones

Month	Events
January	• Signed sale and purchase agreements with Sable Holding Limited (a wholly-owned subsidiary of Cable & Wireless Communications Plc), and Portugal Telecom, SGPS, S.A., PT Participações SGPS, S.A. and PT Comunicações, S.A. respectively to acquire 79% interest of Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") • CITIC Telecom International CPC Limited ("CITIC Telecom CPC") won "The Best Cloud infrastructure Service Provider" and "The Best Security-as-a-Service Solution" by Sing Tao Daily • CITIC Telecom CPC formed a strategic partnership with Palo Alto Networks, becoming the First Managed Security Services Partner in North Asia, to launch of TrustCSI™ MFS (Managed Firewall Services), an enterprise-class and complete suite of full-service managed firewall service
February	• CITIC Telecom CPC deployed a new POP at New York, extending its service platform across North America
March	• Issued Bonds in the aggregate principal amount of US$450 million which will mature on 5 March 2025, the longest tenor USD unrated public senior bond offering ever issued out of Asia • CITIC Telecom CPC launched the 7th SmartCLOUD™ Service Centre in Beijing. Together with the 6 centres deployed in Taiwan, Guangzhou, Shanghai, Hong Kong and Singapore, this comprehensive cloud infrastructure strategy provides seamless cloud computing services across the region with high reliability and efficiency • CITIC Telecom CPC established a new office in Kaohsiung, as the first Asia Pacific ICT integration service provider step into Southern Taiwan IT industry
April	• CITIC Telecom CPC and China Enterprise Communications Ltd. won the Best Collaboration (Marketing) Bronze Award in Hong Kong ICT Awards 2013
May	• Established a new direct connection with an Uruguay's telecom operator
June	• CITIC Telecom's rights issue proposed in April 2013 was over-subscribed approximately 13.45 times by our shareholders • Successfully signed a US$630 million syndicated term loan facility • Completed the acquisition of an additional 79% interest in CTM • Named as "Asia's Outstanding Company on Corporate Governance" at the 9th Corporate Governance Asia Recognition Awards 2013 presented by the publication, Corporate Governance Asia • CITIC Telecom CPC won 3 awards: ◦ "2012 Customer Relationship Excellence (CRE) Awards – CRM Manager of the Year 2012" from Asia Pacific Customer Service Consortium ◦ "The Distinguished Salesperson Award (DSA)" and "Outstanding Youth Salesperson Award (OYSA)" from Hong Kong Management Association ◦ Computerworld Hong Kong Awards 2013 – "Security – Managed Security Services" and "Services – Cloud Infrastructure and Hosting Services"

Financial Highlights

In HK$ million	Six months ended 30 June 2013	2012	
Turnover	**1,881.3**	1,744.0	Increase 7.9%
Profit attributable to equity shareholders of the Company	**794.1**	238.8	Increase 232.5%
Earnings per share (HK cents)			
Basic	**31.5**	10.0	Increase 215.0%
Diluted	**31.2**	10.0	Increase 212.0%
Dividend per share (HK cents)			
Interim dividend	**2.4**	2.4	Same level as last year

In HK$ million	30 June 2013	31 December 2012	
Total assets	**16,950.9**	4,680.4	Increase 262.2%
Total equity attributable to equity shareholders of the Company	**5,940.6**	3,432.7	Increase 73.1%
Total bank and other borrowings	**8,512.8**	261.9	N/A
Cash and bank deposits	**(1,527.1)**	(354.8)	Increase 330.4%
Net debt/(cash)	**6,985.7**	(92.9)	N/A
Net gearing ratio*	**54%**	N/A	N/A

* Net gearing ratio = $\frac{\text{Net debt}}{\text{Total capital}}$ x 100%

Total capital = Total equity attributable to equity shareholders of the Company + Net debt

Chairman's Statement

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

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

A. FINANCIAL PERFORMANCE

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

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

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

B. BUSINESS DEVELOPMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

C. OUTLOOK

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

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

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

Xin Yue Jiang
Chairman

Hong Kong, 7 August 2013

CONNECTING THE WORLD WITH ROOTS IN GREATER CHINA

Financial Review

INTRODUCTION

This Financial Review is designed to assist the readers in understanding the Group's financial information through a discussion of the business performance and financial position of the Group as a whole.

Pages 28 to 63 of the Interim Report contain the Group's interim financial report prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and includes explanatory notes that further explain certain figures presented.

On page 64 is the report of CITIC Telecom's auditor, KPMG, of their independent review of the Group's interim financial report.

REVIEW OF FINANCIAL PERFORMANCE

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

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

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

Summary of Financial Results

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

Contribution by Business Operations

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

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

TURNOVER

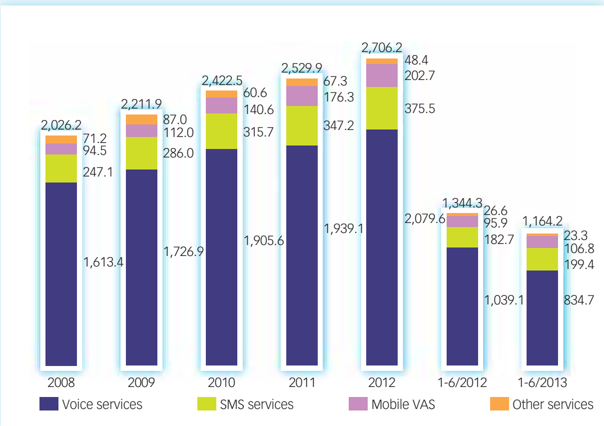
HK$ Million

Turnover

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

TURNOVER – CITIC TELECOM

HK$ Million



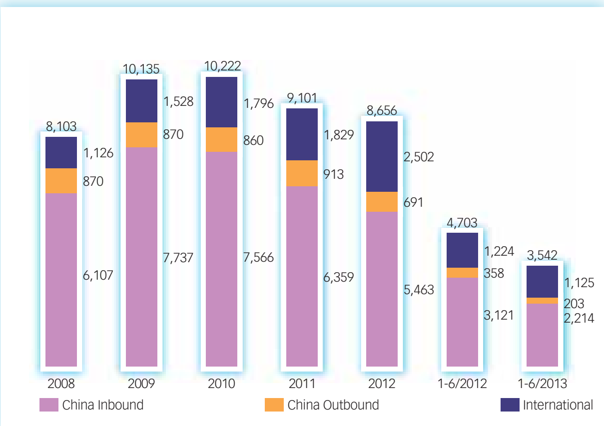
Turnover by Business Operations

CITIC Telecom

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

TRAFFIC (BY LOCATION) – CITIC TELECOM

Minutes in Million



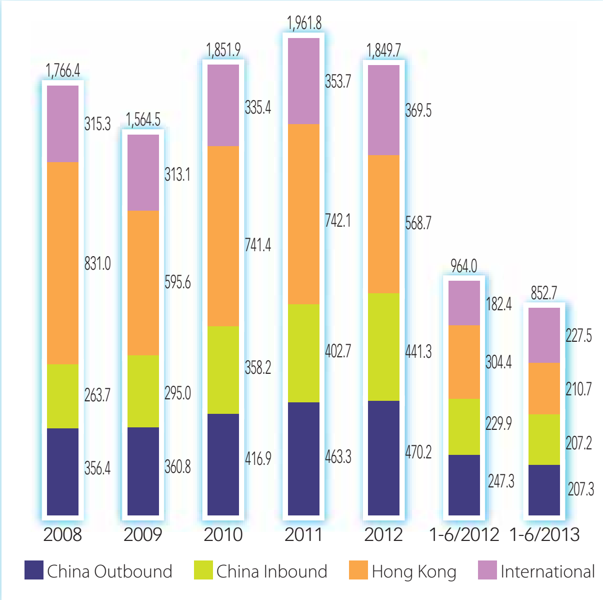
SMS services sustained stable growth during the first six months of 2013. SMS turnover increased by HK$16.7 million to HK$199.4 million for the six months ended 30 June 2013, an overall growth of 9.1% as compared to the same period of 2012. Owing to the increasing popularity of social networking applications,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

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

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

NUMBER OF SMS – CITIC TELECOM

Messages in Million



DATA SERVICES – CPC

HK$ Million

Data Services

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

CTM

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

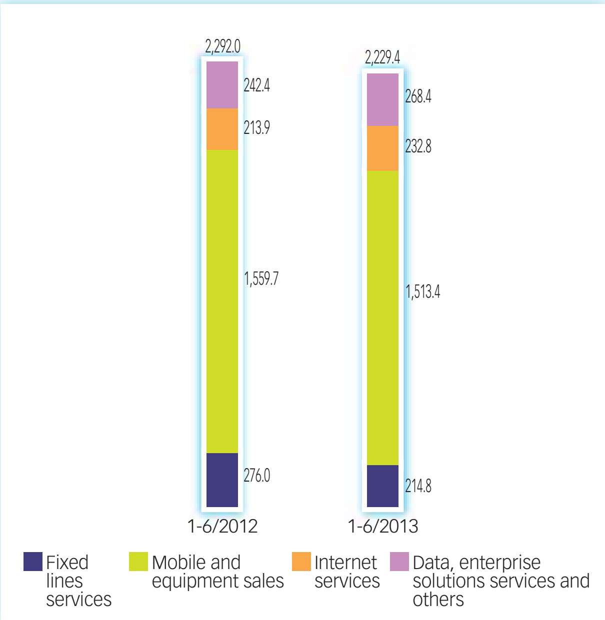
The turnover of CTM had only been consolidated by the Group subsequent to the Acquisition. For the purpose of analysis, a comparison of CTM's first six months turnover for 2013 and 2012 was made.

Fixed lines services

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

TURNOVER – CTM

HK$ Million

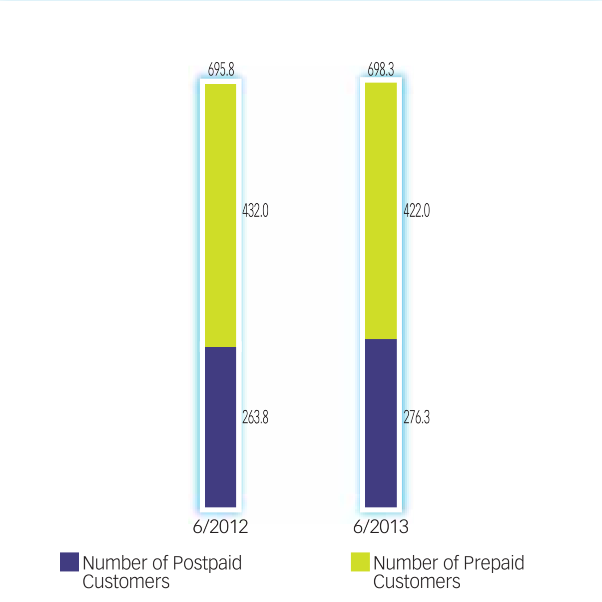


NUMBER OF FIXED LINES – CTM

In Thousand

NUMBER OF MOBILE CUSTOMERS – CTM

In Thousand



Mobile and equipment sales

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

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

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

Internet services

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

Data, enterprise solutions services and others

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

Profit from consolidated activities

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

Gain on deemed disposal of equity interest in an associate

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

Net foreign exchange gain/(loss)

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

Cost of sales and services

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

COST OF SALES AND SERVICES

HK$ Million

Staff costs

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

Depreciation and amortisation

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

Other operating expenses

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

Share of profit of an associate

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

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

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

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

Finance costs

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

Income tax

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

Earnings per share ("EPS")

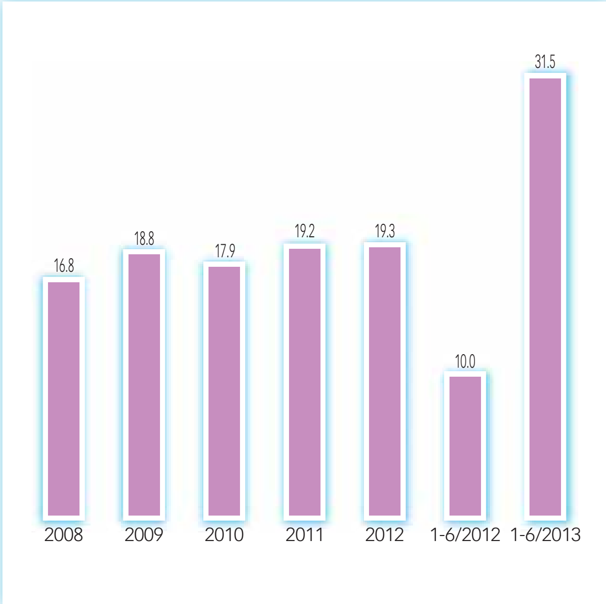
Basic EPS and diluted EPS both increased by more than three-fold to HK31.5 cents and HK31.2 cents respectively for the six months ended 30 June 2013 as compared with the corresponding period of last year. The increase was mainly due to the deemed disposal gain of the Group's 20% equity interest in CTM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

Dividend per share

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

BASIC EARNINGS PER SHARE

HK Cents



DIVIDENDS PER SHARE

HK Cents

Cash Flows

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

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

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

Capital expenditure

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

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

TREASURY POLICY AND RISK MANAGEMENT

General

Managing financial risks to which the Group is exposed is one of the primary responsibilities of the Group's treasury function. To balance the high degree of financial control and cash management efficiency, the individual operating units within the Group are responsible for their own cash management which are closely monitored by headquarter. In addition, the decision of financing activities is centralised at head office level.

Financing for the Acquisition

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

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

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

Net debt and liquidity risk management

Debt and leverage

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

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

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

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

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

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

The maturity profile of the Group's bank and other borrowings in principal amount at 30 June 2013 was as follows:

In HK$ million	Within 1 year	After 1 year but within 2 years	After 2 years but within 3 years	After 3 years but within 4 years	After 4 years but within 5 years	After 5 years	Total
Bank borrowings	146.8	267.2	280.8	421.2	3,978.0	–	5,094.0
US$450 million guaranteed bonds	–	–	–	–	–	3,510.0	3,510.0
	146.8	267.2	280.8	421.2	3,978.0	3,510.0	8,604.0

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

Liquidity risk management

Individual operating units within the Group are responsible for their own cash management, including predetermined short term investment of their cash surpluses. The raising of loans to cover their expected cash demand must be approved by the finance committee or the board of the Company. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

To minimise refinancing risk after the Acquisition, the Group arranged long-term borrowing from capital market, and the term loan with repayment by instalment. This ensures that the Group can apply a prudent liquidity risk management approach.

Cash flow is well-planned and reviewed regularly by the management of the Group, so that the Group can meet its funding needs. After integrated with CTM, the Group is confident that the strong cash flow from CTM and the additional cash generated from the synergy effect with CTM can meet the additional liquidity requirements.

Available sources of financing

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

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

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

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

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

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

Guarantees and pledged assets

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

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

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

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

Loan covenants

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

Capital commitments

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

Contingent liabilities

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

Foreign currency risk

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

A substantial portion of the Group's turnover and cost of sales and services are denominated in United States dollars, Macau Patacas and Hong Kong dollars. The majority of the Group's assets, liabilities and transactions are denominated in United States dollars, Macau Patacas and Hong Kong dollars. As the Hong Kong dollar is linked to the United States dollar and the Macau Pataca is pegged to the Hong Kong dollar, it will not pose significant foreign currency risk to the Group. However, the exchange linkages between these currencies are subject to potential changes due to, among other things, changes in governmental policies and international economic and political developments. Although management considers that the Group's exposure to foreign currency risk is not material, it will continue to monitor closely all possible exchange rate risks and implement the necessary hedging arrangement to mitigate risk from any significant fluctuation in foreign exchange rates.

Interest rate risk

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

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

Average borrowing costs

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

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposure to this credit risk is monitored on 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. These receivables are due within 7 to 180 days from the date of billing. Debtors with balance due over one year, the Group will assign an officer who will be responsible to agree on a settlement plan with those debtors to reduce the outstanding balance within a reasonable period.

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

Counterparty risk

At 30 June 2013, the Group had a significant balance of cash at various financial institutions. To minimise the risk of non-recovery of cash deposits, the Group mainly deals with financial institutions which have good credit ratings with prestigious credit ratings companies (such as Moody's Investors Service, Standard & Poor and Fitch Group) or the note issuing banks in Hong Kong, Macao and the PRC. At 30 June 2013, the Group has HK$1,509.9 million cash balance in the abovementioned financial institutions, representing approximately 99% of the total cash and bank deposits of the Group. Management does not expect any losses from non-recovery from our financial counterparties.

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 implied or anticipated in any forward looking statement or assessment of risk.

Human Resources

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

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

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

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

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

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

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 2013 and the unaudited consolidated balance sheet of the Group at 30 June 2013, together with the comparative figures for the six months ended 30 June 2012 and at 31 December 2012 respectively.

Consolidated Income Statement

for the six months ended 30 June 2013 (Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2013 (Unaudited) $'000	2012 (Unaudited) $'000
Turnover	3(a)	**1,881,266**	1,743,967
Other revenue	4	**7,679**	240
Other net gain/(loss)	5	**1,125,903**	(1,425)
		3,014,848	1,742,782
Cost of sales and services		**(1,347,834)**	(1,233,749)
Depreciation and amortisation		**(102,694)**	(74,547)
Staff costs	6(b)	**(261,153)**	(140,777)
Other operating expenses		**(382,544)**	(96,670)
		920,623	197,039
Finance costs	6(a)	**(177,558)**	(738)
Share of profit of an associate	12	**80,569**	75,249
Share of (loss)/profit of a joint venture		**(1,048)**	1,113
Profit before taxation	6	**822,586**	272,663
Income tax	7	**(28,032)**	(33,863)
Profit for the period		**794,554**	238,800
Attributable to:			
Equity shareholders of the Company		**794,114**	238,800
Non-controlling interests		**440**	–
Profit for the period		**794,554**	238,800
Earnings per share (HK cents)	8		
Basic		**31.5**	10.0
Diluted		**31.2**	10.0

The notes on pages 33 to 63 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 20(a).

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2013 (Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
	Note	**$'000**	$'000
Profit for the period		**794,554**	238,800
Other comprehensive income for the period (after tax)			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments:			
– exchange differences on translation of financial statements of operations outside Hong Kong		**3,562**	2,093
– release of exchange reserve upon deemed disposal of equity interest in an associate	*23(c)(iv)*	**(11,136)**	–
Other comprehensive income for the period		**(7,574)**	2,093
Total comprehensive income for the period		**786,980**	240,893
Attributable to:			
Equity shareholders of the Company		**786,613**	240,893
Non-controlling interests		**367**	–
Total comprehensive income for the period		**786,980**	240,893

The notes on pages 33 to 63 form part of this interim financial report.

Consolidated Balance Sheet

at 30 June 2013 (Expressed in Hong Kong dollars)

	Note	**30 June 2013 (Unaudited) $'000**	31 December 2012 (Audited) $'000
Non-current assets			
Property, plant and equipment	*9*	**1,784,005**	742,376
Intangible assets	*10*	**2,429,482**	105,825
Goodwill	*11*	**9,133,147**	402,456
Interest in an associate	*12*	**–**	1,449,938
Interest in a joint venture		**5,634**	45,950
Non-current other receivables and deposits	*14(a)*	**169,052**	174,352
Deferred tax assets		**36,285**	37,451
		13,557,605	2,958,348
Current assets			
Inventories	*13*	**83,266**	–
Trade and other receivables and deposits	*14(a)*	**1,776,061**	1,363,583
Current tax recoverable		**6,844**	3,611
Cash and bank deposits	*15(a)*	**1,527,094**	354,816
		3,393,265	1,722,010
Current liabilities			
Trade and other payables	*16*	**1,688,420**	801,248
Bank loans	*17*	**146,691**	100,000
Loan from an associate	*12(c)*	**–**	161,868
Current tax payable		**252,885**	43,169
		2,087,996	1,106,285
Net current assets		**1,305,269**	615,725
Total assets less current liabilities		**14,862,874**	3,574,073
Non-current liabilities			
Interest-bearing borrowings	*18(a)*	**8,366,064**	–
Non-current other payables	*16*	**84,116**	87,808
Net defined benefit retirement obligation	*19*	**90,881**	–
Deferred tax liabilities		**357,422**	65,241
		8,898,483	153,049
NET ASSETS		**5,964,391**	3,421,024
CAPITAL AND RESERVES			
Share capital	*20(b)*	**331,365**	238,668
Reserves		**5,609,247**	3,194,035
Total equity attributable to equity shareholders of the Company		**5,940,612**	3,432,703
Non-controlling interests		**23,779**	(11,679)
TOTAL EQUITY		**5,964,391**	3,421,024

The notes on pages 33 to 63 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2013 (Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company								
	Note	Share capital (Unaudited) $'000	Share premium (Unaudited) $'000	Capital reserve (Unaudited) $'000	Capital redemption reserve (Unaudited) $'000	Exchange reserve (Unaudited) $'000	Retained profits (Unaudited) $'000	Total (Unaudited) $'000	Non-controlling interests (Unaudited) $'000	Total equity (Unaudited) $'000
Balance at 1 January 2012		238,599	1,585,684	28,829	2,034	11,146	1,312,834	3,179,126	–	3,179,126
Changes in equity for the six months ended 30 June 2012:										
Profit for the period		–	–	–	–	–	238,800	238,800	–	238,800
Other comprehensive income for the period		–	–	–	–	2,093	–	2,093	–	2,093
Total comprehensive income for the period		–	–	–	–	2,093	238,800	240,893	–	240,893
Dividends approved in respect of the previous financial year	20(a)(ii)	–	–	–	–	–	(171,791)	(171,791)	–	(171,791)
Equity-settled share-based transactions	6(b)	–	–	7,891	–	–	–	7,891	–	7,891
Release upon lapse of share options	21(a)	–	–	(9,953)	–	–	9,953	–	–	–
Share of reserve of an associate		–	–	2,440	–	–	–	2,440	–	2,440
		–	–	378	–	2,093	76,962	79,433	–	79,433
Balance at 30 June 2012		238,599	1,585,684	29,207	2,034	13,239	1,389,796	3,258,559	–	3,258,559
Balance at 1 July 2012		238,599	1,585,684	29,207	2,034	13,239	1,389,796	3,258,559	–	3,258,559
Changes in equity for the six months ended 31 December 2012:										
Profit for the period		–	–	–	–	–	222,483	222,483	3,706	226,189
Other comprehensive income for the period		–	–	–	–	6,580	–	6,580	194	6,774
Total comprehensive income for the period		–	–	–	–	6,580	222,483	229,063	3,900	232,963
Shares issued under share option plan	20(b)(ii)	69	1,301	(319)	–	–	–	1,051	–	1,051
Equity-settled share-based transactions		–	–	4,909	–	–	–	4,909	–	4,909
Release upon lapse of share options	21(a)	–	–	(832)	–	–	832	–	–	–
Share of reserve of an associate		–	–	(3,615)	–	–	–	(3,615)	–	(3,615)
Non-controlling interests arising from acquisition of a subsidiary		–	–	–	–	–	–	–	(15,579)	(15,579)
Dividends approved in respect of the current financial year	20(a)(i)	–	–	–	–	–	(57,264)	(57,264)	–	(57,264)
		69	1,301	143	–	6,580	166,051	174,144	(11,679)	162,465
Balance at 31 December 2012 (Audited)		238,668	1,586,985	29,350	2,034	19,819	1,555,847	3,432,703	(11,679)	3,421,024
Balance at 1 January 2013		**238,668**	**1,586,985**	**29,350**	**2,034**	**19,819**	**1,555,847**	**3,432,703**	**(11,679)**	**3,421,024**
Changes in equity for the six months ended 30 June 2013:										
Profit for the period		**–**	**–**	**–**	**–**	**–**	**794,114**	**794,114**	**440**	**794,554**
Other comprehensive income for the period		**–**	**–**	**–**	**–**	**(7,501)**	**–**	**(7,501)**	**(73)**	**(7,574)**
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**(7,501)**	**794,114**	**786,613**	**367**	**786,980**
Dividends approved in respect of the previous financial year	20(a)(ii)	**–**	**–**	**–**	**–**	**–**	**(173,448)**	**(173,448)**	**–**	**(173,448)**
Rights issue	20(b)(iii)	**90,372**	**1,704,174**	**–**	**–**	**–**	**–**	**1,794,546**	**–**	**1,794,546**
Shares issued under share option plan	20(b)(ii)	**2,325**	**51,978**	**(13,316)**	**–**	**–**	**–**	**40,987**	**–**	**40,987**
Equity-settled share-based transactions	6(b)	**–**	**–**	**49,121**	**–**	**–**	**–**	**49,121**	**–**	**49,121**
Release upon lapse of share options	21(a)	**–**	**–**	**(93)**	**–**	**–**	**93**	**–**	**–**	**–**
Share of reserve of an associate	12	**–**	**–**	**(1,203)**	**–**	**–**	**–**	**(1,203)**	**–**	**(1,203)**
Release of reserve upon deemed disposal of equity interest in an associate	23(c)(iv)	**–**	**–**	**11,293**	**–**	**–**	**–**	**11,293**	**–**	**11,293**
Non-controlling interests arising from acquisitions of subsidiaries	23(c)(i)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**35,091**	**35,091**
		92,697	**1,756,152**	**45,802**	**–**	**(7,501)**	**620,759**	**2,507,909**	**35,458**	**2,543,367**
Balance at 30 June 2013		**331,365**	**3,343,137**	**75,152**	**2,034**	**12,318**	**2,176,606**	**5,940,612**	**23,779**	**5,964,391**

The notes on pages 33 to 63 form part of this interim financial report.

Consolidated Cash Flow Statement

for the six months ended 30 June 2013 (Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2013 (Unaudited) $'000	2012 (Unaudited) $'000
Operating activities			
Cash generated from operations	*15(d)*	**185,846**	155,065
Tax paid:			
– Hong Kong Profits Tax paid		**(21,147)**	(11,671)
– Tax paid for jurisdictions outside Hong Kong		**(2,049)**	(1,642)
Tax refunded:			
– Hong Kong Profits Tax refunded		**2,291**	–
Net cash generated from operating activities		**164,941**	141,752
Investing activities			
Payment for the purchase of property, plant and equipment		**(81,781)**	(58,442)
Proceeds from sale of property, plant and equipment		**–**	7
Payment for the acquisitions of subsidiaries (net of cash and cash equivalents acquired)	*23(d)*	**(8,891,538)**	–
Advance payments for the acquisition of the remaining equity interest in a subsidiary		**–**	(53,621)
Payment for the transaction costs for the acquisitions of subsidiaries		**(32,370)**	–
Decrease/(increase) in pledged deposits		**207**	(41)
Interest received		**7,472**	243
Dividend received from an associate		**187,882**	180,708
Net cash (used in)/generated from investing activities		**(8,810,128)**	68,854
Financing activities			
Proceeds from new bank loans		**4,994,000**	100,000
Proceeds from the issue of guaranteed bonds	*18(b)*	**3,510,000**	–
Proceeds from rights issue	*20(b)(iii)*	**1,825,521**	–
Proceeds from new shares issued under share option plan	*20(b)(ii)*	**40,987**	–
Payment of the transaction costs on new bank loans		**(50,580)**	–
Payment of the transaction costs on issue of guaranteed bonds		**(32,972)**	–
Payment of the transaction costs on rights issue	*20(b)(iii)*	**(30,975)**	–
Repayment of loan from an associate		**(162,870)**	(124,091)
Other borrowing costs paid		**(100,628)**	(1,470)
Dividends paid to equity shareholders of the Company	*20(a)(ii)*	**(173,448)**	(171,791)
Net cash generated from/(used in) financing activities		**9,819,035**	(197,352)
Net increase in cash and cash equivalents		**1,173,848**	13,254
Cash and cash equivalents at 1 January		**351,008**	253,326
Effect of foreign exchange rate changes		**(1,363)**	300
Cash and cash equivalents at 30 June	*15(a)*	**1,523,493**	266,880

The notes on pages 33 to 63 form part of this interim financial report.

Notes to the Unaudited 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"). This interim financial report was authorised for issue on 7 August 2013.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the Group's 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 2(a).

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 condensed 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 2012 annual financial statements. The condensed 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").

This interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company and by 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. KPMG's independent review report to the Board of Directors is included on page 64.

The financial information relating to the financial year ended 31 December 2012 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 2012 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in the independent auditor's report dated 6 February 2013.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Changes in accounting policies

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

— Amendments to HKAS 1, *Presentation of financial statements — presentation of items of other comprehensive income*

— HKFRS 10, *Consolidated financial statements*

— HKFRS 11, *Joint arrangements*

— HKFRS 12, *Disclosure of interests in other entities*

— HKFRS 13, *Fair value measurement*

— Revised HKAS 19, *Employee benefits*

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Changes in accounting policies (Continued)

— Annual improvements to HKFRSs 2009-2011 cycle

— Amendments to HKFRS 7 — *Disclosures — offsetting financial assets and financial liabilities*

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

(i) Amendments to HKAS 1, *Presentation of financial statements — presentation of items of other comprehensive income*

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in this interim financial report has been modified accordingly.

(ii) HKFRS 10, *Consolidated financial statements*

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements*, relating to the preparation of consolidated financial statements and HK-SIC 12, *Consolidation — special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities at 1 January 2013.

(iii) HKFRS 11, *Joint arrangements*

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from a jointly controlled entity to a joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial results of the Group.

(iv) HKFRS 12, *Disclosure of interests in other entities*

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Changes in accounting policies (Continued)

(v) HKFRS 13, *Fair value measurement*

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specially required for financial instruments in the interim financial reports. The adoption of HKFRS 13 does not have any material impact on the disclosures required to be made in this interim financial report and the fair value measurements of the Group's assets and liabilities.

(vi) Revised HKAS 19, *Employee benefits*

Revised HKAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, Revised HKAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised HKAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

As a result of the adoption of Revised HKAS 19, the Group has changed its accounting policy with respect to the basis for determining the income or expense related to defined benefit.

The Group now determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period. It takes into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. The net interest on the net defined benefit liability (asset) comprises:

- interest cost on the defined benefit obligation; and

- interest income on plan assets.

Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

This change in accounting policy does not have any material impact to the Group's results of operations and financial positions for the periods presented.

(vii) Annual improvements to HKFRSs 2009-2011 cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker ("CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has now disclosed segment assets and segment liabilities in note 3.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Changes in accounting policies (Continued)

(viii) Amendments to HKFRS 7 — *Disclosures — offsetting financial assets and financial liabilities*

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: presentation*, and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

(b) Significant accounting policies of subsidiaries acquired during the period

On 20 June 2013, the Group completed its acquisitions of 79% equity interest in Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") and its subsidiaries (collectively referred to as "CTM Group"). Upon completion, the Company holds 99% equity interest in CTM Group, which became subsidiaries of the Company. Certain significant accounting policies adopted by the Group as a result of the acquisitions of CTM Group not disclosed in the 2012 annual financial statements are summarised as follows:

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Business solution projects

The revenue recognition policy for revenue from business solution projects is set out in note 2(b)(iv). When the outcome of a business solution project can be estimated reliably, project costs are recognised as an expense by reference to the stage of completion of the project at the balance sheet date. When it is probable that total project costs will exceed total project revenue, the expected loss is recognised as an expense immediately. When the outcome of a project cannot be estimated reliably, project costs are recognised as an expense in the period in which they are incurred.

Business solution projects at the balance sheet date are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings. Variations in contract works, claims and incentive payments are included in the balance to the extent that they have been agreed with the customers.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Significant accounting policies of subsidiaries acquired during the period (Continued)

(iii) Defined benefit retirement plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine present value. The fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset).

The discount rate is determined by reference to market yields at the balance sheet date based on high quality corporate or government bonds that have maturity dates approximating the terms of the Group's obligations.

The calculation is performed at least annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

(iv) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

— Revenue from telecommunications services

  Revenue from telecommunications services is recognised on the basis of units of traffic processed and/or contracted fees for telecommunications services that have been provided and based on the relative fair value of the services rendered and bonus points issued under the customer loyalty programme.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Significant accounting policies of subsidiaries acquired during the period (Continued)

(iv) Revenue recognition (Continued)

— Sale of telecommunications equipment and mobile handsets

Revenue from the sale of telecommunications equipment and mobile handsets is recognised when the goods are delivered to the customers which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

— Revenue from business solution projects

Revenue from business solution projects is recognised in proportion to the stage of completion of the projects at the balance sheet date. The stage of completion is assessed by reference to the surveys of work performed. When the outcome of a project cannot be estimated reliably, project revenue is recognised only to the extent of project costs incurred that it is probable will be recoverable.

— Customer loyalty programme

The Group has a customer loyalty programme whereby customers are awarded credits known as “bonus point” entitling customers to redeem cash coupons and gifts. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the bonus point and the other components of the sale. The amount allocated to the bonus points is estimated by reference to the fair value of the cash coupons and gifts. The fair value of the cash coupons and gifts is estimated based on the amount of the face value, adjusted to take into account the expected forfeiture rate. Such amount is deferred and revenue is recognised when the bonus points are redeemed and the Group has fulfilled its obligations to supply the cash coupons and gifts. The amount of revenue recognised in those circumstances is based on the number of bonus points that have been redeemed in exchange for the cash coupons and gifts, relative to the total number of bonus points that is expected to be redeemed. Deferred revenue is also released to revenue when it is no longer considered probable that the bonus points will be redeemed.

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

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

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

3 TURNOVER AND SEGMENT REPORTING (Continued)

(a) Turnover (Continued)

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

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

Revenue from the provision of services to government-related entities in the People's Republic of China (the "PRC") represents more than 10% of the Group's total revenue. The revenue received from these customers amounted to $433,726,000 (six months ended 30 June 2012: $719,953,000) for the six months ended 30 June 2013.

(b) Segment reporting

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

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments. No operating segments have been aggregated to form the following reporting segments:

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

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

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

(i) Segment results, assets and liabilities

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

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

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

3 TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

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

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

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

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

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

3 TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliation of reportable segment revenue and profit

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

3 TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(iii) Reconciliation of reportable segment assets and liabilities

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

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

3 TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(iv) Geographic information

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

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

4 OTHER REVENUE

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

5 OTHER NET GAIN/(LOSS)

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	$'000	$'000
Gain on deemed disposal of equity interest in an associate *(note 23(c)(iv))*	**1,115,426**	–
Net (loss)/gain on disposal of property, plant and equipment *(note 9)*	**(88)**	2
Net foreign exchange gain/(loss)	**10,565**	(1,427)
	1,125,903	(1,425)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	$'000	$'000
(a) Finance costs		
Interest on bank and other borrowings		
— wholly repayable within five years	**6,729**	738
— not wholly repayable within five years	**70,181**	–
	76,910	738
Other finance charges	**100,648**	–
	177,558	738
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plans	**13,421**	5,046
Expenses recognised in respect of defined benefits retirement plan	**239**	–
Total retirement costs	**13,660**	5,046
Equity-settled share-based payment expenses	**49,121**	7,891
Salaries, wages and other benefits	**198,372**	127,840
	261,153	140,777
(c) Other items		
Cost of sales and services, including		
— operating lease charges in respect of leased circuits	**284,235**	126,078
— cost of goods sold	**71,962**	–
Amortisation	**17,718**	7,674
Depreciation	**84,976**	66,873
Impairment losses		
— trade debtors, net *(note 14(b))*	**76,163**	1,437
— interest in a joint venture *(note)*	**37,811**	–
Goodwill written-off upon disposal of an operation outside Hong Kong *(note 11)*	**10,404**	–
Operating lease charges in respect of land and buildings	**33,964**	23,504
Transaction costs for the acquisitions of subsidiaries	**89,688**	–

Note: The recoverable amount of the interest in a joint venture is determined based on value-in-use calculation. This calculation used cash flow projections based on financial budgets approved by management covering a five-year period. Based on the value-in-use calculation, an impairment loss of $37,811,000 (six months ended 30 June 2012: $Nil) has been recognised for the six months ended 30 June 2013 to reduce the carrying amount to its recoverable amount. Any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

7 INCOME TAX

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

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

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

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

8 EARNINGS PER SHARE

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

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

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

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired items of property, plant and equipment with a total cost of $1,125,777,000 (six months ended 30 June 2012: $50,935,000) which included an amount of $1,072,242,000 (six months ended 30 June 2012: $Nil) acquired through acquisitions of subsidiaries and other additions of $53,535,000 (six months ended 30 June 2012: $50,935,000). Items of property, plant and equipment with a net book value of $88,000 were disposed of during the six months ended 30 June 2013 (six months ended 30 June 2012: $5,000), resulting in a loss on disposal of $88,000 (six months ended 30 June 2012: a gain of $2,000).

10 INTANGIBLE ASSETS

During the six months ended 30 June 2013, the Group acquired items of intangible assets arising from the acquisitions of subsidiaries with a total fair value of $2,341,208,000 (six months ended 30 June 2012: $Nil) including an amount of $2,338,138,000 acquired through the acquisitions of CTM Group (see note 23(c)(i)).

11 GOODWILL

	30 June 2013 (Unaudited) $'000	31 December 2012 (Audited) $'000
Cost and carrying amount:		
At 1 January	**402,456**	363,549
Additions through acquisitions of subsidiaries	**8,741,939**	35,803
Written-off upon disposal of an operation outside Hong Kong *(note 6(c))*	**(10,404)**	–
Exchange adjustment	**(844)**	3,104
At 30 June/31 December	**9,133,147**	402,456

12 INTEREST IN AN ASSOCIATE

	30 June 2013 (Unaudited) $'000	31 December 2012 (Audited) $'000
Share of net assets		
At 1 January	**631,688**	654,164
Share of profit for the period/year	**80,569**	158,295
Dividend received during the period/year	**(188,160)**	(179,596)
Share of reserve	**(1,203)**	(1,175)
Exchange adjustment	**4,852**	–
	527,746	631,688
Goodwill		
At 1 January	**818,250**	818,250
Exchange adjustment	**6,284**	–
	824,534	818,250
	1,352,280	1,449,938
Deemed disposal upon acquisition of additional equity interest in the associate *(note 23(c)(iv))*	**(1,352,280)**	–
Carrying amount		
At 30 June/31 December	**–**	1,449,938

12 INTEREST IN AN ASSOCIATE (Continued)

(a) At 31 December 2012, the Group had effective interest in the following associate which has become a subsidiary of the Company on 20 June 2013:

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 Telecomunicações de Macau, S.A.R.L.	Macao	150,000 shares of MOP1,000 each	20%	20%	Provision of telecommunications services

On 20 June 2013, the Group acquired an additional 79% equity interest in CTM and increased its shareholding in CTM from 20% to 99%. Thereafter, the investment in CTM is consolidated into the consolidated financial statements of the Group (see note 23(a)).

(b) Summary of financial information of the associate:

	At 30 June 2013			For the period from 1 January 2013 to 20 June 2013	
	Assets (Unaudited) $'000	**Liabilities (Unaudited) $'000**	**Equity (Unaudited) $'000**	**Revenue (Unaudited) $'000**	**Profit (Unaudited) $'000**
100 per cent *(note)*	–	–	–	**2,094,001**	**402,846**
Group's effective interest	–	–	–	**418,800**	**80,569**

	At 31 December 2012			For the six months ended 30 June 2012	
	Assets (Audited) $'000	Liabilities (Audited) $'000	Equity (Audited) $'000	Revenue (Unaudited) $'000	Profit (Unaudited) $'000
100 per cent *(note)*	4,368,150	1,209,712	3,158,438	2,274,692	376,245
Group's effective interest	873,630	241,942	631,688	454,938	75,249

Note: The balances include the fair value adjustments together with their respective tax effect on acquisition by the Group.

(c) The loan from an associate at 31 December 2012 was unsecured and bore interest at the prevailing market rate. The loan was fully repaid on 20 February 2013.

13 INVENTORIES

Inventories in the consolidated balance sheet mainly comprise telecommunications equipment, including project parts and mobile handsets.

14 TRADE AND OTHER RECEIVABLES AND DEPOSITS

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

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

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

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly.

The movement in the allowance for doubtful debts during the period/year is as follows:

	30 June 2013 (Unaudited) $'000	31 December 2012 (Audited) $'000
At 1 January	40,898	28,635
Through acquisitions of subsidiaries	3,153	7,559
Impairment loss recognised	77,539	6,808
Impairment loss reversed	(1,376)	(1,214)
Uncollectible amounts written off	(621)	(897)
Exchange adjustment	16	7
At 30 June/31 December	119,609	40,898

At 30 June 2013, the Group's trade debtors of $204,290,000 (31 December 2012: $135,832,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $119,609,000 (31 December 2012: $40,898,000) were recognised by the Group. The Group does not hold any collateral over these balances.

15 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	30 June 2013 (Unaudited) $'000	31 December 2012 (Audited) $'000
Cash at bank and in hand	**876,063**	267,892
Time deposits with banks	**651,031**	86,924
Cash and bank deposits in the consolidated balance sheet *(note (b))*	**1,527,094**	354,816
Less: pledged deposits *(note (c))*	**(3,601)**	(3,808)
Cash and cash equivalents in the consolidated cash flow statement	**1,523,493**	351,008

(b) Included in cash and bank deposits were $28,119,000 (31 December 2012: $27,098,000) placed in financial institutions in the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

(c) At 30 June 2013 and 31 December 2012, certain bank deposits were pledged to secure the general banking facilities provided to the Group.

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

	Six months ended 30 June 2013 (Unaudited) $'000	2012 (Unaudited) $'000
Profit before taxation	**822,586**	272,663
Adjustments for:		
Depreciation and amortisation	**102,694**	74,547
Net loss/(gain) on disposal of property, plant and equipment	**88**	(2)
Share of profit of an associate	**(80,569)**	(75,249)
Share of loss/(profit) of a joint venture	**1,048**	(1,113)
Transaction costs for the acquisitions of subsidiaries	**89,688**	–
Impairment loss on interest in a joint venture	**37,811**	–
Goodwill written-off upon disposal of an operation outside Hong Kong	**10,404**	–
Gain on deemed disposal of equity interest in an associate	**(1,115,426)**	–
Finance costs	**177,558**	738
Interest income	**(7,679)**	(240)
Equity-settled share-based payment expenses	**49,121**	7,891
Foreign exchange gain	**(2,849)**	(904)
	84,475	278,331
Changes in working capital:		
Decrease in inventories	**52,475**	–
Increase in trade and other receivables and deposits	**(15,660)**	(46,478)
Increase/(decrease) in trade and other payables	**64,458**	(76,788)
Increase in net defined benefit retirement obligation	**98**	–
Cash generated from operations	**185,846**	155,065

16 TRADE AND OTHER PAYABLES

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

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

17 BANK LOANS

At the balance sheet date, bank loans were repayable and secured as follows:

	30 June 2013 (Unaudited) $'000	31 December 2012 (Audited) $'000
Within 1 year	**146,691**	100,000
After 1 year but within 2 years	**265,916**	–
After 2 years but within 5 years	**4,628,209**	–
	4,894,125	–
	5,040,816	100,000
Representing:		
Current liabilities		
— Unsecured	**100,000**	100,000
— Secured	**46,691**	–
	146,691	100,000
Non-current liabilities		
— Unsecured *(note 18)*	**79,147**	–
— Secured *(note 18)*	**4,814,978**	–
	4,894,125	–
	5,040,816	100,000

17 BANK LOANS (Continued)

At 30 June 2013, the above secured bank loan balances were secured by 99% equity interest in CTM Group held by the Company.

Certain of these banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios. 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 2013, the Group was in compliance with the relevant requirements.

18 NON-CURRENT INTEREST-BEARING BORROWINGS

(a) The analysis of the carrying amount of non-current interest-bearing borrowings is as follows:

	30 June 2013 (Unaudited) $'000	31 December 2012 (Audited) $'000
Bank loans		
— Unsecured *(note 17)*	**79,147**	–
— Secured *(note 17)*	**4,814,978**	–
	4,894,125	–
Guaranteed bonds at 6.1% due 2025 *(note (b))*	**3,471,939**	–
	8,366,064	–

All of the non-current interest-bearing borrowings are carried at amortised cost. None of the non-current interest-bearing borrowings is expected to be settled within one year.

(b) On 5 March 2013, a wholly-owned subsidiary of the Company issued US$450,000,000 (approximately $3,510,000,000) bonds with a maturity of twelve years due on 5 March 2025 (the "Guaranteed Bonds"). The Guaranteed Bonds were unconditionally and irrevocably guaranteed by the Company.

The Guaranteed Bonds were issued at 100% of the aggregate principal amount, denominated in United States dollars ("USD") and bore interest at 6.1% per annum payable semi-annually in arrears. The Guaranteed Bonds would become repayable on demand in case of an event of default.

19 DEFINED BENEFIT RETIREMENT PLAN

A subsidiary of the Group, CTM, makes contributions to a defined benefit retirement plan, CTM Staff Provident Fund (the "Fund"), which covers 31% of CTM's employees. The plan is administered by an independent trustee with its assets held separately from those of the Group.

The Fund was established by CTM on 1 January 2003 to replace a staff provident fund of a previous constitution. The Fund is registered with the Autoridade Monetária de Macau and is under the management of Macau Life Insurance Company Limited. The members of the Fund are all the employees who were members of the original staff provident fund of CTM. No new members joined the Fund after 1 May 2002.

The members are required to make contributions to the Fund at 5% of their relevant income. CTM is required to make contributions to the Fund in accordance with an independent actuary's recommendation based on periodic actuarial valuations. CTM is also obliged to make any extraordinary contributions which may be deemed necessary by Macau Life Insurance Company Limited when there are insufficient assets in the Fund to meet the liabilities of the Fund or when such insufficiency is anticipated. Upon retirement or resignation, each member is entitled to receive a lump sum payment calculated on the basis of a multiplying factor ranging from 0.6 to 2 times the final monthly salary and the number of service year that the member has served with CTM.

The Fund exposes the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

The independent actuarial valuation of the Fund at 20 June 2013 was prepared by Towers Watson & Co., using the projected unit credit method. The actuarial valuations indicated that CTM's obligations under the Fund was 69% covered by the plan assets held by the trustees at 20 June 2013.

The movement in the net defined benefit retirement obligation during the period is as follows:

	30 June 2013 (Unaudited) $'000
At 1 January	–
Additions through acquisitions of subsidiaries	**90,783**
Current service cost	**239**
Net interest on net defined benefit obligation	**77**
Administrative expenses	**10**
Employer's contributions	**(228)**
At 30 June	**90,881**

20 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	$'000	$'000
Interim dividend declared and paid after the interim period of 2.4 cents (six months ended 30 June 2012: 2.4 cents) per share	**79,528**	57,264

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

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period of 7.2 cents (six months ended 30 June 2012: 7.2 cents) per share	**173,448**	171,791

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

20 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Share capital

		30 June 2013 (Unaudited)		31 December 2012 (Audited)	
	Note	**Number of shares**	**Amount $'000**	Number of shares	Amount $'000
Authorised:					
Ordinary shares of $0.10 each		**5,000,000,000**	**500,000**	5,000,000,000	500,000
Issued and fully paid:					
At 1 January	*(i)*	**2,386,675,370**	**238,668**	2,385,992,870	238,599
Shares issued under share option plan	*(ii)*	**23,253,500**	**2,325**	682,500	69
Rights issue	*(iii)*	**903,723,326**	**90,372**	–	–
At 30 June/31 December	*(i)*	**3,313,652,196**	**331,365**	2,386,675,370	238,668

Notes:

(i) The 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) During the six months ended 30 June 2013, 23,253,500 ordinary shares (six months ended 30 June 2012: Nil) were issued at a weighted average exercise price of $1.76 per ordinary share to share option holders who had exercised their options. During the six months ended 31 December 2012, 682,500 ordinary shares were issued at a weighted average exercise price of $1.54 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.

(iii) On 7 June 2013, the Company had issued 903,723,326 ordinary shares under the rights issue of rights shares at the subscription price of $2.02 each on the basis of 3 rights shares for every 8 existing shares held on 14 May 2013. Total consideration amounted to $1,825,521,000 of which $90,372,000 was credited to share capital and the remaining proceeds of $1,704,174,000, after offsetting the share issuance costs of $30,975,000, were credited to the share premium account.

21 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

Since the adoption of the Company's share option plan ("CITIC Telecom International Plan") on 17 May 2007, the Company has granted four lots of share options on 23 May 2007, 17 September 2009, 19 August 2011 and 26 June 2013 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. Each option gives the holder the right to subscribe for one ordinary share of $0.10 each of the Company. These share options vested on 23 May 2007 and were exercisable until 22 May 2012. The exercise price was $3.26 per share, being the closing price of the Company's ordinary shares on the date of grant of the First Lot. The First Lot expired at the close of business on 22 May 2012.

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. Each option gives the holder the right to subscribe for one ordinary share of $0.10 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.

On 19 August 2011, options to subscribe for a total of 48,455,000 shares (the "Third Lot") were granted to employees, directors and non-executive directors of the Company and its subsidiaries under the CITIC Telecom International Plan. Each option gives the holder the right to subscribe for one ordinary share of $0.10 each of the Company. The first 50% of the Third Lot is exercisable from 19 August 2012 to 18 August 2017 and the remaining 50% of the Third Lot is exercisable from 19 August 2013 to 18 August 2018. The exercise price is $1.54 per share. The closing price of the Company's ordinary shares on the date of grant of the Third Lot was $1.48 per share.

Upon completion of the rights issue of the Company on 7 June 2013, the exercise price of the share options and the number of shares to be allotted and issued upon full exercise of the subscription rights attaching to the outstanding share options as at 6 June 2013 have been adjusted (the "Adjustments") in the following manner:

	Before the Adjustments		After the Adjustments	
	Exercise price per share $	Number of outstanding share options	Exercise price per share $	Number of outstanding share options
Share options granted on 17 September 2009	2.10	19,451,000	1.91	21,438,072
Share options granted on 19 August 2011	1.54	32,332,500	1.40	35,635,462

On 26 June 2013, options to subscribe for a total of 81,347,000 shares (the "Fourth Lot") were granted to employees, directors and non-executive directors of the Company and its subsidiaries under the CITIC Telecom International Plan. Each option gives the holder the right to subscribe for one ordinary share of $0.10 each of the Company. These share options vested immediately on 26 June 2013 and are exercisable from 26 June 2013 to 25 June 2018. The exercise price is $2.25 per share, being the closing price of the Company's ordinary shares on the date of grant of the Fourth Lot. All options granted on 26 June 2013 were accepted except for options for 660,000 shares.

Details of the fair value of the share options and assumptions are set out in note 21(b).

21 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(a) During the six months ended 30 June 2012, no options were exercised. During the six months ended 30 June 2013 and 31 December 2012, options for 23,253,500 and 682,500 shares were exercised respectively. The weighted average closing prices at the date of exercise of share options exercised during the six months ended 30 June 2013 and 31 December 2012 were $2.59 and $1.99 respectively.

During the six months ended 30 June 2013, 31 December 2012 and 30 June 2012, no options were cancelled.

During the six months ended 30 June 2013, options for 485,532 shares (six months ended 30 June 2012: 14,745,000 shares; six months ended 31 December 2012: 1,510,500 shares) have lapsed. The value of vested options lapsed during the six months ended 30 June 2013 was $93,000 (six months ended 30 June 2012: $9,953,000; six months ended 31 December 2012: $832,000) and was released directly to retained profits.

(b) Fair value of share options and assumptions

The average fair value of an option on one ordinary share of the Company measured at the date of grant of 26 June 2013 was $0.573 based on the following assumptions using the binomial lattice model:

— Taking into account the probability of leaving employment and early exercise behaviour, the average expected life of the share options granted was estimated to be around 3.6 years;

— Expected volatility rate of the Company's share price at 42% per annum (with reference to the historical movement of the Company's share prices);

— Expected annual dividend yield of 4.0%;

— Rate of leaving service assumed at 7.0% per annum;

— Early exercise assumption for option holders to exercise their options when the share price is at least 190% of the exercise price; and

— Risk-free interest rate of 0.81% per annum (based on linearly interpolated yields of the Hong Kong Exchange Fund Notes at the grant date).

The result of the binomial lattice model can be materially affected by changes in these assumptions so an option's actual value may differ from the estimated fair value of the options due to limitations of the binomial lattice model.

(c) The total expense recognised in the consolidated income statement for the six months ended 30 June 2013 in respect of the above grants of options was $49,121,000 (six months ended 30 June 2012: $7,891,000).

22 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 2013 (Unaudited) $'000	31 December 2012 (Audited) $'000
Contracted for		
— capital expenditure	**285,320**	20,954
— investment in a subsidiary	**–**	2,434
	285,320	23,388
Authorised but not contracted for		
— capital expenditure	**154,533**	35,414

23 ACQUISITIONS OF SUBSIDIARIES

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

(b) The Group has completed another acquisition at a consideration of $3,058,000 during the six months ended 30 June 2013. Considering the cash acquired from this acquisition, the net outflow of cash and cash equivalents in respect of this acquisition is $3,042,000. Since it is relatively immaterial to both the Group's financial position and results, details of this acquisition are not separately disclosed.

(c) For the six months ended 30 June 2013, the acquired companies contributed an aggregate revenue of $137,353,000 and aggregate net gain of $17,572,000 to the Group's profit for the period from the date of acquisition to 30 June 2013. The effects on revenue and profit of the acquired entities as if the acquisitions had occurred at the beginning of the six months ended 30 June 2013 to the Group were $2,231,355,000 and $417,006,000 respectively.

These amounts have been calculated using the Group's accounting policies and by adjusting the results of the relevant subsidiaries to reflect the additional depreciation and amortisation that would have been charged assuming the provisional fair value adjustments to property, plant and equipment and intangible assets had been applied from 1 January 2013 together with the consequential tax effects.

23 ACQUISITIONS OF SUBSIDIARIES (Continued)

(c) (Continued)

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

	Acquiree's carrying amount before combination (Unaudited) $'000	Fair value adjustments (Unaudited) $'000	Fair value (Unaudited) $'000
Property, plant and equipment *(note (c)(ii))*	838,655	233,587	1,072,242
Intangible assets *(note (c)(ii) & note 10)*	7,978	2,330,160	2,338,138
Other non-current assets	728	–	728
Inventories	135,741	–	135,741
Trade and other receivables and deposits	392,209	–	392,209
Cash and bank deposits	859,562	–	859,562
Trade and other payables	(706,805)	–	(706,805)
Current tax payable	(195,803)	–	(195,803)
Net defined benefit retirement obligation *(note 19)*	(90,783)	–	(90,783)
Deferred tax assets/(liabilities)	11,494	(307,650)	(296,156)
Net identifiable assets and liabilities	1,252,976	2,256,097	3,509,073
Non-controlling interests arising from the Acquisitions			(35,091)
Goodwill on the Acquisitions *(note (c)(iii))*			8,741,939
Fair value of previously held 20% equity interest in CTM Group *(note (c)(iv))*			(2,467,863)
			9,748,058

Satisfied by:	
Cash paid	9,748,058
Cash consideration paid	9,748,058
Cash and cash equivalents acquired	(859,562)
Net outflow of cash and cash equivalents in respect of the Acquisitions	8,888,496

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

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

23 ACQUISITIONS OF SUBSIDIARIES (Continued)

(c) (Continued)

(iv) The gain on deemed disposal of previously held 20% equity interest in CTM Group of $1,115,426,000 (note 5) was measured as the excess of the fair value of the 20% equity interest in CTM Group of $2,467,863,000 at 20 June 2013 over the carrying amount of the 20% equity interest previously held in CTM Group of $1,352,280,000 (note 12) at 20 June 2013, the share of reserve of CTM Group in previous years of a negative balance of $11,293,000 and the release of exchange reserve upon deemed disposal of the 20% equity interest previously held in CTM Group of $11,136,000 in accordance with HKFRS 3, *Business combinations*.

(d) Payment for the acquisitions of subsidiaries (net of cash and cash equivalents acquired):

	Six months ended 30 June 2013 (Unaudited) $'000
Acquisitions of CTM Group	**8,888,496**
Acquisition of another subsidiary	**3,042**
	8,891,538

24 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with the affiliates of the Group and its holding companies

(i) Recurring transactions

	Six months ended 30 June	
	2013 (Unaudited) $'000	2012 (Unaudited) $'000
Telecommunications services and related income received/ receivable from an associate	**5,969**	6,953
Telecommunications services and related expenses paid/ payable to		
— an associate	**5,088**	3,054
— a fellow subsidiary	**–**	105,000
— a joint venture	**3,404**	–
Professional fees paid/payable to an intermediate holding company for the provision of internal audit and company secretarial services	**1,750**	1,600
Operating lease charges, building management fees and air conditioning charges paid/payable to a fellow subsidiary	**4,648**	8,300
Building management fees and air conditioning charges paid/ payable to a fellow subsidiary	**2,516**	2,478
Operating lease charges, building management fees, air conditioning charges and car parking spaces rental paid/ payable to a fellow subsidiary	**1,181**	882
Operating lease charges, building management fees paid/ payable to a fellow subsidiary	**3,634**	–

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with the affiliates of the Group and its holding companies (Continued)

(ii) Non-recurring transactions

	Six months ended 30 June 2013 (Unaudited) $'000	2012 (Unaudited) $'000
Transaction costs paid/payable to an affiliate	**41,326**	–

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

	30 June 2013 (Unaudited) $'000	31 December 2012 (Audited) $'000
Advance payment paid to ultimate holding company for the acquisition of the remaining equity interest in a subsidiary included in — Trade and other receivables and deposits	**77,818**	76,442
Amount due to an affiliate included in — Trade and other payables	**(6,142)**	–

The amount due to an affiliate was under normal trading terms.

(iv) Interest-bearing borrowings from a fellow subsidiary

	30 June 2013 (Unaudited) $'000	31 December 2012 (Audited) $'000
Interest-bearing borrowings from a fellow subsidiary	**156,000**	–

The interest-bearing borrowings from a fellow subsidiary at 30 June 2013 bore interest at the prevailing market rates, and were secured by 99% equity interest in CTM Group held by the Company.

(b) Transactions with other government-related entities

The Group is a government-related enterprise and has transactions with entities directly or indirectly controlled by the PRC government through government authorities, agencies, affiliates and other organisations (collectively referred to as "government-related entities").

Apart from transactions with the affiliates of the Group as disclosed above, the Group has collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

— rendering and receiving services; and

— financial services arrangements.

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with other government-related entities (Continued)

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not government-related. 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 government-related entities or not.

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 government-related entities require disclosure:

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	$'000	$'000
Interest income from bank deposits	**5,784**	83
Fees received/receivable from provision of telecommunications services	**427,757**	713,000
Fees paid/payable for network, operations and support services	**(398,481)**	(433,609)
Purchase of property, plant and equipment	**(6,337)**	–

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

	30 June	31 December
	2013	2012
	(Unaudited)	(Audited)
	$'000	$'000
Bank deposits	**654,332**	38,272
Trade debtors	**751,572**	737,563
Trade and other payables	**(326,986)**	(66,880)
Interest-bearing borrowings	**(926,250)**	–

The interest-bearing borrowings from state-controlled banks at 30 June 2013 bore interest at the prevailing market rates, and were secured by 99% equity interest in CTM Group held by the Company.

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) 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	
	2013	2012
	(Unaudited)	(Unaudited)
	$'000	$'000
Short-term employee benefits	**8,057**	6,737
Share-based payments	**11,698**	1,759
Post-employment benefits	**209**	188
	19,964	8,684

25 NON-ADJUSTING POST BALANCE SHEET EVENT

After the balance sheet date, the directors proposed an interim dividend. Further details are disclosed in note 20(a)(i).

26 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current period's presentation.

27 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 30 JUNE 2013

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 2013 and which have not been adopted in this interim financial report. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKAS 32, *Financial instruments: presentation*	1 January 2014
Amendments to HKFRS 10, *Consolidated financial statements*, HKFRS 12, *Disclosure of interests in other entities*, and HKAS 27, *Separate financial statements*	1 January 2014
HKFRS 9, *Financial instruments*	1 January 2015

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.

Independent Review Report

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 28 to 63 which comprises the consolidated balance sheet of CITIC Telecom International Holdings Limited (the "Company") as at 30 June 2013 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the six months 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 2013 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

7 August 2013

Statutory Disclosure

DIVIDEND AND CLOSURE OF REGISTER

The board of directors of the Company has declared an interim dividend of HK2.4 cents (2012: HK2.4 cents) per share for the year ending 31 December 2013 payable on Tuesday, 10 September 2013 to shareholders whose names appear on the Register of Members of the Company on Friday, 30 August 2013. The Register of Members of the Company will be closed from Monday, 26 August 2013 to Friday, 30 August 2013, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 23 August 2013.

SHARE 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 per share 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
19 August 2011	24,227,500	19 August 2012 to 18 August 2017	1.54
19 August 2011	24,227,500	19 August 2013 to 18 August 2018	1.54
26 June 2013	81,347,000	26 June 2013 to 25 June 2018	2.25

The share options granted on 23 May 2007 have expired at the close of business on 22 May 2012. The remaining options granted and accepted under the Plan can be exercised in whole or in part within 5 years from the date of commencement of the exercise period.

Upon completion of the rights issue of the Company on 7 June 2013, the exercise price and the number of shares to be allotted and issued upon full exercise of the subscription rights attaching to the outstanding share options of the Company as at 6 June 2013 have been adjusted (the "Adjustments") in the following manner:

	Before Adjustments		After Adjustments	
Date of grant	Number of shares under outstanding share options	Exercise price per share HK$	Number of shares under outstanding share options	Exercise price per share HK$
17 September 2009	19,451,000	2.10	21,438,072	1.91
19 August 2011	32,332,500	1.54	35,635,462	1.40

The closing price of the Company's shares immediately before the grant on 26 June 2013 was HK$2.20. All options granted on 26 June 2013 were accepted except for options for 660,000 shares.

During the six months ended 30 June 2013, options for 23,253,500 shares were exercised and options for 485,532 shares have lapsed, but none of the options granted was cancelled.

SHARE OPTION PLAN (Continued)

A summary of the movements of the share options during the six months ended 30 June 2013 is as follows:

A. Directors of the Company (the "Directors")

Name of director	Date of grant	Exercise period	Number of Share Options: Balance as at 1.1.2013	Granted during the six months ended 30.6.2013	Exercised during the six months ended 30.6.2013	Balance as at 30.6.2013	Percentage to the issued share capital %
Xin Yue Jiang	17.9.2009	17.9.2010–16.9.2015	900,000	–	–	991,944 *(Note 1)*	
	17.9.2009	17.9.2011–16.9.2016	900,000	–	–	991,945 *(Note 1)*	
	19.8.2011	19.8.2012–18.8.2017	1,250,000	–	–	1,377,701 *(Note 1)*	
	19.8.2011	19.8.2013–18.8.2018	1,250,000	–	–	1,377,701 *(Note 1)*	
	26.6.2013	26.6.2013–25.6.2018	–	3,575,000	–	3,575,000	
						8,314,291	0.251
Yuen Kee Tong	17.9.2009	17.9.2010–16.9.2015	800,000	–	–	881,728 *(Note 1)*	
	17.9.2009	17.9.2011–16.9.2016	800,000	–	–	881,729 *(Note 1)*	
	19.8.2011	19.8.2012–18.8.2017	1,100,000	–	–	1,212,377 *(Note 1)*	
	19.8.2011	19.8.2013–18.8.2018	1,100,000	–	–	1,212,377 *(Note 1)*	
	26.6.2013	26.6.2013–25.6.2018	–	3,146,000	–	3,146,000	
						7,334,211	0.221
David Chan Tin Wai	17.9.2009	17.9.2010–16.9.2015	700,000	–	–	771,512 *(Note 1)*	
	17.9.2009	17.9.2011–16.9.2016	700,000	–	–	771,513 *(Note 1)*	
	19.8.2011	19.8.2012–18.8.2017	950,000	–	–	1,047,052 *(Note 1)*	
	19.8.2011	19.8.2013–18.8.2018	950,000	–	–	1,047,053 *(Note 1)*	
	26.6.2013	26.6.2013–25.6.2018	–	2,717,000	–	2,717,000	
						6,354,130	0.192
Luo Ning	26.6.2013	26.6.2013–25.6.2018	–	400,000	–	400,000	
						400,000	0.012
Yang Xianzu	17.9.2009	17.9.2010–16.9.2015	150,000	–	–	165,324 *(Note 1)*	
	17.9.2009	17.9.2011–16.9.2016	150,000	–	–	165,324 *(Note 1)*	
	19.8.2011	19.8.2012–18.8.2017	150,000	–	–	165,324 *(Note 1)*	
	19.8.2011	19.8.2013–18.8.2018	150,000	–	–	165,324 *(Note 1)*	
	26.6.2013	26.6.2013–25.6.2018	–	400,000	–	400,000	
						1,061,296	0.032

SHARE OPTION PLAN (Continued)

A. Directors of the Company (the "Directors") (Continued)

Name of director	Date of grant	Exercise period	Number of Share Options				Percentage to the issued share capital
			Balance as at 1.1.2013	Granted during the six months ended 30.6.2013	Exercised during the six months ended 30.6.2013	Balance as at 30.6.2013	%
Liu Li Qing	17.9.2009	17.9.2010–16.9.2015	150,000	–	–	165,324 *(Note 1)*	
	17.9.2009	17.9.2011–16.9.2016	150,000	–	–	165,324 *(Note 1)*	
	19.8.2011	19.8.2012–18.8.2017	150,000	–	–	165,324 *(Note 1)*	
	19.8.2011	19.8.2013–18.8.2018	150,000	–	–	165,324 *(Note 1)*	
	26.6.2013	26.6.2013–25.6.2018	–	400,000	–	400,000	
						1,061,296	0.032
Gordon Kwong Che Keung	17.9.2009	17.9.2010–16.9.2015	150,000	–	–	165,324 *(Note 1)*	
	17.9.2009	17.9.2011–16.9.2016	150,000	–	–	165,324 *(Note 1)*	
	19.8.2011	19.8.2012–18.8.2017	150,000	–	–	165,324 *(Note 1)*	
	19.8.2011	19.8.2013–18.8.2018	150,000	–	–	165,324 *(Note 1)*	
	26.6.2013	26.6.2013–25.6.2018	–	400,000	–	400,000	
						1,061,296	0.032

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

Date of grant	Number of Share Options				
	Balance as at 1.1.2013	Granted during the six months ended 30.6.2013	Exercised during the six months ended 30.6.2013 *(Note 2)*	Lapsed during the six months ended 30.6.2013 *(Note 3)*	Balance as at 30.6.2013
17.9.2009	23,078,500	–	9,244,500	83,000	15,155,757 *(Note 1)*
19.8.2011	39,227,500	–	14,009,000	402,532	27,352,725 *(Note 1)*
26.6.2013	–	70,309,000	–	–	70,309,000

Notes:

1. As aforesaid, the exercise price and the number of share options in respect of the outstanding share options as at 6 June 2013 were adjusted upon completion of the rights issue on 7 June 2013.

2. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$2.81.

3. These are in respect of options granted to some employees under continuous contracts but such employees have resigned subsequently. Such options have lapsed during the six months ended 30 June 2013.

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 2013 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 corporations

	Number of Shares	
	Personal interests unless otherwise stated	**Percentage to the issued share capital** %
CITIC Telecom International Holdings Limited		
Yuen Kee Tong	687,860	0.0208
David Chan Tin Wai	2,750	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 per share HK$	Number of share options as at 30.6.2013	Percentage to the issued share capital %
Liu Jifu	19.11.2009	19.11.2009–18.11.2014	22.00	500,000	0.014

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.

Save as disclosed above, as at 30 June 2013, none of the Directors 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 2013, the interests of the substantial shareholders, other than the Directors 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 Corporation	1,987,678,508	59.985
CITIC Limited	1,987,678,508	59.985
CITIC Investment (HK) Limited	1,987,678,508	59.985
Silver Log Holdings Ltd.	1,987,678,508	59.985
CITIC Pacific	1,987,678,508	59.985
Crown Base International Limited	1,987,678,508	59.985
Effectual Holdings Corp.	1,987,678,508	59.985
CITIC Pacific Communications Limited ("CPC")	1,987,678,508	59.985
Douro Holdings Inc.	1,987,678,508	59.985
Ferretti Holdings Corp.	1,987,678,508	59.985
Ease Action Investments Corp.	1,987,678,508	59.985
Peganin Corp.	1,987,678,508	59.985
Richtone Enterprises Inc.	1,987,678,508	59.985
Matthews International Capital Management, LLC	238,345,250	7.193

SUBSTANTIAL SHAREHOLDERS (Continued)

CITIC Group Corporation is the ultimate holding company of CITIC Limited, CITIC Investment (HK) Limited and Silver Log Holdings Ltd.. CITIC Limited is the direct holding company of CITIC Investment (HK) Limited, which in turn holds Silver Log Holdings Ltd.. CITIC Group Corporation is also the ultimate holding company of CITIC Pacific. 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 Peganin Corp.. Ferretti Holdings Corp. is the direct holding company of Ease Action Investments Corp. and Peganin Corp. is the direct holding company of Richtone Enterprises Inc.. Accordingly, the interests of CITIC Group Corporation in the Company and the interests in the Company of all its direct and indirect subsidiaries as described above duplicate each other.

On 18 December 2012, CITIC Investment (HK) Limited entered into an agreement (the "Sale and Purchase Agreement") with Onway Assets Holdings Ltd. (a wholly-owned subsidiary of CITIC Pacific) and CITIC Pacific for acquiring 444,500,000 shares of the Company by acquiring the entire issued share capital of Silver Log Holdings Ltd., and on 21 February 2013, Ease Action Investments Corp., Richtone Enterprises Inc. and Silver Log Holdings Ltd. entered into a management rights agreement (the "Management Rights Agreement") to regulate their relationship with each other in respect of their shareholdings in the Company. The Sale and Purchase Agreement and the Management Rights Agreement constitute agreements under section 317 of the SFO. For the purposes of the duty of disclosure, in the case of an agreement to which section 317 applies, each party to the agreement is deemed to be interested in any shares comprised in the relevant share capital in which any other party to the agreement is interested apart from the agreement.

SHARE CAPITAL

On 7 June 2013, the Company issued 903,723,326 new shares under the rights issue on the basis of 3 rights shares for every 8 existing shares at the subscription price of HK$2.02 per share.

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30 June 2013 and the Company has not redeemed any of its shares during the period ended 30 June 2013.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

In accordance with the requirements under Rule 13.21 of the Listing Rules, the Directors report below details of loan facility, which existed during the six months ended 30 June 2013 and included conditions relating to specific performance of the controlling shareholder of the Company:

On 5 June 2013, the Company entered into the facility agreement with a group of banks for a term loan facility in an aggregate amount of US$630 million for a term of 5 years after the date of utilisation of the first loan. The facility is to finance part of the consideration payable by the Company in respect of the Company's acquisition of a total of 79% equity interest in Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM"), a company incorporated in Macao.

Pursuant to the facility agreement, the facility will be cancelled and all outstanding amount under the facility will become immediately due and payable if (a) CITIC Group Corporation ceases to hold (legally or beneficially) the largest percentage of the issued share capital of the Company; or (b) the Company ceases to be a "subsidiary" of CITIC Group Corporation under generally accepted accounting principles, standards and practices in Hong Kong applicable to the Company; or (c) any person (or group of persons acting in concert), other than CITIC Group Corporation (or its affiliates), holds (legally or beneficially) (i) more than 50% of the issued share capital of the Company; (ii) the right to cast more than 50% of the votes capable of being cast in general meetings of the Company; or (iii) the right to determine the composition of the majority of the board of the Company.

As at 30 June 2013, there was no breach of the covenants.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The board of directors believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. Looking ahead, we will keep our corporate governance practices under continuous review to ensure their consistent application and will continue to improve our practices. Details of our corporate governance practices can be found on page 39 of the 2012 annual report and the Company's website www.citictel.com.

Throughout the six months ended 30 June 2013, the Company has fully complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the 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 2013.

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

Upon completion of the acquisition of 79% equity interest in CTM on 20 June 2013, Mr Xin Yue Jiang, the Chairman of the Company, has been appointed as the Chairman of CTM and Mr David Chan Tin Wai, the Chief Financial Officer of the Company, has been appointed as a director of CTM. In addition, Mr Liu Jifu, a non-executive director of the Company, has been appointed as the Chairman of the Supervisory Board of CTM on that day. Mr Yuen Kee Tong, the Chief Executive Officer of the Company, has been the Corporate Representative of the Company in CTM since May 2010.

Mr Yang Xianzu, an independent non-executive director of the Company, has resigned as an independent non-executive director of Net263 Ltd. (listed on the Shenzhen Stock Exchange in The People's Republic of China) with effect from 12 July 2013.

Corporate Information

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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:	26 August 2013 to 30 August 2013
Interim Dividend payable:	10 September 2013

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.