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CITIC TELECOM INTERNATIONAL
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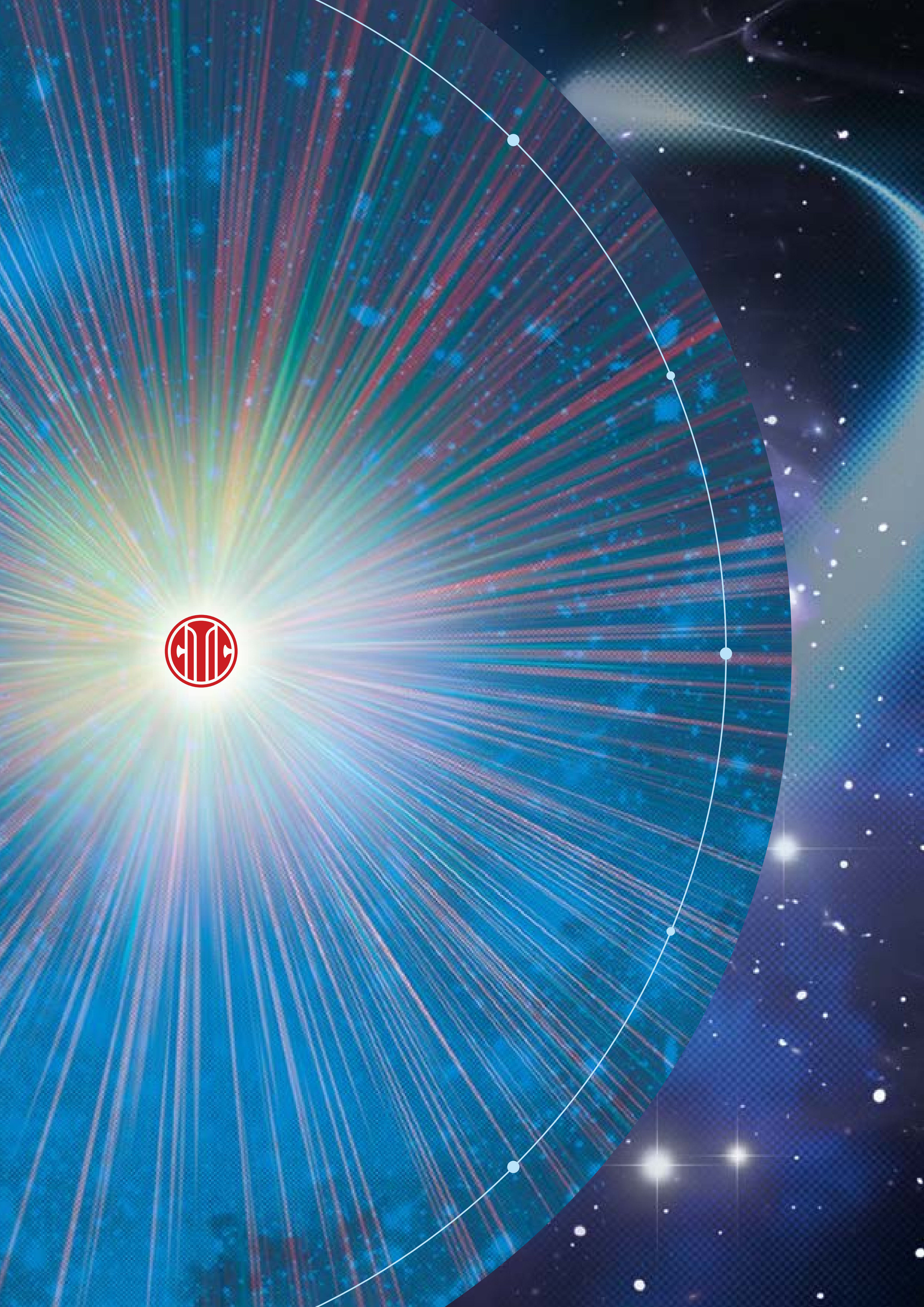
CONNECTING THE WORLD WITH QUALITY SERVICES

ANNUAL REPORT 2013

QUALITY
EXPANSION




EXCELLENT
SERVICE

ABOUT US

CITIC Telecom International Holdings Limited ("CITIC Telecom") is a reputable telecoms operator in Asia.

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

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 Macau 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.

CONTENTS

FINANCIAL STATEMENTS

MILESTONES 2013

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 IT Square
- CTM collaborated with overseas operators to extend the "Bridge DataRoam Unlimited (1 Day)" to more countries
- CITIC Telecom CPC formed a strategic partnership with Palo Alto Networks, becoming the 1st Managed Security Services Partner in North Asia to launch 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
- Awarded "Top Service Base Operator Partner" by a major telecoms operator in Singapore

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 to step into Southern Taiwan IT industry

APRIL

- CITIC Telecom CPC and China Enterprise ICT Solutions Limited (formerly known as China Enterprise Communications Ltd.) won the Best Collaboration (Marketing) Bronze Award in Hong Kong ICT Awards 2013

MAY

- Established a new direct connections with an Uruguay's telecoms operator
- Born of the new CTM Telecentro concept store, unveiled the new communications era

- CTM launched the multi-platform mobile app "CTM Soliton" to enable users to enjoy music at any time

JUNE

- CITIC Telecom's rights issue proposed in April 2013 was over-subscribed by approximately 13.45 times by our shareholders
- Successfully signed a US$630 million syndicated term loan facility

- 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

- Completed the acquisition of an additional 79% interest in CTM

- Extended HIPPI services for retail customers in Taiwan
- 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"

JULY

- Established direct GRX connections to a Hong Kong mobile operator and a Philippines mobile operator
- CTM launched the Automated Speech Recognition system

SEPTEMBER

- Launched a range of products in A2P SMS for wholesale carriers and enterprise customers, provides secure messaging service to social networking and communication service providers, OEM, and financial institutions
- Enhancement of Mobile VAS (Single IMSI Multiple Numbers) within China for local retail customers

- CTM carried out Network Modernisation Project – Fixed network

OCTOBER

- Established IPX peering trial on LTE Roaming with a major IPX service provider in Europe
- CITIC Telecom CPC was honoured 2 awards:
  * "2013 The Best SME Partners" for the 7th consecutive year, organised by Hong Kong Economic Digest, for "Cloud Computing Solutions"

  * "2013 Frost & Sullivan Asia Pacific Best Practices Awards – Greater China Growth Excellence in IP-VPN Market" by Frost & Sullivan

- CITIC Telecom CPC launched an expanded Singapore office and a new service operating presence in Malaysia to support the continued growth in ASEAN

NOVEMBER

- Enabled international roaming for a China mobile operator with the Company's SCCP signaling transit and landing roaming application services
- CITIC Telecom CPC received 3 accolades:
  * NetworkWorld Asia Readers' Choice Product Excellence Awards 2013 – "Cloud Services Provider" by NetworkWorld Asia

  * 2013 SMBWorld Awards – "Best Cloud Services" by SMBWorld

  * Selected as one of the "2013 MIS Asia Strategic 100 – Regional 20" ICT companies, organised by MIS Asia magazine, for the 5th consecutive year

MIS ASIA STRATEGIC 100
ASIA'S TOP I.T. VENDORS 2013

- CTM entrusted by the Grand Prix Committee as the sole telecoms service provider for the 11th consecutive year

- CTM won "Outstanding Corporate Strategy Award 2013" for the 2nd time

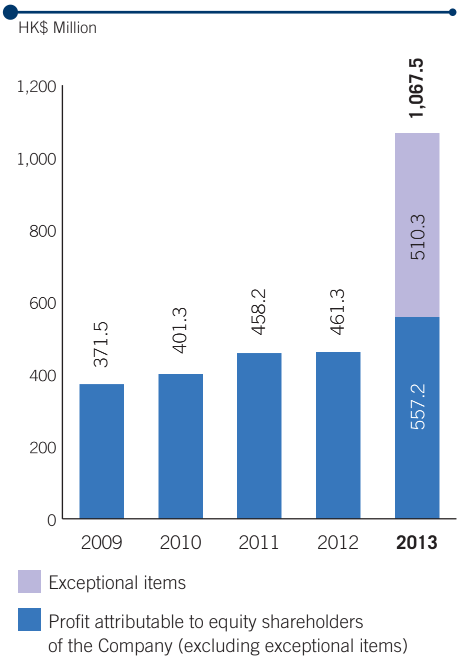
DECEMBER

- Launched LTE signaling transit for a Hong Kong mobile operator and a Philippines mobile operator
- Syndicate loan restructured to a new facility agreement with a lower cost of fund without any restriction on dividend distributions

FINANCIAL HIGHLIGHTS

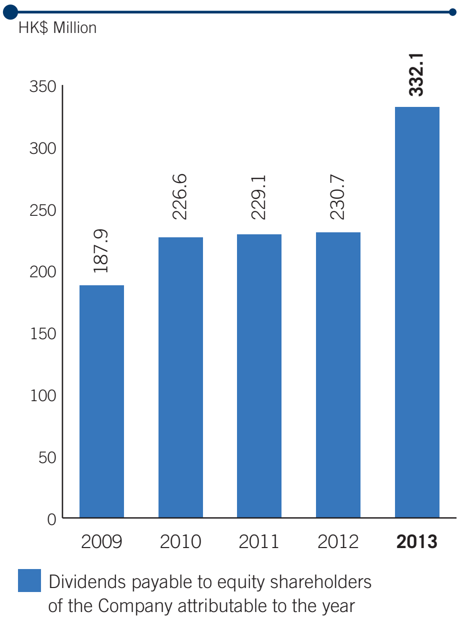
- Profit attributable to equity shareholders of the Company increased to HK$1,067.5 million while turnover rose to HK$6,018.5 million.
- Basic and diluted earnings per share for the year 2013 increased to HK36.5 cents and HK36.2 cents respectively.
- Dividends per share for the year 2013 were HK10.0 cents.

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY



Note: Exceptional items include items such as gain on deemed disposal of equity interest in an associate, finance and transaction costs related to the Acquisition, one-off refinancing costs, impairment losses and others.

DIVIDENDS PAYABLE TO EQUITY SHAREHOLDERS OF THE COMPANY ATTRIBUTABLE TO THE YEAR



Note: The dividends payable to equity shareholders of the Company for the year ended 31 December 2013 includes final dividend payable based on the number of shares in issue at 31 December 2013 which may differ from the number of shares at the closing date of the register of members.

In HK$ Million	2013	2012	
Turnover	**6,018.5**	3,609.8	Increase 66.7%
Profit attributable to equity shareholders of the Company	**1,067.5**	461.3	Increase 131.4%
EBITDA	**2,053.3**	666.7	Increase 208.0%
Earnings per share (HK cents)			
Basic	**36.5**	19.3	Increase 89.1%
Diluted	**36.2**	19.3	Increase 87.6%
Dividends per share (HK cents)			
Interim dividend	**2.4**	2.4	Same level of last year
Final dividend	**7.6**	7.2	Increase 5.6%
	10.0	9.6	Increase 4.2%
Total assets	**16,441.7**	4,680.4	Increase 251.3%
Total equity attributable to equity shareholders of the Company	**6,163.3**	3,432.7	Increase 79.5%
Total bank and other borrowings	**7,716.6**	261.9	N/A
Cash and bank deposits	**(856.1)**	(354.8)	Increase 141.3%
Net debt/(cash)	**6,860.5**	(92.9)	N/A
Net gearing ratio*	**53%**	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

EXPLORE THE EMERGING MARKET

CHAIRMAN'S STATEMENT

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

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

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

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

A. REVIEW OF 2013

1. UPON SUCCESSFUL COMPLETION OF CTM ACQUISITION THE GROUP BECAME A FULL TELECOMMUNICATIONS SERVICES OPERATOR.

Against the ever-changing global economic landscape, the Group continued to advance its business transformation in a vigorous yet prudent manner. On 20 June 2013, the Group successfully acquired 51% and 28% interests in CTM held by Cable & Wireless Communications Plc and Portugal Telecom, respectively. Together with the 20% interest in CTM already held by the Group, the Group now owns 99% of CTM's shares, highlighting the transition from its traditional principal business of telecommunications hubbing to an operator of full telecommunications services.

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

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

3. **SUCCESSFUL COMMERCIAL APPLICATION OF 4G HUBBING AND CORPORATE SMS PRODUCTICATION FACILITATED NEW BUSINESS GROWTH IN RESPONSE TO MARKET DEVELOPMENTS.**
   In response to developments in the global telecommunications market, the Group has vigorously rolled out its 4G LTE service. We have successfully implemented the 4G hubbing between a Hong Kong carrier and a Southeast Asian carrier. The success of this operation means that the Group is now ready to provide LTE international roaming signal hubbing services. To support the development of its corporate SMS business, the Group has standardised our corporate SMS products and improved the SMS routing system, to enhance the operating service standards of its telecommunications hubbing services.

4. **WE CONTINUED TO DRIVE OUR CLOUD COMPUTING BUSINESS WITH ENHANCED MARKETING, WHILE SOLID GROWTH WAS REPORTED FOR OUR VIRTUAL PRIVATE NETWORK AND INTERNET ACCESS BUSINESS.**
   With the dawning of the Age of Data, the demand for mega data storage will increase as businesses and corporations face the prospect of globalisation and informatisation. In conjunction with enhancing business efficiency and data security, the Group is also putting more emphasis on the development of new services, such as disaster recovery and custodian back-up services which can guarantee uninterrupted business operation under any circumstances. In this connection, CITIC Telecom International CPC Limited ("CPC") has not only opened additional outlets for TrueCONNECT™ Multiprotocol Label Switching and invested in the expansion of COC (Cloud Operation Centre) in 2013, but it has also launched a number of new products in TrueCONNECT™ (Multiprotocol Label Switching), TrustCSI™

(integrated information security services) and SmartCLOUD™ (cloud computing solutions) to optimise and enhance its services. Through effective marketing activities, CPC has laid a firm foundation for more dynamic growth of the cloud computing business. Coupled with cloud computing products developed in the past and the deployment of new cloud operation centres, the aforesaid new cloud computing products have enriched the portfolio of the Group's cloud computing products and improved its service standards, thus elevating the Group to a yet stronger position in market competition amid a wave of new technologies.

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

5. **THE CONSTRUCTION AND MARKETING OF OUR NEW DATA CENTRE PROVIDED SOLID FOUNDATION FOR THE DEVELOPMENT OF DATA BUSINESS.**

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

6. **SYNDICATE LOAN RESTRUCTURED TO LOWER FINANCE COSTS AND INCREASE PROFITABILITY FOR THE GROUP.**

In December 2013, the Group restructured the syndicate loan obtained for its acquisition of CTM and entered into a new USD540 million facility agreement with a group of banks. Drawings made under the new facility agreement were applied to refinance all amounts owing under the previous facility agreement dated 5 June 2013. The new facility provides the Group with a lower cost of funding without any restrictions on dividend distributions.

B. OUTLOOK FOR 2014

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

1. **STRENGTHENING CTM'S TELECOM INFRASTRUCTURE ON AN ON-GOING BASIS IN ORDER TO PROVIDE HIGH QUALITY SERVICES TO SATISFY MARKET DEMANDS.**

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

2. **TO AGGRESSIVELY GROW OUR DATA CENTRE BUSINESS BY TIMELY COMPLETION OF OUR AP LEI CHAU DATA CENTRE IN HONG KONG AND PLANNING FOR FURTHER DATA CENTRES IN GREATER CHINA.**

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

3. **TO FOSTER NEW GROWTH NICHE BY INCREASING MARKETING EFFORTS AND ACCELERATING THE DEVELOPMENT OF CLOUD COMPUTING AND LTE HUBBING.**

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

4. **TO INCREASE OUR COMPETITIVE EDGE IN OVERSEAS MARKETS THROUGH ONGOING EXPANSION OF OUR PRESENCE.**

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

5. **TO BROADEN OUR VISION, DEVELOP NEW BUSINESSES AND PRODUCTS, PENETRATE NEW MARKETS AND GROW OUR CUSTOMER BASE. TO ENLARGE THE SCOPE OF INTERNATIONAL BUSINESS COOPERATION.**

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

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

Xin Yue Jiang
Chairman

Hong Kong, 18 February 2014

EXPAND
THE MARKET COVERAGE

BUSINESS REVIEW

CTM HUBBING DATA

The year 2013 was pivotal for CITIC Telecom's progress in strengthening its core competencies across the region. The convergence of the telecommunications and information industries presents changes along with opportunities for the Group. Despite the challenging conditions, CITIC Telecom sought to strengthen its business development by broadening its customer base through strategic ventures and leveraging our unique assets to boldly take on the digital sector. In June 2013, we completed the acquisition of Companhia de Telecomunicações de Macau, S.A.R.L. (CTM), the leading telecoms services provider in Macau, increasing our shareholding to 99%.

At 281%, Macau is estimated to have the highest mobile penetration in the region. As the leader with around 47% market share in Macau, CTM has a mobile customer base of 788,616 at the end of 2013 and its roaming minutes increased by 28% over 2012. Within the year, CTM also extended its retail and servicing footprint by adding new service centres across Macau, while introducing enterprise solutions and new cloud-based services addressing the needs of retail, business, and SME consumers. With support from the government and the thriving tourism market, we believe the Macau telecoms industry is poised for further growth.

Faced with huge pressure from the rapid development of internet voice business, CITIC Telecom's Retail Voice business unit has managed to maintain slight growth in 2013 through effective termination cost control measures with minutes rising by 2.4%. Our overseas businesses continued to perform well. Our Singapore unit extended its coverage of the Malaysia enterprise market with our Mobile Virtual Network Operator (MVNO) service, voice conferencing service and International Toll Free Services (ITFS). In 2013, our Global MVNO service was launched in Singapore, Taiwan, and Los Angeles. Based on this strong foundation, we will be assisting mainland Chinese MVNO licensees as a Mobile Virtual Network Enabler (MVNE).

In 2013, we successfully completed the first commercial launch of 4G LTE roaming between operators in Hong Kong and the Philippines, a milestone for CITIC Telecom in the 4G era.

Our data services business has continued to demonstrate robust growth, driven by our high-value SmartCLOUD™, TrueCONNECT™ and TrustCSI™ solutions that have earned the trust of customers through superior performance. Going forward, we are continuing to expand our Point of Presence (POPs) globally. Our new data centre in Ap Lei Chau is scheduled for completion by the end of February 2014, which will enable us to maintain a sufficient supply of rack spaces as we aspire to grow beyond the basic infrastructure needs of our customers to higher end value-added data services.

CTM

COMPANHIA DE TELECOMUNICAÇÕES DE MACAU, S.A.R.L.

The broader Macau economy continued its positive growth path and coupled with the increase in visitor numbers help driving performance in CTM's core businesses.

The year saw some major changes to both CTM's ownership structure and the broader industry. In June, CITIC Telecom demonstrated its confidence in and commitment to both CTM and the Macau economy by increasing its ownership in CTM, becoming the majority owner. Also during 2013, the Macau government issued a second licence for the provision of fixed network infrastructure in line with its liberalisation plans.

Macau's mobile penetration, which is estimated at 281%, is amongst the highest in the region and reflects the high level of promotion and keen competition within the four-operator Macau marketplace. Penetration and usage of mobile data services continue to grow with 174,539 users of our mobile broadband service. This trend is expected to continue in the future and CTM intends to bid for a LTE licence when the government announces its plans during 2014.

The year was a relatively quiet one for the opening of new hotel and gaming projects, however our roaming, fixed broadband, enterprise data and solutions businesses all continued to grow. The strong uptake of fiber broadband services continued and CTM remains committed to rolling out full fiber coverage – currently at 82% – across Macau.

CTM, in common with most businesses in Macau, is facing the challenge of a tighter labour market. Increased investment in automation and a dedicated employee retention programme are minimising its impact on the business.

Investment in technology continues with programs aimed at boosting capacity, performance and resilience within our networks and increasing the sophistication of our billing and customer support systems. CTM continued to develop its retail presence and opened its new Taipa shop in May, considerably improving and increasing the retail service experience for that fast growing area.

CTM has also introduced new cloud-based services to the market during 2013. Although the uptake is relatively modest, these will be important areas for the company in the future.

The build out of a more robust CTM WiFi network was undertaken and phase one was completed during 2013. The network is aimed at improving coverage for visitors and has been deployed at the major visitor entry points to Macau plus major attraction areas and restaurants. The new service proved to be a major success during the running of the 60th Macau Grand Prix in November 2013.

MOBILE

As of the end of December 2013, the mobile penetration rate in Macau is estimated at 281%. CTM remains as the market leader with around 47% of the market. During 2013, CTM has continued to promote mobile broadband as well as basic voice services. CTM introduced its new music service in partnership with Soliton to target the youth segment, while the popular one day pass roaming service was expanded to include 14 territories and countries.

CTM also introduced an auto charging cap for customers of our one SIM multi-numbers service, providing additional control and safeguards against unwarranted use of roaming data while staying overseas. This enhancement was complemented by a series of data usage management features that promote a worry-free environment for customers to use mobile data.

As part of the improvement in our mobile user services, the CTM Buddy mobile app was further enhanced to include new functions such as "Ticket Easy" and "Bonus Point Gift Redemption." CTM introduced the "Smart Assistant" service in the shop to make it easy for customers to transfer data to new handsets.

CTM had a mobile customer base of 788,616 at the end of 2013, a growth of 5.8% over 2012. The postpaid and prepaid subscribers were 281,768 and 506,848 respectively, an increase of 3.5% and 7.1% respectively from the previous year. For the mobile broadband service, the customer base reached 174,539, a growth of 12% year on year, bolstered by the launch of new smartphone models in the second half of the year. The mobile business generated 66% of CTM's total turnover.

CTM's roaming minutes increased by 28% over 2012, reflecting the increase of visitors to Macau and the growth in average usage per visitor.

Our investment in networks has continued to accommodate both the traffic increase and extension of coverage to the newly reclaimed areas and the Macau administered part of the Hengqin Island servicing the new University of Macau campus.

FIXED DATA AND VOICE

Broadband household penetration in Macau was 82% at December 2013, up from 80% a year ago. The number of broadband customers stood at 151,796, up by 5% year-on-year. The growth in customers and business value reflects the success in promoting fiber broadband and higher bandwidth packages. At year end the number of customers with packages of 50MB and above stood at 15,000, an increase of more than 200% over the same time last year.

The fixed line customer base has 168,107 installed lines as at the end of 2013, a decline of 2.3% over last year. The fixed international voice minutes also declined by 32%, in line with worldwide trends of declining fixed retail and transit IDD traffic volumes. In April 2013, CTM reduced prices on its international voice service IDD 050 by between 25% and 49% while increasing the availability of the IDD 050 service to 89 countries.

Fixed data line grew solidly by 6% over 2012 levels. During the year CTM adjusted pricing downwards by an average of 13%. The international data services tariff were adjusted in July 2013 followed by a similar reduction in local data services in October 2013.

The Macau government issued a new fixed network licence in June 2013 to MTEL Telecommunication Company Limited (MTEL), and MTEL is expected to roll out its services during 2014.

CTM also introduced a new range of cloud services, "Office 365", providing on-line storage and back-up services as well as its initial "Infrastructure as a Service" offerings.

In October, the Macau government announced its intention to liberalise the Macau pay TV market sometime after April 2014. CTM has registered its interest in being considered for a licence and would look to enter the TV market in order to provide converged services.

ENTERPRISE SOLUTIONS

In the Enterprise Solutions sector, the overall business performance recorded a strong growth, mainly driven by the aforementioned increase in demand for data services and the awarding of several large projects from customers in the casino, hotel and government sectors. The turnover from enterprise solutions business was approximately HK$603.8 million in 2013, an increase of more than 18% year-on-year. CTM installed the major WiFi networks for the Macau government and the University of Macau. In addition to system solutions, CTM increased the scope of its managed service offerings to provide key services during major events such as the Macau Legislative Assembly elections, the 4th Ministerial Conference of the Forum on Trade and Economic Cooperation between China and Portuguese-speaking Countries (Macau) and the Macau Grand Prix.

RETAIL AND CUSTOMER SERVICE

CTM further extended its retail and servicing footprint in Macau during the year, adding new service centres in the North of Macau (Fai Chi Kei), NAPE and Taipa for a network of eight stylish and attractive retail outlets conveniently located across Macau. This network, in conjunction with our partnership with the 7-Eleven convenience store chain, has greatly enhanced the CTM service footprint.

In addition to providing a new and convenient service to consumers, CTM has introduced new service centres specifically to address the needs of the business and SME sectors.

During July 2013, CTM introduced its new “Automated Speech Recognition” service to improve and speed up the handling of directory enquiries. The automated enquiry service has been well-received by customers and resulted in faster and more efficient response. This was a part of the larger upgrade and replacement of CTM’s call centre, and the service expansion will be completed during the first quarter of 2014.

The on-line service help desk 1000 was introduced during December 2013 to give customers more options on accessing CTM. The popularity of “CTM Buddy” mobile service application continues and the functionality of the application has been expanded during the year. The application was used as part of the registration process for the Apple iPhone launch.

HUBBING

VOICE

In 2013, ever-changing communication technologies have drastically affected the profit and operations models of the traditional telecoms industry. International cross-border operators are also stepping up their global development, thus the traditional voice hubbing service market has been further affected. In addition, more intense competition in the China inbound voice market, development of internet applications such as WeChat and the influence of grey routes have all led to pressures in the voice business. The total volumes of China inbound and outbound voice traffic decreased by 18.4% year-on-year. Through lowering the termination costs the business managed to arrest the slight decrease in overall gross profit margin.

The Group is expanding our international business coverage by acquiring new customers in countries including Jordan, Indonesia, Sierra Leone, and Cyprus during the year. However, the total volume of international voice service has decreased by 20.4%, which is in-line with the worldwide trend. With the implementation of our IDD traffic management system, we have been able to offer differentiating classes of service to our customers. This has strengthened our market position as well as our competitive edge. During the year, the Group also completed a comprehensive streamlining program on our current customer base to improve and strengthen credit control.

The Retail Voice business unit maintained slight growth in 2013, with overall minute rising by 2.4% when compared with 2012.

Our Singapore business unit continued to maintain strong growth in the enterprises and retail market segments. Despite a shrinking voice market, the Singapore business unit managed to maintain stable IDD business growth, increase our share of the local calling card and SIM card distribution business, and achieve strong growth in enterprise value added services, specifically the MVNO service, the voice conferencing service and ITFS. The Singapore unit also extended its coverage of the Malaysia enterprise market and is serving more than 300 SME customers.

In Taiwan, in order to maintain our competitiveness in the calling card market, we launched our 'HIPPI' mVoIP application for customers to enjoy a much better quality of service and more competitive IDD rate when making international phone calls. The Taiwan unit also put to the market its mobile virtual network operator service, which bundles mobile services with various existing international services and thereby makes our offer more competitive in the Taiwan ethnic group calling card market.

SMS

The SMS business recorded a turnover growth of 10.9%, reaching HK$416.5 million, thus reaffirming our position as one of the leaders in the international SMS services market in the Asia Pacific.

Though inter-operator SMS ("IOSMS") traffic has experienced a decline due to the change in usage pattern among OTT players, we remain a dominant IOSMS service provider in Hong Kong. However, China operators have gradually begun to operate China inbound and outbound services through direct connection with international carriers. Hence the Group has focused on developing new Enterprise SMS markets so as to avoid a drop in contributions of the SMS business. Total SMS handled by the Group reached 1,691.5 million, representing a contraction of 8.6%.

During the year, we successfully deployed our next generation SMS hubbing platform, which will enable us to better serve our P2P (Person to Person) and A2P (Application to Person) customers' requirements. With the aid of this new hubbing platform, we have successfully assisted one of the world's largest social networks in its major promotional launch.

Our SMS service has completed the transformation of simple P2P to a secure and reliable communications channel. The Group believes that the rapid growth of SMS-related applications (A2P) will spur a second wave of growth during 2014.

MVAS

The Mobile Value Added Service ("MVAS") business has been able to sustain market growth as reflected by an increase in revenue of 16.2% over 2012.

4G LTE ROAMING

We have successfully completed the first commercial launch of 4G LTE roaming services between a Hong Kong mobile operator and a Philippines mobile operator. This marks the successful debut of the 4G era in the roaming environment. With this service in place, the "virtual home experience" can be preserved while at home or travelling aboard. The Group expects to implement many more solutions during 2014 as 4G LTE uptake becomes more common in many Asian countries.

GMVNO

Global MVNO ("GMVNO") is another area the Group has focused on, launching the service in Singapore, Taiwan and Los Angeles. As China has begun to issue MVNO licences, the Group is now in a strong position to leverage our strong foundation to assist mainland MVNO licensees as a MVNE.

SINGLE IMSI MULTIPLE NUMBERS ("SIMN")

Revenue from the SIMN business has continued to grow. The healthy increase has been driven by the delivery of expanded services, including an interprovincial SIMN service launched by a China operator in Guangdong province, with the total VAS solution provided by CITIC Telecom. The solution targets both commercial and collegiate subscribers, which, in the case of the former, consists of frequent travellers from Guangdong to other provinces. Such individuals are now able to forward mobile services from their Guangdong SIM cards to the subscribed SIM cards of another province. As for targeting collegiate subscribers, which are college students from other provinces studying in Guangdong, the VAS solution forwards the mobile services from a SIM card issued by other provinces to a Guangdong SIM card.

We have also introduced an intra-province SIMN service delivered to a China operator in Guangdong. The service allows customers to apply for a maximum of three virtual secondary numbers, based on their primary SIM card subscription, or bundle existing SIM card subscriptions as secondary numbers. Customers can use different secondary numbers to communicate with different parties both on iOS and Android platform.

PREPAID ROAMING SERVICE ("PRS")

The PRS segment has achieved a stable increase in revenue. This has been driven by a rise in the number of subscribers, as well as greater geographical penetration. In respect of the latter, we now offer PRS to 16 countries/regions, specifically, Australia, China, Egypt, France, Hong Kong, Indonesia, Italy, Japan, Macau, Malaysia, the Philippines, Singapore, South Korea, Taiwan, Thailand and Vietnam. We will seek to expand the service to new markets in Europe, the Middle East and Africa in the near future.

ROAMING SIGNALLING SERVICE ("SCCP")

SCCP revenue continued to record satisfactory growth, due to the strong increase in roaming activities in the Asia Pacific region. The burgeoning market has spurred us to upgrade SCCP during the year to meet the upcoming roaming requirements of 4G LTE. This is consistent with our overall effort to maintain high-quality roaming signalling services, and also reflects our strengthening ties with mobile network operators. Our traffic recorded a 31% growth from last year and we were able to leverage the extensive coverage of our global signalling network to help strategic partners to provide quality roaming services to their customers.

OTHERS

The Group has also provided other data services to our customers to meet their specific requirements. The growth in sales from the data centre business has resulted in shortages of rack spaces available for sale at the Group's CITIC Telecom Tower Data Centre. The new data centre that is under development in Ap Lei Chau is scheduled for completion by the end of February 2014, which will maintain a sufficient supply of rack spaces. We are growing beyond the basic infrastructure needs of our customers in order to diversify and develop our Internet Data Centre business prospects. The extension of our service offerings into areas such as content delivery, which optimises a customer's online experience, is under development.

DATA

CPC

CITIC Telecom International CPC Limited ("CITIC Telecom CPC" or "CPC") is a world-class Information and Communications Technology (ICT) solutions provider headquartered in Asia Pacific. CPC employs almost 700 staff globally, with multiple offices across Asia Pacific, North America and the United Kingdom. In March 2013, CPC also established a branch office in Kaohsiung, Taiwan. CITIC Telecom CPC provides a comprehensive range of innovative ICT products and services to its customers, and is quickly becoming the preferred ICT solutions partner to multinational corporations (MNCs) and business enterprises.

CITIC Telecom CPC has a strong heritage of a pioneering vision that, leveraging leading-edge technologies, produces practical and innovative ICT solutions to address the needs of rapidly growing market segments. CPC's current portfolio includes: TrueCONNECT™ – a state-of-the-art fully meshed MPLS VPN service that securely connects enterprise resources, TrustCSI™ – an integrated suite of highly advanced information security solutions, and SmartCLOUD™ – a suite of breakthrough cloud computing solutions which can deliver smarter, better and higher performance on demand. CITIC Telecom CPC's managed solutions complement each other, and CPC continues to refine and expand its range of best-in-class communications products, security solutions and managed services, and maintains its commitment to be a trusted world-class ICT partner.

CITIC Telecom CPC has continued to expand its POPs for TrueCONNECT™ in 2013, and launched various solution suites for the TrueCONNECT™, TrustCSI™ and SmartCLOUD™ families, while at the same time enhancing many existing services.

- New POPs were established in London, New York, Bangkok and four cities in China. The global coverage of the TrueCONNECT™ service was increased to nearly 60 POPs to meet market needs across various countries.

- TrueCONNECT™ Wireless is an integrated MPLS VPN network solution ideal for customers operating numerous branch offices and requiring flexible implementation and minimum daily network traffic between offices and headquarters. Branch locations can promptly and securely access their headquarters' network resources and data anytime, anywhere through the TrueCONNECT™ MPLS VPN network, by simply using a configured wireless terminal to connect their computers to a wireless network.

- TrustCSI™ Managed Firewall Services (MFS) is a next-generation firewall solution integrated with world-class managed security services. Protecting enterprises of all scales protection in real-time from traditional port-based to user-based security, TrustCSI™ MFS gives enterprises the confidence to move forward, while leaving threats behind.

- SmartCLOUD™ Multimedia Contact Centre (MMCC) delivers world-class contact centre features on a highly reliable cloud platform, rapidly and easily empowering any business with the ability to proactively and consistently interact with customers across multiple channels regardless of location or scale. The solution maximises work mobility and staff productivity, and can be rapidly implemented.

- SmartCLOUD™ End-Point Backup Service (EPS) is a highly flexible and reliable backup solution for all end-point PCs and laptops, on – or off-site, enabling enterprises to enjoy a smart and seamless way to achieve better business continuity and industry compliance. Built-in two-layer data protection ensures maximum security during transmission, and finely-granulated configuration options for policies and end-user storage requirements mean maximum autonomy and excellent fit with organisational needs.

- SmartCLOUD™ vONE is a dedicated cloud solution designed and supported by cloud professionals that enables any enterprise of any scale to optimise resources and reduce costs, while enjoying rapid scalability, higher security and trusted reliability with peace of mind. It can also seamlessly integrate with existing enterprise infrastructure to attain a high performance hybrid cloud solution.

CITIC Telecom CPC witnessed the emergence and rapid adaptation of cloud computing by business enterprises. With full support from government bodies in various locations, this trend is now well established and integral to the ICT industry. Apart from strengthening its range of SmartCLOUD™ offerings, CITIC Telecom CPC also launched the seventh SmartCLOUD™ cloud service centre in Beijing in March 2013, adding to the six existing SmartCLOUD™ cloud service centres (established in 2011 and 2012), further increasing CPC's competence in offering true disaster recovery and high availability cloud services to customers. Enterprises across Asia Pacific can now enjoy even more seamless connectivity and sharing of cloud resources.

CITIC Telecom CPC is dedicated to providing the highest level of services and top-notch products to customers. In addition to being the first VPN service provider in Hong Kong to receive three ISO certificates: ISO 9001 – Quality Management System, ISO 27001 – Information Security Management System and ISO 20000 – Information Technology Service Management System, CITIC Telecom CPC has also been honored with substantial market recognition through the winning of several awards in 2013:

- **Editors' Choices 2012 – "The Best Cloud Infrastructure Service Provider"** and **"The Best Security-as-a-Service Solution"** by Hong Kong SingTao Daily IT Square

- **The Hong Kong ICT Awards 2013 – "Best Collaboration (Marketing) Bronze Award"** by Hong Kong Software Industry Association

- **2012 Customer Relationship Excellence (CRE) Awards – "CRM Manager of the Year 2012 (Network Communications)"** by Asia Pacific Customer Service Consortium, for the sixth consecutive year

- **Computerworld Hong Kong Awards 2013 – "Security – Managed Security Services"** and **"Services – Cloud Infrastructure and Hosting Services"** by Computerworld Hong Kong

- **The "Distinguished Salesperson Award" (DSA)** and **"Outstanding Youth Salesperson Award" (OYSA)** by The Hong Kong Management Association for the tenth consecutive year

- **2013 The Best SME Partners** for the seventh consecutive year, organised by Hong Kong Economic Digest, for **"Cloud Computing Solutions"**

- **2013 Best Practices Award – "Greater China Growth Excellence in IP-VPN Market"** by Frost & Sullivan

- **NetworkWorld Asia Readers' Choice Product Excellence Awards 2013 – "Cloud Services Provider"** by NetworkWorld Asia

- **2013 SMBWorld Awards – "Best Cloud Services"** by SMBWorld

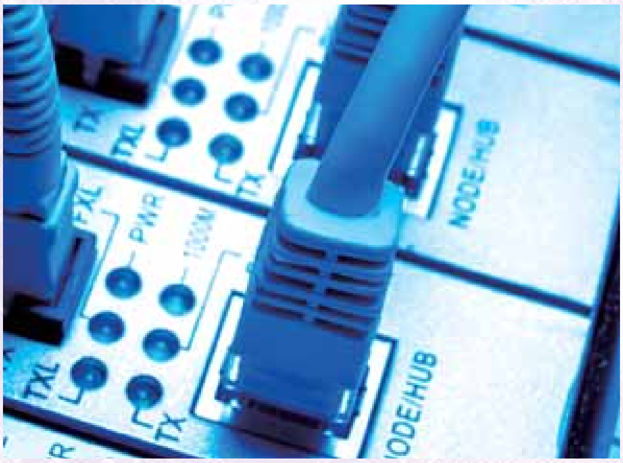
- Selected as one of the **"2013 MIS Asia Strategic 100 – Regional 20" ICT companies** by MIS Asia magazine for the fifth consecutive year

Beyond the business of adding superior value by providing world-class ICT solutions to enterprises, CITIC Telecom CPC is also actively engaged in volunteer activities and other initiatives as part of its commitment to corporate social responsibility. In 2013, CPC once again was accredited for participation in the Hong Kong ERB Manpower Developer Award Scheme 2013-2015, in recognition of outstanding achievement in manpower training and development. The Hong Kong Productivity Council also applauded CPC's positive working environment with the coveted "Happy Company" award. The Hong Kong General Chamber of Small and Medium Businesses also honored CITIC Telecom CPC with the "Partner Employer Award" in recognition of its support for local graduates by providing them with jobs and internships.

With Big Data coming of age, we are witnessing the emergence and greater requirements of Big Data Storage for business enterprises who embrace changes in information technology and globalisation. Apart from enhancing and enriching our range of ICT service offerings, we are continuing to strengthen our technical and operational competence and variety in our cloud service offerings as well as a wide-range of high level ICT solutions to business enterprises.

CITIC Telecom CPC's managed solutions complement each other, and CPC continues to refine and expand its range of best-in-class communications products, security solutions and managed services, while maintaining its commitment to be a trusted world-class ICT partner.

DATA CENTRE



Since 2010, the Group had proactively developed new data centre space. As of December 2013, the capacity of the Group is as follows:

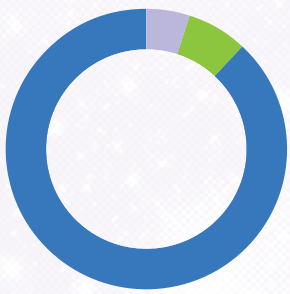
Capacity (No. of Racks)	Total	Existing	Available in 2014
Total no. of racks	2,362	1,669	693
Available	832	139	693

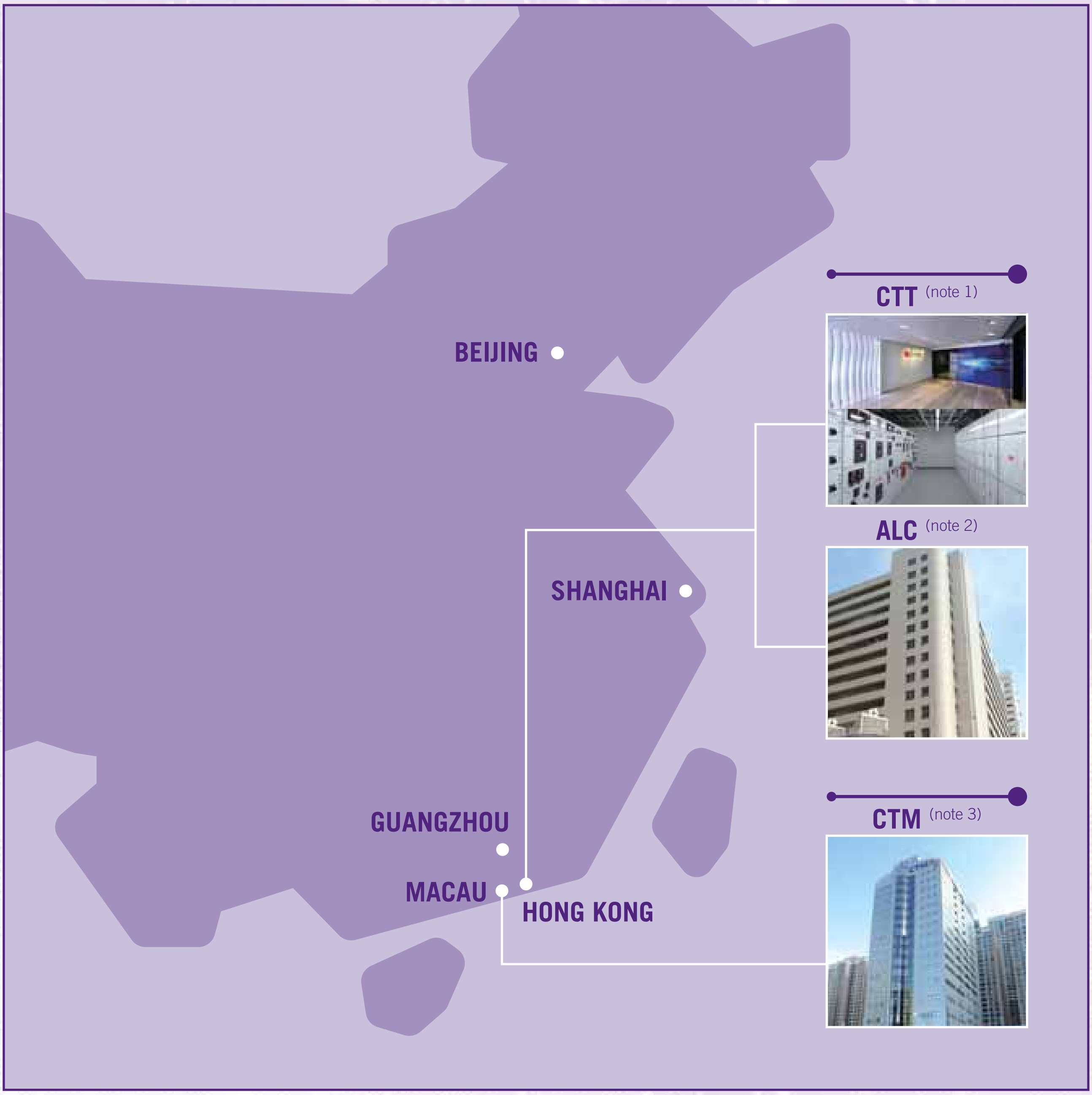
The occupancy rate for existing space was over 90% and new available space in Ap Lei Chau had also received very good feedback. In order to cater for the growth of cloud computing and data centre needs, the Group will expand data centres development in Hong Kong, China and Macau. The Group plans to expand our capacity in the following area:

Hong Kong	2,000+
Macau	1,500+
Shanghai/Beijing/Guangzhou	3,000+

All new data centres will be of Tier III+ specification in order to cater for the needs of high end customers. The Group will also "link"up all data centres through CITIC Group/CITIC Telecom/CTM optical fibre infrastructure.

RACKS (BY LOCATION)





Note 1: CTT represent the data centre in CITIC Telecom Tower
Note 2: ALC represent the data centre in Ap Lei Chau
Note 3: CTM represent the data centre in Telecentro

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 of each business segment and the financial position of the Group as a whole.

Pages 94 to 174 of the Annual Report contain the Group's consolidated financial statements 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 93 is the report of CITIC Telecom's auditor, KPMG, of their independent audit of the Group's consolidated financial statements.

REVIEW OF FINANCIAL PERFORMANCE

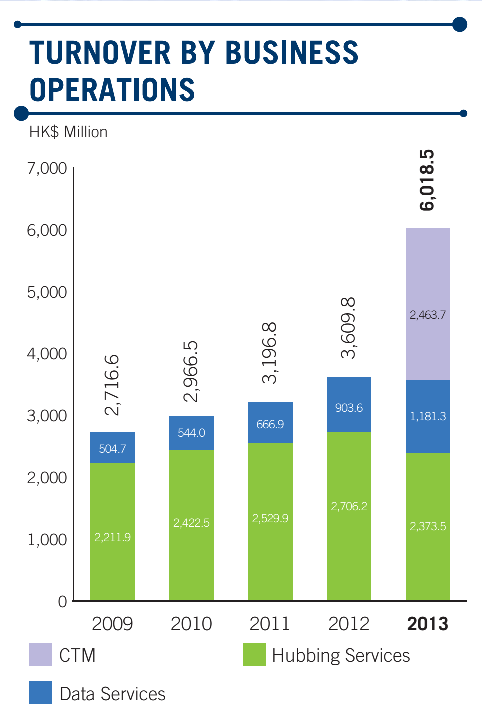
ACQUISITION OF COMPANHIA DE TELECOMUNICAÇÕES DE MACAU, S.A.R.L. AND ITS SUBSIDIARIES ("CTM")

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

TURNOVER

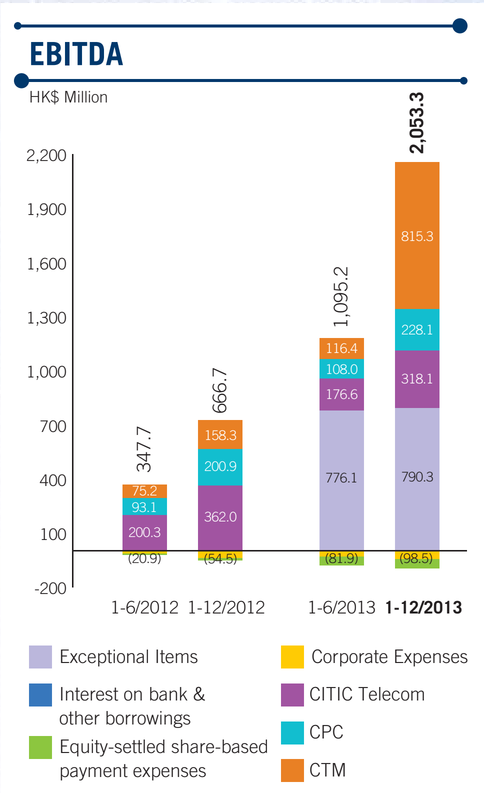
The Group's turnover increased by 66.7% to HK$6,018.5 million for the year ended 31 December 2013 compared with HK$3,609.8 million for the corresponding period of 2012.

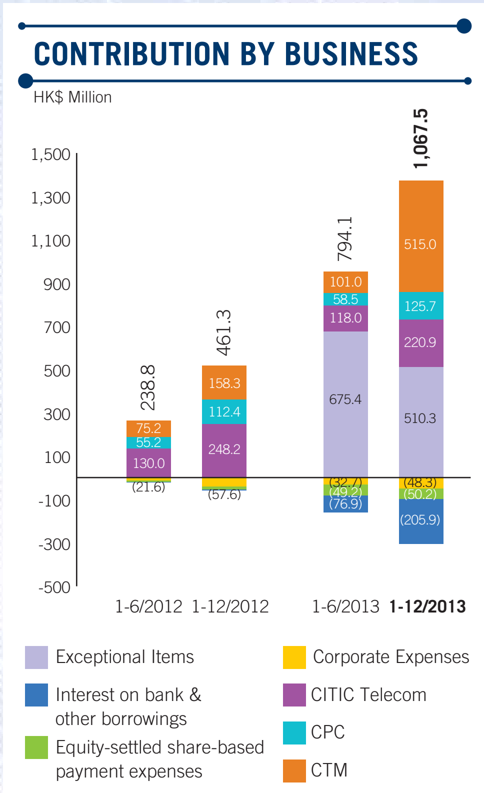


SUMMARY OF FINANCIAL RESULTS

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

CONTRIBUTION BY BUSINESS





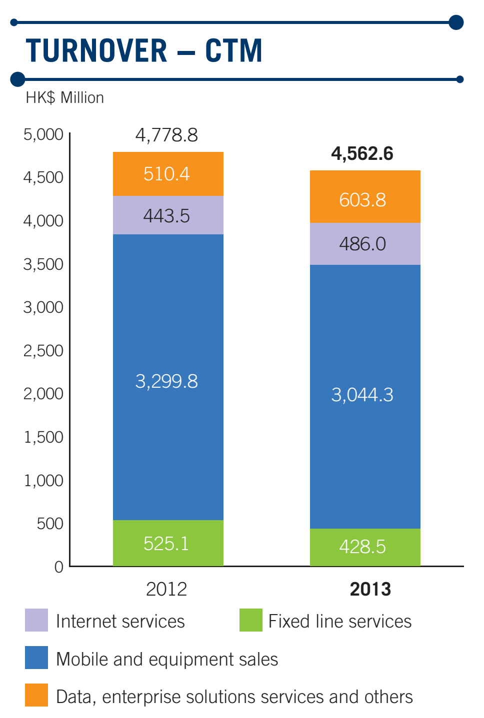
Remarks:
1 CPC represents CITIC Telecom International CPC Limited and its subsidiaries.
2 EBITDA and profit contributed from CTM include the Group's share of CTM's profit prior to the Acquisition.
3 Exceptional items include items such as gain on deemed disposal of equity interest in an associate, finance and transaction costs related to the Acquisition, one-off refinancing costs, impairment losses and others.

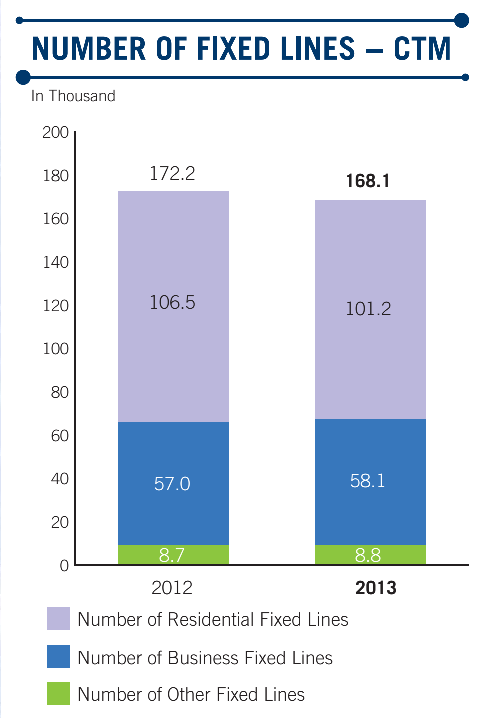
CTM

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

Fixed line services

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





Mobile and equipment sales

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

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

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

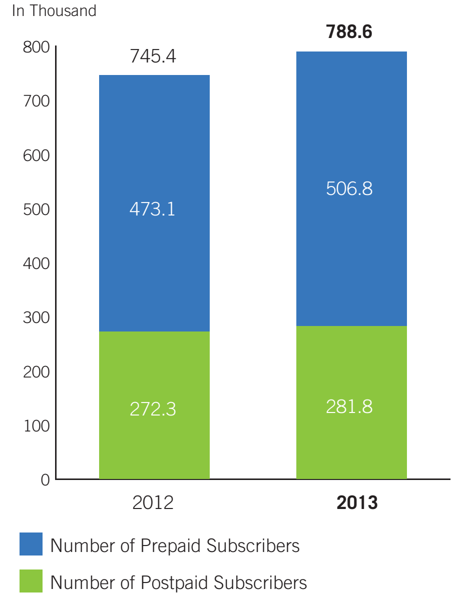
Internet services

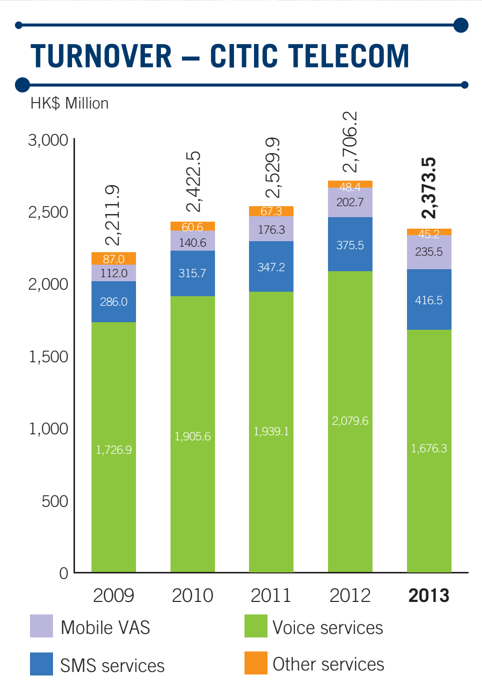
Internet revenue was HK$486.0 million in 2013 which represented an increase of 9.6% when compared to 2012. The increase was mainly due to higher revenue from the good uptake of both residential and business fiber broadband services. Overall broadband ARPU increased by 4.5% to HK$274 in 2013 despite price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

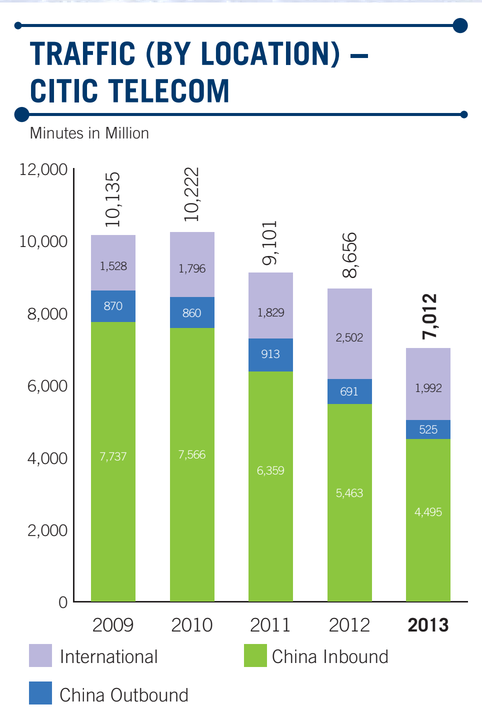
Data, enterprise solutions services and others

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

NUMBER OF MOBILE SUBSCRIBERS – CTM







CITIC TELECOM

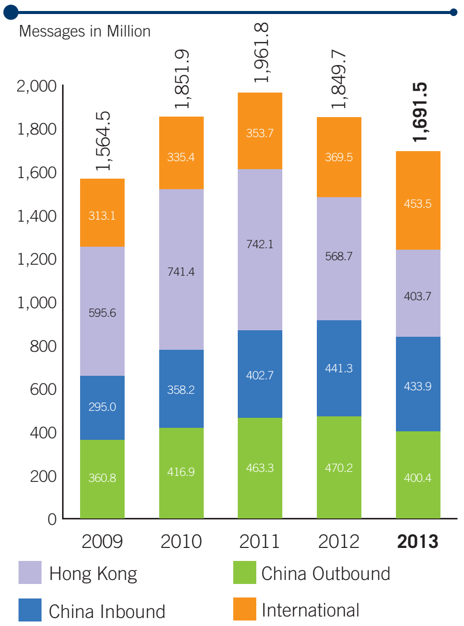
Voice services for CITIC Telecom represent the Group's traditional telecoms hubbing services. Voice services revenue decreased by HK$403.3 million or 19.4% to HK$1,676.3 million for 2013 when compared with 2012. The Group handled a total traffic of 7.01 billion minutes, a 19.1% reduction compared with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

SMS services sustained stable growth in 2013 with turnover reaching HK$416.5 million for the year ended 31 December 2013, an overall growth of 10.9% as compared to 2012. Owing to the increasing popularity of social networking applications, the number of Hong Kong domestic SMS dropped by 29.0% during the year. However, the Group accelerated the development of corporate SMS to minimise the substitution impact brought by emerging internet applications. The number of international SMS achieved strong growth of 22.7% and the increase in international and corporate traffic has partly offset the decrease in local domestic SMS. Although the number of messages handled by the Group has dropped by 8.6% to 1,691.5 million messages from 2012, the average revenue per SMS has increased by approximately 25.0%.

Mobile value-added services ("VAS") registered steady growth in 2013 with turnover increasing by 16.2% to HK$235.5 million when compared with 2012. The growth was due to the Group's successful strategy to customise existing products to address changing market needs and providing bundled services which were well received by China operators.

Others mainly comprised of enterprises solution projects and other services. The revenue from these services was stable between 2013 and 2012.

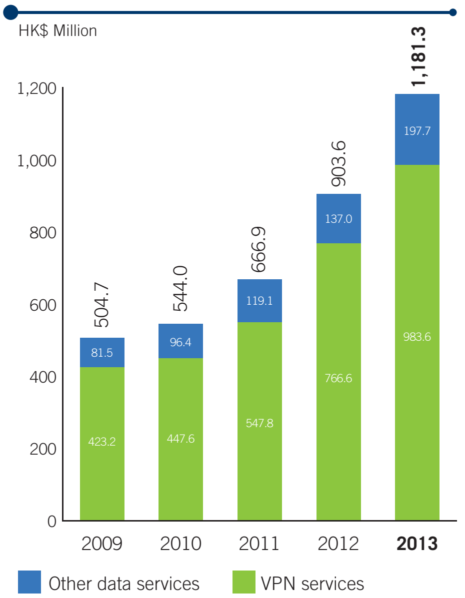
NUMBER OF SMS – CITIC TELECOM

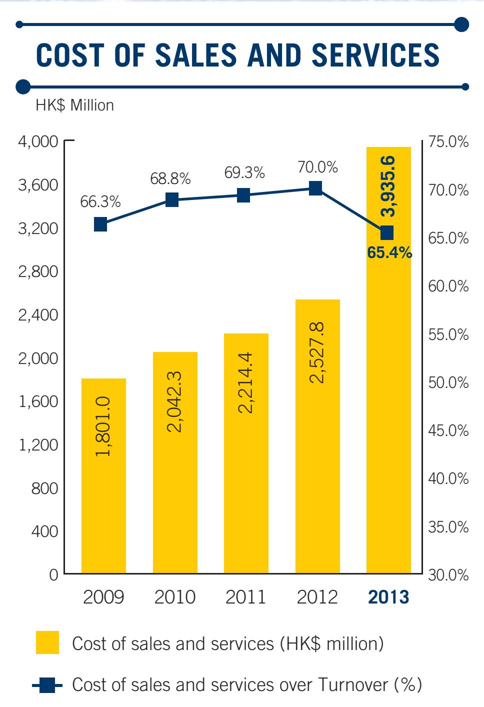


DATA SERVICES

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

DATA SERVICES – CPC





PROFIT FROM CONSOLIDATED ACTIVITIES

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

Gain on deemed disposal of equity interest in an associate

A one-off gain on deemed disposal of equity interest in an associate of HK$1,116.3 million is measured as the excess of the fair value of the 20% equity interest in CTM over the carrying amount of the Group's 20% equity interest in CTM at the date of the Acquisition in accordance with the relevant accounting standard. This is an extraordinary gain which is not derived from the ordinary course of business of the Group and has contributed significantly to the increase in the Group's 2013 results.

Net foreign exchange gain/(loss)

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

Cost of sales and services

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

Staff costs

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

Depreciation and amortisation

Depreciation and amortisation expenses amounted to HK$417.0 million, an increase of HK$262.7 million as compared with 2012. The rise was mainly due to the commissioning of the new data centre and the network system upgrade in late 2012 and early 2013, and also due to the increase in the corresponding amortisation and depreciation expenses in relation to intangible assets and tangible assets recognised on the acquisitions of CEC in September 2012 and CTM in June 2013 respectively.

Other operating expenses

Other operating expenses of HK$656.3 million included exceptional items of HK$234.5 million. If the exceptional items were excluded, other operating expenses for 2013 amounted to HK$421.8 million which represented an increase of 91.7% when compared to 2012. Exceptional items mainly represent the transaction costs in relation to the Acquisition, impairment of certain disputed debtor balances and interest in a joint venture. The increase in other operating expenses (before exceptional items) was mainly due to the inclusion of CEC and CTM's operating expenses subsequent to its acquisition. Other contributory factors were higher utilities charges incurred by the new data centre and increase in repairs and maintenance expenses during the year which were consistent with the Group's operational expansion.

Share of profit of an associate

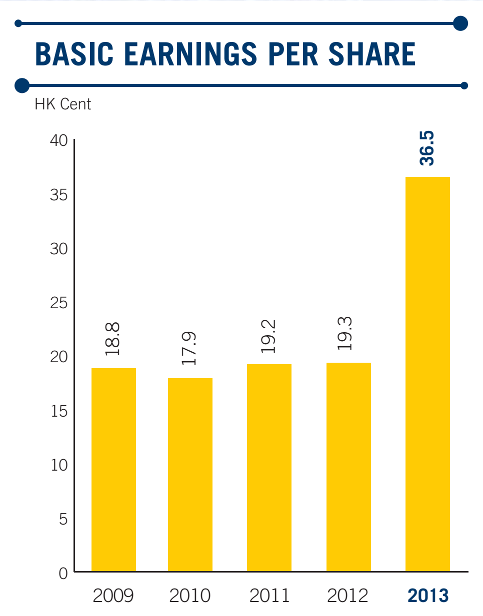
The Group's 20% share of the profit of CTM for the period up to the acquisition date amounted to HK$80.6 million. This represented a decrease of HK$77.7 million when compared with the Group's share for the year ended 31 December 2012. The decrease was mainly due to the Group's consolidation of CTM's financial results subsequent to the Acquisition.

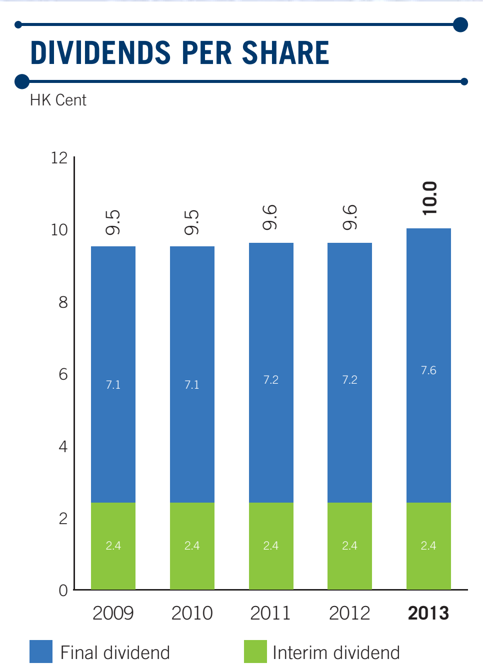
EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION ("EBITDA")

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

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

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





FINANCE COSTS

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

INCOME TAX

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

EARNINGS PER SHARE ("EPS")

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

DIVIDENDS PER SHARE

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

CASH FLOWS

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

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

Profit before taxation amounted to HK$1,201.1 million for the year ended 31 December 2013. After accounting for the net changes in working capital and adding back the non-cash items like the gain on deemed disposal of equity interest in an associate, depreciation and amortisation and impairment losses, the cash inflows from business operations was HK$1,072.7 million representing an increase of 268.4% when compared with the corresponding period of 2012. During the year, the Group made a rights issue and new borrowings totaling HK$10,206.7 million to finance the Acquisition. The use of cash comprised capital expenditure, dividend distribution to equity shareholders, purchase consideration and transaction costs for the Acquisition, and various other payments. As a result, the Group generated net cash inflow of HK$504.7 million for 2013.

CAPITAL EXPENDITURE

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

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

TREASURY POLICY AND RISK MANAGEMENT

GENERAL

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

FINANCING FOR THE ACQUISITION

During the year, the Group paid a total cash consideration, including consideration adjustments, of US$1,250.2 million (approximately HK$9,751.5 million) for the Acquisition. To meet this huge funding requirement, CITIC Telecom International Finance Limited, a wholly-owned subsidiary of the Company, issued US$450 million (approximately HK$3,510.0 million) 6.1% guaranteed bonds due 2025 in March 2013; the Company raised additional capital through the rights issue of HK$1,825.5 million in June 2013; and the Company entered into a facility agreement with a group of eleven banks in aggregate amount of US$630 million (approximately HK$4,914.0 million) (the "US$630 million Facility") in June 2013.

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

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

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

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

NET DEBT AND LIQUIDITY RISK MANAGEMENT

Debt and leverage

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

At 31 December 2013, total bank and other borrowings and net debt of the Group were as follows:

			Denomination			
In HK$ Million equivalents	**HKD**	**USD**	**MOP**	**RMB**	**Others**	**Total**
Total bank and other borrowings	100.0	7,616.6	–	–	–	7,716.6
Less: Cash and bank deposits	(139.2)	(180.2)	(455.1)	(32.4)	(49.2)	(856.1)
Net debt/(cash)	**(39.2)**	**7,436.4**	**(455.1)**	**(32.4)**	**(49.2)**	**6,860.5**

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

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

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

The maturity profile of the Group's bank and other borrowings in principal amount at 31 December 2013 was as follows:

In HK$ Million	**Within 1 year**	**After 1 year but within 2 years**	**After 2 years but within 3 years**	**After 3 years but within 4 years**	**After 4 years but within 5 years**	**After 5 years**	**Total**
Bank borrowings	100.0	–	1,684.8	505.4	2,021.8	–	4,312.0
US$450 million 6.1% guaranteed bonds	–	–	–	–	–	3,510.0	3,510.0
	100.0	**–**	**1,684.8**	**505.4**	**2,021.8**	**3,510.0**	**7,822.0**

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

Liquidity risk management

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

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

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

Available sources of financing

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

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

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

At 31 December 2013, the type of facilities of the Group was summarised as follows:

In HK$ Million	Total available facilities	Amount utilised	Amount unutilised
Committed facilities:			
Term loans	4,212.0	4,212.0	–
US$450 million 6.1% guaranteed bonds	3,510.0	3,510.0	–
	7,722.0	7,722.0	–
Uncommitted facilities:			
Short-term facilities	100.0	100.0	–
Trade facilities	229.5	103.0	126.5
	329.5	203.0	126.5
Total	**8,051.5**	**7,925.0**	**126.5**

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

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

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

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

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

Capital commitments
At 31 December 2013, the Group had outstanding capital commitments of HK$402.7 million, mainly for the acquisition of telecommunications equipment which had yet to be delivered to the Group and fitting out costs of the new data centre. Of these commitments, HK$239.6 million were outstanding contractual capital commitments and HK$163.1 million were capital commitments authorised but for which contracts had yet to be entered into.

Contingent liabilities
At 31 December 2013, the Group had no significant contingent liabilities.

FOREIGN CURRENCY RISK

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

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

INTEREST RATE RISK

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

Interest rate risk is managed by borrowing fixed rate or through use of interest rate swap, if necessary. At 31 December 2013, approximately 55% of the Group's borrowings were linked to floating interest rates. During the year, the Group did not enter any interest rate swap arrangement.

Average borrowing costs

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

CREDIT RISK

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

Credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining the economic environment in which the customer operates. Trade debtors are due within 7 to 180 days from the date of billing. Debtors with balances due over one year, the Group will assign an officer who will be responsible to agree on a settlement plan with those debtors to reduce the outstanding balance within a reasonable period.

The Group has certain concentration risk in respect of trade debtors due from the Group's five largest customers who accounted for approximately 46% and 57% of the Group's total trade debtors at 31 December 2013 and 2012 respectively. The credit risk exposure to trade debtors balance has been and will continue to be monitored by the Group on an ongoing basis.

COUNTERPARTY RISK

At 31 December 2013, the Group had a significant balance of cash at various financial institutions. To minimise the risk of non-recovery of cash deposits, the Group mainly deals with financial institutions which have good credit ratings with prestigious credit ratings companies (such as Moody's Investors Service, Standard & Poor and Fitch Group) or the note issuing banks in Hong Kong, Macau and the PRC. At 31 December 2013, the Group has approximately HK$836.5 million cash balance in the above-mentioned financial institutions, representing approximately 98% of the total cash and bank deposits of the Group. Management does not expect any losses from non-recovery from our financial counterparties.

FORWARD LOOKING STATEMENTS

This Annual 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.

FIVE YEAR SUMMARY

	At 31 December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013 HK$'000**
Assets and liabilities					
Property, plant and equipment	541,691	595,350	668,521	742,376	**1,884,339**
Intangible assets	55,232	48,362	89,888	105,825	**2,342,878**
Goodwill	277,419	281,465	363,549	402,456	**9,283,688**
Interest in an associate	–	1,489,382	1,472,414	1,449,938	**–**
Interest in a joint venture	–	–	43,176	45,950	**6,264**
Non-current other receivables and deposits	21,481	171,370	109,347	174,352	**164,974**
Deferred tax assets	14,284	22,172	19,902	37,451	**33,011**
Net current assets	845,122	476,722	569,159	615,725	**552,947**
Non-current interest-bearing borrowings and other payables	–	(102,582)	(95,192)	(87,808)	**(7,696,989)**
Net defined benefit retirement obligation	–	–	–	–	**(72,302)**
Deferred tax liabilities	(38,289)	(38,424)	(61,638)	(65,241)	**(310,859)**
NET ASSETS	1,716,940	2,943,817	3,179,126	3,421,024	**6,187,951**
Capital and reserves					
Share capital	197,773	238,520	238,599	238,668	**332,324**
Reserves	1,519,167	2,705,297	2,940,527	3,194,035	**5,830,947**
Total equity attributable to equity shareholders of the Company	1,716,940	2,943,817	3,179,126	3,432,703	**6,163,271**
Non-controlling interests	–	–	–	(11,679)	**24,680**
TOTAL EQUITY	1,716,940	2,943,817	3,179,126	3,421,024	**6,187,951**

	For the year ended 31 December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013 HK$'000**
Results					
Turnover	2,716,559	2,966,469	3,196,753	3,609,810	**6,018,543**
Profit before taxation	446,959	445,757	523,683	505,221	**1,201,125**
Income tax	(75,432)	(44,469)	(65,437)	(40,232)	**(130,826)**
Profit for the year	371,527	401,288	458,246	464,989	**1,070,299**
Attributable to:					
Equity shareholders of the Company	371,527	401,288	458,246	461,283	**1,067,506**
Non-controlling interests	–	–	–	3,706	**2,793**
Profit for the year	371,527	401,288	458,246	464,989	**1,070,299**
Basic earnings per share (HK cents)	18.8	17.9	19.2	19.3	**36.5**
Diluted earnings per share (HK cents)	18.8	17.8	19.2	19.3	**36.2**
Dividends per share					
Interim dividend (HK cents)	2.4	2.4	2.4	2.4	**2.4**
Final dividend (HK cents)	7.1	7.1	7.2	7.2	**7.6**
	9.5	9.5	9.6	9.6	**10.0**

SUSTAINABILITY REPORT

As a well-established Asia's communications hub in Hong Kong and telecommunications expert specialised in connecting the world, CITIC Telecom Group has a strong sense of commitment in fulfilling corporate social responsibility ("CSR") and ensuring that it is part of our core corporate value in our daily operation. It is our belief that a responsible business creates a win-win situation for the Group, its shareholders, customers, employees, business partners, and the community. Therefore, CSR has always been an integral part of the Group's corporate business strategy and philosophy that drives the Group's continued growth. Our CSR is based on "People and Community", which are represented by the following:

(I) Fairness and Integrity
(II) Concertedly Building the "CITIC Telecom Team"
(III) Caring for the Community
(IV) Support for the Community
(V) Training and Development
(VI) Caring for the Environment

FAIRNESS AND INTEGRITY

EQUAL OPPORTUNITY

The Group is an equal opportunity employer and adheres to non-discriminatory employment practices and procedures in recognising and respecting individuals' rights. The Group promotes equal opportunities to applicants and existing employees, determining staff promotion and development in accordance with individual performance and job requirements. Discrimination is prohibited in the daily operation. Our people hiring is based on the fundamental principle of "employment is based on talents". Our recruitment process and opportunities for career development are not limited by gender, age, nationality, region, sexual orientation or disability.

BUSINESS ETHICS

The Group upholds a high standard of business ethics and personal conduct of its employees. Every employee of the Group is required to strictly comply with the Code of Conduct and Conflict of Interest Policy.

The Code of Conduct, Conflict of Interest and Equal Opportunities Policy are structured as a series of policy guidelines on different ethical issues, including bribery, accepting gift, conflicts of interest and equal opportunities. These policy guidelines articulate our commitment to acting in accordance with these values, setting out the standards of behaviour and ethics we expect at all time from each and every staff member.

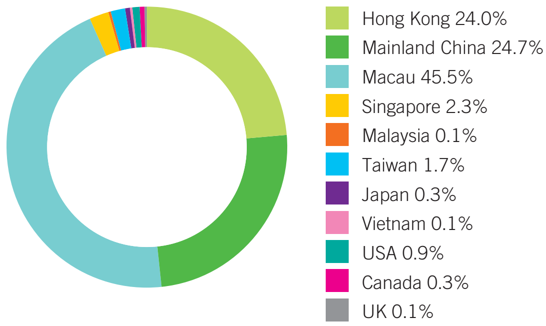
The Group also takes an active role to assist the government to promote the anti-corruption education service. Our subsidiary assisted Commission Against Corruption, Macao Special Administrative Region (MSAR) to promote clean election of the 2013 legislative election in Macau.

CONCERTEDLY BUILDING THE "CITIC TELECOM TEAM"

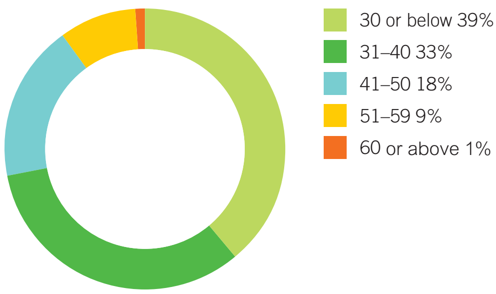
PEOPLE

As at the end of December 2013, the Group employed a total of 2,016 employees (2012: 900) for its headquarter in Hong Kong and its subsidiaries. Number of employees in Hong Kong was 482. Employee in mainland China and Macau totalled 1,416. Employees in overseas countries totalled 118. The increase in number of employees was mainly due to acquisition projects completed during the year. The diverse workforce offers us the opportunity to learn from one another and to connect with wide range of customers.

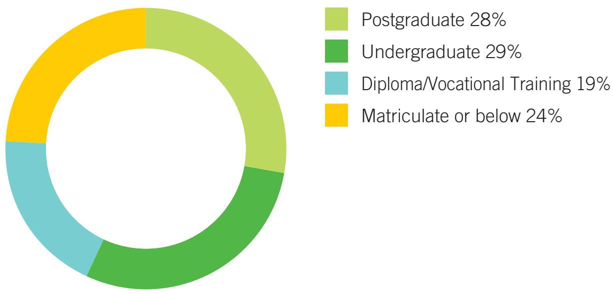
EMPLOYEE NUMBERS BY REGION



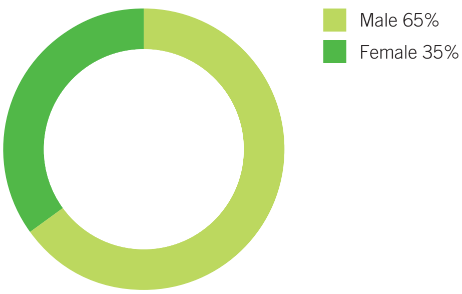
EMPLOYEE NUMBERS BY AGE



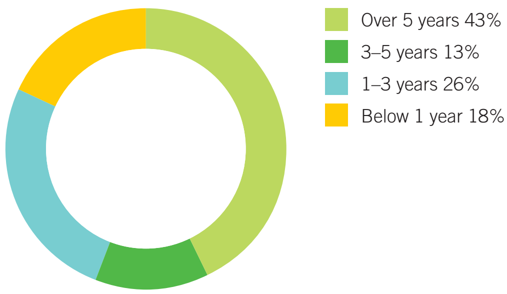
EMPLOYEE NUMBERS BY EDUCATIONAL BACKGROUND



EMPLOYEE NUMBERS BY GENDER



EMPLOYEE NUMBERS BY YEARS OF SERVICE



HEALTHY, SAFE WORKING ENVIRONMENT AND COMPREHENSIVE BENEFITS

The Group strives to ensure that our staff enjoy a healthy, safe and positive environment in which to work and interact with others. The comprehensive medical benefits, dental benefits, various leave entitlement, shuttle bus services, staff lunch, gifts celebrating the birth of employees' children and discount purchase will be provided to staff members of Hong Kong headquarter. For the members overseas, in mainland China and Macau, we will provide the benefits according to the local rules and market requirements. Number of reportable injuries in 2013 was 28 cases.

WORK-LIFE BALANCE

The Group concerns about the mental health of our staff and we put the objective of the balance of work and daily life into practice so that positive sentiments and motivation could be formed to strengthen their capability to handle difficulties and emotional problems.

The Group supports and organises various kinds of outdoor sports activities, interest classes and ball games competitions to facilitate interaction and communication among staff to enhance team spirit and physical fitness of our staff.

The Group organised "CITIC Telecom International Basketball Champion" and badminton competition respectively in 2013. Through the activities, our staff were provided with opportunities to participate and establish team spirit. Our subsidiary volunteer team and Macau Special Olympics (MSO) jointly organised a bowling competition, representatives of both parties formed teams to participate in the competition altogether. The Group won the champion of "7-a-side Football Tournament" organised by HK Internet Data Centre Committee in this year and our subsidiary formed a team of 15 highly dedicated football players to take part in the "Telecom Cup Friendly Football Match", aimed to enhance the team spirit and so as to build friendships among telecoms operators and the community. Our subsidiary has been actively demonstrating its full support to "World Challenge Day 2013" which was jointly organised by Macau Sports Development Board and Civic and Municipal Affairs Bureau, to promote the importance of physical exercise.

The Group has also built the indoor sports centre and multi-functional recreation centre in our headquarter building to allow our staff to enjoy all kinds of leisure and sports activities regardless of the weather conditions.

The Group organised various outing activities for our employees and their families throughout the year to enhance work-life balance as well as employee relations. In the spring season, we organised a one-day trip to unique parts of Hong Kong for our employees and their families to appreciate the importance of physical exercise and the environmental preservation.

REMUNERATION POLICY

The Group's compensation strategy is to cultivate a pay-for-performance culture to incentivise and reward employee performance that will lead to long-term enhancement of the overall calibre of the Group. The Group reviews the cash compensation and benefit packages provided to its employees to ensure that the total compensation is internally equitable, externally competitive and supports the Group's business strategy.

RETIREMENT BENEFITS

For Hong Kong employees, the Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme").

Employees of the Group's subsidiaries in other locations are required to participate in retirement schemes administered and operated by the respective local authorities and contributions are made according to the local requirements.

TWO-WAY COMMUNICATION

The Group recognises that the best way to encourage the work commitment and enthusiasm is to engage wholeheartedly with our staff, communicating openly with them and providing them with respect and opportunities to express their concerns, idea or suggestions. We have set up a Group intranet platform, suggestion boxes in each office floor and we also run regular staff opinion meeting where staff members can express their concerns to top management and offer their opinions on how to enhance the working environment and efficiency directly. We believe the value in two-way communication: engaging staff is not only about talking, it is also about effective listening which can enable the staff to feel involved in the running of the business and be motivated to perform their very best.

CARING FOR THE COMMUNITY

As a responsible corporate citizen, the Group clearly understands the needs of integrating into the society, creating harmony and making full commitments to social services. The Group has set up the community services team since 2009 and has been active in fulfilling its social responsibility and encouraging its staff to support voluntary services and community activities through various means. During the year, the Group and its subsidiaries made charitable donations of over HK$600,000.

DISASTER RELIEF AND DONATIONS

Disaster relief is one of the areas of focus in our commitment towards social responsibility. Soon after the earthquake in Sichuan Ya'an, our subsidiary has immediately undertaken a series of actions in supporting the relief work of the Macau Red Cross for the earthquake victims. Apart from making a donation, our subsidiary set up a dedicated mobile donation platform to provide a convenient channel for residents to make donations.

The Group has always been committed to participating and supporting local charitable activities. Our subsidiary partnered with the Readers of Macao Daily News Charity Fund to establish a donation platform via the internet and mobile, for the purpose of raising additional funds for Walk For A Million.

STAFF VOLUNTEERISM

As a corporate member of Hong Kong Community Volunteer, the Group supports and encourages staff members to offer their time and care to the people in need in our community. Our volunteer services team visited "Ronald McDonald House" located in Shatin for three consecutive years. In 2013, we supported "Ronald McDonald House" by providing cleaning of the hostel, meal services and funny games to the kids of sickness. "Ronald McDonald House" was the first organisation in Asia providing temporary housing for kids receiving treatment and their families during their stay in hospitals.

Our subsidiary visited YWCA Elderly Day Care Centre to celebrate Father's Day. In the event, volunteers performed drama, delivered gift packs and enjoyed tea with the elderly.

To show our support towards this year's "30-Hour Famine" activities organised by World Vision (Macau Office), our subsidiary volunteer team members participated in a flag-selling activity to help raise more funds for charity and contributed to solving the problem of world hunger.

Our subsidiary volunteer team members also demonstrated the full support towards ORBIS's sight-saving mission that they actively participated in a street sale campaign held by ORBIS, with aims to help raise more funds and contribute towards eliminating avoidable blindness worldwide.

SPONSORSHIPS

The Group continued to make donations for "Ronald McDonald House Charities" Raffle Ticket Sale in 2013.

Our subsidiary in Singapore sponsored and took part in "Frost the Trail 2013", a corporate charity run for donation to "Bright Hill Evergreen Home", a local non-profit nursing home for the destitute elderly. The event was meant to generate deeper awareness of the community issues. Our subsidiary in Singapore also sponsored "CITIC Telecom Scholarship" at Singapore Polytechnic in this year.

Our subsidiary organised a Charity Photography Competition and Charity Sale to raise funds for MSO as well as to arouse the attention of the society for the disadvantaged group. Participants of the competition could upload the photos with the theme of Macau Grand Prix to our subsidiary Buddy Facebook page for public votings. For every photo uploaded, our subsidiary would donate MOP10 to MSO. The Charity Sale activity was supported by the local renowned racing athlete André Couto who had donated model racing cars, racing accessories and autograph postcards. Our subsidiary had also joined the charity sale. Proceeds from the whole event were donated to the MSO.

As the long-term partner of Fuhong Society, our subsidiary fully supports a series of activities in celebrating the 10th anniversary of Fuhong Society by rendering technical support, as well as promoting the events through different channels, so as to disseminate the message of harmonious society to the general public.

NURTURING YOUTH

The Group have been devoting great efforts to help youngsters on understanding of the telecoms industry for their future career development. Our subsidiary worked with the Hong Kong Federation of Youth Groups on "Job Shadowing Program", "Job Exploration" and "Workplace Visit". The events gave students a better understanding on office environment, the prospect of ICT industry and specific occupation in order to assist them in their career planning.

In "Job Shadowing Program", several senior secondary students were arranged to have a one-on-one shadowing with our staff. The students were given the opportunity to observe the daily operations in an office environment.

In "Job Exploration", some students conducted interview with our staff in Information Technology, Human Resources, Marketing and Finance departments. The students could gain a better understanding on different functional roles which assist them in their subject selection of further studies and career planning.

In "Workplace Visit", a group of secondary students were led by teachers and social workers to visit our office and data centre. Staff from HR department explained to students our products and services, company's background, the level of competency required for entry level positions and career prospects.

A group of about 20 students from the Innovative Smart Centre (ISC) visited our subsidiary this year. They were introduced company's structure and the latest mobile applications, so as to enhance the youngsters' understanding of the actual operation of the telecom industry, and to inspire their potential and interest in the development of IT.

As the sole telecom services sponsor, our subsidiary continued to fully support "2013 Macau Educational Fair" which was joinly organised by the Tertiary Education Services Office of MSAR and the Venetian Macau through actively promoting the event's news via its promotional channels including SMS, email and website, etc.

COMMUNITY SUPPORT

50222 HIKER SMS TRACKING SERVICE

The Group continues to support community work in the technology sector. The Group together with mobile operators in Hong Kong have provided full support to the 50222 Hiker SMS Tracking Service. This is a user friendly and potentially life-saving SMS-based tool available to all users of Hong Kong's country parks as a free service to report their tracks, thereby facilitating the Government's emergency services to more accurately pinpoint their locations in the event of a rescue attempt.

INTERNET SERVICES

The Group also continues to sponsor the projects of the Hong Kong Internet eXchange (HKIX) and Hong Kong Internet eXchange 2 (HKIX2), both of which are non-profit organisations. The Group provides networking equipment and two protected 10 Gbps optical fibre connections between HKIX to co-location spaces. In addition, 7 x 24 support services are provided by the Group to ensure stable daily operations and to provide users with quality internet services in Hong Kong. The Group also assists in expanding the number of internet users and extent of usage.

SUPPORT TO COMMUNICATIONS INDUSTRY DEVELOPMENT

The Group and its subsidiary provide support to the industry organisation – the Communications Association of Hong Kong, which encourages the communications industry in maintaining high standard of business and professional ethics and protects the interests of the society and the public.

EXPANSION OF SERVICE COVERAGE AND LAUNCH OF NEW SYSTEM

The Group and its subsidiaries have been making significant investments to introduce a variety of services and applications with the objective of facilitating the customers as well as community to enjoy the convenience brought by technology including our subsidiary's on-going commitment on expanding fiber broadband coverage in Macau in order to further promote the popularity of fiber broadband service towards a new digital era.

Our subsidiary has also launched a brand new Automated Speech Recognition (ASR) system to provide residents and tourists an innovative, professional and convenient telecom service as well as enhance customer satisfaction and service efficiency.

DONATION OF TELEPHONES

The Group is always committed to embrace the corporate philosophy of serving back to the community through collaborating with the local social welfare institutions to return benefits to the people in need. Our subsidiary, as a long term partner of the General Union of Neighborhood Associations of Macau (UGAMM), donated 300 fixed telephones and other gifts to the elderly in need.

CHILDREN'S LIBRARY

The Singapore subsidiary continues to work with Evercare Welfare Centre to encourage reading for children in the community.

AWARD AND RECOGNITION

The Group has been awarded by the Hong Kong Council of Social Service as "Caring Company" for three consecutive years for our dedication to promote corporate social responsibility through caring for the community, employees and the environment. The Group was awarded "Award for Volunteer Service Commitment 2013" by Agency for Volunteer Service in recognition of our commitment to community services.

The Group was granted the Corporate Citizenship Logo under the "Hong Kong Corporate Citizenship Award Scheme" organised by the Hong Kong Productivity Council in 2013, to recognise our contribution in social responsibilities.

HKC Drive for Corporate Citizenship 積極推動企業公民 2013

The Group was awarded by the Junior Chamber International Hong Kong as "Better World Company" for our efforts and achievement in environmental sustainability, development of employees and entrepreneurship.

WeUnite Better World Company 環球愛心企業 JCI

The Group was also awarded by the Corporate Governance Asia Magazine as "Asia's Outstanding Company on Corporate Governance" for the recognition of our efforts in corporate governance.

Our subsidiary was honored the "Partner Employer Award" by the Hong Kong General Chamber of Small and Medium Business in recognition of its support for local graduates by providing them with jobs and internships. Moreover, our subsidiary was recognised for its positive working environment and received the "Happy Company" award from the Hong Kong Productivity Council.

友商有良 2013/14 Partner Employer Award 嘉許計劃

2013 HAPPY 開心企業 COMPANY

TRAINING AND DEVELOPMENT

Our staff is our greatest asset. The Group continues its effort in staff training and development to support the needs of its business and staff. In respect of training and development, the Group has been adopting "optimisation of professional performance, motivation of staff's potentials, and revitalisation of learning culture" as our approaches. As a result, "training" is based on the increment of knowledge, skills enhancement and improvement in management's capabilities, while "development" is oriented on the sustainable development of the company and our staff.

In 2013, the Group provided various training opportunities, both internally and externally, in order to enhance the competitiveness of the Group. Such training areas and scopes cover advanced management skills, engineering techniques, quality management, information technology, finance management and language, etc.

To encourage our staff to develop themselves further, the Group launched various policies for culture learning, talents development scheme and advanced training scheme on management skills, etc. The Group also encourages and facilitates knowledge sharing and skill transfer between staff in Hong Kong and other regions to strengthen business integration. The management is determined to nurture elites and enhance their comprehensive working and management capabilities by actively providing potential staff with training opportunities which are important to the Group's success as well as succession planning.

The Group also supports and encourages self-initiated personal development of our employees by providing training subsidies for external training courses to enhance their skills and abilities.

In 2013, the Group provided training to employees over 40,000 hours.

Our subsidiary was awarded the "Manpower Developer" in the ERB Manpower Developer Award Scheme of 2013-2015 launched by Employees Retraining Board in recognition of its outstanding accomplishments in manpower training and development.

GUEST SPEAKER SHARING

The Group invites parties and experts in various professional areas to share their experience with different levels of employees for knowledge enhancement. In 2013, the Group invited Professor Liu Yunjie, an expert in the telecommunications industry to share his experience with our management team on the topics of Internet Development, Digital Macau and the Networks Integration.

INTERNSHIP SCHEMES

The Group contributes to the society by providing various working and internship opportunities, including "ICT Elite Incubation Program"(a 12-month integrated industry training provided to the students of communications disciplines) co-organised with the Communications Association of Hong Kong "CAHK" and young technical talents exchange program. Besides, the Group launched university graduates training scheme with talent pool for corporate future growth, including schemes of engineer trainees.

CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

All board directors also participate in continuous professional training including update of financial reporting standards and listing rules to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant.

PROSPECTS

Along with the growth and needs of the Group, training no longer focuses on the level of techniques training and on-the-job training solely, but also on the level of personal development of the management, which helps the Group to nurture successors with potential and promote diversified learning culture. Also, staff is encouraged to develop continuously and is well communicated among each other in order to establish well managed team. Looking forward, the Group will lay a solid foundation for optimisation of its management and nurture talents to match corporate development.

CARING FOR THE ENVIRONMENT

Climate change is one of the most important challenges facing mankind. The Group is committed to conduct business in an environmentally responsible manner. In 2013, we continued to be the "Carbon Audit • Green Partner" of Environmental Protection Department for the recognition of supporting greenhouse gas emission reduction activities. The Group also participated in the "Energy Saving Charter on Indoor Temperature" scheme and was embarking upon a series of measures to reduce greenhouse gas emissions. These include improving energy efficiency and energy conservation, encouraging greening and raising public awareness.

Carbon Audit 碳審計
綠色機構 Green Partner

REDUCE ELECTRICITY CONSUMPTION AND IMPROVING ENERGY EFFICIENCY

- Replace existing installations by electronics of higher energy efficiency
- Use energy saving T5 fluorescent tubes, LED light bulbs and energy saving light bulbs to reduce energy consumption and heat load
- Separate lighting zones to allow lights to be switched off when not in use
- Switch off air-conditioning, lighting and equipment in office zones not in operation
- Perform regular maintenance and cleaning of air conditioning system and all electrical appliances to optimise energy usage
- Set thermostat of office areas at 25ºC
- Encourage and educate staff to save energy through channels such as notice board, reminders and company intranet
- Record electricity usage regularly in order to monitor and control the energy usage

REDUCE PAPER CONSUMPTION

- Utilise intranet, e-mail and e-fax systems for internal and external communications to avoid unnecessary photocopies/printouts
- Minimise photocopying/printing and reinforce double-sided copying/printing
- Encourage staff to reuse one-sided paper for internal printing
- Place collection boxes near copiers to collect single-sided printed documents for internal-reuse
- Use electronic filing whenever possible
- Send e-cards instead of paper type celebration cards
- Encourage staff to reduce of paper use by email
- Record paper usage regularly in order to monitor and control the paper usage

REDUCE WATER CONSUMPTION

- Install water efficient taps in toilet
- Encourage staff to save water in toilet by email
- Record water usage monthly in order to monitor and control the water usage

REUSE AND RECYCLE

- Donate office computers to charitable organisations for reuse
- Reuse stationery such as paper, folders, paper clips, envelopes, boxes, plastic bags, etc.
- Place boxes beside copiers to collect double-sided non-confidential paper documents, envelopes or magazines and to be collected by recycling dealers regularly
- Recycle computer hardware, toner cartridges and other e-waste

ESTABLISH AND MAINTAIN GREEN ENVIRONMENT

- Plant over 100 small to medium size green plants in our indoor green garden and inside office areas

2012 - 2014
Eco
Office
Trademark of Singapore Environment Council

The Singapore office of the Group continues its effort to protect the environment. The office was succeeded in obtaining re-certification as an Eco-office upon passing the external audit. The Eco-Office certification is awarded by the Singapore Environment Council to offices which have displayed environmental consciousness in their daily operations.

Our Singapore subsidiary was a lead-sponsor for "the Asian Environmental Journalism Awards" (AEJA). The AEJA was launched with the aim of recognising and rewarding excellence in environmental journalism. To further the environmental protection effort as well as to help students with financial needs, the Singapore subsidiary sponsored "CITIC Telecom Scholarship" at Singapore Polytechnic in 2013 to help students pursuing the related courses concerning the preservation of the environment.

Our subsidiary has been promoting energy conservation, and actively supporting the government's "Macau Energy Saving Week" activity by encouraging colleagues to make positive responses to energy conservation, work jointly to build a sustainable living environment.

SUSTAINABILITY REPORT HIGHLIGHTS 2013

JANUARY

– Awarded as "Caring Company" by the Hong Kong Council of Social Service for three consecutive years and obtained "Award for Volunteer Service Commitment 2013"

– Awarded as Corporate Citizenship by the Hong Kong Productivity Council

– Selected as "Carbon Audit • Green Partner" for two consecutive years by Environmental Protection Department

– Our subsidiary CPC organised "Job exploration" program to assist students in their subject selection of further studies and career planning

MARCH

– CPC was awarded the "Manpower Developer" in the ERB Manpower Developer Award Scheme launched by Employees Retraining Board

– Our Singapore office awarded the Eco-Office certification since 2010

MAY

– CPC organised student for "Workplace visit" at our office and data centre for understanding of Telecoms Industry

JUNE

– Participated in the "Energy Saving Charter on Indoor Temperature" scheme of Electrical & Mechanical Services Department for environmental protection

– Awarded by the Corporate Governance Asia Magazine as "Asia's Outstanding Company on Corporate Governance"

– Won the champion of "7-a-side Football Tournament" organised by HK Internet Data Centre Committee

– Our subsidiary CTM supported "Macau Energy Saving Week" activity

– CPC Volunteer team visited YWCA Elderly Day Care Centre

– CTM participated ORBIS street sale campaign

– Our Singapore subsidiary sponsored "CITIC Telecom Scholarship" at Singapore Polytechnic

JULY

– CPC was received the "Happy Company" award from the Hong Kong Productivity Council

AUGUST

– CPC organised "Job shadowing program" for senior secondary students to observe the daily operations in an office environment

– Our Singapore subsidiary participated "Frost The Trail 2013" a charity run for donation to "Bright Hill Evergreen Home"

– CTM provided support for Fuhong Society by rendering technical support and promoting the events through different channels

– CTM organised students from the Innovative Smart Centre for office visit

– CTM assisted CCAC to promote clean election of 2013 legislative election

SEPTEMBER

– Volunteer team visited "Ronald McDonald House"

– Organised "CITIC Telecom International Basketball Champion"

– CTM provided support for "2013 Macau Educational Fair" through promoting the event's news via its promotional channels including SMS, email and website

– As long term support for the General Union of Neighborhood Associations of Macau, CTM donated 300 fixed telephones to the elderlies

OCTOBER

– Awarded as "Better World Company" by the Junior Chamber International Hong Kong

– Our Singapore subsidiary sponsored for the Asian Environmental Journalism Awards

NOVEMBER

– Organised badminton competition for the Group

– CTM held Charity Photography Competition and Charity Sale

– CTM set up donation platform for the Readers of Macao Daily News Charity Fund

DECEMBER

– CPC was honored the "Partner Employer Award" by the Hong Kong General Chamber of Small and Medium Business

CORPORATE GOVERNANCE

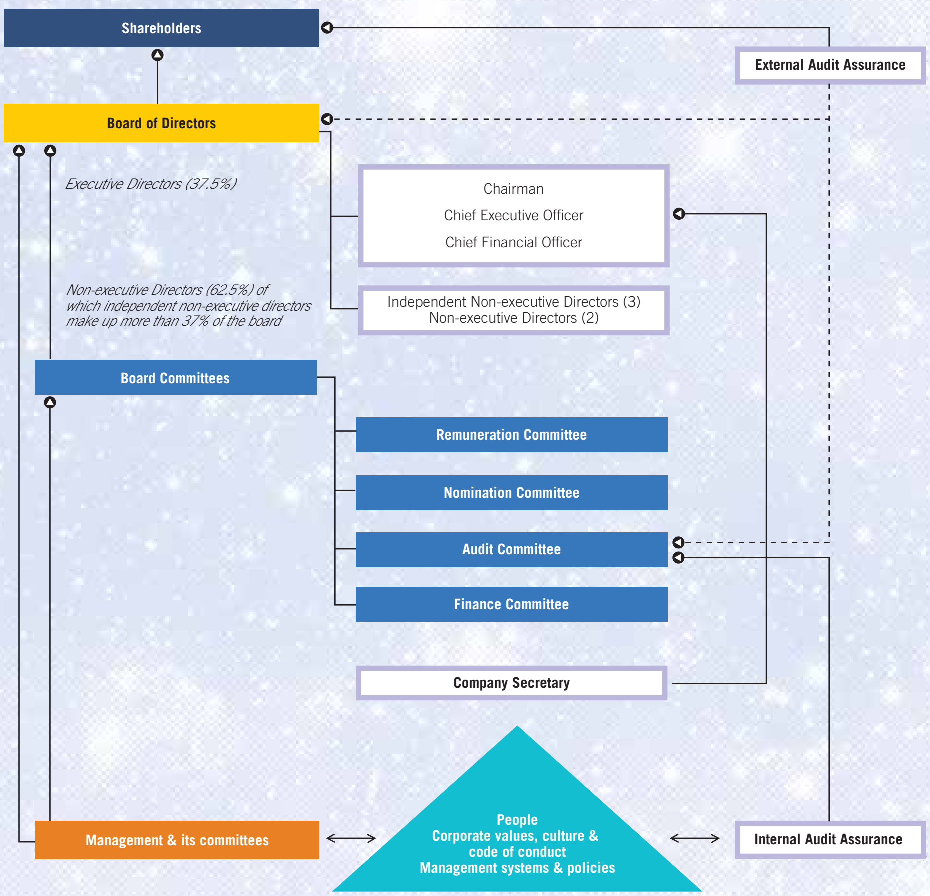
CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. The board of directors believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. At CITIC Telecom, we attach importance to our people, our code of conduct, and our corporate policies and standards, which together form the basis of our corporate governance practices. We respect the laws, rules and regulations of each country and area in which we operate, and we strive to ensure for our people a healthy and safe working environment which is our paramount concern. We endeavour to contribute to the sustainable development of the Company, with particular focus on our accountability to shareholders and stakeholders.

This report describes how the Company has applied its corporate governance practices to its everyday activities. Throughout the year 2013, the Company has fully complied with the applicable code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Looking ahead, we will keep our governance practices under continual review to ensure their consistent application and will continue to improve our practices having regard to the latest developments.

CORPORATE GOVERNANCE STRUCTURE



BOARD OF DIRECTORS

OVERALL ACCOUNTABILITY

Members of the board are individually and collectively accountable to the shareholders for the success and sustainable development of the Company. The board provides direction and approval in relation to matters concerning the Company's business strategies, policies and plans whilst the day-to-day business operations are delegated to the executive management. The board is accountable to the shareholders and in discharging its corporate accountability, every director of the Company is required to pursue excellence in the interests of the shareholders and fulfill his fiduciary duties by applying the required level of skill, care and diligence to a standard in accordance with the statutory requirements.

During the year, the board has performed a self-evaluation of its performance and reviewed the contribution required from a director to perform his responsibilities. The board is of the view that all directors have given sufficient time and attention to the Group's affairs and the board operates effectively as a whole.

BOARD COMPOSITION AND CHANGES DURING 2013

The board currently comprises three executive and five non-executive directors of whom three are independent as defined under the Listing Rules. Independent non-executive directors constitute more than one-third and non-executive directors constitute more than half of the board. The Company has received from each independent non-executive director a confirmation of his independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that all independent non-executive directors are independent. Brief biographical particulars of the directors are set out on pages 73 to 75.

Each director has entered into an appointment letter with the Company. Under the Articles of Association of the Company, every director, including the non-executive directors, shall be subject to retirement by rotation at least once every three years. Retiring directors are eligible for re-election at the annual general meeting during which they retire. Separate resolutions are proposed for the election of each director. One-third of the directors, or if their number is not a multiple of three, then the number nearest to one-third, must retire from office at each annual general meeting and their re-election is subject to a vote of the shareholders. Also, any director appointed to fill a casual vacancy is subject to re-election at the next following annual general meeting of the Company.

With effect from 21 February 2013, Mr. Fei Yiping has resigned from the board and Mr. Luo Ning was appointed as a non-executive director of the Company. Mr. Luo has retired and was re-elected at the annual general meeting of the Company held on 12 April 2013. Thereafter, he will be subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.

BOARD RESPONSIBILITIES AND DELEGATION

The board collectively determines the overall strategies of the Company, monitors performance and the related risks and controls in pursuit of the strategic objectives of the Group. Day-to-day management of the Group is delegated to the executive directors or the officer in charge of each division and function who is required to report back to the board. Functions reserved to the board and those delegated to management are reviewed periodically. All board members have separate and independent access to the senior management, and are provided with full and timely information about the conduct of the business and development of the Group, including reports and recommendations on significant matters. All board members are provided with monthly management updates of the business operations of the Group. Should separate independent professional advice be considered necessary by the directors, independent professional services would be made available to the directors upon request.

The board has delegated some of its functions to the board committees, details of which are set out below. Matters specifically reserved for the board include approval of financial statements, dividend policy, significant changes in accounting policies, material contracts, changes to appointments such as company secretary and external auditor, terms of reference of board committees, as well as major corporate policies such as code of conduct and whistle-blowing policy.

To implement the strategies and plans approved by the board, executive directors and senior management meet on a regular basis to review the performance of the Group and make financial and operational decisions. In addition, a Risk Management Committee, comprising the executive directors and senior management, meets regularly to discuss the risk management of the Group. A Capex Review Board is also set up in which the Chief Executive Officer and the Chief Financial Officer of the Company review the capital investments proposed by the management to ensure that the proposed investments are in the best interests of the Group both commercially and strategically.

The Company has arranged directors and officers liability and company reimbursement insurances for its directors and officers.

Details of the responsibilities, membership, attendance and activities during the year of each board committee are set out on pages 64 to 67.

BOARD MEETINGS AND ATTENDANCE

The board meets regularly to review the financial and operating performance of the Group and to discuss future strategy. Four regular board meetings and one special board meeting were held in 2013. At the board meetings, the board reviewed significant matters including the Group's annual and interim financial statements, annual budget, proposals for final and interim dividends, annual report and interim report and notifiable transaction. At least 14 days' notice is given to all directors for all regular board meetings and all directors are given the opportunity to include matters for discussion in the agenda. The agenda and board papers for each meeting are sent to all directors at least 3 days in advance of every regular board meeting. All minutes of the board meetings are kept by the company secretary of the Company and are available to all directors for inspection. During the year, the Chairman of the Company has also held a meeting with the non-executive directors (including the independent non-executive directors) without the presence of executive directors.

The 2013 annual general meeting ("2013 AGM") and an extraordinary general meeting of the Company were held on 12 April 2013. The attendance record of each director at the board meetings and general meetings in 2013 is set out below:

	Attendance/Number of Meetings	
Directors	Board Meeting	General Meeting
Executive Directors		
Mr. Xin Yue Jiang – *Chairman*	5/5	2/2
Mr. Yuen Kee Tong – *Chief Executive Officer*	5/5	2/2
Dr. David Chan Tin Wai – *Chief Financial Officer*	5/5	2/2
Non-executive Directors		
Mr. Liu Jifu	5/5	2/2
Mr. Fei Yiping (resigned on 21 February 2013)	2/2	N/A
Mr. Luo Ning (appointed on 21 February 2013)	3/3	2/2
Independent Non-executive Directors		
Mr. Yang Xianzu	5/5	2/2
Mr. Liu Li Qing	5/5	2/2
Mr. Gordon Kwong Che Keung	5/5	2/2

The Company's external auditor also attended the 2013 AGM.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Xin Yue Jiang serves as the Chairman of the Company and Mr. Yuen Kee Tong as the Chief Executive Officer of the Company. They have separate defined responsibilities whereby the Chairman is primarily responsible for leadership and effective functioning of the board, ensuring all key and appropriate issues are addressed by the board in a timely manner, as well as providing strategic direction of the Group, and also take primary responsibility for ensuring good corporate governance practices and procedures are established. The Chief Executive Officer is responsible for the day-to-day management of the Group and the effective implementation of corporate strategy and policies. Their respective roles and responsibilities are set out in writing, which have been approved and adopted by the board.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

Each newly appointed director is provided with necessary induction and information to ensure that he has a proper understanding of the Group's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

Directors' training is an ongoing process. During the year, directors are provided with monthly updates on the Group's performance, position and prospects to enable the board as a whole and each director to discharge their duties. In addition, all directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

During the year, the Company has also organised two briefing sessions conducted by Messrs. Mayer Brown JSM and KPMG respectively for the directors of the Company. The briefing sessions covered topics including the new Companies Ordinance, the disclosure of price sensitive information and an update on accounting standards.

According to the record of the directors' participation in the continuous professional development programme kept by the Company, a summary of training received by the directors during the year is as follows:

Directors	Type of continuous professional development programme
Executive Directors	
Mr. Xin Yue Jiang	A, B
Mr. Yuen Kee Tong	A, B
Dr. David Chan Tin Wai	A, B
Non-executive Directors	
Mr. Liu Jifu	A, B
Mr. Luo Ning	A, B
Independent Non-executive Directors	
Mr. Yang Xianzu	A, B
Mr. Liu Li Qing	A, B
Mr. Gordon Kwong Che Keung	A, B

Notes:

A: attending briefings and/or seminars

B: reading materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements

BOARD COMMITTEES

The board has appointed a number of committees to discharge the board functions. Sufficient resources are provided to enable the board committees to undertake their specific roles. The respective role, responsibilities and activities of each board committee are set out below:

REMUNERATION COMMITTEE

The principal role of the remuneration committee is to determine and review the remuneration packages of individual executive directors and senior management, including salaries, bonuses, share options and other plans, etc. The remuneration committee reviews and approves the management's remuneration proposals with reference to the board's corporate goals and objectives and considers salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group, so as to align management incentives with shareholders' interests.

The committee currently comprises three independent non-executive directors and a non-executive director. The Chairman of the committee is Mr. Yang Xianzu, an independent non-executive director. The company secretary of the Company serves as the secretary of the committee. Minutes for the meetings are sent to the committee members within a reasonable time after the meetings. The full terms of reference are available on the Company's website (www.citictel.com) and the Stock Exchange's website.

The composition of the remuneration committee during the year as well as the meeting attendance of the committee members are as follows:

Membership and Attendance

Members	Attendance/ Number of Meetings
Independent Non-executive Directors	
Mr. Yang Xianzu – *Chairman*	1/1
Mr. Liu Li Qing	1/1
Mr. Gordon Kwong Che Keung	1/1
Non-executive Director	
Mr. Liu Jifu	1/1

During the year, the remuneration committee has reviewed the remuneration policies and approved the salaries and bonuses of the executive directors and senior management and also the granting of options under the Company's share option plan. No director took part in any discussion about his own remuneration. A resolution in writing was passed and a meeting was held in 2013. The remuneration committee has communicated with the Chairman of the Company about proposals relating to the remuneration packages of other executive directors and senior management.

Details of the Company's remuneration policies are set out in the Sustainability Report on page 50, and directors' emoluments and retirement benefits are disclosed on pages 128 to 129 and pages 146 to 150. Remuneration paid/payable to the senior management are disclosed on page 130. Share options granted under the Company's share option plan are disclosed on pages 82 to 86.

AUDIT COMMITTEE

The audit committee reviews financial information of the Group, monitors the effectiveness of the external audit and oversees the appointment, remuneration and terms of engagement of the Company's external auditor, as well as their independence. The audit committee is also responsible for reviewing the financial reporting process and the system of internal controls and risk management, including the internal audit function as well as arrangements for concerns raised by the staff on financial reporting and other matters ("whistle blowing"). The board also delegated certain corporate governance functions to the audit committee, including, inter alia, the review and monitoring of the Company's policies and practices on compliance with legal and regulatory requirement, the code of conduct of the Company and the Company's policies and practices on corporate governance and its compliance with the Code and disclosures in the Corporate Governance Report, etc. The full terms of reference setting out the committee's authority and its role and responsibilities are available on the Company's website (www.citictel.com) and the Stock Exchange's website.

The audit committee currently consists of three independent non-executive directors having the relevant professional qualifications and expertise. The Chairman of the committee is Mr. Gordon Kwong Che Keung, an independent non-executive director. The company secretary of the Company acts as the secretary of the committee. Sufficient resources are made available to the committee when independent legal or professional advice is required.

The audit committee meets at least twice a year. The Chief Financial Officer and the external and internal auditors attend the meetings, take part in the discussions and answer questions from the committee members. By invitation of the audit committee, other directors and senior executives may also attend the meetings. The audit committee Chairman and other committee members also meet once a year in separate private session with the external auditor and internal auditor without the presence of management.

The audit committee held two meetings in 2013 with full attendance by the committee members in person or by video conference. The agenda and accompanying committee papers were sent to the committee members at least 3 days prior to each meeting. The company secretary of the Company prepared full minutes of the audit committee meetings with details of discussions and decisions reached. The draft and final versions of minutes were sent to all committee members within a reasonable time after each meeting.

The composition of the audit committee during the year as well as the meeting attendance of the committee members are as follows:

Membership and Attendance

Members	Attendance/ Number of Meetings
Independent Non-executive Directors	
Mr. Gordon Kwong Che Keung – *Chairman*	2/2
Mr. Yang Xianzu	2/2
Mr. Liu Li Qing	2/2
Non-executive Director	
Mr. Fei Yiping (resigned on 21 February 2013)	1/1

During 2013, the audit committee has considered the external auditor's proposed audit fees; discussed with the external auditor their independence and the nature and scope of the audit; reviewed the interim and annual financial statements of the Group, particularly judgmental areas, before submission to the board; reviewed the internal control system and the internal audit plan, findings and management's response; reviewed the Group's adherence to the code provisions in the Code. The audit committee recommended the board to adopt the interim and annual financial statements for 2013. The audit committee has also performed the corporate governance duties as set out in its terms of reference.

NOMINATION COMMITTEE

The nomination committee is authorised by the board to determine the policy for the nomination of directors, to set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship. The nomination committee is also responsible for reviewing the structure, size and diversity of the board. The terms of reference of the committee were revised in line with the new requirements of the Code which took effect from 1 September 2013. The revised terms of reference are available on the Company's website (www.citictel.com) and the Stock Exchange's website.

The Company has adopted the board diversity policy in August 2013. The policy sets out the approach to achieve diversity in the board which will include and make good use of the differences in skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of service and other qualities of the members of the board. These differences will be considered in determining the optimum composition of the board and all board appointments will be based on merit, having due regard to the overall effective functioning of the board as a whole. The ultimate decision will be based on merit against objective criteria and with due regard for the benefits of diversity on the board. The Company believes that diversity can strengthen the performance of the board, promote effective decision-making and better corporate governance and monitoring. The nomination committee also monitors the implementation of this policy and reports to the board on the achievement of the measurable objectives for achieving diversity under this policy.

The committee currently comprises five members, a majority of whom are independent non-executive directors and is chaired by the Chairman of the board. The company secretary of the Company serves as the secretary of the nomination committee. Minutes for the meetings are sent to the nomination committee members within a reasonable time after the meetings.

A meeting was held and two resolutions in writing were passed in 2013. The composition of the nomination committee during the year as well as the meeting attendance of the committee members are as follows:

Membership and Attendance

Members	Attendance/ Number of Meeting
Executive Director	
Mr. Xin Yue Jiang – *Chairman*	1/1
Non-executive Director	
Mr. Liu Jifu	1/1
Independent Non-executive Directors	
Mr. Yang Xianzu	1/1
Mr. Liu Li Qing	1/1
Mr. Gordon Kwong Che Keung	1/1

In 2013, the nomination committee determined the criteria and the procedures for nomination of a non-executive director. The nomination committee has also reviewed the structure, size and diversity of the board, made recommendations to the board on the re-election of the directors retiring at the 2013 AGM and recommended the appointment of a non-executive director for approval by the board. The nomination committee has also reviewed the diversity of the board and discussed the measurable objectives, including knowledge, appropriate professional qualifications, relevant business background and experience, skills, related management expertise and independence of directors and agreed that these measurable objectives were achieved for the diversity on the board which contributed to the corporate strategy and the business development of the Company.

FINANCE COMMITTEE

The finance committee is delegated the powers of the board to establish or renew financial and credit facilities and undertake financial and credit transactions such as loans, deposits, commercial papers, bills of exchange and foreign exchange, etc.

The finance committee comprises three executive directors. In 2013, eight resolutions in writing were passed by the finance committee to approve opening of bank accounts and other financial transactions such as acceptance of banking facilities.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The board of directors recognises the importance of integrity of financial information and acknowledges its responsibility for preparing interim and annual financial statements that give a true and fair view of the Group's affairs and its results and cash flows in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance. In presenting the financial information, as well as price-sensitive announcements and other financial disclosures as required by regulations, the board endeavours to present in a timely manner to shareholders and other stakeholders a balanced and understandable assessment of the Group's performance, position and prospects. Accordingly, appropriate accounting policies are selected and applied consistently, and judgments and estimates made by the management for financial reporting purpose are prudent and reasonable. Prior to the adoption of the financial statements and the related accounting policies, the relevant financial information is discussed between the external auditor and the management, and then submitted to the audit committee for review.

The board considers that the adoption of new and amended financial reporting standards that became effective during the year has not had a significant impact on the Group's financial statements, details of which are disclosed in Note 1(c) to the financial statements on pages 102 to 104.

The responsibilities of the external auditor with respect to the financial statements for the year ended 31 December 2013 are set out in the Independent Auditor's Report on page 93.

EXTERNAL AUDITORS AND THEIR REMUNERATION

The external audit provides an objective assessment of the financial information presented by the management, and is considered one of the essential elements to ensure effective corporate governance. Since 2005, KPMG has been engaged as the Company's external auditor. Their independence and audit process are reviewed and monitored by the audit committee which considers the scope of the audit work, audit fees, non-audit services as well as their appointment and retention.

During the year, the fees charged by KPMG for the audit of the Company and its subsidiaries amounted to approximately HK$5,061,000. In addition, approximately HK$8,397,000 was charged for non-audit services. The non-audit services mainly consist of taxation services, interim review, special audits, advisory and other professional services in relation to the notifiable transaction. The fees charged by other auditors of the Group for audit services during the year amounted to approximately HK$157,000.

INTERNAL CONTROLS

The board has overall responsibility for maintaining an adequate system of internal control and reviewing its effectiveness. The internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material misstatement or loss, and management rather than elimination of risks associated with its business activities.

During the year, the audit committee, as delegated by the board, has reviewed the adequacy and effectiveness of the Group's internal controls, including financial, operational and compliance controls and risk management. It has also considered the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting functions and their training programmes and budgets.

The management regularly assessed the risks and the internal controls with reference to the five components of the COSO (The Committee of Sponsoring Organisation of the Treadway Commission) internal control framework. The result of the review has been summarised and reported to the audit committee and the board.

In addition, the Group Internal Audit Department ("Internal Audit Department") of CITIC Pacific Limited ("CITIC Pacific", the controlling shareholder (as defined in the Listing Rules) of the Company) conducts regular and independent reviews of the effectiveness of the Group's internal control system. The audit committee reviews the findings and opinion of the Internal Audit Department on the effectiveness of the Group's internal control system and reports to the board on such reviews.

INTERNAL AUDIT

The Group has continued to engage the Internal Audit Department to perform internal audits for the Group. The Internal Audit Department performs independent internal audit reviews for all business units and functions in the Group on a systematic and ongoing basis. The frequency of review of individual business units or functions is determined after an assessment of the risks involved. The audit committee endorses the internal audit plan annually. The Internal Audit Department has unrestricted access to all parts of the business and direct access to any level of management including the Chairman of the Company and the Chairman of the audit committee as it considers necessary. It submits regular reports for the audit committee's review in accordance with the approved internal audit plan. Concerns which have been reported by the Internal Audit Department are monitored by management by taking appropriate remedial actions. During the year, the internal audit of a major subsidiary of the Group was completed on a co-sourcing basis with a leading professional accounting firm to increase the internal audit value.

BUSINESS ETHICS

Code of conduct

To ensure the highest standard of integrity in our business, the Group adopted a Code of Conduct defining the ethical standards expected of all employees as well as non-discriminatory employment practices. Briefings on the Code of Conduct are held regularly for new employees during orientation sessions. A set of Code of Conduct would be distributed to employees and can be accessed through the Company's intranet. The audit committee receives reports on the execution of the code of conduct and its compliance at least once a year.

Whistle-blowing policy

The Company considers the whistle-blowing channels as a useful means of identifying possible misconduct or fraud risks of a particular operation or function by encouraging employees to raise concerns in good faith. The Company has established a whistle-blowing policy setting out principles and procedures for guiding the directors and employees of the Group in reporting cases of fraud, corruption or misconduct in a fair and proper manner.

According to the whistle-blowing policy, concerns can be raised in writing, to any of the (i) Corporate Management, (ii) Chairman of the audit committee, (iii) Head of Human Resources & Administration Department, (iv) Head of Finance Department. All allegations received shall be registered and will be evaluated to determine the credibility, materiality and verifiability. To this end, the allegation will be evaluated to determine whether there is a legitimate basis to warrant an investigation. Representatives from the above departments will be nominated to form a review committee which will directly report to the Chairman of the Company. Those who have conflict of interest will not be included in the committee. Where allegations or concerns are related to senior management, the whistle-blower shall report directly to the Chairman of the Company or the Chief Executive Officer (those who have conflict of interest shall be excluded).

PRICE-SENSITIVE INFORMATION

With respect to the procedures and internal controls for the handling and dissemination of price-sensitive information, the Company is aware of its obligations under Part XIVA of the Securities and Futures Ordinance and the Listing Rules and has established the inside information/price-sensitive information disclosure policy with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. All directors confirmed that they have complied with the required standard set out in the Model Code throughout 2013. The interests held by individual directors in the Company's securities at 31 December 2013 are set out in the Directors' Report on pages 87 to 88.

COMMUNICATION WITH SHAREHOLDERS

The Company considers effective communication with shareholders essential to enable them to have a clear assessment of the Group's performance as well as accountability of the board of directors. Major means of communication with shareholders of the Company are as follows:

INFORMATION DISCLOSURE ON CORPORATE WEBSITE

The Company endeavours to disclose all material information about the Group to all interested parties as widely and timely as possible. The Company maintains a corporate website at www.citictel.com where important information about the Group's activities and corporate matters such as annual reports and interim reports to shareholders, announcements, business development and operations, corporate governance practices and other information is available for review by shareholders and other stakeholders.

When announcements are made through the Stock Exchange, the same information will be made available on the Company's website (www.citictel.com).

During 2013, the Company has issued announcements in respect of, inter alia, a notifiable transaction and some connected transactions which can be viewed on the Company's website.

GENERAL MEETINGS WITH SHAREHOLDERS

The Company's annual general meeting provides a useful platform for direct communication between the board and shareholders. Separate resolutions are proposed on each substantially separate issue at the general meetings.

VOTING BY POLL

Resolutions put to vote at the general meetings of the Company (other than on procedural and administrative matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Stock Exchange and the Company respectively on the same day as the poll.

INVESTOR RELATIONS

The Company recognises its responsibility to explain its activities to those with a legitimate interest and to respond to their questions. Investors are received and visited at appropriate times to explain the Group's business. In addition, questions received from the general public and individual shareholders are answered promptly. In all cases great care is taken to ensure that price-sensitive information is not disclosed selectively. When announcements are made through the Stock Exchange, the same information will be made available on the Company's website.

SHAREHOLDERS' RIGHTS

Set out below is a summary of certain rights of the shareholders of the Company as required to be disclosed pursuant to the mandatory disclosure requirement under the Code:

Convening of extraordinary general meeting on requisition by shareholders

In accordance with Sections 566 to 568 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company, may require the directors of the Company to convene an extraordinary general meeting ("EGM"). The written requisition must state the general nature of the business to be dealt with at the EGM and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company at 25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong for the attention of the company secretary in hard copy form or sent to the Company in electronic form. The requisition may consist of several documents in like form, each signed by one or more of the shareholders concerned.

If the directors of the Company do not within 21 days after the date on which the written requisition is received by the Company proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of 3 months from the date of the original requisition.

The EGM convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the directors of the Company.

Procedures for directing shareholders' enquiries to the board

Shareholders may at any time send their enquiries and concerns to the board of directors of the Company in writing through the company secretary whose contact details are as follows:

The Company Secretary
CITIC Telecom International Holdings Limited
25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong
Email: contact@citictel.com
Tel No.: +852 2377 8888
Fax No.: +852 2918 4838

The company secretary shall forward the shareholders' enquiries and concerns to the board of directors and/or relevant board committees of the Company, where appropriate, to answer the shareholders' questions.

Procedures for putting forward proposals at general meetings by shareholders

Shareholders are requested to follow Sections 615 and 616 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) for including a resolution at an annual general meeting of the Company ("AGM"). The requirements and procedures are set out below:

(i) Any number of shareholders representing at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at an AGM to which the requisition relates, or at least 50 shareholders having a right to vote on the resolution at an AGM to which the requisition relates, may submit a requisition in writing to put forward a resolution which may properly be moved at an AGM.

(ii) The Company shall not be bound by the Companies Ordinance to give notice of the proposed resolution or to circulate a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution to shareholders of the Company entitled to receive notice of an AGM unless a copy of the requisition specifying the resolution of which notice is to be given and signed by the shareholders concerned (or 2 or more copies which between them contain the signatures of all the shareholders concerned) is deposited at the registered office of the Company at 25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong for the attention of the company secretary in hard copy form or is sent to the Company in electronic form not less than (i) 6 weeks before an AGM to which the requisition relates; or (ii) if later, the time at which notice is given of that AGM.

Pursuant to Article 108 of the Company's Articles of Association, no person other than a retiring director shall, unless recommended by the board for election, be eligible for election to the office of director at any general meeting, unless a shareholder shall have given a notice in writing of the intention to propose that person for election as a director and also a notice in writing by that person of his willingness to be elected shall have been given to the Company in the period commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than 7 days prior to the date of such meeting, provided that the minimum length of such notice period shall be at least 7 days. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules of the Stock Exchange.

CONSTITUTIONAL DOCUMENTS

There are no changes in the constitutional documents of the Company in 2013. However, a Special Resolution will be put forward to the shareholders in the forthcoming annual general meeting of the Company to be held on 25 April 2014 to adopt the new Articles of Association of the Company so as to bring the constitution of the Company in line with provisions of the new Companies Ordinance (Chapter 622 of the laws of Hong Kong).

NON-COMPETITION UNDERTAKING

CITIC Pacific has executed a deed of non-competition dated 21 March 2007 ("Non-competition Undertaking") in favour of the Company, details of which are set out in the prospectus of the Company, mainly to the effect that at any time during which the shares of the Company are listed on the Stock Exchange and CITIC Pacific and/or its associates are regarded as a controlling shareholder of the Company under the Listing Rules, (i) CITIC Pacific will not engage and will procure its subsidiaries not to engage in the provisions of telecommunications hub-based service ("Restricted Activity") globally or in any other business that may compete with the Restricted Activity, and (ii) in the event that any opportunity is made available to CITIC Pacific to invest in any independent third party's business engaging in the Restricted Activity, CITIC Pacific will use its best efforts to procure that such investment opportunity is offered to the Group and the Group shall have a first right of refusal.

CITIC Pacific has reviewed its business and businesses of its subsidiaries and advised that their businesses do not compete with the Restricted Activity and that during the year, there was no opportunity made available to CITIC Pacific to invest in any independent third party which was engaged in the Restricted Activity. CITIC Pacific has given a written confirmation to the Company that it had fully complied with the terms of the Non-competition Undertaking. The independent non-executive directors of the Company have reviewed the confirmation and concluded that CITIC Pacific has made the compliance.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

#^ **Mr. Xin Yue Jiang**, aged 65, has been appointed as the Chairman of the Company from 19 March 2009. He joined the Company in January 2008 as executive director and Vice Chairman of the Board. Mr. Xin is also the Chairman of Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM"), a subsidiary of the Company. Mr. Xin graduated from China Naval Aeronautic Engineering Institute and Central University of Finance and Economics and obtained a Master degree in Economics and Management from the Graduate School of Chinese Academy of Social Sciences. After serving a substantial period of time in the government of The People's Republic of China (the "PRC") in which Mr. Xin was involved in the administration of science, technology information and economics, Mr. Xin joined in succession various major conglomerates as senior management, researcher or chief engineer. When Mr. Xin was with China Netcom (Hong Kong) Operations Limited, he held the position of Senior Vice President and Senior Consultant. Mr. Xin had also participated in the planning, implementation and management of many different important state projects. Mr. Xin thus possesses extensive knowledge and experience in science and technology information, business operation and management, and capital market operation. Since 1985, Mr. Xin has joined many different overseas studies and visits, and gained many valuable experiences in promoting co-operation with overseas enterprises, technology exchange, product research and development, and product marketing. Mr. Xin has long been interested in the study and research of corporate governance and corporate culture, in particular the characteristics of Western economy and the corporate governance practices adopted by overseas enterprises, and has made significant achievement in that regard.

^ **Mr. Yuen Kee Tong, J.P.**, aged 65, is the Chief Executive Officer of the Company. Mr. Yuen is the Corporate Representative of the Company on the Board of CTM and the Vice Chairman of China Enterprise ICT Solutions Limited (formerly known as China Enterprise Communications Ltd.) ("CEC"). Mr. Yuen is a member of the Association of Chartered Certified Accountants of the United Kingdom and also a member of the Hong Kong Institute of Certified Public Accountants. He joined CITIC Pacific Limited ("CITIC Pacific"), the controlling shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) of the Company, in 2001 as the Deputy Managing Director. Mr. Yuen resigned from the Board of CITIC Pacific on 8 January 2007 and assumed the position of director and Chief Executive Officer of the Company on the same day. Mr. Yuen has more than 20 years extensive experience in all aspects of telecoms industry. Mr. Yuen was the Deputy Chief Executive of Hong Kong Telecommunications Limited and later, Pacific Century CyberWorks Limited. Mr. Yuen served many public bodies and advisory committees.

^ **Dr. Chan Tin Wai, David**, aged 49, is the Chief Financial Officer of the Company and he joined the Company in June 2006. Dr. Chan is also a director of CTM and CEC. Dr. Chan obtained a LLB (Hons) degree and a Master degree of Law from the University of London in the United Kingdom, a Master degree of Accounting from Curtin University in Australia and a Doctor degree of Business Administration from the University of Newcastle in Australia. He is a member of the Institute of Chartered Accountants in England and Wales and also a fellow member of the Association of Chartered Certified Accountants, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong and the Hong Kong Institute of Chartered Secretaries. Dr. Chan worked in CITIC Pacific during the period from 1994 to 2000. He had worked in several multi-national and Hong Kong blue chip companies and has over 25 years of experience in overseeing corporate finance, merger and acquisition activities, accounting, company secretarial, administration, human resources and legal matters.

NON-EXECUTIVE DIRECTORS

△# **Mr. Liu Jifu**, aged 70, has been a director of the Company since November 2010. Mr. Liu is an executive director of CITIC Pacific, a director of CITIC Hong Kong (Holdings) Limited and CITIC International Financial Holdings Limited. Mr. Liu is also the Chairman of the Supervisory Board of CTM. He was with the Financial and Economics Research Institute in the Chinese Academy of Social Sciences, an executive director of China Everbright Group Limited, and the Chairman of China Everbright Travel Inc and China PINGHE Import & Export Co., Ltd.

Mr. Luo Ning, aged 54, has been a director of the Company since February 2013. Mr. Luo is currently an assistant president of CITIC Limited, a subsidiary of CITIC Group Corporation which is the ultimate holding company of the Company, a Vice Chairman of CITIC Guoan Group, the Chairman of CITIC Networks Co., Ltd and CEC. He is also a director of CITIC Guoan Information Industry Company Limited (listed on the Shenzhen Stock Exchange in the PRC). He is also a Vice Chairman and executive director of CITIC 21CN Company Limited, an executive director of DVN (Holdings) Limited and a non-executive director of Asia Satellite Telecommunications Holdings Limited (all of which are listed on the Stock Exchange). He also holds directorships in several other subsidiaries of CITIC Group Corporation. Mr. Luo has extensive experience in telecommunications business and holds a bachelor degree in Communication Speciality from The Wuhan People's Liberation Army Institute of Communication Command (武漢解放軍通信指揮學院).

INDEPENDENT NON-EXECUTIVE DIRECTORS

*△# **Mr. Yang Xianzu**, aged 74, joined the Company as an independent non-executive director in March 2007. Mr. Yang, a senior engineer, graduated in 1965 from the Department of Telephone and Telegraph at the Wuhan College of Posts and Telecommunications. From 1990 to early 1999, Mr. Yang served as Vice Minister of the Ministry of Posts and Telecommunications and later as Vice Minister of the Ministry of Information Industry. In 1999, Mr. Yang was appointed Chairman of the Board of Directors and President of Unicom Group. During the period from 2000 to August 2003, Mr. Yang was the Chairman of the Board of Directors and Chief Executive Officer of China Unicom Limited, now known as China Unicom (Hong Kong) Limited. Mr. Yang is currently a member of Head of Strategic Development Consultation Committee of China Unicom and an independent non-executive director of Coolpad Group Limited (formerly known as China Wireless Technologies Limited) (listed on the Stock Exchange). Mr. Yang is also an independent non-executive director of Hydoo International Holding Limited (listed on the Stock Exchange) since 31 October 2013. He was an independent non-executive director of Net263 Ltd. (listed on the Shenzhen Stock Exchange in the PRC) until 12 July 2013 and an independent non-executive director of Dongfeng Motor Group Company Limited (listed on the Stock Exchange) until 10 October 2013.

*△# **Mr. Liu Li Qing**, aged 73, joined the Company as an independent non-executive director in March 2007. Mr. Liu, a senior economist, graduated from Management Engineering in Beijing University of Posts and Telecommunications in 1963. Mr. Liu served as a Vice Minister of Ministry of Posts and Telecommunications during the period from 1996 to 1998 and the Head of State Postal Bureau from March 1998 to April 2003. Mr. Liu is currently the Chairman of Sino-French Life Insurance Co., Ltd. Mr. Liu previously served as the Deputy Director of the Committee for Economic Affairs of the Tenth National Committee of the Chinese People's Political Consultative Conference as well as the Chairman of China Association of Communications Enterprises and now is the Honorary Chairman of China Association of Communications Enterprises.

*△# **Mr. Kwong Che Keung, Gordon**, aged 64, joined the Company as an independent non-executive director in March 2007. Mr. Kwong is also an independent non-executive director of a number of companies listed on the Stock Exchange, including NWS Holdings Limited, OP Financial Investments Limited, Global Digital Creations Holdings Limited, China Power International Development Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Agile Property Holdings Limited, China COSCO Holdings Company Limited and Chow Tai Fook Jewellery Group Limited. Mr. Kwong is also an independent supervisor of Beijing Capital International Airport Company Limited (listed on the Stock Exchange). Mr. Kwong was an independent non-executive director of China Chengtong Development Group Limited (listed on the Stock Exchange) until 1 November 2013. Mr. Kwong has a Bachelor of Social Science degree from the University of Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. From 1984 to 1998, he was a partner of Price Waterhouse and was a council member of the Stock Exchange from 1992 to 1997.

*	Member of the Audit Committee
△	Member of the Remuneration Committee
#	Member of the Nomination Committee
^	Member of the Finance Committee

SENIOR MANAGEMENT

Mr. Cheung Yuet Pun, aged 41, is the Chief Technology Officer of the Company. He joined the Company in February 2002 and was responsible in areas such as product marketing, development and management within the organisation. Mr. Cheung obtained a Bachelor of Science degree of Electrical Engineering from Queen's University at Kingston, Canada in 1995 and also completed the Master of Science (MSc) in Financial Analysis and the Executive Diploma in Management at the Hong Kong University of Science and Technology in 2010 and 2006 respectively. From his professional certification aspect, he was granted the Professional Engineer Licence of Ontario, Canada in 1999. Mr. Cheung previously held various positions within Nortel Networks Corporation during 1996 to 2002, responsible for software design, technical support, and sales and marketing. To date, Mr. Cheung has about 18 years of operational experience in the telecoms industry.

Since 2012, he has been the President of Internet Service & Content Provider Group of Communications Association of Hong Kong (CAHK). He has also been appointed as the incu-Apps admission panel member for Hong Kong Science & Technology Parks Corporation (HKSTPC) to foster technology and innovation advancement in Hong Kong. He is also participating in the Steering Committee of i3 Forum, which comprised more than 47 telecommunications operators representing a combined retail base in excess of one billion customers in over 80 countries. Previously, he was a committee member of the Cyberport IncuTrain Centre Vetting Committee.

Mr. Wong Ching Wa, aged 39, is the President, head of China business of the Company. He joined the Company in January 2008 as director of Chinese business department and was responsible for China market and business development. Mr. Wong is a director of CEC. Mr. Wong obtained a Bachelor degree of Telecom Engineering Management from Beijing Information Technology College in 1996 and a Master degree of Engineering Management from Sichuan University in 2002. Mr. Wong previously held management positions in different telecoms and technology companies in the PRC. Before joining the Company, he was the General Manager of operations management department of China Netcom (Hong Kong) Operations Limited. To date, Mr. Wong has more than 17 years experience in the telecoms industry.

Mr. Ho Wai Chung, Stephen, aged 55, is the Chief Executive Officer ("CEO") of CITIC Telecom International CPC Limited ("CPC"). He joined CITIC Pacific Communications Limited, a wholly-owned subsidiary of CITIC Pacific, as Executive Vice President in April 2001. Mr. Ho was appointed CEO of CPC in 2002 and was transferred to the Group in 2007 when CPC was acquired by the Group. Mr. Ho was also appointed as President of CEC in 2010. Mr. Ho holds an Honor Bachelor Degree in Electrical Engineering specialising in digital communications from McGill University of Canada. Prior to joining the CITIC Pacific Group, Mr. Ho held senior positions at Cable and Wireless Systems Limited, Hong Kong Telecom CSL Limited, Hong Kong Telecommunications Limited ("Hong Kong Telecom") and iAdvantage Limited. Mr. Ho carries with him more than 30 years of extensive industry experience. He was the project director for numerous important telecommunications projects on public transportation in both Hong Kong and Taiwan. His experience spans marketing and sales of telecommunications products and services, logistics and strategic purchasing management, operations and technical management for the Hong Kong Telecom engineering support unit at the Hong Kong Kai Tak International Airport and other Hong Kong Government facilities. Mr. Ho also led Hong Kong Telecom's regional market development in mainland China, Taiwan, Singapore, Korea and Japan in the early 90s. He is a founder of two Internet Data Centres between 1999 and 2001.

Mr. Ho has been named to several leaderships awards, including "The CEO of the Year 2007" by Asia Pacific Customer Service Consortium and "Outstanding Entrepreneurship Awards 2011 & 2012" by Enterprise Asia. Since 2012, he has been the Chairman of the Communications Association of Hong Kong (CAHK). He also serves as the President and Chair on the Board of Governors of the US Pacific Telecommunications Council (PTC) for 2014.

Mr. Poon Fuk Hei, Vandy, aged 48, is the Chief Executive Officer ("CEO") and Chairman of the Executive Committee of CTM. Joined CTM in 1987, Mr. Poon has held various pivotal roles in Marketing and Mobile Business and became the CEO of CTM in 2007. Mr. Poon has played an important role in the development milestones of CTM including the introduction of 3G mobile service, broadband services and the establishment of the Media Centre for the historical ceremony of Macau's Return to China in 1999. Upon the Company's acquisition of further interests in CTM, CTM became a subsidiary of the Company since June 2013.

Born and raised in Macau, Mr. Poon received tertiary education in the United States of America. He has obtained a Bachelor of Science Degree and a Master Degree. Up to date, Mr. Poon has over 25 years of extensive experience in managing the operation in the telecoms industry.

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2013.

PRINCIPAL PLACE OF BUSINESS

CITIC Telecom International Holdings Limited (the "Company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 25/F, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 14(c) to the financial statements.

DIVIDENDS

The directors declared an interim dividend of HK2.4 cents (2012: HK2.4 cents) per share in respect of the year ended 31 December 2013 which was paid on 10 September 2013. The directors recommended, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 25 April 2014 (the "Annual General Meeting"), the payment of a final dividend of HK7.6 cents (2012: HK7.2 cents) per share in respect of the year ended 31 December 2013 payable on 16 May 2014 to shareholders on the Register of Members at the close of business on 7 May 2014.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	7.4%	
Five largest customers in aggregate	19.2%	
The largest supplier		22.0%
Five largest suppliers in aggregate		48.1%

According to the records of the Company, the directors of the Company, their associates or any shareholder of the Company (which to the knowledge of the directors of the Company own more than 5% of the Company's share capital) do not have any interest in these major customers and suppliers during the year.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2013 and the state of the Company's and the Group's affairs as at the date are set out in the financial statements on pages 94 to 174.

TRANSFER TO RESERVES

The amounts and particulars of transfer to reserves during the year are set out in the consolidated statement of changes in equity.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$618,000 (2012: HK$50,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements of property, plant and equipment are set out in note 11 to the financial statements.

DIRECTORS

The directors of the Company who held office during the year ended 31 December 2013 and up to the date of this report were:

Mr. Xin Yue Jiang
Mr. Yuen Kee Tong
Dr. David Chan Tin Wai
Mr. Liu Jifu
Mr. Luo Ning (appointed with effect from 21 February 2013)
Mr. Fei Yiping (resigned with effect from 21 February 2013)
Mr. Yang Xianzu
Mr. Liu Li Qing
Mr. Gordon Kwong Che Keung

Pursuant to Article 104(A) of the Articles of Association of the Company, Messrs. Yuen Kee Tong, Liu Jifu and Yang Xianzu shall retire by rotation in the Annual General Meeting. Messrs. Yuen Kee Tong and Liu Jifu, being eligible, offer themselves for re-election. Due to retirement, Mr. Yang Xianzu will not seek for re-election at the Annual General Meeting.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2013, there were no service contracts which were not determinable by the employer within one year without payment of compensation (other than statutory compensation) between any company in the Group and any director of the Company proposed for re-election at the forthcoming Annual General Meeting.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

COMPETING INTERESTS

Save as disclosed below, none of the directors of the Company and their respective associates had any direct or indirect interest in a business which competes or may compete with the business of the Group:

Mr. Luo Ning, a non-executive director of the Company, is a vice chairman of CITIC Guoan Group and the chairman of CITIC Networks Co., Ltd..

CITIC Guoan Group is one of the major operating subsidiaries of CITIC Group Corporation in the People's Republic of China (the "PRC"), which is engaged in information industry operations (including cable television network investment and management, value added telecommunications, satellite communications, network system integration and software development, etc.), high-technology and resources development, tourism, and real estate.

CITIC Networks Co., Ltd. is also a wholly-owned subsidiary of CITIC Group Corporation. It possesses licenses for operation of basic telecommunications services and value added services under which CITIC Networks Co., Ltd. is permitted to conduct the sale and leasing of network resources and satellite transmitter, ISP (Internet Service Provider) services and ICP (Internet Content Provider) services, etc. in the PRC. It now possesses a nationwide optic fiber network and holds various investments in other network resources.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

Connected transaction disclosed in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") is as follows:

1. On 5 June 2013, the Company entered into a facility agreement (the "Facility Agreement") (as amended and restated on 14 June 2013) with a group of banks (including China CITIC Bank International Limited ("CITIC Bank")), pursuant to which a term loan facility in an aggregate amount of US$630,000,000 (approximately HK$4,914,000,000) (the "Total Facility") for a term of five years after the date of utilisation of the first loan would be made available to the Company. The Total 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 Macau. Out of the Total Facility, CITIC Bank agreed to make available to the Company a facility of up to US$20,000,000 (approximately HK$156,000,000). The same interest rate applies for all the lenders under the Facility Agreement, which was agreed after arm's length negotiation and with reference to the prevailing market rate. Security over 148,500 shares in CTM, representing 99% interest in the share capital of CTM, will be required for the Total Facility. The Total Facility has been repaid on 19 December 2013.

   CITIC Bank is a connected person of the Company as it is an indirect subsidiary of China CITIC Bank Corporation Limited, which in turn is a non wholly-owned subsidiary of CITIC Group Corporation, the ultimate holding company of the Company.

Continuing connected transactions disclosed in accordance with the Listing Rules are as follows:

1. On 24 November 2010, 中企網絡通信技術有限公司 (China Enterprise ICT Solutions Limited (formerly known as China Enterprise Communications Ltd.)) ("CEC-BJ", presently a non-wholly owned subsidiary of the Company and in which CITIC Group Corporation holds 45.09% interest), China Enterprise Netcom Corporation Limited ("CEC-HK", presently a wholly-owned subsidiary of the Company) and CITIC Telecom International CPC Limited ("CPC", another wholly-owned subsidiary of the Company) entered into an exclusive service agreement (the "Exclusive Service Agreement"), pursuant to which CEC-BJ shall provide technical and support services to the customers of CEC-HK and CPC in the PRC for a term of three years up to 23 November 2013, to facilitate the provision of value-added telecoms services to these customers. CEC-BJ will be responsible for arranging, operating and maintaining all necessary technical and support services exclusively in the PRC to service the customers of CEC-HK and CPC in the PRC. A service fee shall be payable to CEC-BJ monthly with reference to CEC-BJ's costs in servicing such customers provided that CEC-HK and CPC shall be entitled to retain the first 30% of the corresponding sales proceeds from customers such that the service fee shall not in any event exceed 70% of the relevant sales proceeds. If CEC-BJ's costs shall be less than 70% of the corresponding sales proceeds, CEC-BJ on one hand and CEC-HK and CPC on the other shall be entitled to share the surplus equally. In accordance with the Listing Rules, CEC-BJ is an associate of CITIC Group Corporation and therefore is a connected person of the Company.

   On 7 August 2013, CPC and CEC-HK entered into an agreement supplemental to the Exclusive Service Agreement (the "Supplemental Agreement") with CEC-BJ to continue to engage CEC-BJ as service provider of such services to customers of CPC and CEC-HK in the PRC for a further term of seven months until 23 June 2014.

The annual cap for the transactions under the Exclusive Service Agreement for the ten months ended 31 October 2013 is US$60,000,000 (approximately HK$468,000,000) and the annual caps for the transactions under the Supplemental Agreement for the two months ended 31 December 2013 and the period from 1 January 2014 to 23 June 2014 are US$5,600,000 (approximately HK$43,680,000) and US$16,450,000 (approximately HK$128,310,000) respectively.

The aggregate service fee paid by CEC-HK and CPC to CEC-BJ under the Exclusive Service Agreement for the ten months ended 31 October 2013 was approximately HK$144,979,000 and the aggregate service fee paid by CEC-HK and CPC to CEC-BJ under the Supplemental Agreement for the two months ended 31 December 2013 was approximately HK$37,651,000.

2. On 6 February 2012, ComNet Investment Limited ("ComNet Investment", a wholly-owned subsidiary of the Company) entered into a management services agreement (the "Management Services Agreement") with Hang Luen Chong Property Management Company, Limited ("Hang Luen Chong"), pursuant to which ComNet Investment engaged Hang Luen Chong as the property manager to provide property management services, chilled water supply and air-conditioning supply in respect of those areas of CITIC Telecom Tower owned by ComNet Investment from time to time until 29 December 2014, subject to further renewal. The general management fee is approximately HK$203,000 per month. The chilled water charges are based on the actual volume of chilled water used and are estimated to be HK$150,000 per month. The air-conditioning charges during normal office hours are approximately HK$80,000 per month and the air-conditioning charges for supply after normal office hours are based on the actual usage and are estimated to be HK$30,000 per month. Hang Luen Chong is a wholly-owned subsidiary of CITIC Pacific Limited ("CITIC Pacific"), the controlling shareholder (as defined under the Listing Rules) of the Company, and therefore is a connected person of the Company.

   The aggregate of the general management fees, chilled water charges and air-conditioning charges payable by ComNet Investment to Hang Luen Chong for each of the 12-month period during the term of the Management Services Agreement is subject to an annual cap of HK$7,000,000.

   For the year ended 31 December 2013, the aggregate of the general management fees, chilled water charges and air-conditioning charges paid to Hang Luen Chong was approximately HK$5,028,000.

3. On 24 October 2012, CITIC Telecom International Limited ("CITIC Telecom", a wholly-owned subsidiary of the Company) entered into a tenancy agreement (the "CITIC Tower Tenancy Agreement") with Goldon Investment Limited ("Goldon"), pursuant to which CITIC Telecom leased from Goldon the premises comprising all those suites 811-16 on the 8th floor of CITIC Tower (the "CITIC Tower Premises") for a term of two years commencing from 16 November 2012 and expiring on 15 November 2014, with a monthly rental of approximately HK$577,000. CITIC Telecom shall also pay its share of service charge (for maintenance and supply of central air-conditioning during normal business hours and management services), being approximately HK$53,000 per month (subject to revision), and charges for extension of chilled water supply, which are based on actual usage, in respect of the CITIC Tower Premises. CITIC Telecom shall also be responsible for the payment of its own utility charges and government rates and government rent in respect of the CITIC Tower Premises during the term of the CITIC Tower Tenancy Agreement. As CITIC Pacific has a 40% interest in Goldon, Goldon is an associate of CITIC Pacific, and therefore is a connected person of the Company.

   The expected maximum amounts (including rentals, service charge, charges for extension of chilled water supply and other outgoings) payable under the CITIC Tower Tenancy Agreement to Goldon for the financial year ended 31 December 2013 and the period from 1 January 2014 to 15 November 2014 are approximately HK$9,300,000 and HK$8,200,000 respectively.

   For the year ended 31 December 2013, the aggregate amount paid by CITIC Telecom in respect of the CITIC Tower Tenancy Agreement was approximately HK$9,297,000.

4. On 24 October 2012, CITIC Telecom entered into a tenancy agreement (the "Ap Lei Chau Tenancy Agreement") with Tendo Limited ("Tendo"), pursuant to which CITIC Telecom leased from Tendo the premises comprising the whole of the 5th floor, a portion of the ground floor, a portion of the 3rd floor podium, a portion of the roof floor, and an area for cable duct and trunking (the "Ap Lei Chau Premises") at the building located at No. 111 Lee Nam Road, Ap Lei Chau, Hong Kong (the "Building") for a term of no more than three years commencing from the earlier of 20 September 2012 or the delivery of vacant possession of the Ap Lei Chau Premises to CITIC Telecom and expiring on 19 September 2015, with an aggregate monthly rental of approximately HK$554,000. CITIC Telecom shall also pay its share of management fee in respect of the Ap Lei Chau Premises, being approximately HK$58,000 per month, subject to revision. CITIC Telecom shall also be responsible for the payment of its own utility charges and government rates and government rent in respect of the Ap Lei Chau Premises during the term of the Ap Lei Chau Tenancy Agreement. Tendo is a wholly-owned subsidiary of CITIC Pacific, and therefore is a connected person of the Company.

   The expected maximum amounts (including rentals, management fees and other outgoings such as rentals for car parking spaces to be leased by Tendo to CITIC Telecom from time to time) payable under the Ap Lei Chau Tenancy Agreement to Tendo for the financial year ended 31 December 2013 and the financial year ending 31 December 2014, and the period from 1 January 2015 to 19 September 2015 will be approximately HK$7,500,000, HK$7,600,000 and HK$5,500,000 respectively.

   In addition, CITIC Telecom shall have the right to, during the term of the Ap Lei Chau Tenancy Agreement, take a lease of the whole of the 3rd and/or 4th floors of the Building.

   Incidental to the Ap Lei Chau Tenancy Agreement, Tendo and CITIC Telecom also entered into a supplemental agreement on 24 October 2012 pursuant to which Tendo has granted to CITIC Telecom three consecutive options to renew the Ap Lei Chau Tenancy Agreement for a further term of three years each upon the expiration of the Ap Lei Chau Tenancy Agreement. In the event that CITIC Telecom shall have duly exercised its option to renew for the first new term, the Ap Lei Chau Tenancy Agreement will be renewed at the then current open market rent. In the event that CITIC Telecom shall have duly exercised its options to renew for the second and the third new terms, the Ap Lei Chau Tenancy Agreement will be renewed at a new rent to be mutually agreed by the parties.

   For the year ended 31 December 2013, the aggregate amount paid by CITIC Telecom in respect of the Ap Lei Chau Tenancy Agreement was approximately HK$7,304,000.

5. On 7 August 2013, 中信網絡有限公司 ("CITIC Network", an indirect wholly-owned subsidiary of CITIC Group Corporation and therefore a connected person of the Company) and CEC-BJ entered into a telecoms services agreement (the "Telecoms Services Agreement"), pursuant to which CEC-BJ shall engage CITIC Network as service provider for the provision of various telecoms services, such as leasing of circuits and racks for data networking, to CEC-BJ for a term of three years. An estimated basic monthly service fee of approximately RMB620,000 (equivalent to approximately HK$780,000), subject to adjustment based on actual usage, shall be payable to CITIC Network by CEC-BJ. The annual caps for the transactions under the Telecoms Services Agreement for the period ended 31 December 2013, the financial years ending 31 December 2014, 2015 and the period from 1 January 2016 to 6 August 2016 are HK$13,400,000, HK$28,000,000, HK$48,000,000 and HK$46,300,000 respectively.

   The aggregate service fee paid by CEC-BJ to CITIC Network under the Telecoms Services Agreement for the period ended 31 December 2013 was approximately HK$4,039,000.

Review of the Continuing Connected Transactions:

The independent non-executive directors of the Company have reviewed the aforesaid continuing connected transactions made for the year ended 31 December 2013 and confirmed that the transactions had been entered into

- in the ordinary and usual course of business of the Group;
- on normal commercial terms; and
- in accordance with the relevant agreements on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Group on pages 79 to 81 of the annual report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Related Party Transactions:

Details of material related party transactions undertaken in the normal course of business are provided under note 30 to the financial statements. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules, except for those described in the section of "Connected Transaction and Continuing Connected Transactions", in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

SHARE OPTION PLAN

The Company adopted a share option plan (the "Plan") on 17 May 2007. The major terms of the Plan are as follows:

1. The purpose of the Plan is to attract and retain the best quality personnel for the development of the Company's businesses; to provide additional incentives to Employees (as defined here below); and to promote the long term financial success of the Company by aligning the interests of grantees to shareholders.

2. The grantees of the Plan are 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 (the "Employees") as the Board may, in its absolute discretion, select.

3. 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. As at 18 February 2014, the maximum number of shares available for issue under the Plan is 28,901,860, representing approximately 0.87% of the issued share capital.

4. The total number of shares of the Company (the "Shares") issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each grantee must not exceed 1% of the Shares in issue. Where any further grant of options to a grantee would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be subject to separate approval by the shareholders of the Company in general meeting.

5. The exercise period of any option granted under the Plan must not be more than ten years commencing on the date of grant.

6. The acceptance of an offer of the grant of the options must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee.

7. 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 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.

8. The Plan shall be valid and effective till 16 May 2017.

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

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 outstanding share options	Exercise price per share HK$	Number of 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 were accepted except for options for 115,000 shares granted on 17 September 2009, options for 200,000 shares granted on 19 August 2011 and options for 660,000 shares granted on 26 June 2013. 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.

During the year ended 31 December 2013, options for 32,843,662 shares were exercised and options for 1,129,043 shares have lapsed, but save as disclosed above, none of the options granted was cancelled.

A summary of the movements of the share options during the year ended 31 December 2013 is as follows:

A. DIRECTORS OF THE COMPANY

			Number of share options				
Name of director	Date of grant	Exercise period	Balance as at 1.1.2013	Granted during the year ended 31.12.2013	Exercised during the year ended 31.12.2013	Balance as at 31.12.2013	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	0.250
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

Name of director	Date of grant	Exercise period	Number of share options: Balance as at 1.1.2013	Granted during the year ended 31.12.2013	Exercised during the year ended 31.12.2013	Balance as at 31.12.2013	Percentage to the issued share capital %
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	0.191
Luo Ning	26.6.2013	26.6.2013–25.6.2018	–	400,000	–	400,000	0.012
Yang Xianzu	17.9.2009	17.9.2010–16.9.2015	150,000	–	165,324 *(Notes 1 and 2)*	–	
	17.9.2009	17.9.2011–16.9.2016	150,000	–	165,324 *(Notes 1 and 2)*	–	
	19.8.2011	19.8.2012–18.8.2017	150,000	–	165,324 *(Notes 1 and 2)*	–	
	19.8.2011	19.8.2013–18.8.2018	150,000	–	165,324 *(Notes 1 and 2)*	–	
	26.6.2013	26.6.2013–25.6.2018	–	400,000	–	400,000	
						400,000	0.012
Liu Li Qing	17.9.2009	17.9.2010–16.9.2015	150,000	–	165,324 *(Notes 1 and 3)*	–	
	17.9.2009	17.9.2011–16.9.2016	150,000	–	165,324 *(Notes 1 and 3)*	–	
	19.8.2011	19.8.2012–18.8.2017	150,000	–	165,324 *(Notes 1 and 3)*	–	
	19.8.2011	19.8.2013–18.8.2018	150,000	–	165,324 *(Notes 1 and 3)*	–	
	26.6.2013	26.6.2013–25.6.2018	–	400,000	–	400,000	
						400,000	0.012
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 OF THE COMPANY

	Number of share options					
Date of grant	**Balance as at 1.1.2013**	**Granted during the year ended 31.12.2013**	**Exercised during the year ended 31.12.2013** *(Notes 1 and 4)*	**Cancelled during the year ended 31.12.2013** *(Note 5)*	**Lapsed during the year ended 31.12.2013** *(Notes 1 and 6)*	**Balance as at 31.12.2013**
17.9.2009	23,078,500	–	10,422,807	–	129,126	13,931,324 *(Note 1)*
19.8.2011	39,227,500	–	19,036,263	–	934,917	21,793,077 *(Note 1)*
26.6.2013	–	70,309,000	2,062,000	660,000	65,000	67,522,000

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 date on which the options were exercised by Mr. Yang Xianzu was HK$2.19.

3. The weighted average closing price of the shares immediately before the dates on which the options were exercised by Mr. Liu Li Qing was HK$2.19.

4. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$2.70.

5. These are in respect of options granted to employees and former employees under continuous contracts who have not accepted the options. Such options have been cancelled during the year ended 31 December 2013.

6. These are in respect of options granted to former employees under continuous contracts who have resigned. Such options have lapsed during the year ended 31 December 2013.

DIRECTORS' INTERESTS IN SECURITIES

The interests of the directors of the Company in shares of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as at 31 December 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	0.0207
David Chan Tin Wai	2,750	0.0001
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 of the Company 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".

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 31.12.2013	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 31 December 2013, none of the directors of the Company had nor were they taken to or deemed to have, under Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

Save as disclosed above, at no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party or parties to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, the interests of the substantial shareholders, other than the directors of the Company or their respective associates, 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	59.811
CITIC Limited	1,987,678,508	59.811
CITIC Investment (HK) Limited	1,987,678,508	59.811
Silver Log Holdings Ltd.	1,987,678,508	59.811
CITIC Pacific	1,987,678,508	59.811
Crown Base International Limited	1,987,678,508	59.811
Effectual Holdings Corp.	1,987,678,508	59.811
CITIC Pacific Communications Limited	1,987,678,508	59.811
Douro Holdings Inc.	1,987,678,508	59.811
Ferretti Holdings Corp.	1,987,678,508	59.811
Ease Action Investments Corp.	1,987,678,508	59.811
Peganin Corp.	1,987,678,508	59.811
Richtone Enterprises Inc.	1,987,678,508	59.811
Matthews International Capital Management, LLC	238,345,250	7.172

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 CITIC Pacific Communications Limited, 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.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

The Company and the controlling shareholders of the Company have entered into the following contracts of significance which were subsisting during the year ended 31 December 2013:

1. Administrative services agreement dated 21 March 2007 (the "Administrative Services Agreement") entered into between the Company and CITIC Pacific, a controlling shareholder of the Company, pursuant to which CITIC Pacific and the Company will share the company secretarial services and the internal audit services with effect from 1 January 2007. The amount payable by the Company to CITIC Pacific for the services received shall be determined on costs basis with payment terms to be agreed between the parties from time to time. The Administrative Services Agreement may be terminated if CITIC Pacific shall hold less than 30% of the shares of the Company and is terminable by giving a six months' prior notice in writing by either party. Mr. Liu Jifu, an executive director of CITIC Pacific and Mr. Fei Yiping (resigned as non-executive director of the Company on 21 February 2013), the Vice President and the Group Financial Controller of CITIC Pacific have indirect interests in the Administrative Services Agreement. A copy of the Administrative Services Agreement will be available for inspection at the Annual General Meeting.

2. Deed of non-competition dated 21 March 2007 executed by CITIC Pacific in favour of the Company, mainly to the effect that at any time during which the shares of the Company are listed on the Stock Exchange and CITIC Pacific and/or its associates are regarded as a controlling shareholder of the Company under the Listing Rules, (i) CITIC Pacific will not engage and will procure its subsidiaries not to engage in the provisions of telecommunications hub-based service ("Restricted Activity") globally or in any other business that may compete with the Restricted Activity, and (ii) in the event that any opportunity is made available to CITIC Pacific to invest in any independent third party's business engaging in the Restricted Activity, CITIC Pacific will use its best efforts to procure that such investment opportunity is offered to the Group and the Group shall have a first right of refusal.

3. Deed of Indemnity dated 21 March 2007 given by CITIC Pacific in favour of the Company (and its subsidiaries), pursuant to which CITIC Pacific will keep the Company and its subsidiaries indemnified against any taxation falling on it resulting from or by reference to any revenue, income, profits or gains granted, earned, accrued, received or made on the listing date of the Company or any event, transaction, act or omission occurring or deemed to occur on or before the listing date of the Company.

4. Trademark licence agreement dated 23 November 2010 entered into between the Company, CITIC Group Corporation, a controlling shareholder of the Company, and CITIC Pacific, pursuant to which CITIC Group Corporation agreed to licence, on a non-exclusive basis, the trademarks "中信", "CITIC" and "" for use by the Company. The agreement is for a term of three years up till 16 November 2013, and may be renewed thereafter. No consideration is payable by the Company to CITIC Group Corporation for the use of the aforesaid trademarks.

5. Trademark licence agreement dated 17 November 2013 entered into between the Company and CITIC Group Corporation, pursuant to which CITIC Group Corporation agreed to licence, on a non-exclusive basis, the trademarks "中信", "CITIC" and "" for use by the Company. The agreement is for a term of three years up till 16 November 2016, and may be renewed thereafter. No consideration is payable by the Company to CITIC Group Corporation for the use of the aforesaid trademarks.

Apart from the above and the transactions as mentioned in the section of "Connected Transaction and Continuing Connected Transactions", none of the Company or any of its subsidiaries has entered into any other contract of significance with the Company's controlling shareholders or their subsidiaries which were subsisting during the year ended 31 December 2013.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this report, the Company has maintained the amount of public float as required under the Listing Rules.

BORROWINGS AND ISSUE OF GUARANTEED BONDS

On 6 March 2013, CITIC Telecom International Finance Limited ("CITIC Finance"), a wholly-owned subsidiary of the Company, issued US$450 million 6.1% guaranteed bonds due 2025 (the "Bonds") to professional investors pursuant to a subscription agreement made between the Company (as guarantor), CITIC Finance and CITIC Securities Corporate Finance (HK) Limited, Deutsche Bank AG, Singapore Branch, Standard Chartered Bank and UBS AG, Hong Kong Branch on 26 February 2013 for financing part of the consideration paid by the Company in respect of the acquisition of 79% interest in Companhia de Telecomunicações de Macau, S.A.R.L. The Bonds are listed on the Stock Exchange on 6 March 2013. All of the Bonds remained outstanding at 31 December 2013.

Particulars of borrowings of the Company and the Group at 31 December 2013 are set out in notes 21 and 22 to the financial statements.

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 facilities, which existed during the year ended 31 December 2013 and included conditions relating to specific performance of the controlling shareholder of the Company:

1. On 5 June 2013, the Company entered into the facility agreement (the "Previous Facility Agreement") (as amended and restated on 14 June 2013) 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., a company incorporated in Macau. The term loan facilities under the Previous Facility Agreement have been repaid on 19 December 2013.

   Pursuant to the Previous Facility Agreement, the facilities will be cancelled and all outstanding amount under the facilities 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.

2. On 12 December 2013, the Company entered into the facility agreement (the "New Facility Agreement") with a group of banks for term loan facilities in an aggregate amount of up to US$540 million. A tranche of the loan facilities in the aggregate amount of up to US$216 million will mature and become payable on 12 December 2016 and another tranche of the loan facilities in the aggregate amount of up to US$324 million will be repayable in four instalments, the last instalment of which will mature and become payable on 12 December 2018. The facilities allow the Company to refinance the facility of the Previous Facility Agreement with a lower cost of funding and less restrictive covenants and undertakings given by the Company.

   The New Facility Agreement includes, inter alia, an undertaking by the Company to procure CITIC Group Corporation to hold, legally and beneficially (directly and/or indirectly) the largest percentage of the issued share capital of the Company. A breach of such undertaking may constitute an event of default under the New Facility Agreement, whereby the lenders may, inter alia, cancel the loan facilities and declare that all sums accrued or outstanding (including accrued interest) under the New Facility Agreement be immediately due and payable.

As at 31 December 2013, there was no breach of the aforesaid covenants.

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. In addition, during the year ended 31 December 2013, a total of 32,843,662 shares of the Company were issued upon the exercise of share options granted under the Plan as mentioned in the section of "Share Option Plan".

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

CONFIRMATION OF INDEPENDENCE

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to the independence guidelines under the Listing Rules and that the Company still considers such directors to be independent.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 45 of the annual report.

RETIREMENT SCHEMES

The Group operates a defined benefit retirement plan and several defined contribution retirement plans. Particulars of the retirement schemes are set out in note 23 to the financial statements.

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in monthly salaries for the following executive directors of the Company under their respective service contracts are set out below:

Name of director	Previous monthly salary	Monthly salary (with effect from 1 January 2014)
Xin Yue Jiang	HK$263,328	HK$276,500
Yuen Kee Tong	HK$263,328	HK$276,500
David Chan Tin Wai	HK$175,552	HK$191,400

Note: For information in relation to the 2013 full year emoluments of the directors of the Company, please refer to note 8 to the financial statements.

In addition, a service fee of HK$500,000 per annum has been and will be paid to Mr. Luo Ning, a non-executive director of the Company, pursuant to a consultancy agreement made between Mr. Luo and a subsidiary of the Company during the year.

AUDITOR

KPMG retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board
Xin Yue Jiang
Chairman

Hong Kong, 18 February 2014

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report to the shareholders of CITIC Telecom International Holdings Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of CITIC Telecom International Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 94 to 174, which comprise the consolidated and company balance sheets as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

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

18 February 2014

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2013 (Expressed in Hong Kong dollars)

	Note	2013 $'000	2012 $'000
Turnover	3	**6,018,543**	3,609,810
Other revenue	4	**9,361**	545
Other net gain/(loss)	5	**1,136,185**	(6,432)
		7,164,089	3,603,923
Cost of sales and services		**(3,935,560)**	(2,527,843)
Depreciation and amortisation	6(c)	**(416,972)**	(154,282)
Staff costs	6(b)	**(589,747)**	(353,003)
Other operating expenses		**(656,349)**	(219,985)
		1,565,461	348,810
Finance costs	6(a)	**(444,457)**	(3,063)
Share of profit of an associate	15(a)	**80,569**	158,295
Share of (loss)/profit of a joint venture	16(a)	**(448)**	1,179
Profit before taxation	6	**1,201,125**	505,221
Income tax	7(a)	**(130,826)**	(40,232)
Profit for the year		**1,070,299**	464,989
Attributable to:			
Equity shareholders of the Company		**1,067,506**	461,283
Non-controlling interests		**2,793**	3,706
Profit for the year		**1,070,299**	464,989
Earnings per share (HK cents)	10		
Basic		**36.5**	19.3
Diluted		**36.2**	19.3

The notes on pages 101 to 174 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 25(a).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013 (Expressed in Hong Kong dollars)

	Note	2013 $'000	2012 $'000
Profit for the year		**1,070,299**	464,989
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit obligation:			
– actuarial gain	23(a)(v)	**16,208**	–
– deferred tax recognised on the actuarial gain	7(c)(i)	**(1,897)**	–
		14,311	–
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments:			
– exchange differences on translation of financial statements of operations outside Hong Kong, net of $nil tax		**857**	8,867
– release of exchange reserve upon deemed disposal of equity interest in an associate, net of $nil tax	26(c)(iii)	**(11,136)**	–
		(10,279)	8,867
Other comprehensive income for the year		**4,032**	8,867
Total comprehensive income for the year		**1,074,331**	473,856
Attributable to:			
Equity shareholders of the Company		**1,071,590**	469,956
Non-controlling interests		**2,741**	3,900
Total comprehensive income for the year		**1,074,331**	473,856

The notes on pages 101 to 174 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

at 31 December 2013 (Expressed in Hong Kong dollars)

	Note	2013 $'000	2012 $'000
Non-current assets			
Property, plant and equipment	11	**1,884,339**	742,376
Intangible assets	12	**2,342,878**	105,825
Goodwill	13	**9,283,688**	402,456
Interest in an associate	15	**–**	1,449,938
Interest in a joint venture	16	**6,264**	45,950
Non-current other receivables and deposits	18	**164,974**	174,352
Deferred tax assets	7(c)	**33,011**	37,451
		13,715,154	2,958,348
Current assets			
Inventories	17	**127,130**	–
Trade and other receivables and deposits	18	**1,727,741**	1,363,583
Current tax recoverable	7(b)	**15,553**	3,611
Cash and bank deposits	19(a)	**856,076**	354,816
		2,726,500	1,722,010
Current liabilities			
Trade and other payables	20	**1,871,540**	801,248
Bank loans	21	**100,000**	100,000
Loan from an associate	15(e)	**–**	161,868
Current tax payable	7(b)	**202,013**	43,169
		2,173,553	1,106,285
Net current assets		**552,947**	615,725
Total assets less current liabilities		**14,268,101**	3,574,073
Non-current liabilities			
Interest-bearing borrowings	22	**7,616,565**	–
Non-current other payables	20	**80,424**	87,808
Net defined benefit retirement obligation	23(a)	**72,302**	–
Deferred tax liabilities	7(c)	**310,859**	65,241
		8,080,150	153,049
NET ASSETS		**6,187,951**	3,421,024
CAPITAL AND RESERVES	25		
Share capital	25(b)	**332,324**	238,668
Reserves		**5,830,947**	3,194,035
Total equity attributable to equity shareholders of the Company		**6,163,271**	3,432,703
Non-controlling interests		**24,680**	(11,679)
TOTAL EQUITY		**6,187,951**	3,421,024

Approved and authorised for issue by the board of directors on 18 February 2014.

Xin Yue Jiang
Director

Yuen Kee Tong
Director

The notes on pages 101 to 174 form part of these financial statements.

BALANCE SHEET

at 31 December 2013 (Expressed in Hong Kong dollars)

	Note	2013 $'000	2012 $'000
Non-current assets			
Property, plant and equipment	11	**14,754**	20,721
Investments in subsidiaries	14(a)	**11,155,844**	4,071
Interest in an associate	15(b)	**–**	1,400,268
Deferred tax assets	7(c)	**1,679**	1,175
		11,172,277	1,426,235
Current assets			
Trade and other receivables and deposits	18	**1,230,469**	1,588,124
Cash and bank deposits	19(a)	**76,289**	29,015
		1,306,758	1,617,139
Current liabilities			
Trade and other payables	20	**154,056**	107,744
Bank loans	21	**100,000**	100,000
Current tax payable	7(b)	**786**	–
		254,842	207,744
Net current assets		**1,051,916**	1,409,395
Total assets less current liabilities		**12,224,193**	2,835,630
Non-current liabilities			
Amount due to a subsidiary	20	**3,363,269**	–
Interest-bearing borrowings	22	**4,142,984**	–
		7,506,253	–
NET ASSETS		**4,717,940**	2,835,630
CAPITAL AND RESERVES	25		
Share capital	25(b)	**332,324**	238,668
Reserves		**4,385,616**	2,596,962
TOTAL EQUITY		**4,717,940**	2,835,630

Approved and authorised for issue by the board of directors on 18 February 2014.

Xin Yue Jiang
Director

Yuen Kee Tong
Director

The notes on pages 101 to 174 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013 (Expressed in Hong Kong dollars)

	Note	Share capital (note 25(b)) $'000	Share premium (note 25(c)) $'000	Capital reserve (note 25(d)) $'000	Capital redemption reserve (note 25(c)) $'000	Exchange reserve (note 25(e)) $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to equity shareholders of the Company								
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 2012:										
Profit for the year		–	–	–	–	–	461,283	461,283	3,706	464,989
Other comprehensive income for the year		–	–	–	–	8,673	–	8,673	194	8,867
Total comprehensive income for the year		–	–	–	–	8,673	461,283	469,956	3,900	473,856
Dividends approved in respect of the previous financial year	25(a)(ii)	–	–	–	–	–	(171,791)	(171,791)	–	(171,791)
Shares issued under share option plan	24(b)(ii)	69	1,301	(319)	–	–	–	1,051	–	1,051
Equity-settled share-based transactions	6(b)	–	–	12,800	–	–	–	12,800	–	12,800
Release upon lapse of share options	24(b)(ii)	–	–	(10,785)	–	–	10,785	–	–	–
Share of reserve of an associate	15(a)	–	–	(1,175)	–	–	–	(1,175)	–	(1,175)
Non-controlling interests arising from acquisition of a subsidiary	26(e)	–	–	–	–	–	–	–	(15,579)	(15,579)
Dividends approved in respect of the current financial year	25(a)(i)	–	–	–	–	–	(57,264)	(57,264)	–	(57,264)
		69	1,301	521	–	–	(218,270)	(216,379)	(15,579)	(231,958)
Balance at 31 December 2012		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 2013:										
Profit for the year		**–**	**–**	**–**	**–**	**–**	**1,067,506**	**1,067,506**	**2,793**	**1,070,299**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**(10,083)**	**14,167**	**4,084**	**(52)**	**4,032**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**(10,083)**	**1,081,673**	**1,071,590**	**2,741**	**1,074,331**
Dividends approved in respect of the previous financial year	25(a)(ii)	**–**	**–**	**–**	**–**	**–**	**(173,448)**	**(173,448)**	**–**	**(173,448)**
Rights issue	25(b)(iii)	**90,372**	**1,704,174**	**–**	**–**	**–**	**–**	**1,794,546**	**–**	**1,794,546**
Shares issued under share option plan	24(b)(ii)	**3,284**	**72,121**	**(18,300)**	**–**	**–**	**–**	**57,105**	**–**	**57,105**
Equity-settled share-based transactions	6(b)	**–**	**–**	**50,229**	**–**	**–**	**–**	**50,229**	**–**	**50,229**
Release upon lapse of share options	24(b)(ii)	**–**	**–**	**(226)**	**–**	**–**	**226**	**–**	**–**	**–**
Share of reserve of an associate	15(a)	**–**	**–**	**(1,203)**	**–**	**–**	**–**	**(1,203)**	**–**	**(1,203)**
Release of reserve upon deemed disposal of equity interest in an associate	26(c)(iii)	**–**	**–**	**11,293**	**–**	**–**	**–**	**11,293**	**–**	**11,293**
Non-controlling interests arising from acquisitions of subsidiaries	26(c)(i)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**33,618**	**33,618**
Dividends approved in respect of the current financial year	25(a)(i)	**–**	**–**	**–**	**–**	**–**	**(79,544)**	**(79,544)**	**–**	**(79,544)**
		93,656	**1,776,295**	**41,793**	**–**	**–**	**(252,766)**	**1,658,978**	**33,618**	**1,692,596**
Balance at 31 December 2013		**332,324**	**3,363,280**	**71,143**	**2,034**	**9,736**	**2,384,754**	**6,163,271**	**24,680**	**6,187,951**

The notes on pages 101 to 174 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013 (Expressed in Hong Kong dollars)

	Note	Share capital (note 25(b)) $'000	Share premium (note 25(c)) $'000	Capital reserve (note 25(d)) $'000	Capital redemption reserve (note 25(c)) $'000	Retained profits (note 25(f)) $'000	Total $'000
Balance at 1 January 2012		238,599	1,585,684	93,641	2,034	761,275	2,681,233
Changes in equity for 2012:							
Total comprehensive income for the year	25(g)	–	–	–	–	369,601	369,601
Dividends approved in respect of the previous financial year	25(a)(ii)	–	–	–	–	(171,791)	(171,791)
Shares issued under share option plan	24(b)(ii)	69	1,301	(319)	–	–	1,051
Equity-settled share-based transactions	6(b)	–	–	12,800	–	–	12,800
Release upon lapse of share options	24(b)(ii)	–	–	(10,785)	–	10,785	–
Dividends approved in respect of the current financial year	25(a)(i)	–	–	–	–	(57,264)	(57,264)
Balance at 31 December 2012 and 1 January 2013		**238,668**	**1,586,985**	**95,337**	**2,034**	**912,606**	**2,835,630**
Changes in equity for 2013:							
Total comprehensive income for the year	25(g)	**–**	**–**	**–**	**–**	**233,422**	**233,422**
Dividends approved in respect of the previous financial year	25(a)(ii)	**–**	**–**	**–**	**–**	**(173,448)**	**(173,448)**
Rights issue	25(b)(iii)	**90,372**	**1,704,174**	**–**	**–**	**–**	**1,794,546**
Shares issued under share option plan	24(b)(ii)	**3,284**	**72,121**	**(18,300)**	**–**	**–**	**57,105**
Equity-settled share-based transactions	6(b)	**–**	**–**	**50,229**	**–**	**–**	**50,229**
Release upon lapse of share options	24(b)(ii)	**–**	**–**	**(226)**	**–**	**226**	**–**
Dividends approved in respect of the current financial year	25(a)(i)	**–**	**–**	**–**	**–**	**(79,544)**	**(79,544)**
Balance at 31 December 2013		**332,324**	**3,363,280**	**127,040**	**2,034**	**893,262**	**4,717,940**

The notes on pages 101 to 174 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2013 (Expressed in Hong Kong dollars)

	Note	2013 $'000	2012 $'000
Operating activities			
Cash generated from operations	19(d)	**1,281,130**	328,751
Tax paid:			
– Hong Kong Profits Tax paid		**(77,390)**	(34,379)
– Tax paid for jurisdictions outside Hong Kong		**(131,253)**	(3,392)
Tax refunded:			
– Hong Kong Profits Tax refunded		**235**	168
Net cash generated from operating activities		**1,072,722**	291,148
Investing activities			
Payment for the purchase of property, plant and equipment		**(470,882)**	(160,347)
Proceeds from sale of property, plant and equipment		**134**	584
Payment for the acquisitions of subsidiaries (net of cash and cash equivalents acquired)	26(g)	**(8,894,986)**	(43,845)
Advance payments for the acquisition of the remaining equity interest in a subsidiary		**–**	(75,988)
Payment for transaction costs for the acquisitions of subsidiaries		**(84,550)**	(2,361)
Decrease/(increase) in pledged deposits		**2,474**	(111)
Interest received		**9,260**	549
Dividend received from an associate		**187,882**	180,708
Net cash used in investing activities		**(9,250,668)**	(100,811)
Financing activities			
Proceeds from new bank loans		**9,206,000**	100,000
Proceeds from the issue of guaranteed bonds	22(b)	**3,510,000**	–
Proceeds from rights issue	25(b)(iii)	**1,825,521**	–
Proceeds from new shares issued under share option plan	25(b)(ii)	**57,105**	1,051
Proceeds from loan from an associate		**–**	162,949
Payment for transaction costs on new bank loans		**(122,741)**	–
Payment for transaction costs on issue of guaranteed bonds		**(39,114)**	–
Payment for transaction costs on rights issue	25(b)(iii)	**(30,975)**	–
Repayment of bank loans		**(4,994,000)**	–
Repayment of loan from an associate		**(162,870)**	(124,091)
Other borrowing costs paid		**(313,317)**	(5,207)
Dividends paid to equity shareholders of the Company		**(252,992)**	(229,055)
Net cash generated from/(used in) financing activities		**8,682,617**	(94,353)
Net increase in cash and cash equivalents		**504,671**	95,984
Cash and cash equivalents at 1 January	19(a)	**351,008**	253,326
Effect of foreign exchange rate changes		**(937)**	1,698
Cash and cash equivalents at 31 December	19(a)	**854,742**	351,008

The notes on pages 101 to 174 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("SEHK"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2013 comprise CITIC Telecom International Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") and the Group's interests in an associate and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except as otherwise stated in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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 and the Company. 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*

– *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, amendment or interpretation that is not yet effective for the current accounting period. Impact of the adoption of these new or amended HKFRSs is discussed below:

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

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income in these financial statements 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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(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 jointly controlled entity to 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 results of operations and financial position 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. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 14, 15 and 16.

(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. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 27. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

(vi) Revised HKAS 19, Employee benefits

Revised HKAS 19 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 annual period to the net defined benefit liability (asset) at the beginning of the annual 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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(vi) Revised HKAS 19, Employee benefits (Continued)

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 on the Group's results of operations and financial position for the years 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. These amendments do not have any material impact on the results of operations and financial position of the Group for the years presented.

(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 financial statements 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 during the years presented.

(d) SUBSIDIARIES AND NON-CONTROLLING INTERESTS

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTINUED)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 1(e)).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)).

(e) ASSOCIATES AND JOINT VENTURES

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's balance sheet, interest in an associate is stated at cost less impairment losses (see note 1(j)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) GOODWILL

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition-date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(j)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(j)).

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is initially recognised in the balance sheet at cost less impairment losses (see note 1(j)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. Those costs which are not eligible for capitalisation under accounting standards are recognised as expenses in the period in which they are incurred.

No depreciation is provided in respect of construction in progress. Upon completion and commissioning for operation, depreciation will be provided at the appropriate rates specified below.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Buildings situated on freehold land are depreciated over their estimated useful lives, being no more than 50 years after the date of completion.

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

– Telecommunications equipment is depreciated over 2 to 20 years.

– Other assets are depreciated over 2 to 5 years.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(h) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(j)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Trade names/trademarks	1–27 years
– Customer relationships	5–15 years
– Indefeasible rights of use ("IRU") of telecommunications capacity	10 years
– Order backlog	5 years
– Computer software	3 years

Both the period and method of amortisation are reviewed annually.

(i) LEASED ASSETS

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except for land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) LEASED ASSETS (CONTINUED)

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property or is held for development for sale.

(j) IMPAIRMENT OF ASSETS

(i) Impairment of investments in subsidiaries, an associate, a joint venture, and trade and other receivables and deposits

Investments in subsidiaries, an associate, a joint venture, and current and non-current trade and other receivables and deposits that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in subsidiaries, an associate and a joint venture (including those recognised using the equity method (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(j)(ii).

– For trade and other receivables and deposits carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) IMPAIRMENT OF ASSETS (CONTINUED)

(i) Impairment of investments in subsidiaries, an associate, a joint venture, and trade and other receivables and deposits (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables and deposits, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that property, plant and equipment, intangible assets and goodwill may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) IMPAIRMENT OF ASSETS (CONTINUED)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the SEHK, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) INVENTORIES

(i) Sales of goods

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

Cost is calculated using the first-in-first-out 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 1(s)(iii). When the outcome of a 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 in the consolidated balance sheet at the net amount of costs incurred plus recognised profit less recognised losses and progress billings. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customers.

(l) TRADE AND OTHER RECEIVABLES AND DEPOSITS

Trade and other receivables and deposits are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) EMPLOYEE BENEFITS

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plan is calculated 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 and the fair value of any plan assets is deducted. The calculation is performed 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.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss and allocated by nature as part of "staff costs", "other operating expenses" or "finance costs". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. 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 as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the balance sheet date on high quality government bonds that have maturity dates approximating the terms of the Group's obligations.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained profits. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) EMPLOYEE BENEFITS (CONTINUED)

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(q) INCOME TAX

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) INCOME TAX (CONTINUED)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group or the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) FINANCIAL GUARANTEES ISSUED, PROVISIONS AND CONTINGENT LIABILITIES

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group or the Company issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(r)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group or the Company under the guarantee, and (ii) the amount of that claim on the Group or the Company is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) FINANCIAL GUARANTEES ISSUED, PROVISIONS AND CONTINGENT LIABILITIES (CONTINUED)

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) 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:

(i) Revenue from telecommunications services

Revenue from telecommunications services is recognised on the basis of minutes 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.

(ii) 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.

(iii) 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 where its recoverability is probable.

(iv) 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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) REVENUE RECOGNITION (CONTINUED)

(v) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vii) Barter transactions

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a revenue generating transaction.

When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a revenue generating transaction. The revenue is measured at the fair value of the goods or services rendered, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

(t) TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and loss are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into Hong Kong dollars ("HKD") at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations, are translated into HKD at the closing foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) BORROWING COSTS

Borrowing costs are expensed in profit or loss in the period in which they are incurred.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) RELATED PARTIES

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(x) DEFERRED REVENUE

Deferred revenue represents the service fees received in advance for the provision of telecommunications services, which is amortised over the remaining service period based on the service pattern.

(y) DEFERRED EXPENDITURE

Deferred expenditure represents the service fees prepaid for telecommunications services, which is amortised over the remaining service period based on the service pattern.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

Notes 13, 16, 23, 24 and 27 contain information about the assumptions and their risk factors relating to goodwill impairment, impairment of interest in a joint venture, defined benefit retirement obligation, fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) DEPRECIATION AND AMORTISATION

Property, plant and equipment and intangible assets are depreciated and amortised on a straight-line basis over the estimated useful lives. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimation.

(b) IMPAIRMENT

In considering the impairment losses that may be required for certain assets of the Group, the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of its fair value less costs of disposal and value in use. It is difficult to precisely estimate fair value because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of turnover and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as turnover and operating costs.

Impairment losses for doubtful debts are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer.

An increase or decrease in the above impairment losses would affect the net profit in future years.

(c) INCOME TAX

The Group is subject to income tax in various jurisdictions. Significant judgement is required in determining the worldwide provision for income tax. There are transactions during the ordinary course of business, for which calculation of the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and requires significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the financial results in future years.

(d) BUSINESS COMBINATION

For the business combinations undertaken by the Group, the Group allocates the costs of the acquired entities to the assets acquired and the liabilities assumed based on their estimated fair value on the date of acquisition. This process is commonly referred to as the purchase price allocation. As part of the purchase price allocation, the Group is required to determine the fair value of any identifiable tangible and intangible assets acquired. The determination of the fair value of the tangible and intangible assets acquired involves certain judgement and estimates. These judgements can include, but are not limited to, the cash flows that an asset is expected to generate in the future.

2 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(d) BUSINESS COMBINATION (CONTINUED)

The fair values of the identifiable tangible and intangible assets were determined by the Group with inputs from independent appraisers using mainly the income approach. Future cash flows are predominantly based on the historical pricing and expense levels, taking into consideration the relevant market size and growth factors. The resulting cash flows are then discounted at a rate approximating the Group's weighted average cost of capital.

A change in the amount allocated to the identifiable tangible and intangible assets would have an offsetting effect on the amount of goodwill recognised from the acquisition and would change the amount of depreciation and amortisation expense recognised related to those identifiable tangible and intangible assets.

(e) BUSINESS SOLUTION PROJECTS

As explained in notes 1(k)(ii) and 1(s)(iii) revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the business solution contract, as well as the work done to date. Based on the Group's recent experience and the nature of the business solution activities undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached, the accrued revenue included in trade and other receivables and deposits will not include profit which the Group may eventually realise from the work done to date. In addition, the actual outcomes in terms of total costs or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

3 TURNOVER AND SEGMENT REPORTING

(a) TURNOVER

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

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

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

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

3 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(a) TURNOVER (CONTINUED)

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

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

Revenue from the provision of services to government-related entities in the People's Republic of China ("PRC") represents more than 10% of the Group's total revenue. The revenue received from these customers amounted to $1,089,508,000 (2012: $1,364,897,000) for the year ended 31 December 2013. Details of concentrations of credit risk arising from these customers are set out in note 27(a).

(b) SEGMENT REPORTING

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

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

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

– CTM (mainly engaged in the provision of fixed lines services, mobile services, internet services and data, enterprise solutions services and others in Macau)

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

(i) *Segment results, assets and liabilities*

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

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

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

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. earnings before interest, taxes, depreciation and amortisation, adjusted for gains and losses on disposal of property, plant and equipment and goodwill written-off upon disposal of an operation outside Hong Kong. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits/losses of an associate and a joint venture, impairment loss on interest in a joint venture, gain on deemed disposal of equity interest in an associate, and head office and corporate expenses.

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2013 and 2012 is set out below:

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

3 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) SEGMENT REPORTING (CONTINUED)

(ii) Reconciliation of reportable segment revenue and profit

	2013 $'000	2012 $'000
Revenue		
Reportable segment revenue	**6,066,583**	3,637,073
Elimination of inter-segment revenue	**(48,040)**	(27,263)
Consolidated turnover	**6,018,543**	3,609,810
Profit		
Reportable segment profit	**1,115,043**	564,052
Net loss on disposal of property, plant and equipment	**(128)**	(4,654)
Depreciation and amortisation	**(416,972)**	(154,282)
Impairment loss on interest in a joint venture	**(37,811)**	–
Goodwill written-off upon disposal of an operation outside Hong Kong	**(10,404)**	–
Finance costs	**(444,457)**	(3,063)
Share of profit of an associate	**80,569**	158,295
Share of (loss)/profit of a joint venture	**(448)**	1,179
Gain on deemed disposal of equity interest in an associate	**1,116,298**	–
Interest income	**9,361**	545
Unallocated head office and corporate expenses	**(209,926)**	(56,851)
Consolidated profit before taxation	**1,201,125**	505,221

3 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) SEGMENT REPORTING (CONTINUED)

(iii) Reconciliation of reportable segment assets and liabilities

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

3 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) SEGMENT REPORTING (CONTINUED)

(iv) Geographic information

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

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

4 OTHER REVENUE

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

5 OTHER NET GAIN/(LOSS)

	2013	2012
	$'000	$'000
Gain on deemed disposal of equity interest in an associate (note 26(c)(iii))	**1,116,298**	–
Net loss on disposal of property, plant and equipment	**(128)**	(4,654)
Net foreign exchange gain/(loss)	**20,015**	(1,778)
	1,136,185	(6,432)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2013 $'000	2012 $'000
(a) FINANCE COSTS		
Interest on bank and other borrowings		
– wholly repayable within five years	**79,658**	2,530
– not wholly repayable within five years	**175,451**	–
	255,109	2,530
Other finance charges	**187,889**	533
Other interest expense (note 23(a)(v))	**1,459**	–
	444,457	3,063
(b) STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION (NOTE 8))		
Contributions to defined contribution retirement plans	**30,226**	15,093
Expenses recognised in respect of defined benefits retirement plan (note 23(a)(v))	**4,528**	–
Total retirement costs	**34,754**	15,093
Equity-settled share-based payment expenses (note 24(b)(iv))	**50,229**	12,800
Salaries, wages and other benefits	**504,764**	325,110
	589,747	353,003
(c) OTHER ITEMS		
Operating lease charges in respect of leased circuits	**674,279**	325,564
Depreciation (note 11(a))	**311,110**	137,391
Amortisation (note 12)	**105,862**	16,891
	416,972	154,282
Impairment losses		
– trade debtors, net (note 18(b))	**77,558**	5,594
– interest in a joint venture (note 16(a))	**37,811**	–
Goodwill written-off upon disposal of an operation outside Hong Kong (note 13(a))	**10,404**	–
Auditors' remuneration		
– audit services	**5,218**	3,601
– non-audit services*	**6,747**	4,004
Operating lease charges in respect of land and buildings	**73,274**	53,134
Transaction costs for the acquisitions of subsidiaries	**111,395**	2,361

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

7 INCOME TAX

(a) INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT REPRESENTS:

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

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

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

Reconciliation between actual tax expense and accounting profit at applicable tax rates:

	2013 $'000	2012 $'000
Profit before taxation	1,201,125	505,221
Less: Share of profit of an associate	(80,569)	(158,295)
Share of loss/(profit) of a joint venture	448	(1,179)
	1,121,004	345,747
Notional tax on profit before taxation calculated at 16.5% (2012: 16.5%)	184,966	57,048
Tax effect of non-taxable income and non-deductible expenses	(69,977)	109
Tax effect of unused tax losses not recognised	8,957	1,026
Tax effect of different tax rates of operations in other jurisdictions	7,571	(2,050)
Over-provision in respect of prior years	(592)	(168)
Recognition of tax losses not recognised in prior years	–	(15,806)
Others	(99)	73
Actual tax expense	130,826	40,232

7 INCOME TAX (CONTINUED)

(b) CURRENT TAXATION IN THE BALANCE SHEET REPRESENTS:

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Hong Kong Profits Tax				
Provision for the year	45,626	55,042	1,302	–
Provisional profits tax paid	(52,506)	(31,377)	(516)	–
	(6,880)	23,665	786	–
Jurisdictions outside Hong Kong				
Provision for the year	114,611	1,768	–	–
Profits tax paid	(131,859)	(1,325)	–	–
Through acquisitions of subsidiaries (note 26(c)(i))	195,803	–	–	–
Balance of tax provision relating to prior years	14,923	15,307	–	–
Exchange adjustments	(138)	143	–	–
	193,340	15,893	–	–
	186,460	39,558	786	–
Representing:				
Current tax recoverable	(15,553)	(3,611)	–	–
Current tax payable	202,013	43,169	786	–
	186,460	39,558	786	–

7 INCOME TAX (CONTINUED)

(c) DEFERRED TAX ASSETS AND LIABILITIES RECOGNISED

The components of deferred tax liabilities/(assets) recognised in the balance sheet and the movements during the year are as follows:

(i) The Group

	Intangible assets arising from business combination $'000	Depreciation allowances in excess of the related depreciation $'000	Defined benefit retirement obligation $'000	Future benefits of tax losses $'000	Others $'000	Total $'000
Deferred tax arising from:						
At 1 January 2012	16,513	58,146	–	(32,923)	–	41,736
Through acquisition of a subsidiary (note 26(e))	7,942	–	–	(4,721)	–	3,221
(Credited)/charged to profit or loss (note 7(a))	(4,283)	1,880	–	(14,007)	–	(16,410)
Exchange adjustments	131	33	–	(921)	–	(757)
At 31 December 2012	20,303	60,059	–	(52,572)	–	27,790
At 1 January 2013	**20,303**	**60,059**	**–**	**(52,572)**	**–**	**27,790**
Through acquisitions of subsidiaries (note 26(c)(i))	**279,619**	**7,943**	**(10,893)**	**–**	**(601)**	**276,068**
(Credited)/charged to profit or loss (note 7(a))	**(20,755)**	**11,600**	**320**	**(19,984)**	**–**	**(28,819)**
Charged to reserves	**–**	**–**	**1,897**	**–**	**–**	**1,897**
Exchange adjustments	**177**	**95**	**–**	**640**	**–**	**912**
At 31 December 2013	**279,344**	**79,697**	**(8,676)**	**(71,916)**	**(601)**	**277,848**

(ii) The Company

	Depreciation in excess of the related depreciation allowances $'000	Future benefits of tax losses $'000	Total $'000
Deferred tax arising from:			
At 1 January 2012	(607)	(947)	(1,554)
(Credited)/charged to profit or loss	(444)	823	379
At 31 December 2012	(1,051)	(124)	(1,175)
At 1 January 2013	**(1,051)**	**(124)**	**(1,175)**
(Credited)/charged to profit or loss	**(628)**	**124**	**(504)**
At 31 December 2013	**(1,679)**	**–**	**(1,679)**

7 INCOME TAX (CONTINUED)

(c) DEFERRED TAX ASSETS AND LIABILITIES RECOGNISED (CONTINUED)

(iii) Reconciliation to the balance sheets

	The Group		The Company	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Net deferred tax assets recognised in the balance sheets	**(33,011)**	(37,451)	**(1,679)**	(1,175)
Net deferred tax liabilities recognised in the balance sheets	**310,859**	65,241	**–**	–
	277,848	27,790	**(1,679)**	(1,175)

(d) DEFERRED TAX ASSETS NOT RECOGNISED

In accordance with the accounting policies set out in note 1(q), the Group has not recognised deferred tax assets in respect of unused tax losses of $81,560,000 (2012: $83,863,000) at 31 December 2013 as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities. $57,896,000 (2012: $31,630,000) of the tax losses do not expire under the current tax legislation, and $23,664,000 (2012: $52,233,000) of the tax losses will expire after 1 to 20 years.

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2013						
	Directors' fees $'000	Basic salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments $'000	Total $'000
Executive directors							
Xin Yue Jiang	–	3,464	3,682	6	7,152	2,245	9,397
Yuen Kee Tong	–	3,470	3,340	158	6,968	1,975	8,943
Chan Tin Wai, David	–	2,317	2,926	15	5,258	1,706	6,964
Non-executive directors							
Liu Jifu	–	–	–	–	–	–	–
Luo Ning* (appointed on 21 February 2013)	129	–	–	–	129	229	358
Fei Yiping (resigned on 21 February 2013)	–	–	–	–	–	–	–
Independent non-executive directors							
Yang Xianzu	310	–	–	–	310	253	563
Liu Li Qing	310	–	–	–	310	253	563
Kwong Che Keung, Gordon	310	–	–	–	310	253	563
Total	1,059	9,251	9,948	179	20,437	6,914	27,351

* During the year ended 31 December 2013, a service fee of $500,000 (2012: $Nil) was paid to Mr Luo Ning for advisory services in relation to collaboration of telecommunications businesses.

8 DIRECTORS' REMUNERATION (CONTINUED)

	2012						
	Directors' fees $'000	Basic salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments $'000	Total $'000
Executive directors							
Xin Yue Jiang	–	3,460	3,052	14	6,526	679	7,205
Yuen Kee Tong	–	3,493	2,747	158	6,398	597	6,995
Chan Tin Wai, David	–	2,339	2,456	14	4,809	516	5,325
Non-executive directors							
Fei Yiping	–	–	–	–	–	–	–
Liu Jifu	–	–	–	–	–	–	–
Independent non-executive directors							
Yang Xianzu	304	–	–	–	304	81	385
Liu Li Qing	304	–	–	–	304	81	385
Kwong Che Keung, Gordon	304	–	–	–	304	81	385
Total	912	9,292	8,255	186	18,645	2,035	20,680

The above remuneration is included in staff costs as presented in note 6(b).

A number of the Company's directors were granted share options of the Company and CITIC Pacific Limited ("CITIC Pacific"), the controlling shareholder (as defined in the Rules Governing the Listing of Securities on SEHK) of the Company. Details of the share option plans are set out in note 24.

The discretionary bonuses of the Group were determined and approved by the Company's board of directors (the "Board") with reference to the performance of the Group and the respective directors.

During the years ended 31 December 2013 and 2012, no emoluments were paid by the Company to any of the directors as an inducement to join or upon joining the Company or as compensation for loss of office and none of the directors has waived or agreed to waive any emoluments.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2012: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2012: two) individuals are as follows:

	2013 $'000	2012 $'000
Salaries and other emoluments	**4,133**	4,125
Discretionary bonuses	**4,026**	3,595
Share-based payments	**2,571**	869
Retirement scheme contributions	**291**	281
	11,021	8,870

The emoluments of the two (2012: two) individuals with the highest emoluments are within the following bands:

	2013 Number of individuals	2012 Number of individuals
$		
3,500,001–4,000,000	**–**	1
4,000,001–4,500,000	**–**	–
4,500,001–5,000,000	**–**	1
5,000,001–5,500,000	**1**	–
5,500,001–6,000,000	**–**	–
6,000,001–6,500,000	**1**	–

During the years ended 31 December 2013 and 2012, no emoluments were paid by the Company to any of the highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office.

10 EARNINGS PER SHARE

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

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

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

11 PROPERTY, PLANT AND EQUIPMENT

(a) THE GROUP

	Land and buildings held for own use (note (c)) $'000	Tele-communications equipment $'000	Other assets (note (d)) $'000	Construction in progress $'000	Total $'000
Cost:					
At 1 January 2012	159,519	1,099,839	152,380	53,730	1,465,468
Exchange adjustments	–	119	366	7	492
Additions					
– through acquisition of a subsidiary (note 26(e))	–	35,360	8,559	–	43,919
– others	1,408	63,019	28,675	80,016	173,118
Disposals	–	(14,512)	(3,442)	–	(17,954)
Reclassification	–	99,707	6,269	(105,976)	–
At 31 December 2012	160,927	1,283,532	192,807	27,777	1,665,043
At 1 January 2013	**160,927**	**1,283,532**	**192,807**	**27,777**	**1,665,043**
Exchange adjustments	**–**	**2,020**	**(1,266)**	**(127)**	**627**
Additions					
– through acquisitions of subsidiaries (note 26(c)(i))	**104,668**	**738,069**	**1,661**	**60,445**	**904,843**
– others	**–**	**79,845**	**9,636**	**460,958**	**550,439**
Disposals	**–**	**(16,355)**	**(358)**	**–**	**(16,713)**
Reclassification and transfer to intangible assets	**–**	**288,052**	**7,743**	**(296,988)**	**(1,193)**
At 31 December 2013	**265,595**	**2,375,163**	**210,223**	**252,065**	**3,103,046**
Accumulated depreciation:					
At 1 January 2012	8,418	718,562	69,967	–	796,947
Exchange adjustments	–	(571)	139	–	(432)
Charge for the year (note 6(c))	4,284	110,829	22,278	–	137,391
Written back on disposals	–	(9,979)	(1,260)	–	(11,239)
At 31 December 2012	12,702	818,841	91,124	–	922,667
At 1 January 2013	**12,702**	**818,841**	**91,124**	**–**	**922,667**
Exchange adjustments	**–**	**2,210**	**(829)**	**–**	**1,381**
Charge for the year (note 6(c))	**8,035**	**275,476**	**27,599**	**–**	**311,110**
Written back on disposals	**–**	**(16,106)**	**(345)**	**–**	**(16,451)**
At 31 December 2013	**20,737**	**1,080,421**	**117,549**	**–**	**1,218,707**
Net book value:					
At 31 December 2013	**244,858**	**1,294,742**	**92,674**	**252,065**	**1,884,339**
At 31 December 2012	148,225	464,691	101,683	27,777	742,376

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) THE COMPANY

	Other assets (note (d)) $'000
Cost:	
At 1 January 2012	43,635
Additions	9,138
Disposals	(11)
At 31 December 2012	52,762
At 1 January 2013	**52,762**
Additions	**88**
At 31 December 2013	**52,850**
Accumulated depreciation:	
At 1 January 2012	27,357
Charge for the year	4,684
At 31 December 2012	32,041
At 1 January 2013	**32,041**
Charge for the year	**6,055**
At 31 December 2013	**38,096**
Net book value:	
At 31 December 2013	**14,754**
At 31 December 2012	20,721

(c) THE ANALYSIS OF NET BOOK VALUE OF PROPERTIES IS AS FOLLOWS:

	The Group	
	2013 $'000	2012 $'000
Situated in Hong Kong and held under medium-term leases	**143,930**	148,225
Situated outside Hong Kong and held under medium-term leases	**100,928**	–
	244,858	148,225
Representing:		
Land and buildings carried at cost	**244,858**	148,225

(d) Other assets include electronic data processing equipment, furniture and fixtures, motor vehicles and office equipment.

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

12 INTANGIBLE ASSETS

	The Group						
	Customer relationships $'000	Customer contracts $'000	Order backlog $'000	Trade names/ trademarks $'000	IRU of tele-communications capacity $'000	Computer software $'000	Total $'000
Cost:							
At 1 January 2012	88,253	8,690	13,400	17,960	626	–	128,929
Additions through acquisition of a subsidiary (note 26(e))	12,829	–	5,132	13,806	–	–	31,767
Disposals	–	(8,690)	–	–	–	–	(8,690)
Exchange adjustments	1,374	–	48	129	–	–	1,551
At 31 December 2012	102,456	–	18,580	31,895	626	–	153,557
At 1 January 2013	**102,456**	**–**	**18,580**	**31,895**	**626**	**–**	**153,557**
Additions through acquisitions of subsidiaries	**1,574,957**	**–**	**–**	**758,273**	**–**	**7,978**	**2,341,208**
Transfer from property, plant and equipment	**–**	**–**	**–**	**–**	**–**	**1,193**	**1,193**
Disposals	**(3,070)**	**–**	**–**	**–**	**–**	**–**	**(3,070)**
Exchange adjustments	**(323)**	**–**	**163**	**437**	**–**	**(1)**	**276**
At 31 December 2013	**1,674,020**	**–**	**18,743**	**790,605**	**626**	**9,170**	**2,493,164**
Accumulated amortisation:							
At 1 January 2012	27,008	8,690	1,240	1,687	416	–	39,041
Exchange adjustments	488	–	1	1	–	–	490
Charge for the year (note 6(c))	12,020	–	3,323	1,445	103	–	16,891
Written back on disposals	–	(8,690)	–	–	–	–	(8,690)
At 31 December 2012	39,516	–	4,564	3,133	519	–	47,732
At 1 January 2013	**39,516**	**–**	**4,564**	**3,133**	**519**	**–**	**47,732**
Exchange adjustments	**(288)**	**–**	**26**	**24**	**–**	**–**	**(238)**
Charge for the year (note 6(c))	**82,512**	**–**	**4,031**	**16,973**	**103**	**2,243**	**105,862**
Written back on disposals	**(3,070)**	**–**	**–**	**–**	**–**	**–**	**(3,070)**
At 31 December 2013	**118,670**	**–**	**8,621**	**20,130**	**622**	**2,243**	**150,286**
Net book value:							
At 31 December 2013	**1,555,350**	**–**	**10,122**	**770,475**	**4**	**6,927**	**2,342,878**
At 31 December 2012	62,940	–	14,016	28,762	107	–	105,825

13 GOODWILL

(a) THE GROUP

	2013 $'000	2012 $'000
Cost and carrying amount:		
At 1 January	**402,456**	363,549
Additions through acquisitions of subsidiaries (note 26)	**8,892,097**	35,803
Written-off upon disposal of an operation outside Hong Kong (note 6(c))	**(10,404)**	–
Exchange adjustments	**(461)**	3,104
At 31 December	**9,283,688**	402,456

(b) IMPAIRMENT TESTS FOR CASH-GENERATING UNITS CONTAINING GOODWILL

Goodwill is allocated to the Group's cash-generating units identified according to operating segments as follows:

	2013 $'000	2012 $'000
CITIC Telecom	**272,558**	284,536
CTM	**8,892,097**	–
CPC	**119,033**	117,920
	9,283,688	402,456

The recoverable amounts of the cash-generating units are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three-year period.

Key assumptions used for the value-in-use calculations are as follows:

	2013	2012
Long term growth rate	**1% – 7%**	5%
Discount rate	**9%**	13%

The long term growth rates used are based on past performance and management's expectation for market development. The discount rate used is pre-tax and reflect specific risks relating to the operating segments.

14 INTERESTS IN SUBSIDIARIES

(a) THE COMPANY

	2013 $'000	2012 $'000
Unlisted shares, at cost	**11,155,844**	4,071
Amounts due from subsidiaries (note 18)	**1,223,463**	1,581,037
	12,379,307	1,585,108
Amounts due to subsidiaries (note 20)	**(3,458,774)**	(76,277)
	8,920,533	1,508,831

(b) The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed repayment terms except for the amount due to a subsidiary of $3,363,269,000 (2012: $Nil) which is unsecured, interest-free and will not be called upon within one year.

(c) At 31 December 2013, the Company had direct or indirect interests in the following principal subsidiaries, all of which are private companies, particulars of which are set out below:

Name of company	Place of incorporation/ operation	Principal activity	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Particulars of issued and fully paid-up capital
Asia Pacific Internet Exchange Limited	Hong Kong	Provision of financial and operational support to HKIX (note (i))	–	75%	HK$100,000*
China Enterprise ICT Solutions Limited (formerly known as China Enterprise Communications Ltd.) ("CEC-BJ")	PRC	Provision of value-added telecommunications services	–	49% (note (ii))	Renminbi ("RMB") 84,620,000
China Enterprise Netcom Corporation Limited	Hong Kong	Provision of telecommunications leasing and technology services	–	100%	HK$100*
CITIC 1616 Holdings Limited	Hong Kong	Equipment holding	100%	–	HK$1,000* and HK$38,000,000#
CITIC Media 1616 Limited	Hong Kong	Provision of content services to licensed telecoms operators	–	100%	HK$1*
CITIC Telecom International (Concept) Limited	Hong Kong	Provision of systems integration services	–	100%	HK$2*
CITIC Telecom International (Data) Limited	Hong Kong	Provision of data and other telecommunications services	–	100%	HK$2*
CITIC Telecom International Limited	Hong Kong	Provision of telecommunications services	100%	–	HK$2*

14 INTERESTS IN SUBSIDIARIES (CONTINUED)

(c) At 31 December 2013, the Company had direct or indirect interests in the following principal subsidiaries, all of which are private companies, particulars of which are set out below: (continued)

Name of company	Place of incorporation/ operation	Principal activity	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Particulars of issued and fully paid-up capital
CITIC Telecom International (Japan) Ltd.	Japan	Provision of telecommunications services	–	100%	Japanese Yen ("JPY") 10,000,000*
CITIC Telecom International CPC Limited	Hong Kong	Provision of telecommunications services	–	100%	HK$394,866,986*
CITIC Telecom International CPC (Singapore) Pte. Ltd.	Republic of Singapore	Provision of telecommunications services	–	100%	Singaporean dollars ("SG$") 2,000,000*
CITIC Telecom International CPC Japan Limited	Japan	Provision of telecommunications services	–	100%	JPY10,000,000*
CITIC Telecom International Finance Limited	British Virgin Islands	Provision of financing services	100%	–	United States Dollar ("US$") 1*
CITIC Telecom (UK) Limited	United Kingdom	Provision of telecommunications services	–	100%	£2*
CITIC TeleSoft 1616 Limited	Hong Kong	Provision of systems integration and maintenance services	–	100%	HK$2*
CITIC Telecom International (SEA) Pte. Ltd.	Republic of Singapore	Provision of telecommunications services	–	100%	SG$19,233,002*
ComNet Investment Limited	Hong Kong	Property investment	–	100%	HK$2*
ComNet Telecom (Canada) Ltd.	Canada	Provision of telecommunications services	–	100%	Canadian dollars 100** and 1 common share without par value Δ
ComNet Telecom (HK) Limited	Hong Kong	Provision of telecommunications services	–	100%	HK$2*

14 INTERESTS IN SUBSIDIARIES (CONTINUED)

(c) At 31 December 2013, the Company had direct or indirect interests in the following principal subsidiaries, all of which are private companies, particulars of which are set out below: (continued)

Name of company	Place of incorporation/ operation	Principal activity	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Particulars of issued and fully paid-up capital
ComNet Telecom International Limited	Hong Kong	Provision of telecommunications services	–	100%	HK$2*
ComNet Telecom (Singapore) Pte. Ltd.	Republic of Singapore	Provision of telecommunications services	–	100%	SG$100,000*
ComNet (USA) LLC	United States of America	Provision of telecommunications services	–	100%	N/A***
Companhia de Telecomunicações de Macau, S.A.R.L.	Macau	Provision of telecommunications services	99%	–	Macau Patacas ("MOP") 150,000,000*
Nebular Telecom Japan K.K.	Japan	Provision of telecommunications services	–	100%	JPY10,000,000*

Notes:

(i) Hong Kong Internet eXchange ("HKIX") is an exchange point providing mainly interconnection amongst internet access providers in Hong Kong.

(ii) The Group has consolidated the results of CEC-BJ as the Group is exposed and has rights to variable returns from its involvement with CEC-BJ and has the ability to affect those returns through its power over CEC-BJ.

* Represents ordinary shares.

\# Non-voting deferred shares – the rights, privileges and restrictions of which are set out in the Articles of Association of CITIC 1616 Holdings Limited.

** Class A preference shares – the rights of which are set out in the Articles of ComNet Telecom (Canada) Ltd.

Δ Common share – the rights of which are set out in the Articles of ComNet Telecom (Canada) Ltd.

*** Capital contribution for ComNet (USA) LLC amounted to US$10,000.

(d) The Group had no subsidiaries which have material non-controlling interests for the years ended 31 December 2013 and 2012.

15 INTEREST IN AN ASSOCIATE

(a) THE GROUP

	2013 $'000	2012 $'000
Share of net assets		
At 1 January	**631,688**	654,164
Share of profit for the year	**80,569**	158,295
Dividend received during the year	**(188,160)**	(179,596)
Share of reserve	**(1,203)**	(1,175)
Exchange adjustments	**4,852**	–
	527,746	631,688
Goodwill		
At 1 January	**818,250**	818,250
Exchange adjustments	**6,284**	–
	824,534	818,250
	1,352,280	1,449,938
Deemed disposal upon acquisition of additional equity interest in the associate (note 26(c)(iii))	**(1,352,280)**	–
Carrying amount		
At 31 December	**–**	1,449,938

(b) THE COMPANY

	2013 $'000	2012 $'000
Unlisted shares at cost		
At 1 January	**1,400,268**	1,400,268
Deemed disposal upon acquisition of additional equity interest in the associate	**(1,400,268)**	–
At 31 December	**–**	1,400,268

15 INTEREST IN AN ASSOCIATE (CONTINUED)

(c) PARTICULARS OF THE ASSOCIATE

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. The associate is an unlisted corporate entity whose quoted market price is not available.

			Proportion of ownership interest		
Name of associate	Place of incorporation/ operation	Particulars of issued and fully paid-up capital	Group's effective interest	Held by the Company	Principal activity
Companhia de Telecomunicações de Macau, S.A.R.L.	Macau	150,000 shares of MOP 1,000 each	20%	20%	Provision of telecommunications services

At 31 December 2012, the investment in CTM was accounted for using the equity method in the consolidated financial statements.

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 26(a)).

(d) SUMMARY OF FINANCIAL INFORMATION OF THE ASSOCIATE

Summary of financial information of the associate, reconciled to the carrying amounts in the consolidated financial statements, is disclosed below:

Gross amounts of the associate

	31 December 2012 $'000
Current assets	1,847,180
Non-current assets	2,520,970
Current liabilities	(931,217)
Non-current liabilities	(278,495)
Equity	3,158,438

	Period from 1 January 2013 to 20 June 2013 $'000	Year ended 31 December 2012 $'000
Revenue	**2,094,001**	4,742,532
Profit from continuing operations	**402,846**	791,475
Other comprehensive income	**–**	–
Total comprehensive income	**402,846**	791,475

15 INTEREST IN AN ASSOCIATE (CONTINUED)

(d) SUMMARY OF FINANCIAL INFORMATION OF THE ASSOCIATE (CONTINUED)

Reconciled to the Group's interest in the associate

	31 December 2012 $'000
Gross amount of net assets of the associate	3,158,438
Group's effective interest	20%
Group's share of net assets of the associate	631,688
Goodwill	818,250
Carrying amount in the consolidated financial statements	1,449,938

(e) 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.

16 INTEREST IN A JOINT VENTURE

(a) THE GROUP

	2013 $'000	2012 $'000
Share of net assets		
At 1 January	**15,975**	14,259
Share of (loss)/profit for the year	**(448)**	1,179
Exchange adjustments	**(470)**	537
At 31 December	**15,057**	15,975
Goodwill	**29,018**	29,975
	44,075	45,950
Less: impairment loss (note)	**(37,811)**	–
	6,264	45,950

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 three-year period. Based on the value-in-use calculation, an impairment loss of $37,811,000 (2012: $Nil) (note 6(c)) has been recognised for the year ended 31 December 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.

16 INTEREST IN A JOINT VENTURE (CONTINUED)

(b) PARTICULARS OF THE JOINT VENTURE

Details of the Group's interest in the joint venture are as follows:

			Proportion of ownership interest		
Name of joint venture	Place of incorporation/ operation	Particulars of issued and fully paid-up capital	Group's effective interest	Held by the Company	Principal activity
Cheer Harvest Holdings Limited	Samoa	370,000 shares of US$1 each	85%	–	Provision of telecommunications services

The equity interest in Cheer Harvest Holdings Limited is accounted for as a joint venture in the consolidated financial statements under the equity method as the Group and the other shareholder of Cheer Harvest Holdings Limited share joint control over the economic activity of the entity and have rights to the net assets of the entity.

Cheer Harvest Holdings Limited and its wholly-owned subsidiary, E-Tone Network Corporation, which is incorporated in Taiwan, are principally engaged in the provision of telecommunications services in Taiwan.

17 INVENTORIES

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

The amount of inventories recognised as an expense and included in profit or loss for the year ended 31 December 2013 is $1,304,163,000 (2012: $Nil).

18 TRADE AND OTHER RECEIVABLES AND DEPOSITS

	The Group		The Company	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Trade debtors	**1,503,486**	1,282,678	**–**	–
Less: allowance for doubtful debts	**(93,186)**	(40,898)	**–**	–
	1,410,300	1,241,780	**–**	–
Other receivables and deposits	**482,415**	296,155	**7,006**	7,087
Amounts due from subsidiaries (note 14)	**–**	–	**1,223,463**	1,581,037
	1,892,715	1,537,935	**1,230,469**	1,588,124
Represented by:				
Non-current portion	**164,974**	174,352	**–**	–
Current portion	**1,727,741**	1,363,583	**1,230,469**	1,588,124
	1,892,715	1,537,935	**1,230,469**	1,588,124

All of the current trade and other receivables and deposits are expected to be recovered or recognised as expense within one year except for utility and rental deposits at 31 December 2013 of the Group and the Company amounted to $30,357,000 (2012: $36,315,000) and $741,000 (2012: $986,000) respectively which will not be recovered within a year.

18 TRADE AND OTHER RECEIVABLES AND DEPOSITS (CONTINUED)

At 31 December 2013 and 2012, included in other receivables and deposits were the following:

(i) deferred expenditure of $78,132,000 (2012: $84,702,000) for the prepayment of certain telecommunications services. Such costs are deferred and amortised on a straight-line basis over the underlying service period of 15 years; and

(ii) an advance payment paid to the ultimate holding company for the acquisition of the remaining equity interest in a subsidiary of $78,841,000 (2012: $76,442,000).

(a) AGEING ANALYSIS

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

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

Trade debtors are due within 7 to 180 days from the date of billing. Further details on the Group's credit policy are set out in note 27(a).

(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 (see note 1(j)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
At 1 January	**40,898**	28,635	**–**	–
Through acquisitions of subsidiaries	**3,153**	7,559	**–**	–
Impairment loss recognised	**81,252**	6,808	**–**	–
Impairment loss reversed	**(3,694)**	(1,214)	**–**	–
Uncollectible amounts written off	**(28,548)**	(897)	**–**	–
Exchange adjustments	**125**	7	**–**	–
At 31 December	**93,186**	40,898	**–**	–

At 31 December 2013, the Group's trade debtors of $212,852,000 (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 $93,186,000 (2012: $40,898,000) were recognised by the Group. The Group does not hold any collateral over these balances.

18 TRADE AND OTHER RECEIVABLES AND DEPOSITS (CONTINUED)

(c) TRADE DEBTORS THAT ARE NOT IMPAIRED

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Within 1 year	1,172,343	1,067,399	–	–
Over 1 year	118,291	79,447	–	–
	1,290,634	1,146,846	–	–

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

19 CASH AND CASH EQUIVALENTS

(a) CASH AND CASH EQUIVALENTS COMPRISE:

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Cash at bank and in hand	637,197	267,892	13,889	9,015
Time deposits with banks	218,879	86,924	62,400	20,000
Cash and bank deposits in the balance sheet (note (b))	856,076	354,816	76,289	29,015
Less: pledged deposits (note (c))	(1,334)	(3,808)		
Cash and cash equivalents in the consolidated cash flow statement	854,742	351,008		

(b) Included in cash and bank deposits were $30,326,000 (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 31 December 2013 and 2012, certain bank deposits were pledged to secure general banking facilities provided to the Group.

19 CASH AND CASH EQUIVALENTS (CONTINUED)

(d) RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS:

	Note	2013 $'000	2012 $'000
Profit before taxation		**1,201,125**	505,221
Adjustments for:			
Depreciation and amortisation	6(c)	**416,972**	154,282
Net loss on disposal of property, plant and equipment	5	**128**	4,654
Share of profit of an associate		**(80,569)**	(158,295)
Share of loss/(profit) of a joint venture		**448**	(1,179)
Transaction costs for the acquisitions of subsidiaries	6(c)	**111,395**	2,361
Impairment loss on interest in a joint venture	6(c)	**37,811**	–
Goodwill written-off upon disposal of an operation outside Hong Kong	6(c)	**10,404**	–
Gain on deemed disposal of equity interest in an associate	5	**(1,116,298)**	–
Finance costs	6(a)	**444,457**	3,063
Interest income	4	**(9,361)**	(545)
Equity-settled share-based payment expenses	6(b)	**50,229**	12,800
Foreign exchange gain		**(5,158)**	(1,559)
		1,061,583	520,803
Changes in working capital:			
Decrease in inventories		**8,611**	–
(Increase)/decrease in trade and other receivables and deposits		**(44,203)**	11,895
Increase/(decrease) in trade and other payables		**258,872**	(203,947)
Decrease in net defined benefit retirement obligation		**(3,733)**	–
Cash generated from operations		**1,281,130**	328,751

20 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Trade creditors	**985,111**	605,168	**–**	–
Other payables and accruals	**966,853**	283,888	**58,551**	31,467
Amounts due to subsidiaries (note 14)	**–**	–	**3,458,774**	76,277
	1,951,964	889,056	**3,517,325**	107,744
Represented by:				
Non-current portion	**80,424**	87,808	**3,363,269**	–
Current portion	**1,871,540**	801,248	**154,056**	107,744
	1,951,964	889,056	**3,517,325**	107,744

At 31 December 2013, other payables included a deferred revenue of $87,808,000 (2012: $95,192,000) for an amount received from a customer for the provision of certain telecommunications services. Such amount has been deferred and amortised on a straight-line basis over the underlying service period of 15 years.

20 TRADE AND OTHER PAYABLES (CONTINUED)

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

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

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

21 BANK LOANS

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

	The Group and the Company	
	2013	2012
	$'000	$'000
Within 1 year or on demand	**100,000**	100,000
After 2 years but within 5 years	**4,142,984**	–
	4,242,984	100,000
Represented by:		
Unsecured		
– Current	**100,000**	100,000
– Non-current (note 22(a))	**4,142,984**	–
	4,242,984	100,000

During the year, the Group entered into a facility agreement with a group of banks to borrow loans of US$630,000,000 which were secured by the 99% equity interest in CTM held by the Company. The Group repaid part of the facility from its surplus cash and entered into another facility agreement with a group of banks for an unsecured facility of an aggregate amount of US$540,000,000 (approximately $4,212,000,000) to re-finance the remainder of the US$630,000,000 facility during the year.

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet and financial performance ratios, as are commonly found in lending arrangement with financial institutions. If the Group were to breach the covenants or in any case of an event of default, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 27(b). At 31 December 2013, the Group was in compliance with the relevant requirements.

22 NON-CURRENT INTEREST-BEARING BORROWINGS

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

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Unsecured bank loans (note 21)	**4,142,984**	–	**4,142,984**	–
Guaranteed bonds at 6.1% due 2025 (note (b))	**3,473,581**	–	**–**	–
	7,616,565	–	**4,142,984**	–

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 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.

23 EMPLOYEE RETIREMENT BENEFITS

(a) DEFINED BENEFIT RETIREMENT PLAN

A subsidiary of the Company, CTM, makes contributions to a defined benefit retirement plan, CTM Staff Provident Fund (the "Fund"). The Fund was established on 1 January 2003 to replace a staff provident fund of a previous constitution. The Fund is registered with Autoridade Monetária de Macau ("AMCM") 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. 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 independent actuarial valuation of the Fund at 31 December 2013 was prepared by Towers Watson & Co., using the projected unit credit method. The actuarial valuation indicates that CTM's obligations under the Fund was 75% covered by the plan assets held by the trustees at 31 December 2013. The Fund exposes the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk, and market (investment) risk.

23 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(a) DEFINED BENEFIT RETIREMENT PLAN (CONTINUED)

(i) The amounts recognised in the consolidated balance sheet are as follows:

	The Group 2013 $'000
Fair value of plan assets	220,363
Present value of plan obligation	(292,665)
	(72,302)

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay $12,622,000 in contributions to the Fund in 2014.

(ii) Plan assets consist of the following:

	The Group 2013 $'000
Cash and money market	11,691
Bonds	
– Government bonds	40,978
– Corporate bonds	50,517
	91,495
Equity securities	
– Asia	4,728
– North America	30,708
– Europe	78,891
– Other areas	2,850
	117,177
	220,363

All of the bonds and equity securities have quoted prices in active markets.

At each balance sheet date, a study is performed by the Fund's asset manager in which the consequences of the strategic investment policies are analysed. The strategic investment policy of the Fund can be summarised as follows:

– a strategic assets mix comprising 53% equity securities, 42% bonds and 5% other investments;

– interest rate risk is managed by duration limitation; and

– foreign currency risk is managed by allocation guideline.

23 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(a) DEFINED BENEFIT RETIREMENT PLAN (CONTINUED)

(iii) Movements in the present value of the defined benefit obligation

	The Group 2013 $'000
At 1 January	–
Addition through acquisitions of subsidiaries	293,606
Benefits paid by the Fund	(9,679)
Employees' contributions	2,133
Current service cost	4,528
Interest cost	5,367
Remeasurements:	
– Experience adjustments	8,928
– Actuarial gains and losses arising from changes in demographic assumptions	–
– Actuarial losses arising from changes in financial assumptions	(12,218)
At 31 December	292,665

The weighted average duration of the defined benefit obligations is 8.5 years.

(iv) Movements in plan assets

	The Group 2013 $'000
At 1 January	–
Addition through acquisitions of subsidiaries	202,823
Employer's and employees' contributions paid to the Fund	10,717
Benefits paid by the Fund	(9,679)
Administrative expenses	(324)
Interest income	3,908
Remeasurements	12,918
At 31 December	220,363

23 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(a) DEFINED BENEFIT RETIREMENT PLAN (CONTINUED)

(v) Amounts recognised in the consolidated income statement and consolidated statement of comprehensive income are as follows:

	The Group 2013 $'000
Current service cost (note 6(b))	4,528
Net interest on net defined benefit obligation (note 6(a))	1,459
Administrative expenses	324
Total amount recognised in profit or loss	6,311
Actuarial gain and total amount recognised in other comprehensive income	(16,208)
Net defined benefit gain	(9,897)

The current service cost and the net interest on net defined benefit liability are recognised in the following line items in the consolidated income statement:

	The Group 2013 $'000
Staff costs	4,528
Other operating expenses	324
Finance costs	1,459
	6,311

(vi) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	The Group 2013 %
Discount rate at 31 December 2013	4.6
Salary escalation	5.0

23 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(a) DEFINED BENEFIT RETIREMENT PLAN (CONTINUED)

(vi) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows: (continued)

The below analysis shows how the defined benefit obligation at 31 December 2013 would have increased/(decreased) as a result of a 0.25% change in the significant actuarial assumptions:

	Increase of 0.25% $'000	Decrease of 0.25% $'000
Discount rate	(5,964)	6,152
Future salary growth	5,840	(5,691)

The above sensitivities are generated by measuring the effect on the defined benefit retirement obligation at 31 December 2013 by revising each of the major assumptions independently (i.e. no changes in the other assumptions). Whilst the analysis does not take account of the full distribution of cash flows expected under the Fund, it does provide an approximation to the sensitivity of the assumptions shown.

(b) DEFINED CONTRIBUTION RETIREMENT PLANS

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $25,000 ($20,000 prior to June 2012). Contributions to the plan vest immediately.

CTM also operates the Defined Contribution Fund which was set up under the terms of Decree Law 6/99/M and registered with AMCM. The Defined Contribution Fund is for all full time Macau employees who joined CTM after 1 May 2002. The Defined Contribution Fund is under the management of Macau Life Insurance Company Limited. The employees and CTM are each required to make contributions to the Defined Contribution Fund at 5% of the employee's relevant income. Contributions to the Defined Contribution Fund vest immediately.

Employees employed by the Group outside Hong Kong and Macau are covered by the appropriate local defined contribution schemes pursuant to the local labour rules and regulations.

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(a) SHARE OPTION PLAN OF THE CONTROLLING SHAREHOLDER

(i) CITIC Pacific Share Incentive Plan 2000

CITIC Pacific, the controlling shareholder of the Company, adopted the CITIC Pacific Share Incentive Plan 2000 (the "Plan 2000") on 31 May 2000 under which the board of directors of CITIC Pacific may invite any director, executive or employee of CITIC Pacific or any of its subsidiaries to subscribe for options over CITIC Pacific's shares. The Plan 2000 ended on 30 May 2010 and the options granted are exercisable till the end of exercise period.

The following options were granted under the Plan 2000:

Date of grant	Number of share options granted	Exercise price per share	Exercise period
28 May 2002	11,550,000	$18.20	From 28 May 2002 to 27 May 2007
1 November 2004	12,780,000	$19.90	From 1 November 2004 to 31 October 2009
20 June 2006	15,930,000	$22.10	From 20 June 2006 to 19 June 2011
16 October 2007	18,500,000	$47.32	From 16 October 2007 to 15 October 2012
19 November 2009	13,890,000	$22.00	From 19 November 2009 to 18 November 2014
14 January 2010	880,000	$20.59	From 14 January 2010 to 13 January 2015

Mr Liu Jifu, a director of the Company, had options subsisting at 31 December 2013. The options that remained to be exercised by the above director of the Company represented less than 1% of the issued share capital of CITIC Pacific at 31 December 2013. No employment benefit cost or obligation is recognised in the Group's consolidated financial statements in respect of the above-mentioned share options for the year ended 31 December 2013, as the share options granted to the Group's director are in respect of his services to CITIC Pacific and its subsidiaries ("CITIC Pacific Group") as a whole and his services to the Group only occupy an insignificant amount of his time.

(ii) CITIC Pacific Share Incentive Plan 2011

As the Plan 2000 expired on 30 May 2010, CITIC Pacific adopted a new plan, the CITIC Pacific Share Incentive Plan 2011 (the "Plan 2011") on 12 May 2011, pursuant to which the board of directors of CITIC Pacific may at its discretion offer to grant share options to any eligible participant including any employee, executive director, non-executive director, independent non-executive director, consultant or representative of any member of CITIC Pacific Group. No share options were granted under the Plan 2011 during the year ended 31 December 2013.

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) SHARE OPTION PLAN OF THE COMPANY

The Company has a share option plan ("CITIC Telecom International Plan") which was adopted on 17 May 2007 whereby the directors of the Company are authorised, at their discretion, to offer 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 options to subscribe for shares in the Company to recognise their contributions to the growth of the Company. The CITIC Telecom International Plan is valid and effective for a period of ten years ending on 16 May 2017.

Since the adoption of the CITIC Telecom International Plan, 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 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 24(b)(iii).

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) SHARE OPTION PLAN OF THE COMPANY (CONTINUED)

(i) The terms and conditions of the options granted under the CITIC Telecom International Plan are as follows, whereby all options are settled by physical delivery of shares:

	Exercise price per share	Number of options	Vesting condition	Expiry date
Options granted to directors:				
– on 23 May 2007	$3.26	10,290,000	Fully vested on the date of grant	Expired at the close of business on 22 May 2012
– on 17 September 2009	$2.10*	3,150,000	Fully vested on 17 September 2010	Expire at the close of business on 16 September 2015
– on 17 September 2009	$2.10*	3,150,000	Fully vested on 17 September 2011	Expire at the close of business on 16 September 2016
– on 19 August 2011	$1.54#	3,750,000	Fully vested on 19 August 2012	Expire at the close of business on 18 August 2017
– on 19 August 2011	$1.54#	3,750,000	Fully vested on 19 August 2013	Expire at the close of business on 18 August 2018
– on 26 June 2013	$2.25	11,038,000	Fully vested on the date of grant	Expire at the close of business on 25 June 2018
Options granted to employees:				
– on 23 May 2007	$3.26	8,430,000	Fully vested on the date of grant	Expired at the close of business on 22 May 2012
– on 17 September 2009	$2.10*	14,762,500	Fully vested on 17 September 2010	Expire at the close of business on 16 September 2015
– on 17 September 2009	$2.10*	14,762,500	Fully vested on 17 September 2011	Expire at the close of business on 16 September 2016
– on 19 August 2011	$1.54#	20,477,500	Fully vested on 19 August 2012	Expire at the close of business on 18 August 2017
– on 19 August 2011	$1.54#	20,477,500	Fully vested on 19 August 2013	Expire at the close of business on 18 August 2018
– on 26 June 2013	$2.25	70,309,000	Fully vested on the date of grant	Expire at the close of business on 25 June 2018
Total number of share options		184,347,000		

* Exercise price per share has been adjusted to $1.91 since 7 June 2013

Exercise price per share has been adjusted to $1.40 since 7 June 2013

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) SHARE OPTION PLAN OF THE COMPANY (CONTINUED)

(ii) The number and weighted average exercise prices of share options are as follows:

	2013		2012	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**$1.75**	**75,506,000**	$1.98	92,444,000
Adjusted during the year	**$1.59**	**5,290,034**	–	–
Granted during the year	**$2.25**	**81,347,000**	–	–
Exercised during the year (note 25(b))	**$1.74**	**(32,843,662)**	$1.54	(682,500)
Cancelled during the year	**$2.25**	**(660,000)**	–	–
Lapsed during the year	**$1.57**	**(1,129,043)**	$3.08	(16,255,500)
Outstanding at the end of the year	**$2.00**	**127,510,329**	$1.75	75,506,000
Exercisable at the end of the year	**$2.00**	**127,510,329**	$1.85	51,801,000

During the year ended 31 December 2013, options for 32,843,662 (2012: 682,500) shares were exercised, options for 660,000 (2012: Nil) shares have been cancelled and options for 1,129,043 (2012: 16,255,500) shares have lapsed. The value of vested options lapsed during the year ended 31 December 2013 was $226,000 (2012: $10,785,000) and was released directly to retained profits.

The weighted average closing price at the date of exercise of share options exercised during the year was $2.53 (2012: $1.99). The options outstanding at 31 December 2013 had a weighted average exercise price of $2.00 (2012: $1.75) and a weighted average remaining contractual life of 4.10 (2012: 4.21) years.

(iii) Fair value of share options and assumptions

The average fair value of an option of the Fourth Lot 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 early exercise behaviour, the average expected life of the share options granted was determined 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 as 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.

All the options forfeited before expiry of the CITIC Telecom International Plan will be treated as lapsed options which will be added back to the number of shares available to be issued under the CITIC Telecom International Plan.

(iv) The total expense recognised in the consolidated income statement for the year ended 31 December 2013 in respect of the above grants of options is $50,229,000 (2012: $12,800,000).

25 CAPITAL, RESERVES AND DIVIDENDS

(a) DIVIDENDS

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

	2013 $'000	2012 $'000
Interim dividend declared and paid of 2.4 cents (2012: 2.4 cents) per share	**79,544**	57,264
Final dividend proposed after the balance sheet date of 7.6 cents (2012: 7.2 cents) per share	**252,566**	171,841
	332,110	229,105

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

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

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

	2013 $'000	2012 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 7.2 cents (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 year ended 31 December 2013, which represented dividends attributable to shares issued upon exercise of share options before the closing date of the register of members.

25 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) SHARE CAPITAL

	Note	2013 No. of shares	2013 Amount $'000	2012 No. of shares	2012 Amount $'000
Authorised:					
Ordinary shares of $0.10 each		**5,000,000,000**	**500,000**	5,000,000,000	500,000
Ordinary shares, 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)	**32,843,662**	**3,284**	682,500	69
Rights issue	(iii)	**903,723,326**	**90,372**	–	–
At 31 December	(i)	**3,323,242,358**	**332,324**	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 year ended 31 December 2013, 32,843,662 (2012: 682,500) ordinary shares were issued at a weighted average exercise price of $1.74 (2012: $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.

(c) SHARE PREMIUM AND CAPITAL REDEMPTION RESERVE

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

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

(d) CAPITAL RESERVE

The capital reserve represents the portion of the grant date fair value of unexercised share options granted to directors or employees of the Company under the Company's share option plan that has been recognised in accordance with the accounting policies adopted for share-based payments set out in note 1(p)(iii).

(e) EXCHANGE RESERVE

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 1(t).

25 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) DISTRIBUTABILITY OF RESERVES

At 31 December 2013, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of section 79B of the Hong Kong Companies Ordinance, was $893,262,000 (2012: $912,606,000). After the balance sheet date, the directors proposed a final dividend of 7.6 cents (2012: 7.2 cents) per share, amounting to $252,566,000 (2012: $171,841,000). This dividend has not been recognised as a liability at the balance sheet date.

(g) PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of $383,304,000 (2012: $11,995,000) for the year ended 31 December 2013 which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2013 $'000	2012 $'000
Amount of consolidated loss attributable to equity shareholders dealt with in the Company's financial statements	**(383,304)**	(11,995)
Interim/final dividends from subsidiaries and an associate attributable to the profits of the current/previous financial year, approved and paid during the year	**616,726**	381,596
Company's profit for the year	**233,422**	369,601

Details of dividends paid and payable to equity shareholders of the Company are set out in note 25(a).

(h) CAPITAL MANAGEMENT

The Group's primary objective on capital management is to safeguard the Group's ability to continue as a going concern, while at the same time continues to provide returns for shareholders.

The Group regularly reviews its capital structure to maintain a balance between the enhancement of shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Adjustments are made to the capital structure as necessary in response to changes in economic conditions.

The capital structure of the Group consists of its total equity attributable to equity shareholders of the Company, comprising share capital and reserves as disclosed in the consolidated financial statements. The Group's gearing ratios is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank deposits. Total capital is total equity attributable to shareholders, as shown in the consolidated balance sheet, plus net debt.

25 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(h) CAPITAL MANAGEMENT (CONTINUED)

The Group's net gearing ratios at 31 December 2013 and 2012 are as follows:

	2013 $'000	2012 $'000
Total bank and other borrowings	**7,716,565**	261,868
Less: cash and bank deposits	**(856,076)**	(354,816)
Net debt/(cash)	**6,860,489**	(92,948)
Total equity attributable to equity shareholders of the Company	**6,163,271**	3,432,703
Total capital	**13,023,760**	3,339,755
Net gearing ratio	**53%**	–

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

26 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 adjusted consideration is US$1,250,193,000 (approximately $9,751,506,000), which is referenced to the completion accounts prepared in accordance with relevant sale and purchase agreements. All the conditions of the Acquisitions were fulfilled and the completion of the Acquisitions took place on 20 June 2013. Upon completion, the Company holds a 99% equity interest in CTM and its subsidiaries (collectively referred to as the "CTM Group"), which became subsidiaries of the Company.

(b) The Group has completed another acquisition at a consideration of $3,058,000 during the year ended 31 December 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) Companies that were acquired in 2013 contributed in aggregate $2,472,266,000 and $419,271,000 to the Group's revenue and profit for the year respectively from the date of acquisition to 31 December 2013. The effect on revenue and profit of the acquired companies as if the acquisitions had occurred at the beginning of the year ended 31 December 2013 to the Group were $4,566,267,000 and $821,855,000 (including the share of profit of an associate) 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 fair value adjustments to property, plant and equipment and intangible assets had been applied from 1 January 2013 together with the consequential tax effects.

26 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 $'000	Fair value adjustments $'000	Fair value $'000
Property, plant and equipment (note 11(a))	838,655	66,188	904,843
Intangible assets	7,978	2,330,160	2,338,138
Other non-current assets	728	–	728
Inventories	135,741	–	135,741
Trade and other receivables and deposits	392,209	–	392,209
Cash and bank deposits	859,562	–	859,562
Trade and other payables	(706,805)	–	(706,805)
Current tax payable (note 7(b))	(195,803)	–	(195,803)
Net defined benefit retirement obligation (note 23(a))	(90,783)	–	(90,783)
Deferred tax assets/(liabilities) (note 7(c)(i))	11,494	(287,562)	(276,068)
Net identifiable assets and liabilities	1,252,976	2,108,786	3,361,762
Non-controlling interests arising from the Acquisitions			(33,618)
Goodwill on the Acquisitions (note 13(a) and note (c)(ii))			8,892,097
Fair value of previously held 20% equity interest in CTM Group (note (c)(iii))			(2,468,735)
			9,751,506
Satisfied by:			
Cash paid			9,751,506
Cash consideration paid			9,751,506
Cash and cash equivalents acquired			(859,562)
Net outflow of cash and cash equivalents in respect of the Acquisitions of CTM Group (note (g))			8,891,944

(ii) 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.

(iii) The gain on deemed disposal of previously held 20% equity interest in CTM Group of $1,116,298,000 (note 5) was measured as the excess of the fair value of the 20% equity interest in CTM Group of $2,468,735,000 at 20 June 2013 over the carrying amount of the 20% equity interest previously held in CTM Group of $1,352,280,000 (note 15(a)) 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 (Revised), *Business combinations*.

26 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

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

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

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

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

Pursuant to the Framework Agreement, the Group completed the acquisition of CEC-HK and CEC-BJ on 29 July 2011 and 6 September 2012 respectively.

The aggregate consideration paid by the Group is approximately $281,528,000 comprising:

(i) RMB93,286,000 (approximately $111,403,000) paid to CE-SCM by instalments;

(ii) RMB80,818,000 (approximately $98,956,000) paid to CITIC Group Corporation, out of which RMB61,987,000 (approximately $78,841,000) was paid as advance payment for the acquisition of the remaining 45.09% equity interest in CEC-BJ held by CITIC Group Corporation upon CPC exercising the Purchase Right;

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

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

CEC-HK is engaged in the provision of telecommunications leasing and technology services and CEC-BJ is engaged in the provision of value-added telecommunications services.

(e) For the year ended 31 December 2012, CEC-BJ contributed in aggregate $82,070,000 and $8,101,000 to the Group's revenue and profit respectively from the date of acquisition to 31 December 2012. The effect on revenue and loss of CEC-BJ as if the acquisition had occurred at the beginning of the year ended 31 December 2012 to the Group were $235,207,000 and $8,423,000 respectively.

These amounts have been calculated using the Group's accounting policies and by adjusting the result of the relevant subsidiary to reflect the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets had been applied from 1 January 2012 together with the consequential tax effects.

26 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(e) (CONTINUED)

The acquisition had the following effect on the Group's assets and liabilities:

	Acquiree's carrying amount before combination $'000	Fair value adjustments $'000	Fair value $'000
Property, plant and equipment (note 11(a))	43,919	–	43,919
Intangible assets (note 12)	–	31,767	31,767
Trade and other receivables and deposits	53,530	–	53,530
Cash and bank deposits	25,162	–	25,162
Trade and other payables	(181,704)	–	(181,704)
Net deferred tax liabilities (note 7(c)(i))	–	(3,221)	(3,221)
Net identifiable assets and liabilities	(59,093)	28,546	(30,547)
Non-controlling interests arising from the acquisition of a subsidiary			15,579
Goodwill on the acquisition (note 13(a) and note (f))			35,803
			20,835
Satisfied by:			
Cash paid			20,835
Cash and cash equivalents acquired			25,162
Cash consideration paid			(20,835)
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiary			4,327

(f) Goodwill arose on the acquisition of CEC-BJ because the cost of the combination included a control premium paid to acquire its business. In addition, the consideration paid for the combination included the benefits of expected synergies to be achieved from integrating the subsidiary into the Group's existing businesses, future market development and the acquired business' workforce.

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

	2013 $'000	2012 $'000
Acquisitions of CTM Group (note (c)(i))	**8,891,944**	–
Acquisitions of other subsidiaries (notes (b) and (e))	**3,042**	(4,327)
Payment for settlement of other payables in relation to acquisition of subsidiaries	**–**	48,172
	8,894,986	43,845

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) CREDIT RISK

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

In respect of trade debtors, credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are due within 7 to 180 days from the date of billing. For debtors with balances due over one year, the Group will assign an officer who will be responsible to agree on a settlement plan with those debtors to reduce the outstanding balance within a reasonable period.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

A significant portion of the Group's telecommunications services are provided to customers in the PRC. At 31 December 2013, the balance due from these PRC customers amounted to $620,423,000 (2012: $654,905,000). The credit risk exposure to these PRC customers and the remaining trade debtors balance have been monitored by the Group on an ongoing basis and the allowance for doubtful debts have been within management's expectations.

The Group has a certain concentration of credit risk of the total trade debtors due from the Group's largest customer and the five largest customers are as follows:

	2013 %	2012 %
Due from the Group's largest customer	38	44
Due from the Group's five largest customers	46	57

Financial guarantee given by the Group and the maximum exposure to credit risk in respect of financial guarantees at the balance sheet date is disclosed in note 29.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) LIQUIDITY RISK

Individual operating units within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the finance committee or the Board of the Company when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements, 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.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay.

(i) The Group

	2013					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	**More than 1 year but less than 2 years $'000**	**More than 2 years but less than 5 years $'000**	**More than 5 years $'000**	**Total contractual undiscounted cash flow $'000**	**Carrying amount at 31 December $'000**
Trade and other payables	**1,871,540**	**–**	**–**	**–**	**1,871,540**	**1,871,540**
Bank loans	**100,391**	**–**	**–**	**–**	**100,391**	**100,000**
Loan from an associate	**–**	**–**	**–**	**–**	**–**	**–**
Non-current interest-bearing borrowings	**302,394**	**302,394**	**5,036,594**	**4,901,715**	**10,543,097**	**7,616,565**
	2,274,325	**302,394**	**5,036,594**	**4,901,715**	**12,515,028**	**9,588,105**

	2012					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total contractual undiscounted cash flow $'000	Carrying amount at 31 December $'000
Trade and other payables	801,248	–	–	–	801,248	801,248
Bank loans	100,090	–	–	–	100,090	100,000
Loan from an associate	162,275	–	–	–	162,275	161,868
Non-current interest-bearing borrowings	–	–	–	–	–	–
	1,063,613	–	–	–	1,063,613	1,063,116

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) LIQUIDITY RISK (CONTINUED)

(ii) The Company

	2013					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total contractual undiscounted cash flow $'000	Carrying amount at 31 December $'000
Other payables and accruals	58,551	–	–	–	58,551	58,551
Bank loans	100,391	–	–	–	100,391	100,000
Amounts due to subsidiaries	95,505	–	–	3,363,269	3,458,774	3,458,774
Non-current interest-bearing borrowings	88,284	88,284	4,394,264	–	4,570,832	4,142,984
	342,731	88,284	4,394,264	3,363,269	8,188,548	7,760,309

	2012					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total contractual undiscounted cash flow $'000	Carrying amount at 31 December $'000
Other payables and accruals	31,467	–	–	–	31,467	31,467
Bank loans	100,393	–	–	–	100,393	100,000
Amounts due to subsidiaries	76,277	–	–	–	76,277	76,277
Non-current interest-bearing borrowings	–	–	–	–	–	–
	208,137	–	–	–	208,137	207,744

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) INTEREST RATE RISK

The Group is exposed to cashflow interest rate risk arising from the Group's holding of cash and bank deposits, bank loans, loan from an associate and other borrowings which are interest-bearing at fixed or floating rates. The management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) *Interest rate profile*

The following table details the interest rate profile of the Group's and the Company's interest-earning financial assets, bank loans, loan from an associate and other interest-bearing borrowings at the balance sheet date:

	The Group				The Company			
	2013		2012		**2013**		2012	
	Effective interest rate		Effective interest rate		**Effective interest rate**		Effective interest rate	
	%	**$'000**	%	$'000	**%**	**$'000**	%	$'000
Fixed rate borrowings:								
Guaranteed bonds at 6.1% due 2025	**6.10**	**(3,473,581)**	–	–	–	–	–	–
Variable rate borrowings:								
Bank loans	**2.51**	**(4,242,984)**	1.52	(100,000)	**2.51**	**(4,242,984)**	1.52	(100,000)
Loan from an associate	–	–	1.87	(161,868)	–	–	–	–
		(4,242,984)		(261,868)		**(4,242,984)**		(100,000)
Cash and bank deposits	**0.26**	**856,076**	0.09	354,816	**0.74**	**76,289**	0.40	29,015
Total net (debt)/cash		**(6,860,489)**		92,948		**(4,166,695)**		(70,985)

(ii) *Sensitivity analysis*

At 31 December 2013, it is estimated that interest rates will not decrease and a general increase of 50 (2012: 50) basis points in interest rates, with all other variables held constant, would have decreased the Group's profit for the year and retained profits by approximately $16,935,000 (2012: increased by $465,000). Other components of consolidated equity would not be affected (2012: $Nil) by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit for the year and retained profits that would arise assuming that the change in interest rates had occurred at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit for the year and retained profits is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for 2012.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) CURRENCY RISK

(i) The Group is exposed to currency risk primarily through sales and purchase which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operation to which the transactions relate.

Certain operating companies of the Group have certain transactions in USD and the telecommunications services provided by these companies to their customers in the PRC represent a significant portion of their turnover. The operating currency of these PRC customers is mainly RMB. RMB is not freely convertible into foreign currencies.

The Group's other assets, liabilities and transactions are mainly denominated in HKD, USD, RMB, Euros or MOP.

(ii) *Exposure to currency risk*

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HKD, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

The Group

	Exposure to foreign currencies (expressed in HKD) 2013			
	USD '000	**RMB '000**	**Euros '000**	**MOP '000**
Trade and other receivables and deposits	**1,557,068**	**51,611**	**3,961**	**513**
Cash and bank deposits	**506,523**	**32,852**	**12,074**	**–**
Trade and other payables	**(2,143,684)**	**(66,423)**	**(12,211)**	**(24,886)**
Bank loans	**(4,142,984)**	**–**	**–**	**–**
Other interest-bearing borrowings	**(3,473,581)**	**–**	**–**	**–**
	(7,696,658)	**18,040**	**3,824**	**(24,373)**

	Exposure to foreign currencies (expressed in HKD) 2012			
	USD '000	RMB '000	Euros '000	MOP '000
Trade and other receivables and deposits	1,189,359	142,403	3,704	1,322
Cash and bank deposits	148,371	11,273	3,211	–
Trade and other payables	(516,294)	(3,639)	(7,667)	(6)
Loan from an associate	–	–	–	(161,868)
	821,436	150,037	(752)	(160,552)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) CURRENCY RISK (CONTINUED)

(ii) Exposure to currency risk (continued)

The Company

	Exposure to foreign currencies (expressed in HKD)	
	2013	2012
	USD	USD
	'000	'000
Cash and bank deposits	**69,709**	1,425
Trade and other payables	**(3,494)**	–
Bank loans	**(4,142,984)**	–
	(4,076,769)	1,425

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit for the year and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. In this respect, as the HKD is linked to the USD and the MOP is pegged to the HKD, the Group does not expose to significant currency risks arising from USD and MOP denominated balances and transactions. Other components of consolidated equity would not be affected (2012: $Nil) by the changes in the foreign exchange rates.

The Group

	2013		2012	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit for the year and retained profits '000**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit for the year and retained profits '000
RMB	**3%**	**615**	2%	2,543
Euros	**11%**	**570**	10%	(10)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) CURRENCY RISK (CONTINUED)

(iii) Sensitivity analysis (continued)

Results of the analysis as presented in the above table represented an aggregation of the instantaneous effects on each of the Group's entities' profit for the year and equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2012.

(e) FAIR VALUES

No disclosure of fair value is required as all of the Group's financial instruments are carried at amounts not materially different from their fair values at 31 December 2013 and 2012.

28 COMMITMENTS

(a) CAPITAL COMMITMENTS

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

	The Group	
	2013	2012
	$'000	$'000
Contracted for		
– capital expenditure	**239,553**	20,954
– investments in subsidiaries	**–**	2,434
	239,553	23,388
Authorised but not contracted for		
– capital expenditure	**163,129**	35,414

The Company had no capital commitments at 31 December 2013 and 2012.

28 COMMITMENTS (CONTINUED)

(b) COMMITMENTS UNDER OPERATING LEASES

(i) The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Land and buildings				
Within 1 year	**46,871**	30,510	**1,472**	1,472
After 1 year but within 5 years	**21,366**	33,038	**145**	1,615
After 5 years	**–**	29	**–**	–
	68,237	63,577	**1,617**	3,087
Leased circuits				
Within 1 year	**44,741**	37,967	**–**	–
After 1 year but within 5 years	**4,951**	4,741	**–**	–
After 5 years	**–**	118	**–**	–
	49,692	42,826	**–**	–

The leases typically run for an initial period of 1 to 7 years, with an option to renew the lease when all terms are renegotiated. None of these leases includes contingent rentals.

(ii) The Group leases out a number of leased circuits under operating leases. The Group's total future minimum lease payments under non-cancellable operating leases are receivables as follows:

	The Group	
	2013	2012
	$'000	$'000
Within 1 year	**–**	15,261

The leases typically run for an initial period of 1 to 5 years, with an option to renew the lease when all terms are renegotiated. None of these leases includes contingent rentals.

29 FINANCIAL GUARANTEE AND PERFORMANCE BONDS

(a) FINANCIAL GUARANTEE

(i) At 31 December 2013, the Company provided unconditional and irrevocable guarantee in respect of the Guaranteed Bonds issued by a wholly-owned subsidiary of the Company (see note 22(b)). At 31 December 2013, the directors do not consider it probable that a claim will be made against the Company under this guarantee. The maximum liability of the Company at the balance sheet date is the outstanding balance of the borrowing of $3,510,000,000.

(ii) At 31 December 2013, the Company has issued a guarantee in respect of a loan made to a subsidiary by another subsidiary of the Company. At 31 December 2013, the directors do not consider it probable that a claim will be made against the Company under this guarantee. The maximum liability of the Company at the balance sheet date is the outstanding balance of the loan of $807,400,000.

(iii) The Company has not recognised any deferred income in respect of the guarantees as the fair value cannot be reliably measured using observable market data and the transaction price was $Nil.

29 FINANCIAL GUARANTEE AND PERFORMANCE BONDS (CONTINUED)

(b) PERFORMANCE BONDS

At 31 December 2013, performance bonds provided to the Macau Government and other customers by CTM for which no provision has been made in the consolidated financial statements amounted to $85,456,000. At 31 December 2013, the directors do not consider it probable that a claim will be made against CTM under any of the performance bonds. The maximum liability of the Group and CTM at the balance sheet date is the total amount guaranteed by the performance bonds of $85,456,000.

30 MATERIAL RELATED PARTY TRANSACTIONS

(a) TRANSACTIONS WITH THE AFFILIATES OF THE GROUP AND ITS HOLDING COMPANIES

(i) Recurring transactions

	2013 $'000	2012 $'000
Telecommunications services and related income received/receivable from		
– an associate	**5,969**	13,503
– a subsidiary of a joint venture	**3,733**	–
Telecommunications services and related expenses paid/payable to		
– an associate	**5,088**	9,161
– fellow subsidiaries	**4,039**	101,524
– a subsidiary of a joint venture	**4,079**	–
Professional fees paid/payable to a controlling shareholder for the provision of internal audit and company secretarial services	**4,330**	3,500
Operating lease charges, building management fees and air conditioning charges paid/payable to a fellow subsidiary	**9,297**	15,656
Building management fees and air conditioning charges paid/payable to a fellow subsidiary	**5,028**	4,962
Operating lease charges, building management fees, air conditioning charges and car parking spaces rental paid/payable to a fellow subsidiary	**2,492**	2,164
Operating lease charges and building management fees paid/payable to a fellow subsidiary	**7,304**	1,634

The directors are of the opinion that the above transactions with related parties were conducted on normal commercial terms in the ordinary course of business and the terms are fair and reasonable so far as the shareholders of the Company are concerned. The professional fees paid by the Group were reimbursement of costs incurred by the related party, the price which the Group received or paid for the relevant services were fair and reasonable with reference to market price.

30 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) TRANSACTIONS WITH THE AFFILIATES OF THE GROUP AND ITS HOLDING COMPANIES (CONTINUED)

(ii) Non-recurring transactions

	2013 $'000	2012 $'000
Interest paid/payable for loans from an associate	407	1,551
Removal, relocation and reinstallation works provided by a fellow subsidiary	–	4,600
Mechanical ventilation and air-conditioning installation works provided by a fellow subsidiary	–	7,943
Transaction costs paid/payable to an affiliate	41,326	–

During the year ended 31 December 2013, the Group entered into a facility agreement with a group of banks where one of the banks is a fellow subsidiary. Pursuant to the facility agreement, the fellow subsidiary agreed to make available to the Group a loan facility of up to US$20,000,000 (approximately $156,000,000). The loan bore interest at the prevailing market rates and has been fully repaid at 31 December 2013.

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

	2013 $'000	2012 $'000
Advance payment paid to the ultimate holding company for the acquisition of the remaining equity interest in a subsidiary included in		
– Trade and other receivables and deposits	78,841	76,442
Amount due from/(to) an associate included in		
– Trade and other receivables and deposits	–	5,404
– Trade and other payables	–	(5,764)
	–	(360)
Amount due to a fellow subsidiary included in		
– Trade and other payables	–	418

The amounts due from/(to) an associate and fellow subsidiaries are under normal trading terms.

(iv) Loan from an associate

	2013 $'000	2012 $'000
Loan from an associate (note 15(e))	–	161,868

30 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) TRANSACTIONS WITH THE AFFILIATES OF THE GROUP AND ITS HOLDING COMPANIES (CONTINUED)

(v) *Commitments under operating leases payable to an affiliate*

The total future minimum lease payments under non-cancellable operating leases relating to land and building are payable as follows:

	2013 $'000	2012 $'000
Within 1 year	**–**	6,923
After 1 year but within 5 years	**–**	6,058
	–	12,981

The leases related to the affiliate typically run for an initial period of 2 to 3 years and the related commitments are included in note 28(b)(i).

(vi) *Commitments under operating leases payable to fellow subsidiaries*

The total future minimum lease payments under non-cancellable operating leases relating to land and buildings are payable as follows:

	2013 $'000	2012 $'000
Within 1 year	**14,796**	8,079
After 1 year but within 5 years	**4,958**	13,044
	19,754	21,123

The leases related to the fellow subsidiaries run for an initial period of 2 to 3 years and the related commitments are included in note 28(b)(i).

(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 organisation (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.

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:

30 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) TRANSACTIONS WITH OTHER GOVERNMENT-RELATED ENTITIES (CONTINUED)

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

	2013 $'000	2012 $'000
Interest income from bank deposits	**7,056**	95
Fees received/receivable from provision of telecommunications services	**1,083,539**	1,351,394
Fees paid/payable for network, operations and support services	**(907,777)**	(836,218)
Purchase of property, plant and equipment	**(34,545)**	–

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

	2013 $'000	2012 $'000
Bank deposits	**290,482**	38,272
Trade debtors	**720,866**	737,563
Trade and other payables	**(367,452)**	(66,880)
Interest-bearing borrowings	**(690,497)**	–

The interest-bearing borrowings from state-controlled banks at 31 December 2013 bore interest at the prevailing market rates.

(iii) Commitments under operating leases payable to other government-related entities in the PRC

The total future minimum lease payments under non-cancellable operating leases relating to leased circuits are payable as follows:

	2013 $'000	2012 $'000
Within 1 year	**21,323**	12,608

The leases related to the other government-related entities typically run for an initial period of 1 year and the related commitments are included in note 28(b)(i).

(c) KEY MANAGEMENT PERSONNEL REMUNERATION

Remuneration for key management personnel of the Group, including amounts paid/payable to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2013 $'000	2012 $'000
Short-term employee benefits	**35,605**	26,179
Share-based payments	**11,882**	2,904
Post-employment benefits	**667**	467
	48,154	29,550

Total remuneration is included in "staff costs" (see note 6(b)).

31 NON-ADJUSTING POST BALANCE SHEET EVENTS

After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 25(a).

32 IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTY

At 31 December 2013, the directors consider the immediate parent and the ultimate controlling party of the Group to be Ease Action Investments Corp., which is incorporated in the British Virgin Islands, and CITIC Group Corporation, which is a wholly state-owned company in the PRC, respectively. The ultimate controlling party produces financial statements available for public use.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2013

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*	1 January 2014
HKFRS 9, *Financial instruments*	Not yet determined

The Group is in the process of making an assessment of what the impact of these development 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 consolidated financial statements.

GLOSSARY

ICT	Information and Communications Technology, an umbrella term that includes any communication device or application, encompassing: radio, television, cellular phones, computer and network hardware and software, satellite systems etc, as well as the various services and applications associated with them
IOSMS	Inter-Operator SMS is the service provided to Mobile Network Operators within Hong Kong
ITFS	International Toll Free Service (ITFS) provides individual special telephone number in each of the requested country which is free for the calling party, and instead the telephone carrier charges the called party for the cost of the call
LTE	Long-term evolution, marketed as 4G LTE, is a standard for wireless communication of high-speed data for mobile phones and data terminals
MPLS VPN	MPLS VPN is a service to provide Virtual Private Networks (VPNs) over the Multiprotocol Label Switching (MPLS) backbone
MVAS	Mobile Value-Added Service (MVAS) is a suite of services provided to Mobile Network Operators for non-core services
MVNE	Mobile Virtual Network Enabler (MVNE) provides business infrastructure solutions to mobile virtual network operators (MVNO)
MVNO	A mobile virtual network operator (MVNO) is a wireless communications services provider that does not own the radio spectrum or wireless network infrastructure over which the MVNO provides services to its customers
mVoIP	Mobile VoIP or simply mVoIP is an extension of mobility to a Voice over IP network
OTT	"Over-the-top" refers to the delivery of content and/or services over an infrastructure that is not under the same administrative control as the content or service provider
POP(s)	Point(s) of Presence, connection facilities co-located in the data centres of other telecoms operators that consist primarily of transmission equipment with which calls and data are routed to and from the Group's hub
PRS	A pre-paid Mobile VAS which enables mobile customers to send or receive SMS and/or to receive calls or to call other countries using their mobile phones while overseas
SCCP	Signalling Connection Control Part of SS7 signalling protocol that provides connectionless and connection-oriented network services and global title translation (GTT) capabilities above MTP Level 3
SIMN	Single IMSI Multiple Number service, a Mobile VAS which allows mobile operators' subscribers to hold multiple overseas mobile phone numbers on their existing SIM cards, providing frequent travellers and mobile roamers the choice of saving roaming charges in SIMN-enabled regions
SMS	Short Message Service, a service available on most digital mobile phones that permits the sending of short messages between mobile phones, other handheld devices and even landline telephones
VPN	Virtual Private Network, a network that uses a public telecommunication infrastructure, such as the Internet, to provide remote offices or individual users with secure access to their organisation's network
WiFi	Wi-Fi is a popular technology that allows an electronic device to exchange data wirelessly (using radio waves) over a computer network, including high-speed Internet connections. The Wi-Fi Alliance defines Wi-Fi as any "wireless local area network (WLAN) products that are based on the Institute of Electrical and Electronics Engineers' (IEEE) 802.11 standards"

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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 on 2980 1333, or by fax: 2810 8185, on matters such as transfer of shares, change of name or address, or loss of share certificates.

FINANCIAL CALENDAR

Closure of Register:	23 April 2014 to 25 April 2014 and 2 May 2014 to 7 May 2014
Annual General Meeting:	25 April 2014, 10:30 a.m. Salon 6, JW Marriott Ballroom, Level 3 JW Marriott Hotel Hong Kong Pacific Place, 88 Queensway, Hong Kong
Final Dividend Payable:	16 May 2014

ANNUAL REPORT 2013

The Annual Report is printed in English and Chinese language and is available on our website at www.citictel.com. Shareholders may choose to receive the Annual Report in printed form in either the English or Chinese language or both or by electronic means. Shareholders who have chosen to receive the Annual Report using electronic means and who for any reason have difficulty in receiving or gaining access to the Annual 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 the language or means of receipt of the Annual Report by notice in writing to the Company's Share Registrars.

Non-shareholders 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.

* *The address of Tricor Investor Services Limited will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014.*

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