中信國際電訊

CITIC TELECOM INTERNATIONAL

A member of CITIC Group Corporation

STOCK CODE:1883

INTERIM REPORT 2014

CONNECTING THE WORLD
WITH QUALITY SERVICES

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 providers. CTM, the only full telecoms service provider in Macau, is a long-time leader in providing excellent 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

Milestones

Month	Events
January	• Broadened Mobile VAS offering (Single Card Multiple Number) in Hong Kong for local retail customers • Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") – the only telecoms operator in Macau that launched the iPad Air & iPad mini with Retina service bundle offer in January, together with the related monthly service data plan
February	• Awarded "Top Services Base Operator Partner" by a major telecoms operator in Singapore • CITIC Telecom International CPC Limited ("CITIC Telecom CPC") received the Grand Award and two Product Awards from "Sing Tao Daily IT Square's Editors' Choices 2013" in Hong Kong – Grand Award: ○ The Best Telecommunication Services Partner – Two Product Awards: ○ The Best Managed Security Services Provider ○ The Best Cloud Infrastructure Service Provider
March	• Internet Data Centre (IDC) in Ap Lei Chau commenced operation. The IDC is built with high level of standard fulfilling TIA Tier III+ specification • Launched HIPPI Surf mobile application for Taiwan market • A new Network Management Centre and IT Data Centre were launched by CTM • China Enterprise ICT Solutions Limited ("China Entercom"), secures IDC/ICP cross-regional operating licence in China which boosts development of data centre and cloud computing markets
April	• Established new direct connections with telecoms operators in Latvia and Romania • Indispensable responsibility to ensure the smooth transition of TV signal by CTM • CITIC Telecom CPC won the "Platinum Brand Election 2014 – Cloud Computing Solution" organised by PC3 magazine • Entered into an agreement with CITIC Networks Co., Limited to provide management consultancy and technical services
May	• CTM hosted the summer activity enrollment for the 13th consecutive year • "CTM Buddy" mobile application recorded over 100,000 downloads

Month	Events
June	• Established direct GRX (GPRS Roaming Exchange) connections to CTM • Launched cloud communication product, offering enterprise grade telephony service to business users • Awarded "Best Business Cooperative Partner" from a China operator • CTM signed the "i-Campus" Teachers Program Agreement with The Chinese Educators Association of Macau • CTM – The number of residential fibre broadband users exceeded 22,000 in June 2014, representing an accumulative increase of 52% in the past six months • Over 300 Wi-Fi hotspots, which covered the major areas in Macau, and introduced "Auto Login" of Wi-Fi for the convenience of the users of CTM • CITIC Telecom CPC won 3 awards: ○ "2013 Customer Relationship Excellence (CRE) Awards – Customer Service Manager of the Year 2013 (Service Centre)" from the Asia Pacific Customer Service Consortium for the 7th consecutive year ○ Computerworld Hong Kong Awards 2014 – "Managed Security Services Provider" by Computerworld Hong Kong ○ "The Distinguished Salesperson Award (DSA)" from Hong Kong Management Association for the 11th consecutive year • China Entercom, partnered with 上海科技網絡通信有限公司 (Shanghai Science and Technology Network Communication Co., Ltd.) to build a quality cloud computing data centre which accelerates development of IDC and cloud computing services in key cities

Financial Highlights

In HK$ million	Six months ended 30 June 2014	2013	
Turnover	**4,139.1**	1,881.3	Increase 120.0%
Profit attributable to equity shareholders of the Company	**360.4**	794.1	Decrease 54.6%
EBITDA#	**940.9**	1,095.2	Decrease 14.1%
Earnings per share (HK cents)			
Basic	**10.8**	31.5	Decrease 65.7%
Diluted	**10.7**	31.2	Decrease 65.7%
Dividend per share (HK cents)			
Interim dividend	**2.7**	2.4	Increase 12.5%

In HK$ million	30 June 2014	31 December 2013	
Total assets	**17,075.4**	16,441.7	Increase 3.9%
Total equity attributable to equity shareholders of the Company	**6,297.6**	6,163.3	Increase 2.2%
Total bank and other borrowings	**7,926.7**	7,716.6	Increase 2.7%
Cash and bank deposits	**(1,256.8)**	(856.1)	Increase 46.8%
Net debt	**6,669.9**	6,860.5	Decrease 2.8%
Net gearing ratio*	**51%**	53%	Decrease 2%

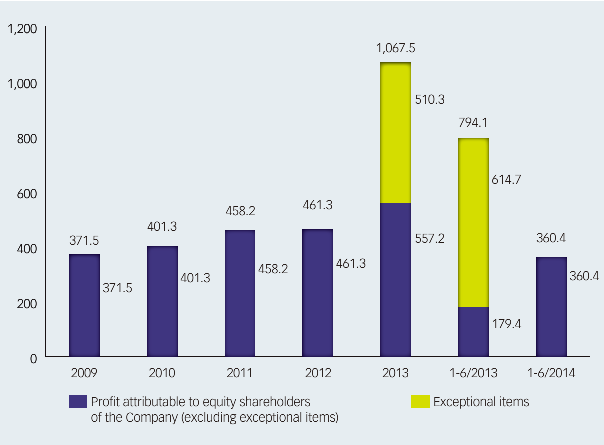
EBITDA represented earnings before interest, taxes, depreciation and amortisation, adjusted for gains/losses on disposal of property, plant and equipment.

* 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

Profit Attributable to Equity Shareholders of the Company

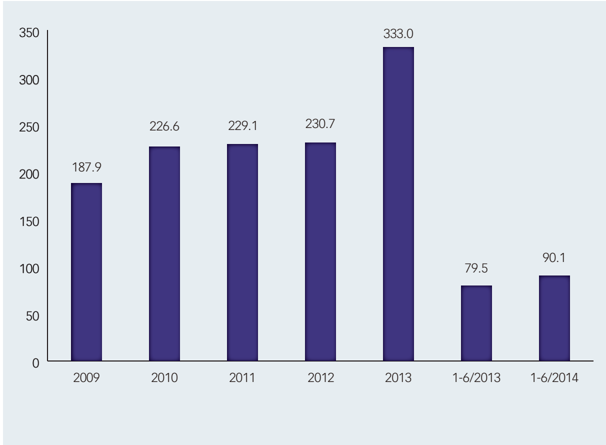
HK$ MILLION



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

Dividends Payable to Equity Shareholders of the Company Attributable to the Year/Interim Period

HK$ MILLION



Note: The dividend for the period ended 30 June 2014 included interim dividend payable based on the number of shares in issue at 30 June 2014 which may differ from the number of shares at the closing date of the register of members.

Chairman's Statement

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

I. FINANCIAL PERFORMANCE

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

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

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

II. BUSINESS DEVELOPMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

III. OUTLOOK

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

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

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

Xin Yue Jiang
Chairman

Hong Kong, 7 August 2014

Connecting The World with Roots in Greater China

Financial Review

INTRODUCTION

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

Pages 31 to 54 of the Interim Report contain the Group's interim financial report prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and include selected explanatory notes that further explain certain figures presented.

On page 55 is the report of CITIC Telecom's auditor, KPMG, of their independent review of the Group's interim financial report.

REVIEW OF FINANCIAL PERFORMANCE

Summary of financial results

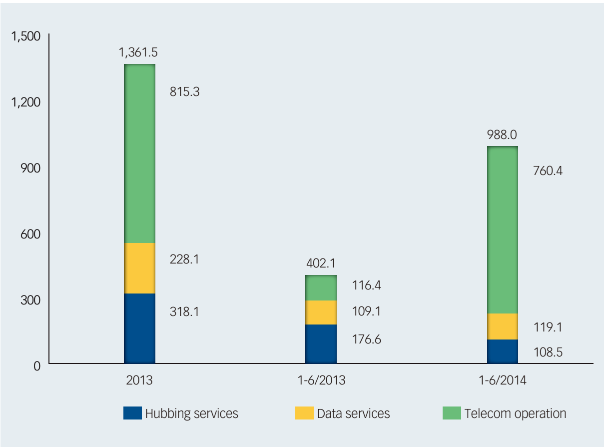
In HK$ million	Half year ended 30 June 2014	2013	Increase/(Decrease)	
Turnover	**4,139.1**	1,881.3	2,257.8	120%
Other revenue and net gain	**4.0**	1,133.6	(1,129.6)	(100%)
Cost of sales and services	**(2,541.2)**	(1,347.8)	1,193.4	89%
Depreciation and amortisation	**(328.3)**	(102.7)	225.6	>100%
Staff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

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

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

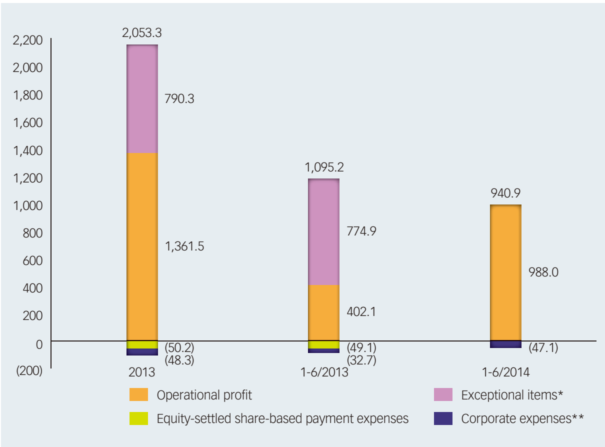
EBITDA by Business

HK$ MILLION



EBITDA – Operational versus Exceptional

HK$ MILLION



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

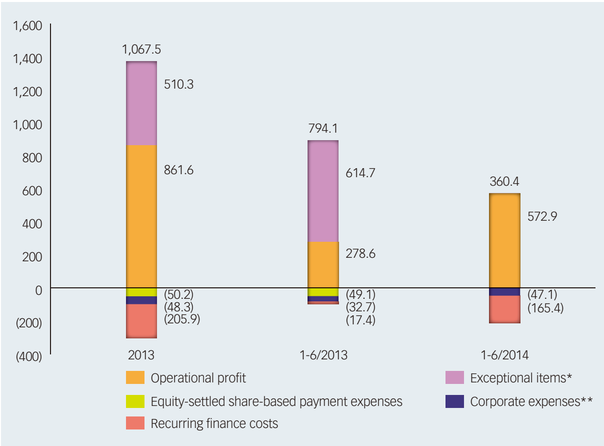
** Corporate expenses included staff cost for corporate function, listing fee, unallocated staff bonus and others.

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

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

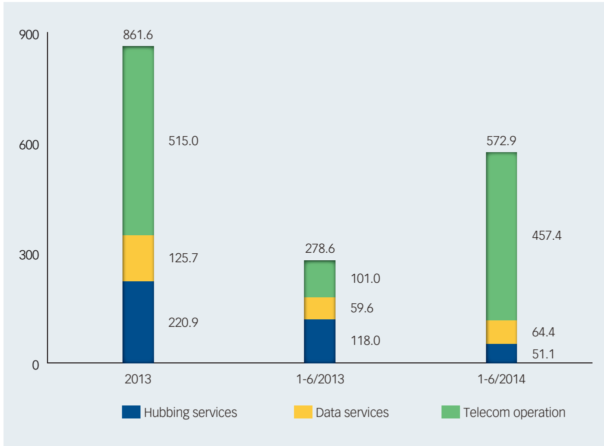
Contribution – Operational versus Exceptional

HK$ MILLION



Contribution by Business

HK$ MILLION



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

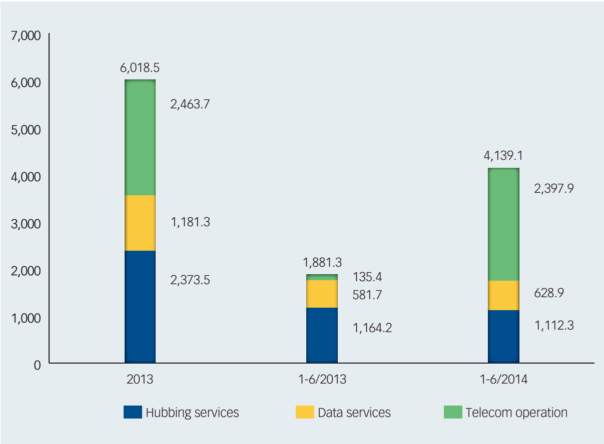
** Corporate expenses included staff cost for corporate function, listing fee, unallocated staff bonus and others.

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

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

Turnover by Business Operations

HK$ MILLION



Turnover

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

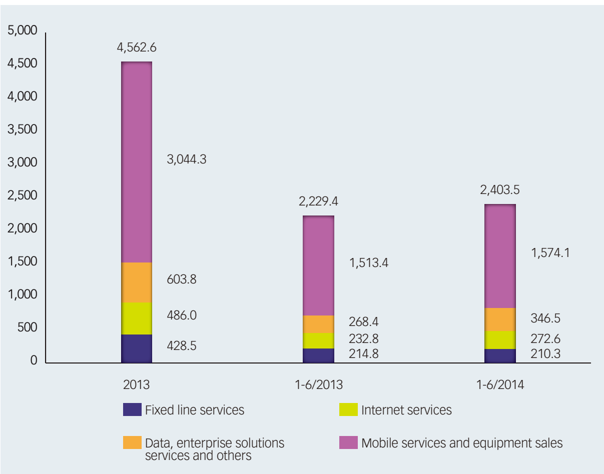
Telecom operation

Telecom operation represented the CTM operation.

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

Turnover – CTM

HK$ MILLION

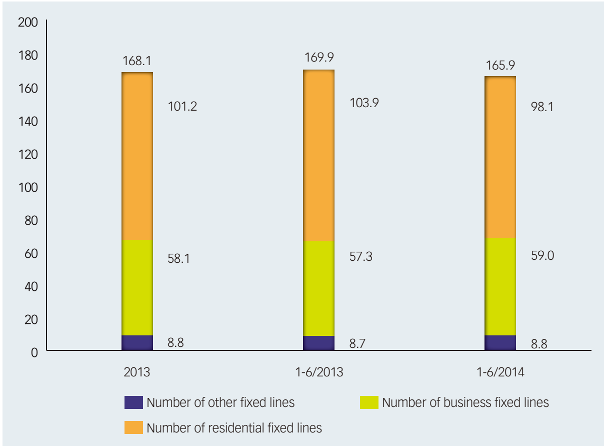


Fixed line services

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

Number of Fixed Lines – CTM

IN THOUSAND



Mobile services and equipment sales

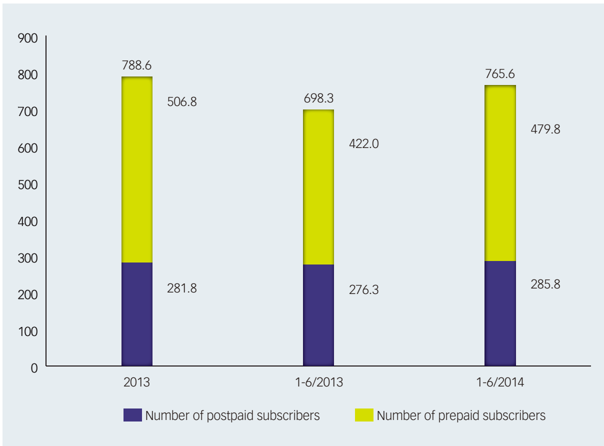
The total mobile services and equipment sales revenue was HK$1,574.1 million for the first six months of 2014 which was HK$60.7 million or 4.0% higher than the corresponding period of 2013. The increase was mainly due to the growth in sales of smartphones. Mobile services revenue increased by 3.6% to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

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

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

Number of Mobile Subscribers – CTM

IN THOUSAND



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

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

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

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

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

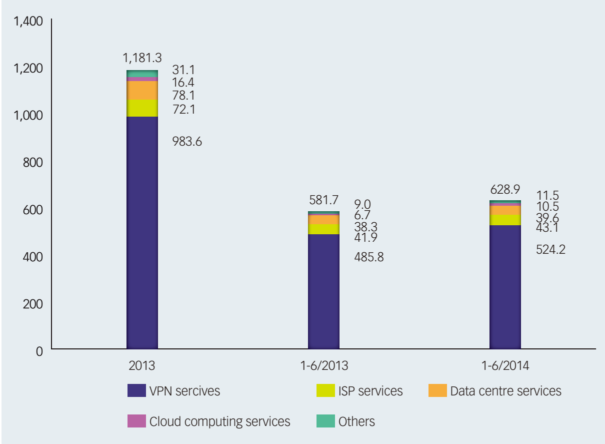
During the first six months of 2014, turnover from data services amounted to HK$628.9 million representing an increase of 8.1% when compared to the corresponding period of 2013. The increase was mainly due to the continuing popularity of VPN services. In addition, the Group recorded a steady growth in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

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

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

Turnover – Data Services

HK$ MILLION



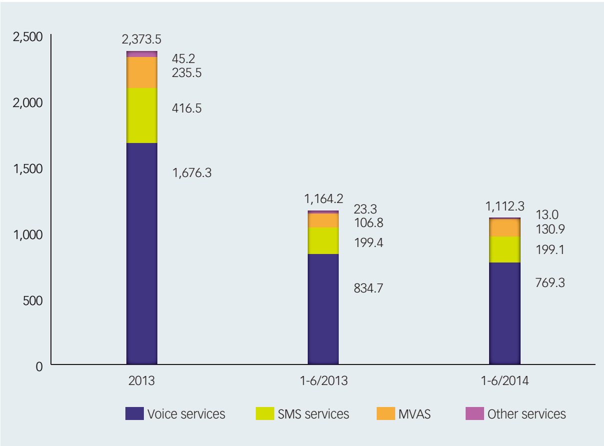
Hubbing services

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

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

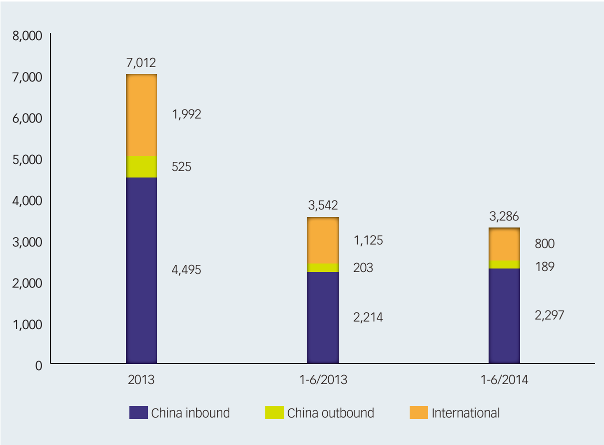
Turnover – Hubbing Services

HK$ MILLION



Traffic (by Location) – Hubbing Services

MINUTES IN MILLION



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

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

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

Other services include enterprise solutions projects and leased lines revenue.

Profit for the period

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

Turnover

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

Number of SMS – Hubbing Services

MESSAGES IN MILLION

Gain on deemed disposal of equity interest in an associate

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

Cost of sales and services

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

Staff costs

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

Depreciation and amortisation

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

Other operating expenses

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

Share of profit of an associate

The Group's 20% share of the profit of CTM for the first six months ended 30 June 2013 prior to the Acquisition amounted to HK$80.6 million.

Finance costs

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

Income tax

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

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

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

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

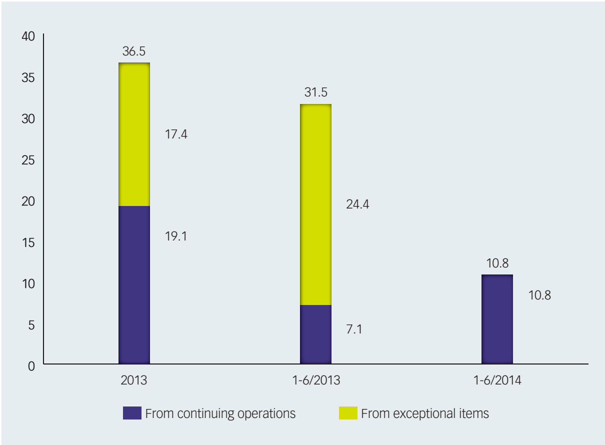
The EBITDA for data services was up 9.2% from HK$109.1 million in the first six months of 2013 to HK$119.1 million for the current period, mainly driven by the strong VPN services growth and the increasing demand for cloud computing and data centre services.

Earnings per share ("EPS")

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

Basic Earnings per Share

HK CENT

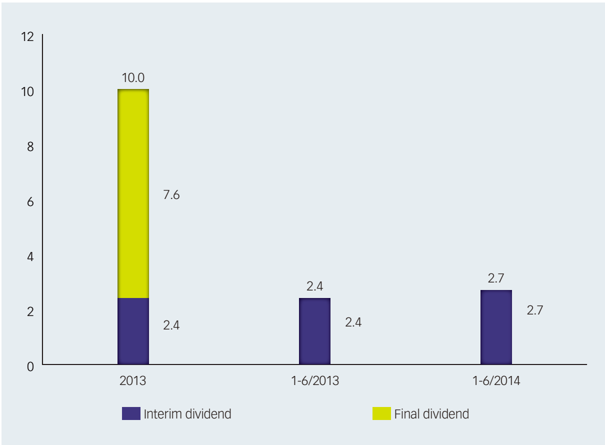


Dividends per share

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

Dividends per Share

HK CENT



Cash flows

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

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

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

Capital expenditure

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

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

TREASURY POLICY AND RISK MANAGEMENT

General

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

Net debt and liquidity risk management

Debt and leverage

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

At 30 June 2014, total bank and other borrowings and net debt of the Group were as follows:

	Denomination					
In HK$ million equivalents	HKD	USD	MOP	RMB	Others	Total
Total bank and other borrowings	299.4	7,627.3	–	–	–	7,926.7
Less: Cash and bank deposits	(144.0)	(136.0)	(865.2)	(51.5)	(60.1)	(1,256.8)
Net debt/(cash)	**155.4**	**7,491.3**	**(865.2)**	**(51.5)**	**(60.1)**	**6,669.9**

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

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

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

The maturity profile of the Group's bank and other borrowings in principal amount at 30 June 2014 was as follows:

In HK$ million	Within 1 year	After 1 year but within 2 years	After 2 years but within 3 years	After 3 years but within 4 years	After 4 years but within 5 years	After 5 years	Total
Bank loans	100.0	200.0	1,937.5	505.4	1,769.1	–	4,512.0
US$450 million 6.1% guaranteed bonds	–	–	–	–	–	3,510.0	3,510.0
	100.0	**200.0**	**1,937.5**	**505.4**	**1,769.1**	**3,510.0**	**8,022.0**

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

Liquidity risk management

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

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

Cash flow is well-planned and reviewed regularly by the management of the Group, so that the Group can meet its funding needs. The strong cash flow from the Group's operating activities can meet its liquidity requirements in the short and longer term.

Available sources of financing

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

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

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

At 30 June 2014, the type of facilities of the Group was summarised as follows:

In HK$ million	Total available facilities	Amount utilised	Amount unutilised
Committed facilities:			
Term loans	4,712.0	4,412.0	300.0
US$450 million 6.1% guaranteed bonds	3,510.0	3,510.0	–
	8,222.0	7,922.0	300.0
Uncommitted facilities:			
Short-term facilities	300.0	100.0	200.0
Trade facilities	282.5	67.3	215.2
	582.5	167.3	415.2
Total	**8,804.5**	**8,089.3**	**715.2**

Guarantees and pledged assets

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

At 30 June 2014, the Group pledged approximately HK$3.6 million of bank deposits to secure parts of the trade facilities.

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

Loan covenants

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

Capital commitments

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

Contingent liabilities

At 30 June 2014, the Group had no significant contingent liabilities.

Foreign currency risk

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

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

Interest rate risk

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

Interest rate risk is managed by borrowing fixed rate or through use of interest rate swaps, if necessary. At 30 June 2014, approximately 56% of the Group's borrowings in principal were linked to floating interest rates. During the review period, the Group did not enter any interest rate swap arrangement.

Average borrowing costs

At 30 June 2014, the average borrowing costs, which is after the inclusion of amortisation of transaction costs, was approximately 4.1%.

Credit risk

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

Credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining the economic environment in which the customer operates. Trade debtors are due within 7 to 180 days from the date of billing. Impairment losses are recorded for those overdue balances where there is objective evidence of impairment.

The Group has certain concentration risk in respect of trade debtors due from the Group's five largest customers who accounted for approximately 50% and 46% of the Group's total trade debtors at 30 June 2014 and 31 December 2013 respectively. The credit risk exposure to trade debtors balance has been and will continue to be monitored by the Group on an ongoing basis.

Counterparty risk

At 30 June 2014, the Group had a significant balance of cash at various financial institutions. To minimise the risk of non-recovery of cash deposits, the Group mainly deals with financial institutions which have good credit ratings with prestigious credit ratings companies (such as Moody's Investors Service, Standard & Poor and Fitch Group) or the note issuing banks in Hong Kong, Macau and the PRC. At 30 June 2014, the Group has approximately HK$1,232.6 million cash balance in the above-mentioned financial institutions, representing approximately 98% of the total cash and bank deposits of the Group. Management does not expect any losses from non-recovery of cash deposits from the financial institutions.

FORWARD LOOKING STATEMENTS

This Interim Report contains certain forward looking statements with respect to the financial condition, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

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

Human Resources

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

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

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

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

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

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

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

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

Interim Financial Report

Interim results

The board of directors (the "Board") of CITIC Telecom International Holdings Limited (the "Company") presents herewith the unaudited consolidated income statement, unaudited consolidated statement of comprehensive income, unaudited consolidated statement of changes in equity and unaudited consolidated cash flow statement of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2014 and the unaudited consolidated balance sheet of the Group at 30 June 2014, together with the comparative figures for the six months ended 30 June 2013 and at 31 December 2013 respectively.

Consolidated Income Statement

for the six months ended 30 June 2014 (Expressed in Hong Kong dollars)

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

The notes on pages 38 to 54 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 15(a).

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2014 (Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2014 (Unaudited) $'000	2013 (Unaudited) $'000
Profit for the period		**365,709**	794,554
Other comprehensive income for the period (after tax and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments:			
– exchange differences on translation of financial statements of operations outside Hong Kong, net of $nil tax		**(149)**	3,562
– release of exchange reserve upon deemed disposal of equity interest in an associate, net of $nil tax	*18(a)*	**–**	(11,136)
Other comprehensive income for the period		**(149)**	(7,574)
Total comprehensive income for the period		**365,560**	786,980
Attributable to:			
Equity shareholders of the Company		**360,203**	786,613
Non-controlling interests		**5,357**	367
Total comprehensive income for the period		**365,560**	786,980

The notes on pages 38 to 54 form part of this interim financial report.

Consolidated Balance Sheet

at 30 June 2014 (Expressed in Hong Kong dollars)

	Note	30 June 2014 (Unaudited) $'000	31 December 2013 (Audited) $'000
Non-current assets			
Property, plant and equipment	*9*	**1,848,009**	1,884,339
Intangible assets		**2,254,757**	2,342,878
Goodwill		**9,283,909**	9,283,688
Interest in a joint venture		**5,670**	6,264
Non-current other receivables and deposits	*10*	**213,075**	164,974
Deferred tax assets		**41,824**	33,011
		13,647,244	13,715,154
Current assets			
Inventories		**75,942**	127,130
Trade and other receivables and deposits	*10*	**2,076,266**	1,727,741
Current tax recoverable		**19,087**	15,553
Cash and bank deposits	*11(a)*	**1,256,835**	856,076
		3,428,130	2,726,500
Current liabilities			
Trade and other payables	*12*	**2,081,744**	1,871,540
Bank loans	*13*	**100,000**	100,000
Current tax payable		**299,594**	202,013
		2,481,338	2,173,553
Net current assets		**946,792**	552,947
Total assets less current liabilities		**14,594,036**	14,268,101
Non-current liabilities			
Interest-bearing borrowings	*14(a)*	**7,826,702**	7,616,565
Non-current other payables	*12*	**76,732**	80,424
Net defined benefit retirement obligation		**74,023**	72,302
Deferred tax liabilities		**298,651**	310,859
		8,276,108	8,080,150
NET ASSETS		**6,317,928**	6,187,951

	Note	30 June 2014 (Unaudited) $'000	31 December 2013 (Audited) $'000
CAPITAL AND RESERVES			
Share capital: nominal value		–	332,324
Other statutory capital reserves		–	3,365,314
Share capital and other statutory capital reserves	*15(b)*	**3,733,072**	3,697,638
Other reserves		**2,564,528**	2,465,633
Total equity attributable to equity shareholders of the Company		**6,297,600**	6,163,271
Non-controlling interests		**20,328**	24,680
TOTAL EQUITY		**6,317,928**	6,187,951

The notes on pages 38 to 54 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2014 (Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company								
	Note	Share capital (Unaudited) $'000	Share premium (Unaudited) $'000	Capital reserve (Unaudited) $'000	Capital redemption reserve (Unaudited) $'000	Exchange reserve (Unaudited) $'000	Retained profits (Unaudited) $'000	Total (Unaudited) $'000	Non-controlling interests (Unaudited) $'000	Total equity (Unaudited) $'000
Balance at 1 January 2013		238,668	1,586,985	29,350	2,034	19,819	1,555,847	3,432,703	(11,679)	3,421,024
Changes in equity for the six months ended 30 June 2013:										
Profit for the period		–	–	–	–	–	794,114	794,114	440	794,554
Other comprehensive income for the period		–	–	–	–	(7,501)	–	(7,501)	(73)	(7,574)
Total comprehensive income for the period		–	–	–	–	(7,501)	794,114	786,613	367	786,980
Dividends approved in respect of the previous financial year	*15(a)(ii)*	–	–	–	–	–	(173,448)	(173,448)	–	(173,448)
Rights issue	*15(b)(iii)*	90,372	1,704,174	–	–	–	–	1,794,546	–	1,794,546
Shares issued under share option plan	*15(b)(ii)*	2,325	51,978	(13,316)	–	–	–	40,987	–	40,987
Equity-settled share-based transactions	*6(b)*	–	–	49,121	–	–	–	49,121	–	49,121
Release upon lapse of share options		–	–	(93)	–	–	93	–	–	–
Share of reserve of an associate		–	–	(1,203)	–	–	–	(1,203)	–	(1,203)
Release of reserve upon deemed disposal of equity interest in an associate	*18(a)*	–	–	11,293	–	–	–	11,293	–	11,293
Non-controlling interests arising from the acquisitions of subsidiaries		–	–	–	–	–	–	–	35,091	35,091
		92,697	1,756,152	45,802	–	(7,501)	620,759	2,507,909	35,458	2,543,367
Balance at 30 June 2013		331,365	3,343,137	75,152	2,034	12,318	2,176,606	5,940,612	23,779	5,964,391
Balance at 1 July 2013		331,365	3,343,137	75,152	2,034	12,318	2,176,606	5,940,612	23,779	5,964,391
Changes in equity for the six months ended 31 December 2013:										
Profit for the period		–	–	–	–	–	273,392	273,392	2,353	275,745
Other comprehensive income for the period		–	–	–	–	(2,582)	14,167	11,585	21	11,606
Total comprehensive income for the period		–	–	–	–	(2,582)	287,559	284,977	2,374	287,351
Shares issued under share option plan	*15(b)(ii)*	959	20,143	(4,984)	–	–	–	16,118	–	16,118
Equity-settled share-based transactions		–	–	1,108	–	–	–	1,108	–	1,108
Release upon lapse of share options		–	–	(133)	–	–	133	–	–	–
Adjustment on non-controlling interests arising from the acquisitions of subsidiaries		–	–	–	–	–	–	–	(1,473)	(1,473)
Dividends approved in respect of the current financial year	*15(a)(i)*	–	–	–	–	–	(79,544)	(79,544)	–	(79,544)
		959	20,143	(4,009)	–	(2,582)	208,148	222,659	901	223,560
Balance at 31 December 2013 (Audited)		332,324	3,363,280	71,143	2,034	9,736	2,384,754	6,163,271	24,680	6,187,951

	Note	Share capital (Unaudited) $'000	Share premium (Unaudited) $'000	Capital reserve (Unaudited) $'000	Capital redemption reserve (Unaudited) $'000	Exchange reserve (Unaudited) $'000	Retained profits (Unaudited) $'000	Total (Unaudited) $'000	Non-controlling interests (Unaudited) $'000	Total equity (Unaudited) $'000
		Attributable to equity shareholders of the Company								
Balance at 1 January 2014		332,324	3,363,280	71,143	2,034	9,736	2,384,754	6,163,271	24,680	6,187,951
Changes in equity for the six months ended 30 June 2014:										
Profit for the period		–	–	–	–	–	360,385	360,385	5,324	365,709
Other comprehensive income for the period		–	–	–	–	(182)	–	(182)	33	(149)
Total comprehensive income for the period		–	–	–	–	(182)	360,385	360,203	5,357	365,560
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	(9,709)	(9,709)
Shares issued under share option plan before 3 March 2014	15(b)(ii)	678	16,371	(3,695)	–	–	–	13,354	–	13,354
Transition to no-par value regime on 3 March 2014	15(b)	3,381,685	(3,379,651)	–	(2,034)	–	–	–	–	–
Shares issued under share option plan on and after 3 March 2014	15(b)(ii)	18,385	–	(4,139)	–	–	–	14,246	–	14,246
Dividends approved in respect of the previous financial year	15(a)(ii)	–	–	–	–	–	(253,474)	(253,474)	–	(253,474)
Release upon lapse of share options		–	–	(207)	–	–	207	–	–	–
		3,400,748	(3,363,280)	(8,041)	(2,034)	(182)	107,118	134,329	(4,352)	129,977
Balance at 30 June 2014		3,733,072	–	63,102	–	9,554	2,491,872	6,297,600	20,328	6,317,928

The notes on pages 38 to 54 form part of this interim financial report.

Consolidated Cash Flow Statement

for the six months ended 30 June 2014 (Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	Note	**$'000**	$'000
Operating activities			
Cash generated from operations	*11(d)*	**945,449**	185,846
Tax paid:			
– Hong Kong Profits Tax paid		**(9,423)**	(21,147)
– Tax paid for jurisdictions outside Hong Kong		**(1,873)**	(2,049)
Tax refunded:			
– Hong Kong Profits Tax refunded		**–**	2,291
– Tax refunded for jurisdictions outside Hong Kong		**1,054**	–
Net cash generated from operating activities		**935,207**	164,941
Investing activities			
Payment for the purchase of property, plant and equipment		**(345,273)**	(81,781)
Proceeds from sale of property, plant and equipment		**190**	–
Payment for the acquisitions of subsidiaries (net of cash and cash equivalents acquired)	*18(c)*	**–**	(8,891,538)
Payment for transaction costs for the acquisitions of subsidiaries		**(1,167)**	(32,370)
(Increase)/decrease in pledged deposits		**(2,263)**	207
Interest received		**1,698**	7,472
Dividend received from an associate		**–**	187,882
Net cash used in investing activities		**(346,815)**	(8,810,128)
Financing activities			
Proceeds from new bank loans		**200,000**	4,994,000
Proceeds from the issue of guaranteed bonds	*14(b)*	**–**	3,510,000
Proceeds from rights issue	*15(b)(iii)*	**–**	1,825,521
Proceeds from new shares issued under share option plan	*15(b)(ii)*	**27,600**	40,987
Payment for transaction costs on new bank loans		**(1,682)**	(50,580)
Payment for transaction costs on issue of guaranteed bonds		**–**	(32,972)
Payment for transaction costs on rights issue	*15(b)(iii)*	**–**	(30,975)
Repayment of loan from an associate		**–**	(162,870)
Other borrowing costs paid		**(152,608)**	(100,628)
Dividends paid to equity shareholders of the Company	*15(a)(ii)*	**(253,474)**	(173,448)
Dividend paid to non-controlling interests		**(9,709)**	–
Net cash (used in)/generated from financing activities		**(189,873)**	9,819,035
Net increase in cash and cash equivalents		**398,519**	1,173,848
Cash and cash equivalents at 1 January		**854,742**	351,008
Effect of foreign exchange rate changes		**(23)**	(1,363)
Cash and cash equivalents at 30 June	*11(a)*	**1,253,238**	1,523,493

The notes on pages 38 to 54 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 7 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of the changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company and the independent auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 55.

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in the independent auditor's report dated 18 February 2014.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group. None of these developments has a significant impact on the Group's results of operations, financial position and the interim financial report.

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

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.

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

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	$'000	$'000
Fees from the provision of telecommunications services	**3,080,815**	1,813,291
Sale of telecommunications equipment and mobile handsets	**1,058,239**	67,975
	4,139,054	1,881,266

(b) Segment reporting

The Group manages its businesses by business operations. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments:

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

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

– CPC (mainly engaged in the provision of data services in Hong Kong and the People's Republic of China ("PRC"))

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

3 TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities

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

	CITIC Telecom Six months ended 30 June		CTM Six months ended 30 June		CPC Six months ended 30 June		Total Six months ended 30 June	
	2014 (Unaudited) $'000	2013 (Unaudited) $'000	**2014 (Unaudited) $'000**	2013 (Unaudited) $'000	**2014 (Unaudited) $'000**	2013 (Unaudited) $'000	**2014 (Unaudited) $'000**	2013 (Unaudited) $'000
Revenue from external customers	**1,112,255**	1,164,173	**2,397,928**	135,416	**628,871**	581,677	**4,139,054**	1,881,266
Inter-segment revenue	**27,416**	14,766	**5,601**	–	**3,789**	1,090	**36,806**	15,856
Reportable segment revenue	**1,139,671**	1,178,939	**2,403,529**	135,416	**632,660**	582,767	**4,175,860**	1,897,122
Reportable segment profit (adjusted EBITDA)	**109,145**	50,921	**760,370**	36,135	**119,054**	109,473	**988,569**	196,529

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

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

3 TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment profit

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	$'000	$'000
Reportable segment profit	**988,569**	196,529
Net gain/(loss) on disposal of property, plant, and equipment	**159**	(88)
Depreciation and amortisation	**(328,276)**	(102,694)
Impairment loss on interest in a joint venture	**–**	(37,811)
Goodwill written-off upon disposal of an operation outside Hong Kong	**–**	(10,404)
Finance costs	**(165,434)**	(177,558)
Share of profit of an associate	**–**	80,569
Share of loss of a joint venture	**(589)**	(1,048)
Gain on deemed disposal of equity interest in an associate	**–**	1,115,426
Interest income	**1,783**	7,679
Unallocated head office and corporate expenses	**(47,067)**	(248,014)
Consolidated profit before taxation	**449,145**	822,586

4 OTHER REVENUE

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

5 OTHER NET GAIN

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	$'000	$'000
Gain on deemed disposal of equity interest in an associate *(note 18(a))*	**–**	1,115,426
Net gain/(loss) on disposal of property, plant and equipment *(note 9)*	**159**	(88)
Net foreign exchange gain	**2,021**	10,565
	2,180	1,125,903

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

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

7 INCOME TAX

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

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

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

8 EARNINGS PER SHARE

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	$'000	$'000
Profit attributable to equity shareholders of the Company	**360,385**	794,114

8 EARNINGS PER SHARE (Continued)

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

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

9 PROPERTY, PLANT AND EQUIPMENT

The Group acquired items of property, plant and equipment with a total cost of $204,370,000 and $1,125,777,000 for the six months ended 30 June 2014 and 2013 respectively, of which $1,072,242,000 was acquired through acquisitions of subsidiaries for the six months ended 30 June 2013.

Items of property, plant and equipment with a net book value of $31,000 were disposed of during the six months ended 30 June 2014 (six months ended 30 June 2013: $88,000), resulting in a gain on disposal of $159,000 (six months ended 30 June 2013: a loss of $88,000).

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.

10 TRADE AND OTHER RECEIVABLES AND DEPOSITS

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

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

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

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

11 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	30 June 2014 (Unaudited) $'000	31 December 2013 (Audited) $'000
Cash at bank and in hand	**711,982**	637,197
Time deposits with banks	**544,853**	218,879
Cash and bank deposits in the consolidated balance sheet *(note (b))*	**1,256,835**	856,076
Less: pledged deposits *(note (c))*	**(3,597)**	(1,334)
Cash and cash equivalents in the consolidated cash flow statement	**1,253,238**	854,742

(b) Included in cash and bank deposits were $27,017,000 (31 December 2013: $30,326,000) placed in financial institutions in the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

(c) At 30 June 2014 and 31 December 2013, certain bank deposits were pledged to secure general banking facilities provided to the Group.

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

	Six months ended 30 June 2014 (Unaudited) $'000	2013 (Unaudited) $'000
Profit before taxation	**449,145**	822,586
Adjustments for:		
Depreciation and amortisation	**328,276**	102,694
Net (gain)/loss on disposal of property, plant and equipment	**(159)**	88
Share of profit of an associate	**–**	(80,569)
Share of loss of a joint venture	**589**	1,048
Transaction costs for the acquisitions of subsidiaries	**–**	89,688
Impairment loss on interest in a joint venture	**–**	37,811
Goodwill written-off upon disposal of an operation outside Hong Kong	**–**	10,404
Gain on deemed disposal of equity interest in an associate	**–**	(1,115,426)
Finance costs	**165,434**	177,558
Interest income	**(1,783)**	(7,679)
Equity-settled share-based payment expenses	**–**	49,121
Foreign exchange loss/(gain)	**4**	(2,849)
	941,506	84,475
Changes in working capital:		
Decrease in inventories	**51,188**	52,475
Increase in trade and other receivables and deposits	**(314,108)**	(15,660)
Increase in trade and other payables	**265,142**	64,458
Increase in net defined benefit retirement obligation	**1,721**	98
Cash generated from operations	**945,449**	185,846

12 TRADE AND OTHER PAYABLES

	30 June 2014 (Unaudited) $'000	31 December 2013 (Audited) $'000
Trade creditors	**1,208,193**	985,111
Other payables and accruals	**950,283**	966,853
	2,158,476	1,951,964
Represented by:		
Non-current portion	**76,732**	80,424
Current portion	**2,081,744**	1,871,540
	2,158,476	1,951,964

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

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

13 BANK LOANS

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

	30 June 2014 (Unaudited) $'000	31 December 2013 (Audited) $'000
Within 1 year or on demand	**100,000**	100,000
After 1 year but within 2 years	**199,382**	–
After 2 years but within 5 years	**4,152,123**	4,142,984
	4,451,505	4,242,984
Represented by:		
Unsecured		
– Current	**100,000**	100,000
– Non-current *(note 14(a))*	**4,351,505**	4,142,984
	4,451,505	4,242,984

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. At 30 June 2014 and 31 December 2013, the Group was in compliance with the relevant requirements.

14 NON-CURRENT INTEREST-BEARING BORROWINGS

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

	30 June 2014 (Unaudited) $'000	31 December 2013 (Audited) $'000
Unsecured bank loans	**4,351,505**	4,142,984
Guaranteed bonds at 6.1% due 2025 *(note (b))*	**3,475,197**	3,473,581
	7,826,702	7,616,565

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.

14 NON-CURRENT INTEREST-BEARING BORROWINGS (Continued)

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

The Guaranteed Bonds were issued at 100% of the aggregate principal amount, denominated in United States dollars 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.

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

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

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

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

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

For the final dividend in respect of the year ended 31 December 2013, there was a difference of $908,000 between the final dividend disclosed in the 2013 annual report and the amount paid during the six months ended 30 June 2014, which represented dividends attributable to shares issued upon exercise of share options before the closing date of the register of members.

(b) Share capital

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

15 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Share capital (Continued)

Movements of the Company's ordinary shares are set out below:

	Note	30 June 2014 (Unaudited) Number of shares	Amount $'000	31 December 2013 (Audited) Number of shares	Amount $'000
Authorised:					
Ordinary shares of $0.10 each		**–**	**–**	5,000,000,000	500,000
Ordinary shares, issued and fully paid:					
At 1 January	*(i)*	**3,323,242,358**	**332,324**	2,386,675,370	238,668
Shares issued under share option plan before 3 March 2014	*(ii)*	**6,776,068**	**678**	32,843,662	3,284
Transition to no-par value regime on 3 March 2014		**–**	**3,381,685**	–	–
Shares issued under share option plan on and after 3 March 2014	*(ii)*	**7,593,870**	**18,385**	–	–
Rights issue	*(iii)*	**–**	**–**	903,723,326	90,372
At 30 June/31 December	*(i)*	**3,337,612,296**	**3,733,072**	3,323,242,358	332,324

Notes:

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

(ii) During the six months ended 30 June 2014, 14,369,938 ordinary shares (six months ended 30 June 2013: 23,253,500 ordinary shares) were issued at a weighted average exercise price of $1.92 (six months ended 30 June 2013: $1.76) per ordinary share to share option holders who had exercised their options. During the six months ended 31 December 2013, 9,590,162 ordinary shares were issued at a weighted average exercise price of $1.68 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 reserves

Prior to 3 March 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H respectively of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital (see note 15(b)). The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

16 CAPITAL COMMITMENTS

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

	30 June 2014 (Unaudited) $'000	31 December 2013 (Audited) $'000
Contracted for	**285,358**	239,553
Authorised but not contracted for	**180,266**	163,129

17 PERFORMANCE BONDS

At 30 June 2014, performance bonds provided to the Macau government and other customers by CTM for which no provision has been made in the interim financial report amounted to $55,062,000. At 30 June 2014, 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 $55,062,000.

18 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. respectively to acquire their entire equity interests in CTM (being a total of 79% equity interest), for a total cash consideration of US$1,161,300,000 (approximately $9,058,140,000), subject to adjustments as set out in the relevant sale and purchase agreements (together referred to as the "Acquisitions"). The estimated adjusted consideration was US$1,249,751,000 (approximately $9,748,058,000) which included cash and cash equivalents acquired from the Acquisitions of $859,562,000. The consideration was subsequently adjusted to US$1,250,193,000 (approximately $9,751,506,000) in the second half year of 2013, 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.

The deemed disposal of previously held 20% equity interest in CTM Group resulted in a gain of $1,115,426,000 (note 5) which was measured as the excess of the fair value of the 20% equity interest in CTM Group of $2,467,863,000 at 20 June 2013 over the carrying amount of the 20% equity interest previously held in CTM Group of $1,352,280,000 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*. The fair value of the 20% equity interest in CTM Group was subsequently adjusted to $2,468,735,000, therefore, the gain on deemed disposal of CTM Group was changed to $1,116,298,000 during the year ended 31 December 2013.

(b) The Group completed another acquisition at a consideration of $3,058,000 during the six months ended 30 June 2013. Considering the cash acquired from this acquisition, the net outflow of cash and cash equivalents in respect of this acquisition was $3,042,000.

18 ACQUISITIONS OF SUBSIDIARIES (Continued)

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

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

19 MATERIAL RELATED PARTY TRANSACTIONS

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

(i) Recurring transactions

	Six months ended 30 June	
	2014 (Unaudited) $'000	2013 (Unaudited) $'000
Telecommunications services and related expenses paid/payable to		
– a fellow subsidiary	**5,622**	–
– affiliates	**5,075**	–
Professional fees paid/payable to a controlling shareholder for the provision of internal audit and company secretarial services	**2,275**	1,750
Operating lease charges, building management fees, air conditioning charges and car parking spaces rental paid/payable to fellow subsidiaries	**12,358**	11,979

(ii) Trade and other receivables and deposits

	30 June 2014 (Unaudited) $'000	31 December 2013 (Audited) $'000
Advance payment paid to the ultimate holding company for the acquisition of the remaining equity interest in a subsidiary	**78,091**	78,841

19 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with other government-related entities

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

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

– rendering and receiving services; and

– financial services arrangements.

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 interim financial report, the directors are of the opinion that the following transactions with other government-related entities require disclosure:

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

	Six months ended 30 June	
	2014 (Unaudited) $'000	2013 (Unaudited) $'000
Interest income from bank deposits	**1,539**	5,784
Fees received/receivable from provision of telecommunications services	**631,922**	427,757
Fees paid/payable for network, operations and support services	**(463,970)**	(398,481)
Interest expenses on interest-bearing borrowings	**(8,915)**	(1,057)

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

	30 June 2014 (Unaudited) $'000	31 December 2013 (Audited) $'000
Bank deposits	**725,880**	290,482
Trade debtors	**892,422**	720,866
Trade creditors	**(516,184)**	(367,452)
Interest-bearing borrowings	**(691,990)**	(690,497)

The interest-bearing borrowings from state-controlled banks at 30 June 2014 bore interest at the prevailing market rates.

19 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Key management personnel remuneration

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

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	$'000	$'000
Short-term employee benefits	**10,375**	8,057
Share-based payments	**–**	11,698
Post-employment benefits	**385**	209
	10,760	19,964

20 NON-ADJUSTING POST BALANCE SHEET EVENT

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

21 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 30 JUNE 2014

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments and new standards which are not yet effective for the period ended 30 June 2014 and which have not been adopted in this interim financial report. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKAS 19, *Employee benefits* – *Defined benefit plans: Employee contributions*	1 July 2014
Annual improvements to HKFRSs 2010-2012 Cycle	1 July 2014
Annual improvements to HKFRSs 2011-2013 Cycle	1 July 2014
HKFRS 15, *Revenue from contracts with customers*	1 January 2017
HKFRS 9, *Financial instruments*	Not yet determined

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

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) will come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which begins on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Hong Kong Companies Ordinance on the interim financial report in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the interim financial report.

Independent Review Report

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 31 to 54 which comprises the consolidated balance sheet of CITIC Telecom International Holdings Limited (the "Company") as at 30 June 2014 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting,* issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2014 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

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

7 August 2014

DIVIDEND AND CLOSURE OF REGISTER

The board of directors of the Company has declared an interim dividend of HK2.7 cents (2013: HK2.4 cents) per share for the year ending 31 December 2014 payable on Friday, 12 September 2014 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 2 September 2014. The Register of Members of the Company will be closed from Wednesday, 27 August 2014 to Tuesday, 2 September 2014, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 26 August 2014.

SHARE OPTION PLAN

The share option plan of the Company (the "Plan") was adopted on 17 May 2007 and the Company has no other share option scheme currently in force. Under the Plan, the board may offer to grant an option over the Company's shares to any person employed by the Company or any of its subsidiaries and any person who is an officer or director (whether executive or non-executive) of the Company or any of its subsidiaries as the board may, in its absolute discretion, select. HK$1.00 is payable by the grantee to the Company on acceptance of the offer of the option. The subscription price determined by the board will not be less than the higher of (i) the closing price of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant; and (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.

As approved at the annual general meeting held on 25 April 2014, the mandate limit is refreshed so that taking into account the overriding limit of the Plan, the total number of shares which may be issued upon the exercise of all options to be granted under the Plan, together with all outstanding options granted and yet to be exercised under the Plan, shall not exceed 333,505,276 shares, being 10% of the number of shares in issue as at the date of approval of the refreshment of the mandate limit.

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

Date of grant	**Number of share options**	**Exercise period**	**Exercise price per share** HK$
23 May 2007	18,720,000	23 May 2007 to 22 May 2012	3.26
17 September 2009	17,912,500	17 September 2010 to 16 September 2015	2.10
17 September 2009	17,912,500	17 September 2011 to 16 September 2016	2.10
19 August 2011	24,227,500	19 August 2012 to 18 August 2017	1.54
19 August 2011	24,227,500	19 August 2013 to 18 August 2018	1.54
26 June 2013	81,347,000	26 June 2013 to 25 June 2018	2.25

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

SHARE OPTION PLAN (Continued)

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 the Adjustments		After the 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

During the six months ended 30 June 2014, options for 14,369,938 shares were exercised and options for 370,417 shares have lapsed, but none of the options granted was cancelled.

A summary of the movements of the share options during the six months ended 30 June 2014 is as follows:

A. Directors of the Company

			Number of share options			
Name of director	**Date of grant**	**Exercise period**	**Balance as at 1.1.2014**	**Exercised during the six months ended 30.6.2014**	**Balance as at 30.6.2014**	**Percentage to the number of issued shares** %
Xin Yue Jiang	17.9.2009	17.9.2010–16.9.2015	991,944	–	991,944	
	17.9.2009	17.9.2011–16.9.2016	991,945	–	991,945	
	19.8.2011	19.8.2012–18.8.2017	1,377,701	–	1,377,701	
	19.8.2011	19.8.2013–18.8.2018	1,377,701	–	1,377,701	
	26.6.2013	26.6.2013–25.6.2018	3,575,000	–	3,575,000	
					8,314,291	0.249
Yuen Kee Tong	17.9.2009	17.9.2010–16.9.2015	881,728	–	881,728	
	17.9.2009	17.9.2011–16.9.2016	881,729	–	881,729	
	19.8.2011	19.8.2012–18.8.2017	1,212,377	–	1,212,377	
	19.8.2011	19.8.2013–18.8.2018	1,212,377	–	1,212,377	
	26.6.2013	26.6.2013–25.6.2018	3,146,000	–	3,146,000	
					7,334,211	0.220

SHARE OPTION PLAN (Continued)

A. Directors of the Company (Continued)

Name of director	Date of grant	Exercise period	Number of share options: Balance as at 1.1.2014	Exercised during the six months ended 30.6.2014	Balance as at 30.6.2014	Percentage to the number of issued shares %
Luo Ning	26.6.2013	26.6.2013–25.6.2018	400,000	–	400,000	0.012
David Chan Tin Wai	17.9.2009	17.9.2010–16.9.2015	771,512	–	771,512	
	17.9.2009	17.9.2011–16.9.2016	771,513	–	771,513	
	19.8.2011	19.8.2012–18.8.2017	1,047,052	–	1,047,052	
	19.8.2011	19.8.2013–18.8.2018	1,047,053	–	1,047,053	
	26.6.2013	26.6.2013–25.6.2018	2,717,000	–	2,717,000	
					6,354,130	0.190
Yang Xianzu *(Note 1)*	26.6.2013	26.6.2013–25.6.2018	400,000	400,000 *(Note 2)*	–	–
Liu Li Qing	26.6.2013	26.6.2013–25.6.2018	400,000	400,000 *(Note 3)*	–	–
Gordon Kwong Che Keung	17.9.2009	17.9.2010–16.9.2015	165,324	165,324 *(Note 4)*	–	
	17.9.2009	17.9.2011–16.9.2016	165,324	165,324 *(Note 4)*	–	
	19.8.2011	19.8.2012–18.8.2017	165,324	165,324 *(Note 4)*	–	
	19.8.2011	19.8.2013–18.8.2018	165,324	165,324 *(Note 4)*	–	
	26.6.2013	26.6.2013–25.6.2018	400,000	–	400,000	
					400,000	0.012

SHARE OPTION PLAN (Continued)

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

	Number of share options			
Date of grant	Balance as at 1.1.2014	Exercised during the six months ended 30.6.2014 *(Note 5)*	Lapsed during the six months ended 30.6.2014 *(Note 6)*	Balance as at 30.6.2014
17.9.2009	13,931,324	1,722,615	11,021	12,197,688
19.8.2011	21,793,077	4,415,844	59,396	17,317,837
26.6.2013	67,522,000	6,770,183	300,000	60,451,817

Notes:

1. Mr. Yang Xianzu retired as independent non-executive director of the Company on 25 April 2014.

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$2.65.

3. The weighted average closing price of the shares immediately before the date on which the options were exercised by Mr. Liu Li Qing was HK$2.65.

4. The weighted average closing price of the shares immediately before the dates on which the options were exercised by Mr. Gordon Kwong Che Keung was HK$2.70.

5. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$2.80.

6. These are in respect of options granted to some former employees under continuous contracts who have resigned. Such options have lapsed during the six months ended 30 June 2014.

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 30 June 2014 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 number of issued shares** %
CITIC Telecom International Holdings Limited		
Yuen Kee Tong	687,860	0.0206
David Chan Tin Wai	2,750	0.0001
CITIC Pacific Limited ("CITIC Pacific"), an associated corporation		
Yuen Kee Tong	1,033,000	0.0283
David Chan Tin Wai	40,000	0.0011
Liu Jifu	840,000	0.0230
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".

DIRECTORS' INTERESTS IN SECURITIES (Continued)

3. Share options in an associated corporation, CITIC Pacific

Name of director	Date of grant	Exercise period	Exercise price per share HK$	Number of share options as at 30.6.2014	Percentage to the number of issued shares %
Liu Jifu	19.11.2009	19.11.2009–18.11.2014	22.00	500,000	0.014

Notes:

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

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

Save as disclosed above, as at 30 June 2014, none of the Directors had nor were they taken to or deemed to have, under Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, the interests of the substantial shareholders, other than the Directors or their respective associate(s), in the shares of the Company as recorded in the register of interests in shares and short positions required to be kept under section 336 of the SFO were as follows:

Name	Number of shares of the Company	Percentage to the number of issued shares %
CITIC Group Corporation	1,987,678,508	59.55
CITIC Limited*	1,987,678,508	59.55
CITIC Investment (HK) Limited	1,987,678,508	59.55
Silver Log Holdings Ltd.	1,987,678,508	59.55
CITIC Glory Limited	1,987,678,508	59.55
CITIC Pacific	1,987,678,508	59.55
Crown Base International Limited	1,987,678,508	59.55
Effectual Holdings Corp.	1,987,678,508	59.55
CITIC Pacific Communications Limited	1,987,678,508	59.55
Douro Holdings Inc.	1,987,678,508	59.55
Ferretti Holdings Corp.	1,987,678,508	59.55
Ease Action Investments Corp.	1,987,678,508	59.55
Peganin Corp.	1,987,678,508	59.55
Richtone Enterprises Inc.	1,987,678,508	59.55
Matthews International Capital Management, LLC	238,345,250	7.14

SUBSTANTIAL SHAREHOLDERS (Continued)

CITIC Group Corporation is the ultimate holding company of CITIC Limited, CITIC Investment (HK) Limited and Silver Log Holdings Ltd.. CITIC Limited is the direct holding company of CITIC Investment (HK) Limited, which in turn holds Silver Log Holdings Ltd.. CITIC Group Corporation is also the ultimate holding company of CITIC Glory Limited, which is the direct 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.

* On 6 August 2014, the Company received notice from CITIC Limited that its name has been changed from "CITIC Limited" to "CITIC Corporation Limited" ("CITIC Corporation"). There is no change of the Company's ultimate controlling shareholder.

On 16 April 2014, CITIC Group Corporation and its wholly-owned subsidiary Beijing CITIC Enterprise Management Co., Ltd. entered into a share transfer agreement with CITIC Pacific, pursuant to which CITIC Group Corporation and Beijing CITIC Enterprise Management Co., Ltd. agreed to transfer 100% of the total issued share capital of CITIC Corporation to CITIC Pacific. Upon completion of the share transfer, CITIC Pacific would become the sole direct shareholder of CITIC Corporation. As at the end of the period under review, the share transfer has not been completed.

SHARE CAPITAL

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

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 six months ended 30 June 2014 and included conditions relating to specific performance of the controlling shareholder of the Company:

On 12 December 2013, the Company entered into the facility agreement (the "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.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES (Continued)

The 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 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 Facility Agreement be immediately due and payable.

As at 30 June 2014, there was no breach of the covenants.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The board of directors believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. Looking ahead, we will keep our corporate governance practices under continuous review to ensure their consistent application and will continue to improve our practices. Details of our corporate governance practices can be found on page 60 of the 2013 annual report and the Company's website www.citictel.com.

Throughout the six months ended 30 June 2014, the Company has fully complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Listing Rules.

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

The interim financial report, which is prepared in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*, has been reviewed by the Company's independent auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all directors of the Company have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2014.

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

In April 2014, Mr. Luo Ning has resigned as an executive director and the vice chairman of CITIC 21CN Company Limited (listed on the Stock Exchange). Mr. Luo was also elected the chairman of the board of CITIC Guoan Information Industry Co., Ltd. (listed on the Shenzhen Stock Exchange) in April 2014.

In June 2014, Mr. Kwong Che Keung, Gordon, an independent non-exeuctive director of the Company, has ceased to act as a supervisor of Beijing Capital International Airport Co., Ltd. (listed on the Stock Exchange).

Corporate Information

HEADQUARTERS AND REGISTERED OFFICE

25th Floor, CITIC Telecom Tower
93 Kwai Fuk Road
Kwai Chung
New Territories
Hong Kong
Tel: 2377 8888
Fax: 2376 2063

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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong at 2980 1333, or by fax: 2810 8185, on matters such as transfer of shares, change of name or address, or loss of share certificates.

ANNUAL AND INTERIM REPORTS

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

FINANCIAL CALENDAR

Closure of Register:	27 August 2014 to 2 September 2014
Interim Dividend payable:	12 September 2014

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

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

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