中信國際電訊
CITIC TELECOM INTERNATIONAL

STOCK CODE: 1883

CONNECTING THE WORLD WITH QUALITY SERVICES

ANNUAL REPORT 2014

ABOUT US

CITIC Telecom International Holdings Limited ("the Company", and together with its subsidiaries "the Group") was established in 1997 in Hong Kong and was listed on The Stock Exchange of Hong Kong Limited ("SEHK") on 3 April 2007.

The Group's services cover international telecommunications services (including mobile, Internet, voice and data services), integrated telecoms services (in Macau), and through its wholly-owned subsidiary CITIC Telecom International CPC Limited ("CPC"), has established numerous PoPs around the world (especially in the Asia-Pacific region) to provide data and telecoms services (including VPN, Cloud, network security, co-location, Internet access, etc.) to multinational corporations. CPC is one of the most trusted partners of leading multinational and business enterprises in the Asia Pacific region.

The Group holds 99% equity interest in Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM"). CTM is one of the leading integrated telecoms services providers in Macau, and is the only full telecoms services provider in Macau. It has long provided quality telecoms services to the residents, government and enterprises of Macau, and plays an important 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 the Company.

VISION

Becoming an outstanding telecoms operator, removing the barriers in time and space in interpersonal communication, enabling our customers to enjoy a new life in information communication.

MISSION

Based in Mainland China, with the core establishments in Hong Kong and Macau, providing global communications services.

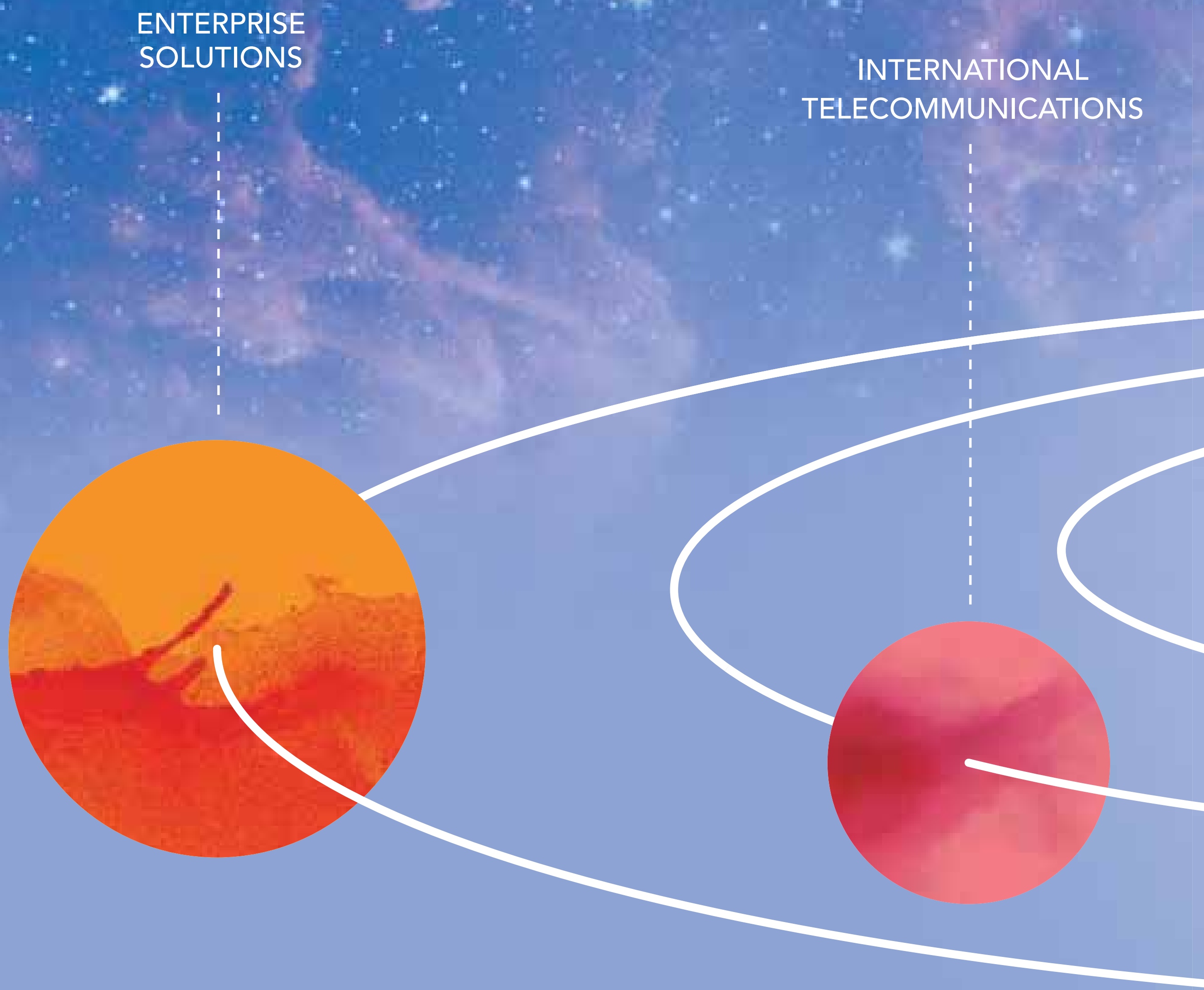
Customer-oriented, with an acute observation of their needs, continuing to generate new value for our customers.

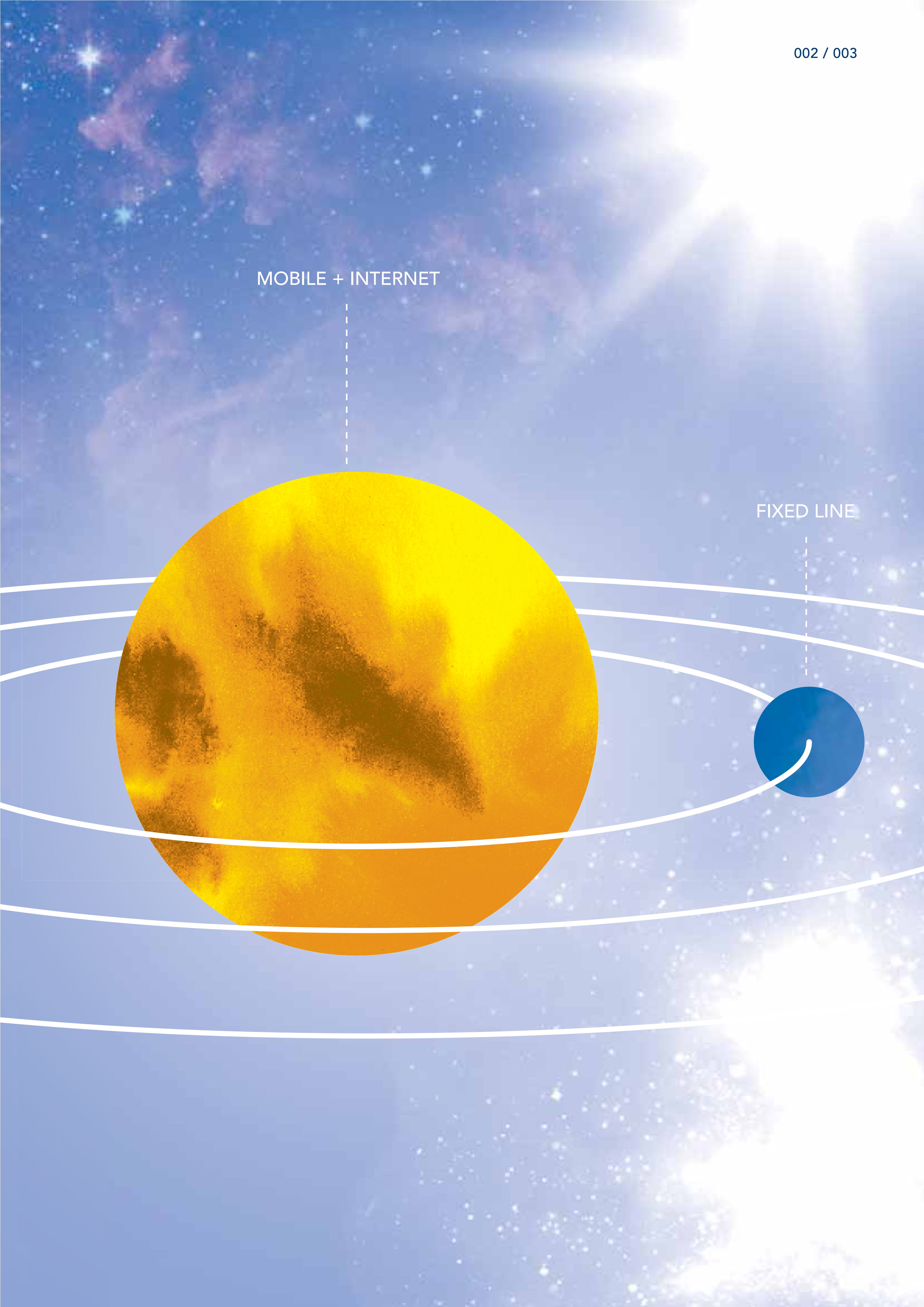
Market-oriented, with a vision to industry trends, continuing to deliver top quality services.

With value as our goal, providing long-term sustainable return for our shareholders.

CONTENTS

OUR
EXCELLENT SERVICES




MOBILE + INTERNET
FIXED LINE

MILESTONES 2014

JANUARY

- Broadened Mobile VAS profile (Local Multiple Number Management and Mobile Application) for a Hong Kong Mobile Network Operator
- Launched Auto Roaming Gateway for a China Mobile Network Operator
- Broadened Mobile VAS offering (Single IMSI Multiple Number (SIMN)) 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 ("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

- Awarded "Outstanding International Telecommunications Service Provider" in the "14th CAPITAL Outstanding Enterprise Awards" organised by CAPITAL magazine
- 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 ("CEC-BJ"), secured IDC/ICP cross-regional operating licence in China

APRIL

- Established new direct connections with telecoms operators in Latvia and Romania
- Indispensable responsibility to ensure the smooth transition of TV signal in Macau by CTM
- CPC won the "Platinum Brand Election 2014 – Cloud Computing Solution" organised by PC3 magazine in Hong Kong
- Entered into an agreement with 中信網絡有限公司 (CITIC Networks Co., Ltd.) to provide management consultancy and technical services

MAY

- CTM hosted the summer activity enrollment in Macau for the 13th consecutive year
- "CTM Buddy" mobile application recorded over 100,000 downloads

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
- CPC won 3 awards in Hong Kong:
  - "2013 Customer Relationship Excellence (CRE) Awards – Customer Service Manager of the Year 2013 (Network Communications 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
- CEC-BJ 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 Shanghai

JUN


APR

JULY

- CTM organised a seminar for the members of The Chinese Educators Association of Macau to further promote the popularity of Digital Campus
- CTM launched the first phase of "Convergent Rating and Billing System", enabling customers to obtain the usage information of their telecoms services in an efficient and timely manner
- CTM took the lead to launch TD-SCDMA 3G roaming data services with a China mobile operator, enabling CTM mobile customers to use the TD-SCDMA 3G data roaming services in China

MILESTONES 2014

AUGUST

- CPC won "The Best Enterprise Cloud Platforms Award" at the "e-Brand Awards 2014" organised by eZone magazine in Hong Kong
- CTM formed Strategic Partnership with Air Macau to bring exclusive offers and privileges to the Macau residents and tourists
- CTM was awarded iPhone Masters Certificates for the second time, being the first and only telecoms operator in Macau awarded the iPhone Masters Certificates issued by Apple

SEPTEMBER

- Established signaling transit peering connections over IP with a major Middle East Carrier
- CPC won 2 awards:
  - "2014 The Best SME Partners" for the 8th consecutive year, organised by Hong Kong Economic Digest, for "Cloud Computing Solutions"
  - Asia Pacific Entrepreneurship Awards 2014 by Enterprise Asia, the winning category is "Outstanding Entrepreneurship Award"
- To align with the "SME Website Funding Schemes" offered by the Economic Bureau of the Macau Government, CTM introduced online marketing and cloud services, enabling SMEs to develop markets, create business opportunities and improve competitiveness
- CTM shared the achievements of "CTM Network Modernisation Project" and the future network development plan with the media
- CTM was entrusted to provide a series of telecoms services including mobile, fixed line, Internet and leased line services for the APEC 8th Tourism Ministerial Meeting, ensuring smooth and stable delivery of communications services
- CTM fully supported the 17th Wireless Group Meeting of APT by providing an array of telecoms services, equipment and technical support, as well as high speed Wi-Fi access for delegates

OCTOBER

- Established IPX peering connections with a Korean Carrier
- Established IPX peering connections and LTE Signaling Transit with a Taiwan Carrier
- 2 CPC products were selected as "Sing Tao Daily IT Square's Third Quarter Editors' Choice" in Hong Kong:
  - SmartCLOUD™ Compute
  - SmartCLOUD™ Backup Solutions Series
- CPC was honored with "Hong Kong Corporate Citizenship Award" by the Hong Kong Productivity Council
- CPC's SmartCLOUD™ Compute won the "IT Solution Excellence (Manufacturing Industry)" of Biz. IT Excellence 2014 by a magazine, PCM
- CTM won the operating contract of "WiFi Go" to provide a better WiFi service for the residents and tourists of Macau
- CTM jointly launched the "1 SIM 2 Numbers" service with an Indonesian telecoms operator
- CTM officially launched iPhone6 and iPhone6 Plus which support multi-network services
- CTM introduced to Macau's secondary schools e-education and cloud services which help to improve the teaching quality and efficiency

NOVEMBER

- Launched HIPPI Call and HIPPI One mobile application for North American Market
- Launched Mobile Number Portability Platform outsourcing to MVNO in Hong Kong
- Extended Multiple Numbers Management and Mobile Application for Fixed Network Number
- CPC won 2 awards:
  - NetworkWorld Asia Readers' Choice Product Excellence Awards 2014 – "Cloud Services Provider" by NetworkWorld Asia
  - 2014 SMBWorld Awards – "Best SMB Cloud Services" by SMBWorld
- CTM submitted the tender proposal for Long-Term Evolution (4G) mobile network operating licence, writing a glorious page for the blueprint of building a Digital Macau
- CTM fully supported "IT Week 2014", demonstrated a wide range of innovative technologies and a series of E-Business solutions
- CTM hosted the "Leaders Conference of AICEP 2014" for the first time to reinforce regional cooperation and facilitate telecoms industry to tackle the challenges and embrace the opportunities of future network
- CTM became the exclusive operator in Macau offering iPad Air 2 and iPad mini 3
- CTM Hotline 1000 service was equipped in "CTM Buddy" mobile application, enabling customers to contact CTM Hotline from overseas
- CTM as title sponsor of "CTM Macau Touring Car Cup" and "Sole telecoms service provider" of Grand Prix for the 12th consecutive year, providing a wide range of telecoms services and technical support

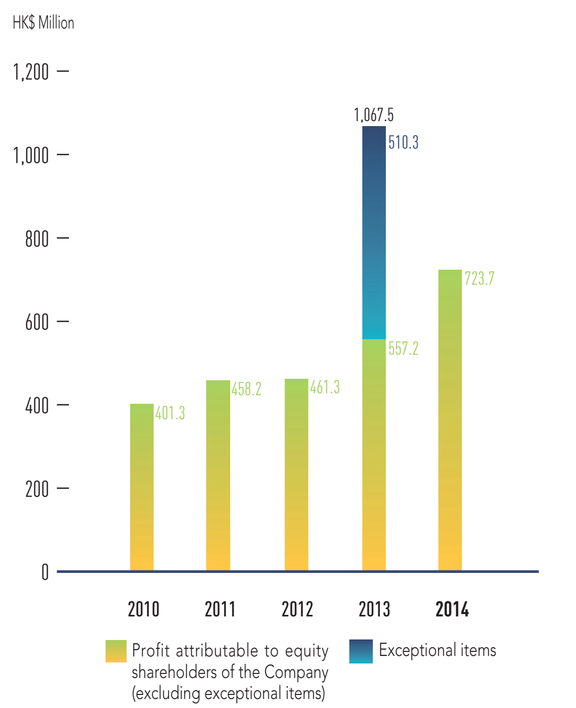
DECEMBER

- The Group was titled "Top 100 Hong Kong Listed Companies Selection" in 2014
- Extended SIMN coverage to Thailand
- CPC won "2014 Hong Kong Awards for Industries: Productivity and Quality Certificate of Merit Award" by Hong Kong Productivity Council
- CTM's new Iao Hon Shop was officially unveiled, aiming to provide customers with a contemporary, comfortable and unique shopping environment with attentive service experience
- CTM introduced the new WiFi day pass, enabling tourists to enjoy unlimited CTM WiFi service in Macau
- CTM and Macau Holiday Inn jointly launched a new WiFi service. With one single password, customers of Macau Holiday Inn can use WiFi service inside the hotel rooms and at all CTM WiFi hotspots in Macau
- CTM was awarded the title of "The Best Public Mobile Telecom Brand"
- CTM successfully ensured quality communications services for the 15th Anniversary of the establishment of Macau SAR, including mobile, fixed line, Internet, leased line and video services

FINANCIAL HIGHLIGHTS

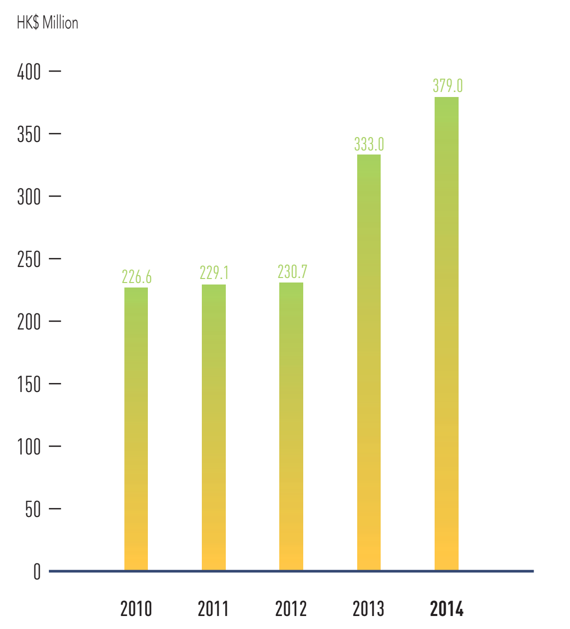
- The Group's turnover achieved a year-on-year increase of 36.0% from HK$6,018.5 million to HK$8,183.6 million for the year ended 31 December 2014.
- Profit attributable to equity shareholders of the Company for the year 2014 amounted to HK$723.7 million, an increase of 29.9% if the one-off exceptional items in 2013 were excluded.
- Dividends per share for the year 2014 totaled HK11.3 cents, a year-on-year increase of 13.0%.

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY



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



Note: The dividends payable to equity shareholders of the Company for the year ended 31 December 2014 includes final dividend payable based on the number of shares in issue at 31 December 2014 which may differ from the number of shares at the closing date of the register of members.

In HK$ Million	2014	2013	
Turnover	8,183.6	6,018.5	Increase 36.0%
Profit attributable to equity shareholders of the Company	723.7	1,067.5	Decrease 32.2%
EBITDA*	1,926.8	2,053.3	Decrease 6.2%
Earnings per share (HK cents)			
Basic	21.7	36.5	Decrease 40.5%
Diluted	21.5	36.2	Decrease 40.6%
Dividends per share (HK cents)			
Interim dividend	2.7	2.4	Increase 12.5%
Final dividend	8.6	7.6	Increase 13.2%
	11.3	10.0	Increase 13.0%
Total assets	17,340.5	16,441.7	Increase 5.5%
Total equity attributable to equity shareholders of the Company	6,568.4	6,163.3	Increase 6.6%
Total bank and other borrowings	7,967.6	7,716.6	Increase 3.3%
Less: Cash and bank deposits	(1,396.9)	(856.1)	Increase 63.2%
Net debt	6,570.7	6,860.5	Decrease 4.2%
Net gearing ratio**	50%	53%	Decrease 3.0%

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

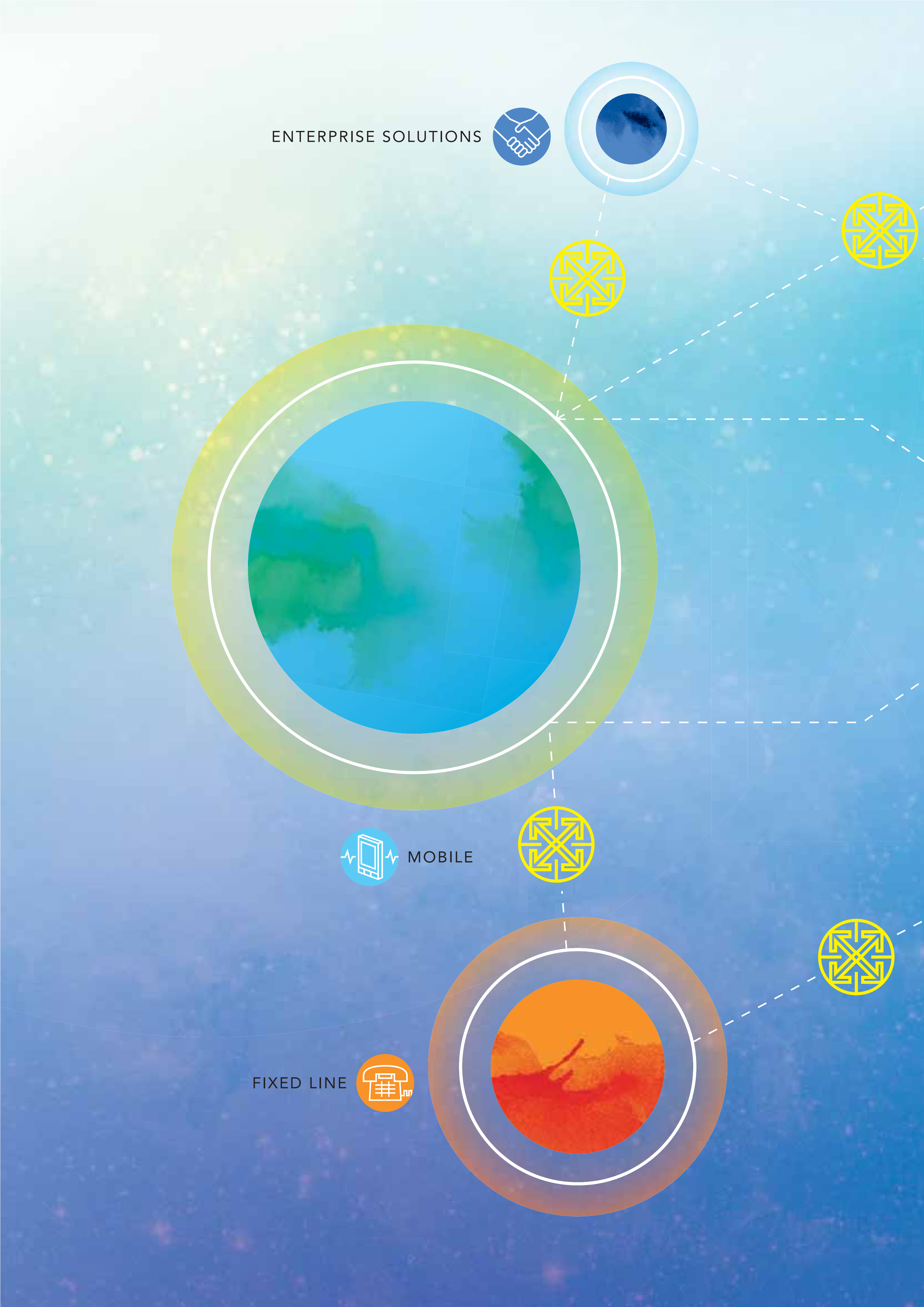
** Net gearing ratio = $\frac{\text{Net debt}}{\text{Total capital}}$ x 100%

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

MOBILE

INEXTRICABLY INTERTWINED


INTERNET


ENTERPRISE SOLUTIONS
MOBILE
FIXED LINE

INTERNATIONAL TELECOMMUNICATIONS

INTERNET

COMPREHENSIVE TELECOMMUNICATIONS SERVICES

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of CITIC Telecom International Holdings Limited (the "Group") for 2014.

There was intense competition in the international telecommunications market in 2014. Against the backdrop of rapid market changes, the management stepped up with efforts to expand the Group's presence in the international market according to its development strategy, upon the foundation built in the Mainland China market and via Hong Kong and Macau as bases and connections. Extensive efforts made in exploring new thinking, developing new products and businesses, tapping new markets and growing the base of new customers have driven rapid development of the Group's business as a whole.

I. FINANCIAL RESULTS

The Group reported total revenue of HK$8,183.6 million for 2014, representing an increase of 36.0% over the previous year. Profit attributable to equity shareholders of the Company was HK$723.7 million, decreasing by 32.2% compared to the corresponding period of the previous year. Excluding the one-off gain in the first half of 2013 reflecting primarily the gain arising from the revaluation of the 20% Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") shares previously held by the Group in connection with the acquisition of CTM and after deduction of exceptional items, there was a 29.9% growth in profit attributable to equity shareholders of the Company over the previous year.

Basic earnings per share amounted to HK21.7 cents, which was 40.5% lower than that of the previous year. Excluding the one-off gain in the first half of 2013 reflecting primarily the gain arising from the revaluation of the 20% CTM shares previously held by the Group in connection with the acquisition of CTM and after deduction of exceptional items, basic earnings per share for 2013 amounted to HK19.1 cents, basic earnings per share for 2014 represented a 13.6% growth compared to the corresponding period of the previous year.

The Board recommended a final dividend of HK8.6 cents per share for 2014. Together with the 2014 interim dividend of HK2.7 cents per share, total dividends per share for 2014 amounted to HK11.3 cents, representing a 13.0% growth over the previous year.

II. REVIEW OF 2014

CTM reported stable business performance in 2014, maintaining a mobile user base of approximately 810,000 users that represented a market share of 44%. Turnover from its mobile sales & services and Internet services increased by approximately 2.1% compared to the previous year, reflecting growth in revenues from CTM broadband service monthly fees and local mobile phone services for Macau. Revenue from enterprise solutions increased by approximately 18.2%, while revenue from fixed line voice communication decreased slightly by approximately 3.5%, as compared to the previous year.

The Group's VPN, Internet service, cloud computing and information security businesses reported solid development, underpinned by approximately 9.1% growth in revenue over the previous year.

The Group's traditional business of international telecommunications hubbing faced new market challenges as the traditional telecommunications industry was confronted with challenges arising from increasingly popular new communication technologies. Revenue from our voice business decreased by approximately 13.5%, while revenue from our SMS business and mobile business increased by approximately 2.4% and 11.6%, respectively, over the previous year.

1. **Customers' experience a priority for CTM as service quality has been further enhanced following ongoing improvement efforts.**

   CTM has always regarded improving customers' experience as a matter of top priority. In response to the trend of diversification in telecommunications services, we have made investments to build a brand new "Convergent Rating and Billing System" to provide customers with a consolidated telecommunications services bill that covers multiple service items, allowing customers to check the status of their telecommunications services and other real-time usage information in a more effective and comprehensive manner. Moreover, the new system will bring greater flexibility to CTM that would enhance its capability to offer diversified telecommunications services. To facilitate the first-stage consolidation of the system, CTM had launched its mobile phone prepaid card billing system in mid-2014 and it has been well received by customers. CTM conducts market surveys on a regular basis to enhance its services and improve its services quality continuously, as it appreciates the importance of understanding customers' views and requirements for its telecommunications services. As such, it has been able to maintain its superior market position amid intense competition.

2. **CTM actively engaged in the development of fourth-generation mobile communication services and smart city-related projects to make new contributions to Macau.**

   CTM was actively involved in the preparations for fourth-generation mobile communication (LTE) in 2014 and confirmed the LTE equipment model selection process through stringent assessment of plans. In November 2014, CTM submitted a tender to the Macau SAR Government for the LTE communication service licence. With a strong emphasis on planning for and engaging in the building of Macau into a smart city leveraging its network strengths, CTM started strategic discussions with certain Macau partners in electronic payments, to make further investigations in a number of subjects, such as e-payment services, strategic cooperation for payments using mobile near field technologies, bill payment and prepaid card reloading services and payment functions for self-help vendor machines, leveraging the technological strengths and resources of CTM and its relevant partners. Meanwhile, CTM has also entered into cooperation with local secondary schools in Macau to devise working objectives for e-teaching and experimental teaching activities for e-classroom, with the aim of improving the quality of teaching with the application of information technologies. Through participation in LTE mobile communication services and smart city building, CTM has continued to make new contributions to the social development of Macau.

CHAIRMAN'S STATEMENT

3. **Enhancing the development of data centres and networks to maintain rapid growth of VPN, Internet service, cloud computing and information security businesses.**

   The data centre in Ap Lei Chau, Hong Kong Island ("Ap Lei Chau Data Centre") was completed and commenced operation as scheduled in 2014, as the Group continued to enhance data centre and network development. The commissioning of Ap Lei Chau Data Centre has bolstered the Group's ability to develop the data business on Hong Kong Island. Elsewhere, CITIC Telecom International CPC Limited ("CPC") has successfully established a data centre in Shanghai, which was completed in January 2015, in a bid to increase the development potential of its Mainland China business. CTM has also commenced the expansion work for Macau's local data centre, in order to provide database disaster recovery and backup services in response to market requirements. The first phase of CTM's additional data centre will commence operation in the first quarter of 2015. The Group built new PoPs in Hanoi of Vietnam, Manila of The Philippines and Mainland China, as it continued to construct international PoPs to strengthen interconnection among regions and meet the service requirements of various locations. By enhancing our data centre and network development, we have assured swift development of our VPN, Internet service, cloud computing and information security businesses.

4. **Seizing market opportunities with the development of new products and technologies to create new niches for profit growth.**

   The Group seized market opportunities presented by the new emerging mobile virtual operators in Mainland China whose customers required overseas roaming services and actively entered into business cooperation with these mobile virtual operators as well as corporate clients to facilitate the development of new businesses, leveraging its vastly extensive international telecommunications networks. 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 corporate SMS routing. The system has improved the operating efficiency of and provided a powerful impetus for the Group's corporate SMS business. The Group has also developed the IPX customer management software that provides IPX connection to carriers in Hong Kong, The Philippines and Macau, thereby enlarging the coverage of its IPX business.

5. **Promoting cloud computing services to a broader range of enterprises.**

   The Group has developed and launched a range of solutions integrating VPN and other services, which include: cloud video conference service, cloud computing end-point data backup service, corporate security solution (integrating VPN with information security service), corporate computing resource solution (integrating VPN with cloud computing service) and corporate office synergy solution (integrating VPN with cloud video service). Such solutions can add value for customers and stimulate demand, thereby driving sales of cloud video and information security service. Featuring the integration of previously developed cloud computing products with new cloud service centres, the aforesaid new cloud computing products have enriched the variety of the Group's cloud computing products and improved its service standards, putting it in a superior position in the cloud computing market to further strengthen its competitive position amid the trend of new technologies.

III. OUTLOOK FOR 2015

Looking to 2015, ongoing improvements in the global economy is expected, while a range of changing trends will emerge in the Chinese economy, which will also take on a new normality featuring more effective, judicious and complete development under the government's macro-economic policy of stabilising growth and adjusting economic structures. The understanding of this new normality, in other words the normative pattern for economic transformation and upgrade, forms an important basis for devising the Group's development strategies.

In line with its stated objective, the Group will continue to expedite its overseas development upon the foundation built in the Mainland China market by providing quality services to Chinese enterprises who seek access to the international market, while also procuring solid infrastructure that facilitates Hong Kong and Macau as connections to international locations, so as to expand the Group's presence both in China and the international market. We will ensure stable, healthy and rapid business growth through efforts in exploring new thinking, developing new products and businesses, tapping new markets and growing the base of new customers. The Group will continue to strengthen its treasury management and exercise stringent risk control, while increasing the scale of corporate development and enhancing its ability to innovate corporate technologies and services. We will fully leverage our strengths in network infrastructure facilities, marketing channels, products and services and telecommunications hubbing technologies by procuring proper internal coordination, which comprise coordination among Group subsidiaries such as CPC and CTM, as well as synergies among various businesses operated by subsidiaries of CITIC Group, in an extensive effort to embark on new developments.

1. To maintain CTM's leading market position with the building of fourth-generation mobile communication (LTE) networks.

As the principal telecommunications service provider in Macau, CTM enjoys a sound reputation in the city. Following the submission of a LTE network tender to the Macau SAR Government, CTM will start network construction as soon as practicable pending the grant of LTE network licence by the Macau Government, striving to commence LTE services with premium quality in 2015. CTM has already completed its LTE network planning and has started preparations for construction, which will be meticulously organised, subject to stringent cost control and completed according to planned schedules. CTM will continue to maintain a strong emphasis on staff training and marketing, seizing LTE business opportunities on the back of its existing marketing channels. It will make thorough preparations for swift entry into the market and the launch of a premium LTE network communication services by further leveraging its superior market position and improving the standard of its communication services.

CHAIRMAN'S STATEMENT

2. **To bolster CTM's market competitiveness by further enhancing its service quality.**

   CTM will continue to strengthen its quality management. Ongoing improvements will be made to the services of CTM's retail outlets with the introduction of new service benchmarks with a view to enhancing customer satisfaction. CTM will continue to emphasise the ability to safeguard its network with engineering technologies and ensure that ongoing improvements to such technologies are being made, so as to strengthen the overall stability of its network. The quality management evaluation system will be further optimised and analysis on quality hazards in various business segments will be conducted on a regular basis to enable proactive implementation of preventive measures, in a bid to ensure the high quality and standards of its services. We will endeavour to drive the development of Macau into a smart city and seek progress in areas such as e-money, e-education, e-shopping platform and public transportation, etc.

3. **To expand the scope of international business cooperation by exploring new thinking, developing new businesses and products, tapping new markets and growing the base of new customers.**

   We will strive to leverage the position of Hong Kong and Macau as operational bases and connections, as we seize opportunities arising in the development of the mobile Internet. On the back of the solid foundation and strengths afforded by the Group's worldwide marketing regime and telecommunications networks, we will conduct analyses of customer demands around the world and continue to explore new areas for cooperation in Mainland China as well as international markets by devising effective marketing measures. We will continue to create synergies among the Group's traditional telecommunications hubbing business, the CTM business, VPN, Internet service, cloud computing business and information security business, while seeking in-depth understanding of what Chinese and international carriers and multi-national corporations need in their business development, so that we can enter into cooperation with them in a proactive and efficient manner, with a strong commitment to delivering win-win results.

4. **To sustain stable development of our VPN, data centre, information security and cloud computing services by providing services of ever-improving quality to Chinese and international carriers and fulfilling the requirements of multi-national corporations and Chinese enterprises seeking overseas development.**

   The Group will continue to work in close tandem with the pace of the country's economic development and the need of Chinese enterprises to get access to the international market by providing VPN, Internet, cloud computing and information security services, etc. to multi-national corporations entering into China and Chinese enterprises seeking overseas development. CPC will continue to focus on VPN services, while offering data centre, information security and cloud computing services as strategic products. By fulfilling customers' requirements for information and communication technologies on all fronts, we will provide services of ever-improving quality to Chinese and international carriers, as well as for multi-national corporations and Chinese enterprises seeking overseas expansion. In turn, we will assure stable development of our VPN, data centre, information security and cloud computing services.

5. **To sustain stable development of the Group's traditional telecommunications hubbing business by constantly improving our services and enhancing customer relations management.**

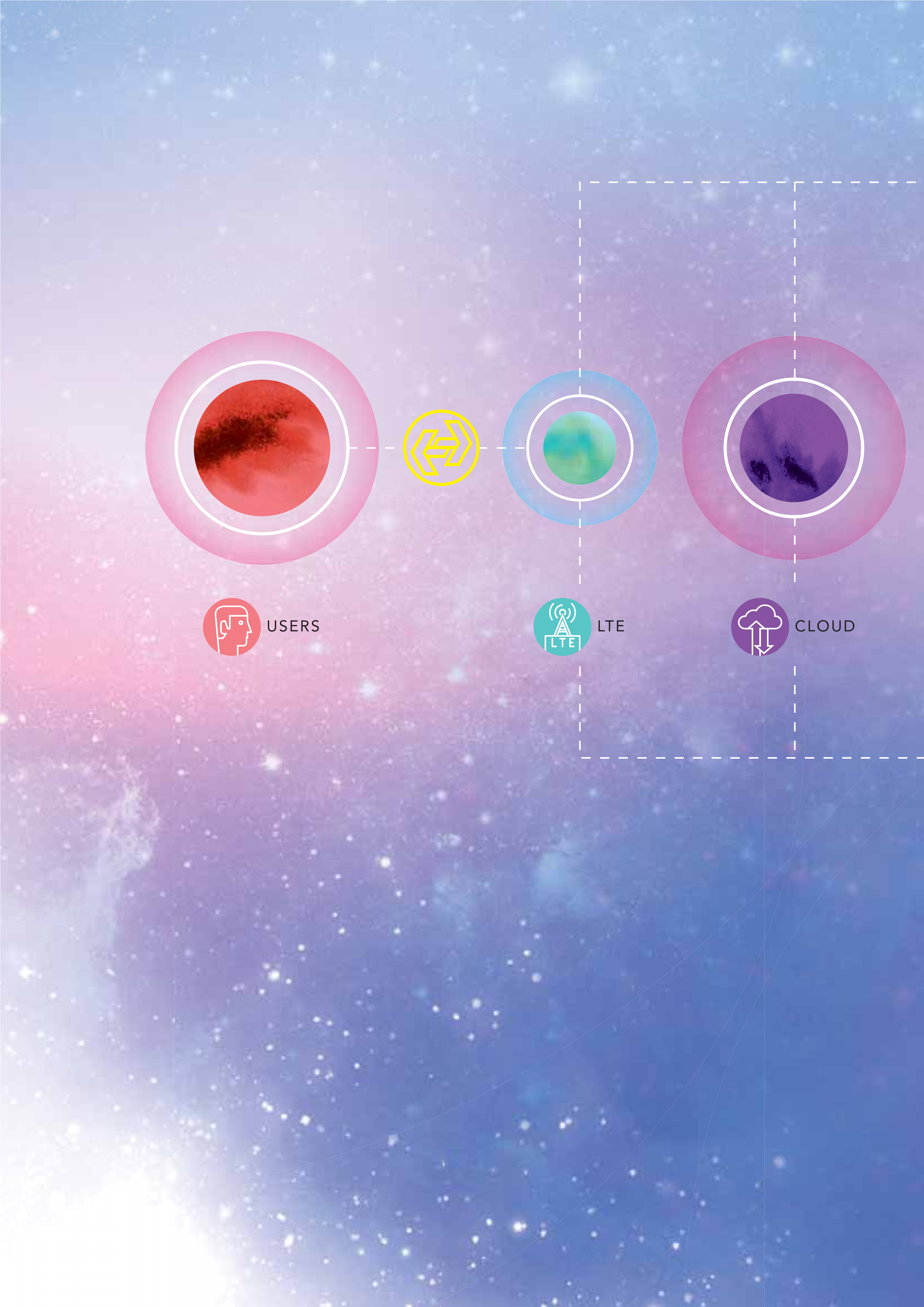
   In response to changes in the traditional voice, SMS and mobile sectors in the international telecommunications market, we need to adjust our way of thinking and deliver innovative products, so that we could transform the challenges in driving force and provide customers with products and services that better fulfill their practical needs by resorting to scientific management strategies. With the launch of IPX/LTE roaming services, MVNO, private small PBX and new mobile services, the Group will continue to broaden the scope of its products and services and enhance the standard of services provided to target customers, so that it can increase its appeal to new customers and expand its customer base, in an effort to sustain the stable development of the Group's telecommunications hubbing business.

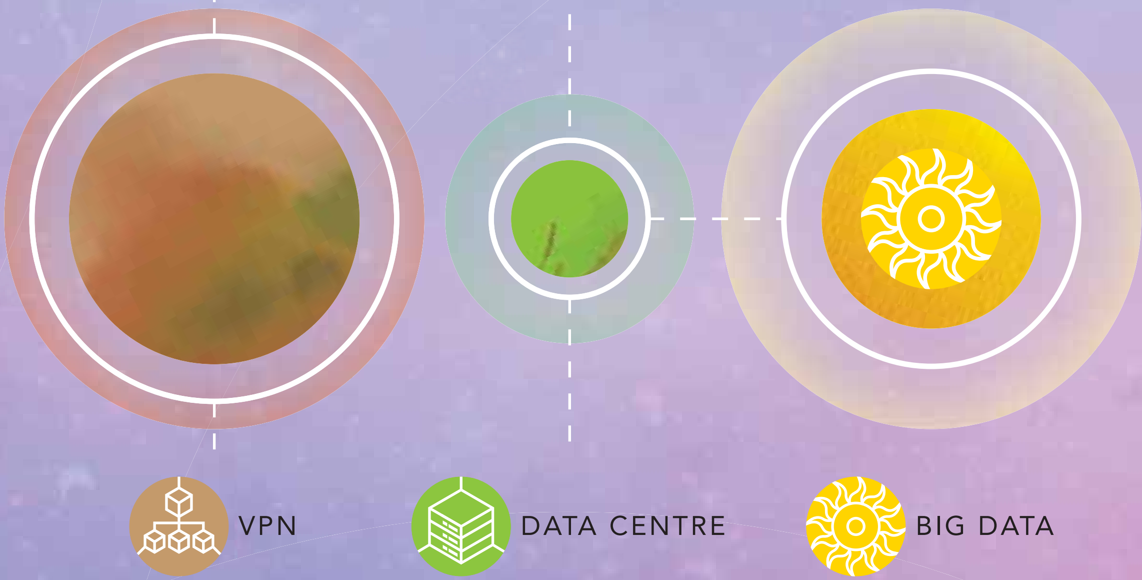
6. **To further expand our data centre business.**

   This year, the Group will commence data centre services in Shanghai and Macau so that our data centre services will be further expanded from Hong Kong into Macau and Mainland China. The Group will further optimise the planning and setup of data centres, and will utilise the data centre service business as the entry point into the Internet business, and nourish it as the Group's future growth in revenue.

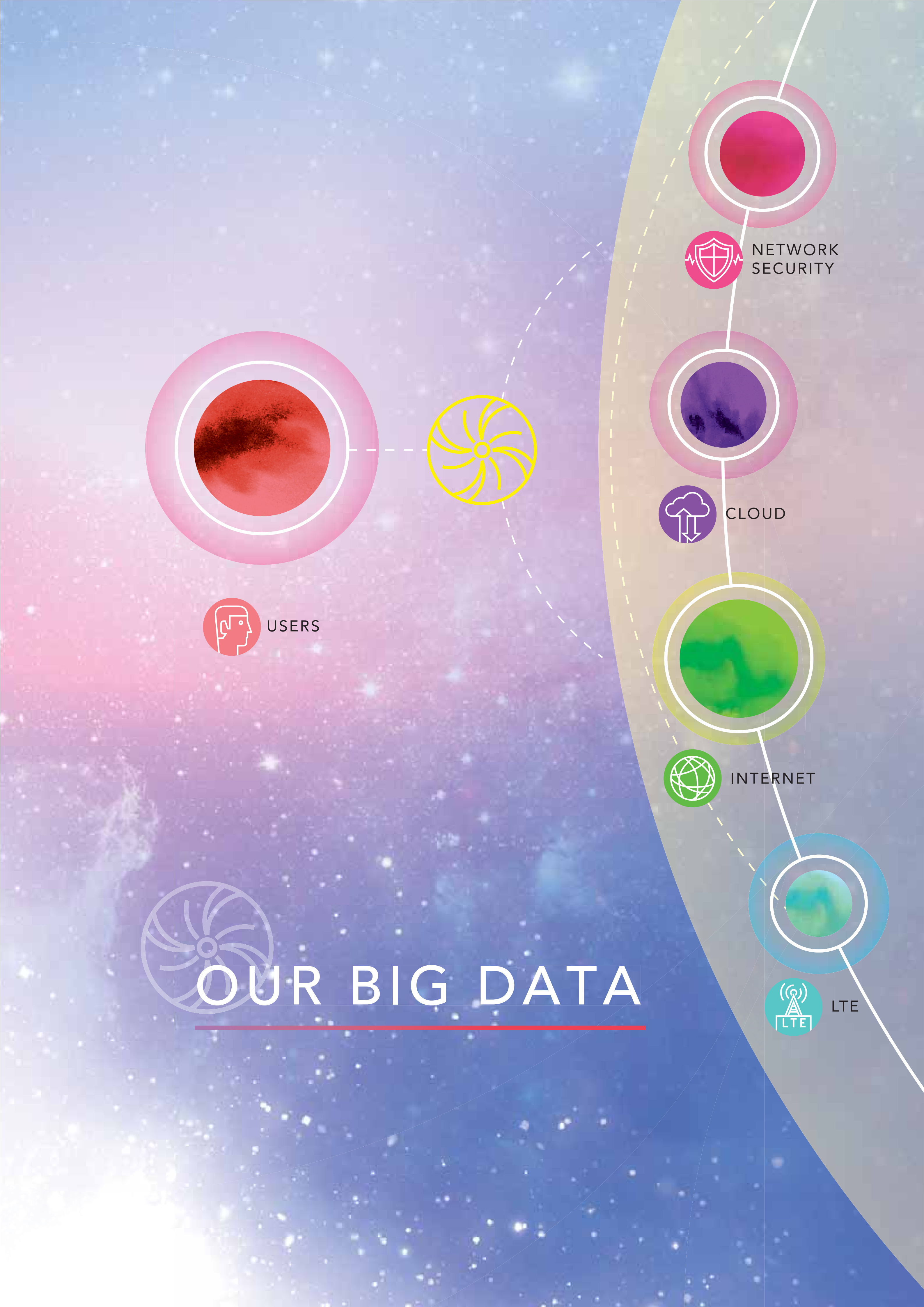
With effect from 1 January 2015, Mr. Yuen Kee Tong has resigned as Executive Director and Chief Executive Officer of the Group upon his retirement, and Dr. Lin Zhenhui has been appointed Executive Director and Chief Executive Officer of the Group. On behalf of the board of directors, I would like to express sincere gratitude to Mr. Yuen for his immense contributions to the Group's development over the years, as well as extend my warmest welcome to Dr. Lin who has joined us as Executive Director and Chief Executive Officer of the Group. Dr. Lin has extensive experience in the Chinese and international telecommunications markets and profound knowledge in the telecommunications industry. Moreover, he also has solid expertise in corporate management and technological innovation both in theory and in practice. I believe the appointment of Dr. Lin as Executive Director and Chief Executive Officer of the Group will open a new chapter in the Group's development and bring fresh impetus. Last but not least, I would like to express sincere appreciation for the shareholders' support and the contributions and dedication of the Group's management and employees during the past year.

Xin Yue Jiang
Chairman
Hong Kong, 13 February 2015

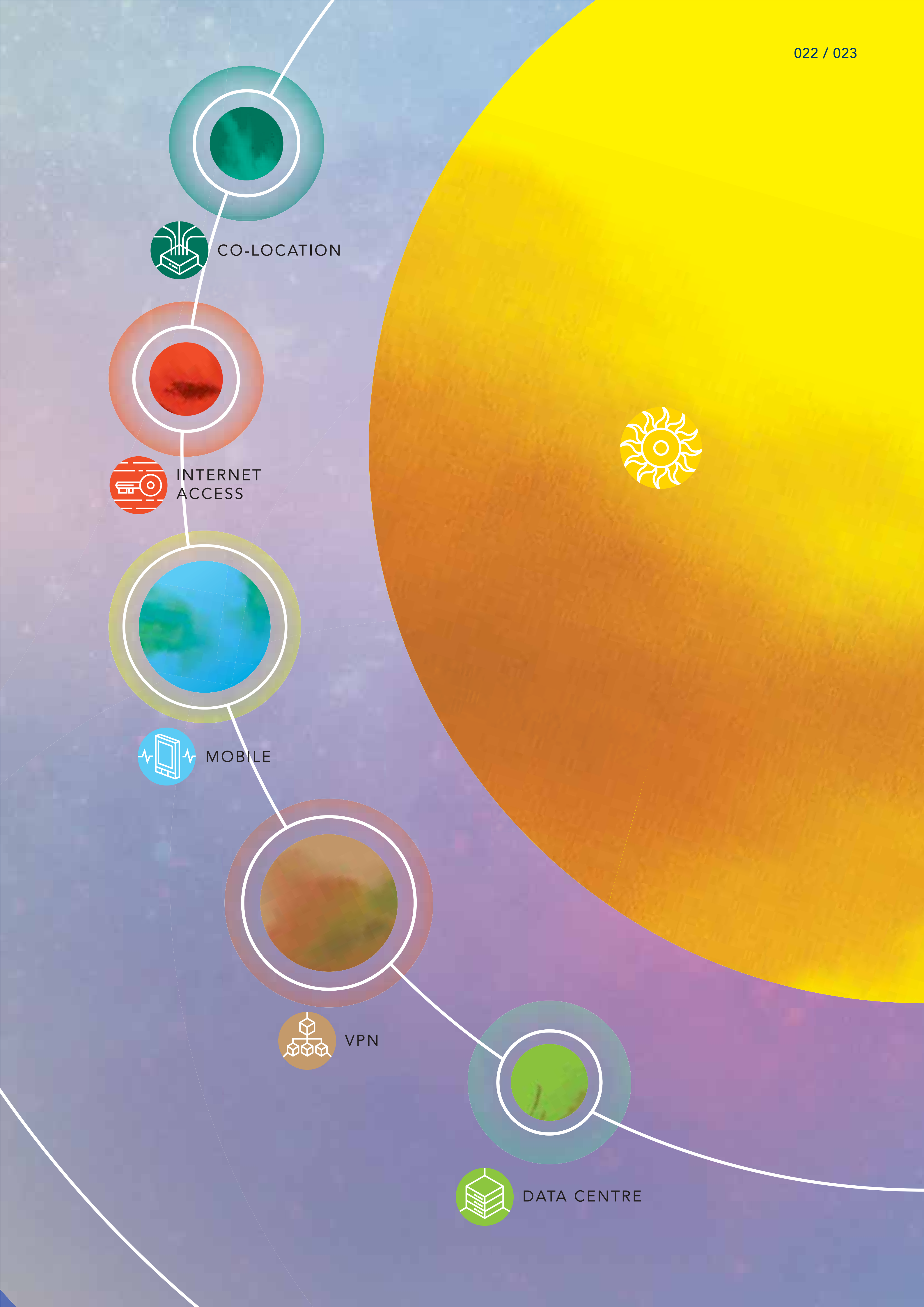

USERS
LTE
CLOUD



OUR VARIOUS SOLUTIONS



OUR BIG DATA


CO-LOCATION
INTERNET ACCESS
MOBILE
VPN
DATA CENTRE

BUSINESS REVIEW

In 2014, results attributable to CITIC Telecom's 99% equity interests in Companhia de Telecomunicações de Macau, S.A.R.L. (CTM) were consolidated on a full-year basis for the first time, strengthening its mobile sales & services, Internet services and enterprise solutions. CITIC Telecom was engaged in strategic development of new products and businesses as it explored new frontiers for business operation in China and elsewhere in accordance with its principle of "Laying Firm Foundation in Greater China and Connecting the World".

Following the completion of its acquisition of CTM, the Group's businesses can be classified into five main categories: namely mobile sales & services, Internet services, international telecommunications services, enterprise solutions, and fixed line services.

MOBILE SALES & SERVICES

MOBILE SALES & SERVICES

As of the end of December 2014, CTM remained as market leader with 44% market share. CTM's mobile customer base as of the end of 2014 recorded a growth of 3% compared to 2013. For the mobile broadband service, the customer base recorded a growth of 8% year-on-year, bolstered by the launch of new smartphone models and well-designed service packages in the second half of the year.

Macau's mobile penetration rate is comparatively high in the world. The high figure in part reflects the heavy use of prepaid cards by visitors. CTM has experienced an increase in the use of mobile services, which showed a

growth of 4.1% in revenue over 2013 mainly driven by the growth of mobile broadband service. CTM expects that the development of LTE will bring further customer and business growth.

CTM's inbound roaming volume increased by 2% while inbound data roaming usage doubled when compared to 2013, reflecting the overwhelming trend for mobile customers to increase data usage.

CTM's investment in network infrastructure continued in order to accommodate the increase in customer traffic, and the coverage has also extended to the newly developed areas of Macau, including the new campus site of the University of Macau located in Hengqin.

CTM has continued to invest to bring about further enhancements in retail and customer service. In December 2014, CTM unveiled the new look of its Iao Hon Shop, aiming to provide customers with a contemporary and comfortable service experience. With a view to improve customer service, the "CTM Buddy" mobile application was further enhanced. The application now includes the function of "Online No.1 Hotline 1000". This service caters for customers who need customer service support but are staying overseas. The application allows the users to connect directly to our enquiry service via WiFi or the mobile data network. The mobile magazine, "Cheers!", was made available via "CTM Buddy" so that customers can obtain the latest information on handsets and telecoms products.

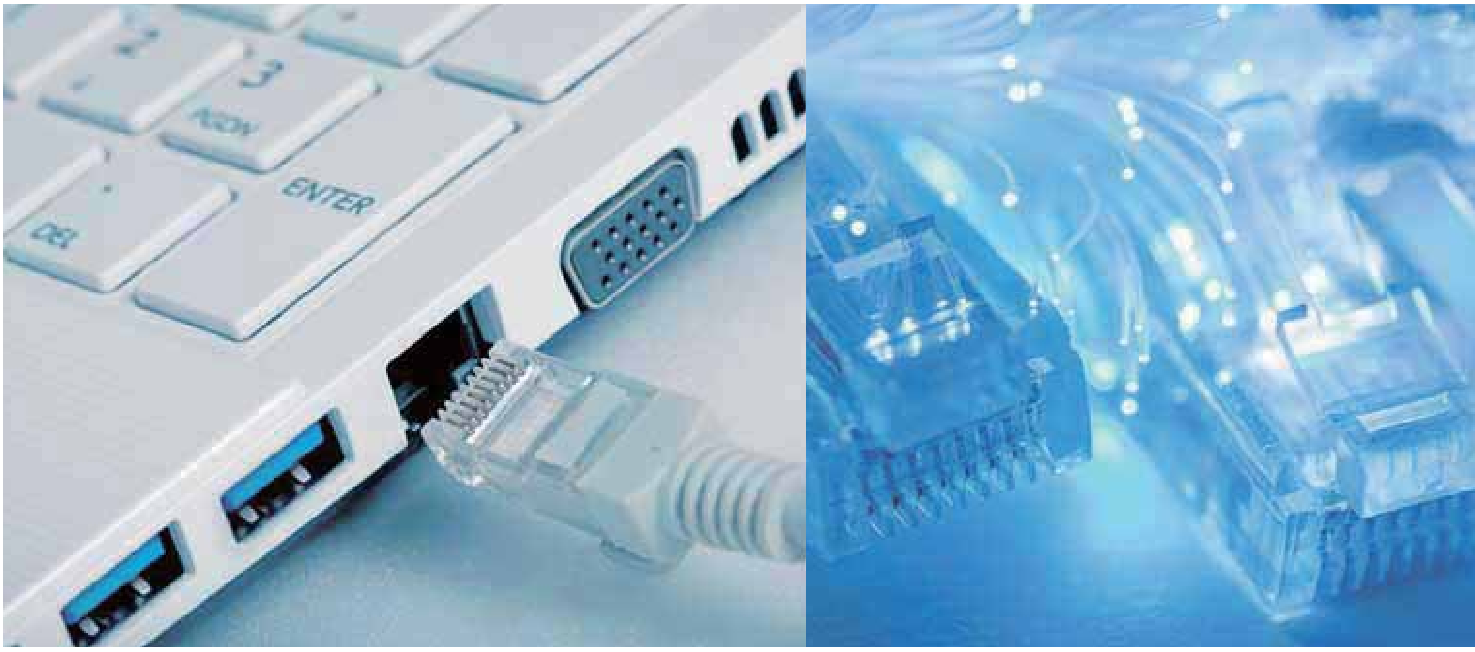
Work has commenced on the introduction of LTE services, a new business opportunity for our Group. CTM submitted a tender for LTE in November 2014 for one of the four LTE licences proposed to be issued by the Macau Government. It is expected that the tender outcome will be announced towards the end of the first quarter of 2015.

In the international market, our 2G/3G roaming service was well received by our customers. 4G technology was introduced in our roaming service in response to its rising popularity. The 4G LTE roaming service launched by us in the market continued to grow, while the cooperation between a Hong Kong mobile operator and a Philippines mobile operator continued in stable development. As 4G LTE uptake became more common in numerous Asian countries, solutions implemented by our Group also increased, and we had entered into service agreements with 4G LTE transit carriers.

Following the issuance of MVNO licences by the Chinese Government, the Group leveraged its dominance with existing technology and quality to assist MVNO licensees in China to turn into competitive MVNEs. Through joint cooperation with OTT companies, we seek to enhance users' experience and develop our business globally.

The mobile Internet represents another area of focus for the Group, including the development of 4G business in China and mobile Internet, to realise positive results for all business of the Group.

BUSINESS REVIEW



INTERNET SERVICES

INTERNET SERVICES

Broadband household penetration rate in Macau had slightly increased from 82% in 2013 to 83% in 2014. The number of broadband customers increased by 6% year-on-year. The growth in customers and revenue reflected the success in promoting fibre broadband and higher bandwidth packages. With the increasing popularity of smart devices in the market, CTM has been investing in its WiFi hotspot network as a response to the demand on wireless broadband service and over 400 hotspots are already in service for customers.

There was a strong uptake of fibre broadband service and CTM remains committed to rolling out full fibre coverage – currently at 87% for residential and 100% for commercial buildings in Macau.

To cope with the keen competition in the market, CTM will focus on providing high quality and diversified services to customers, and introduce new advanced business services to maintain its strong market position.

CTM is committed to the development of a "Digital Macau" which will see the introduction of innovative services for consumers, businesses and visitors built upon advanced, high capacity communication platforms. CTM sees an advanced fibre optic network, LTE and extensive WiFi availability as being the customer access pillars that a "Digital Macau" will be built upon. In addition, CTM is investing in data centre capacity and has greatly expanded local and international connectivity.

In Mainland China market, CITIC Telecom International CPC Limited (CPC) continues to strengthen its strategic partnership with China Enterprise ICT Solutions Limited (CEC-BJ) and enhance synergies to optimise service quality. By leveraging the resources of both companies, CPC has consolidated a full range of products and

services as well as upgraded its network infrastructure in order to enhance overall services efficiency. The rapid growth of the China IDC market is stimulated by the emergence of cloud computing, the rise of Big Data, and the strong demand from Internet services subscribers. To capture these huge business opportunities, CPC is leveraging the strong synergies with CEC-BJ to enrich its cloud service scope, by riding on CEC-BJ's strengths in establishing cloud data centres in China. This ensures enterprise customers can enjoy seamless, premium quality data centre services and comprehensive cloud computing solutions to expand and manage their business operations, without any geographical limitations.

In April 2014, the Company entered into a non-binding Memorandum of Understanding with CITIC Group Corporation and 中信網絡有限公司 (CITIC Networks Co., Ltd.) (CITIC Networks) to provide management consultancy and technical services to CITIC Networks.

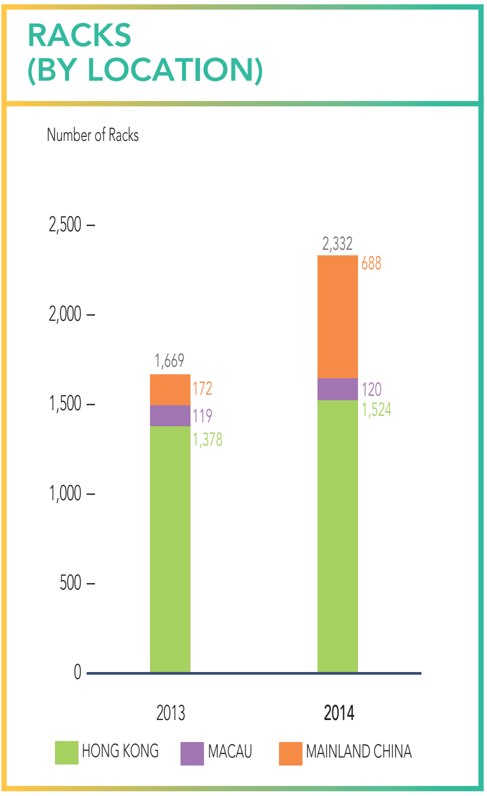
- **CEC-BJ Obtains (IDC/ICP) Operating Licence**

  In March 2014, CEC-BJ has secured the cross-regional value-added telecoms service Internet Data Centre and Internet Content Provider (IDC/ICP) operating licence from the Ministry of Industry and Information Technology of the People's Republic of China. Prior to securing the licence, CEC-BJ has obtained authorisation to operate value-added telecommunications services including nationwide Internet protocol virtual private network (IP-VPN) service, call centre services and Internet access services in Mainland China. The securing of the regulatory authority's certification not only enhances CEC-BJ's competitiveness by extending its business scope, but also strengthens CPC's overall ICT business development and optimises its strategic planning, especially in achieving a new milestone for its IDC and cloud computing businesses.

BUSINESS REVIEW

Cloud Computing Data Centre in Baoshan, Shanghai

For the data centre, below is the number of racks by geographic location:



The latest Ap Lei Chau (ALC) Data Centre of the Group commenced operation in March 2014. The advanced infrastructure and advantageous positions of our two data centres at ALC and CITIC Telecom Tower have attracted clients of different backgrounds, including a well-reputed and influential name in Mainland China's banking and financial sector. In addition, orders for our business support centre services also increased during the year. As more and more companies need to get themselves prepared and satisfy regulatory requirements regarding redundant backups, the business support centre will enhance the competitive edge of our data centre services. The business support centre at ALC Data Centre has commenced operation upon completion of construction to meet increasing new demand.

The Group's major data centres have been built in accordance with Tier III+ specification. Through these interconnected data centres, the Group is capable of providing highly reliable and scalable Internet services. To cope with cloud computing and data centre development, in June 2014, CEC-BJ and 上海科技網絡通信有限公司 (Shanghai Science and Technology Network Communication Co., Ltd.) (STNC) signed a cooperation agreement to set up a cloud computing data centre in Baoshan, Shanghai. The data centre is to be built to Tier III+ standard, providing about 500 standard racks. STNC will take part in infrastructure and related hardware support as well as operational maintenance, while CEC-BJ will provide the platform and act as the ICT solutions provider for business customers. CPC has completed the acceptance tests on the infrastructure of the Baoshan cloud computing data centre in October 2014. It has completed the installation of racks and cables, as well as construction of the network and cloud computing platform, and was launched in January 2015. Further to securing the IDC/ICP licence, the cloud computing data centre in Baoshan, Shanghai is just the first step. CPC also has plans to launch IDC projects in major cities across China including Beijing, Guangzhou and Shenzhen, striving to further expand its data centres and cloud computing services.

In future, the Group will continue to expand its data centre business with dedicated efforts. In this connection, the data centre in Macau is now expanding and will commence operation in 2015, while we also plan to expand the Group's data centre business in different regions in Mainland China.

BUSINESS REVIEW

INTERNATIONAL TELECOMMUNICATIONS SERVICES

INTERNATIONAL TELECOMMUNICATIONS SERVICES

Due to the combined effect of the popularity of Social Network Services and development of Internet applications, our business in voice hubbing services had been affected, and intensified competition could be seen in China's voice market. As a result, revenue from our voice business dropped by 13.5% compared to the previous year. During the year, the Group continued to extend the coverage of its international business by soliciting new customers in different countries/region, such as India, Turkey, Bahrain, Cambodia, Jersey and Malaysia. By lowering the termination costs, the Group managed to ease the decline in overall gross profit margin substantially. Nevertheless, the total traffic of voice service decreased by 13%, which was in line with the worldwide trend. The implementation of the IDD traffic management system which facilitates differentiation of customer services has strengthened our market position as well as our competitive edge.

Our Singapore business unit continued to maintain strong growth in the enterprise and retail market segments. Despite a shrinking voice market, the Singapore business unit managed to maintain stable growth in its IDD business, increase its market shares in the local calling card and SIM card distribution business, and achieve admirable growth in enterprise value added services, especially in the MVNO service, voice conferencing service and ITFS. Moreover, further to extending its reach to the enterprise market in Malaysia in the previous year, our Singapore business unit tapped markets in other neighbouring countries during the year, as it continued to provide quality services to more than 900 SME customers.

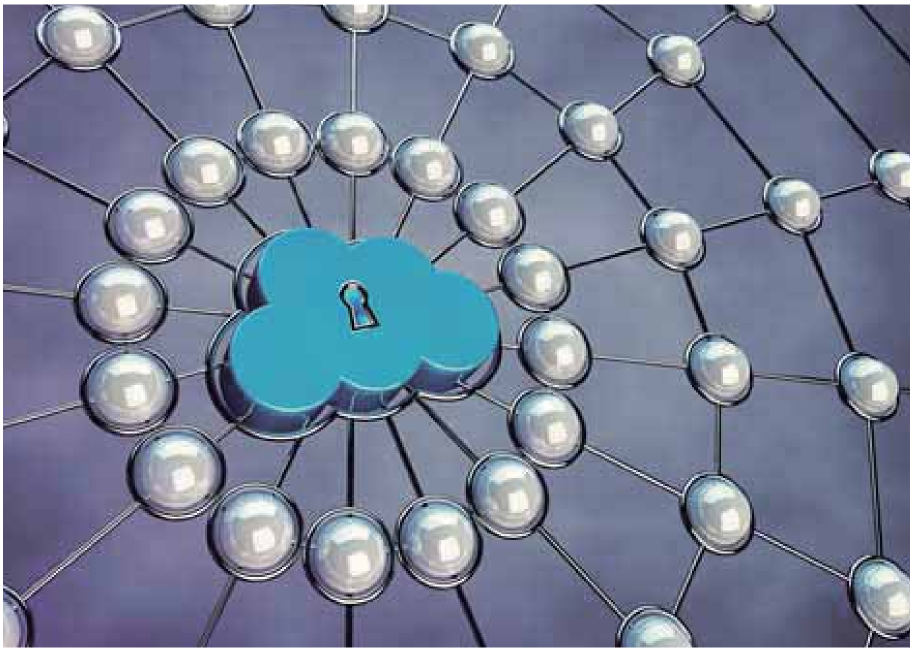
Turnover from the SMS business amounted to HK$426.4 million, representing a year-on-year growth of 2.4% and further reaffirming our position as one of the leaders in the international SMS services market in the Asia Pacific.

Though inter-operator SMS ("IOSMS") traffic has experienced a decline due to the change in usage pattern among OTT players, we remain a dominant IOSMS service provider in Hong Kong. However, China operators have gradually begun to operate China inbound and outbound services through direct connection with international carriers. Hence the Group has focused on developing new Enterprise SMS markets to avoid decline in profit contributions from the SMS business.

Although the personal demand for SMS services decreased, our successful deployment of our next generation SMS hubbing platform in the previous year had enhanced our P2P (Person to Person) and A2P (Application to Person) SMS services quality in line with customers' requirements. We had successfully assisted a number of large global social network companies and Internet companies to launch major promotional activities with the aid of this new hubbing platform.

After a year of dedicated efforts, we have transformed our SMS service from a simple P2P to a secure and reliable communications channel. The Group believes that the rapid growth of SMS-related applications (A2P) will drive a new phase of growth in 2015.

BUSINESS REVIEW



ENTERPRISE SOLUTIONS

ENTERPRISE SOLUTIONS

In the enterprise solutions sector of CTM, the overall business performance recorded a strong growth. This was mainly driven by the aforementioned increase in demand for data services and the awarding of several large projects from customers in the casino, hotel and government sectors.

During 2014, CTM was delighted to be awarded several major projects from the Macau Government and the commercial sector. In October 2014, CTM was chosen to manage the Macau Government's WiFi-Go network for three years and was awarded a major cabling project by a casino for its CoTai resort development. A bank also chose CTM to implement its new customer contact centre.

The Macau Government announced its intention to open the local television market when it extended the incumbent operator's licence on a non-exclusive basis in April 2014. In addition, the Macau Government established the Macau Basic Television Channels, Limited to oversee the provision of free TV service to local households. CTM was contracted by the Macau Government to build and manage a TV distribution network for the Macau Basic Television Channels, Limited. CTM undertook the challenge of building the network and delivered the service within an eight week timeframe.

CTM lowered the price of local leased lines by up to 21% in April 2014, this has been well received by the business community and has helped the increase in usage of fixed data links. The turnover from enterprise solutions business for 2014 recorded an increase of approximately 18.2% year-on-year.

The Group has also provided international enterprise solutions to multinational corporation through CPC. Facing with the Cloud Era and Big Data coming of age, we are witnessing the emergence and requirements of Big Data Storage for business enterprises who embrace

changes in globalisation and information technology. Apart from enhancing business efficiency and data security, enterprises must also place greater emphasis on other areas such as Disaster Recovery (DR) and managed data backup services to ensure business continuity. Therefore, virtualisation and cloud computing have become the definite choice for enterprises IT development. Furthermore, enterprises not only value cloud Infrastructure-as-a-Service (IaaS), but also strive to connect various cloud-based applications, Software-as-a-Service (SaaS), through world-class cloud data centre platform anytime, anywhere in an efficient, stable and secure manner. In this regard, CPC not only has continued to expand its Points-of-Presence (PoPs) for TrueCONNECT™, but also invested in the expansion of the COC (Cloud Operation Centre) and cloud data centre in 2014. CPC has also launched various solution suites for its TrueCONNECT™, TrustCSI™ and SmartCLOUD™ product families, while at the same time optimising and enhancing many existing services, including:

- Global coverage of the TrueCONNECT™ MPLS VPN service increased to over 100 PoPs, including new PoPs in Hanoi of Vietnam; Manila of the Philippines; Zhengzhou, Changsha, Changzhou, Yantai, Harbin and Changchun in Mainland China.
- Internet Data Centre (IDC) in Ap Lei Chau, located at the south side of Hong Kong Island commenced operation in March 2014. The data centre occupies a total area of approximately 40,000 square feet. The IDC deploys high-availability architecture in its core systems and uses two-way alternating current as the main power supply, ensuring a high level of usability for data operation. For energy saving purpose, the IDC incorporates hot and cold aisles airflow separation, and employs energy-efficient air-conditioning, power distribution equipment and lighting systems. It also adopts advanced Smart Rack, which greatly improved security.

FIXED LINE SERVICES

FIXED LINE SERVICES

Despite the fixed telephone line revenue and customer base of CTM in 2014 recorded a decline of around 3% compared to last year, it still provided a healthy contribution to the Group's profit.

FINANCIAL REVIEW

OVERVIEW

The Group's turnover achieved a year on year increase of 36.0% from HK$6,018.5 million to HK$8,183.6 million for the year ended 31 December 2014. The increase was mainly due to the first time inclusion of Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM")'s full year results (2013: included 6.3 months' results) and growth in the Group's enterprise solutions revenue.

Profit attributable to equity shareholders and EPS amounted to HK$723.7 million and HK21.7 cents which had decreased by 32.2% and 40.5% respectively as compared to 2013. The reason for the decrease was mainly due to the one-off exceptional items which arose in 2013. Excluding the impact of one-off exceptional items of HK$790.3 million and HK$510.3 million in relation to EBITDA and profit attributable to equity shareholders respectively, EBITDA is up 52.6% to HK$1,926.8 million, recurring operating profit of the Group increased by 29.9% while EPS is up 13.6% for the year.

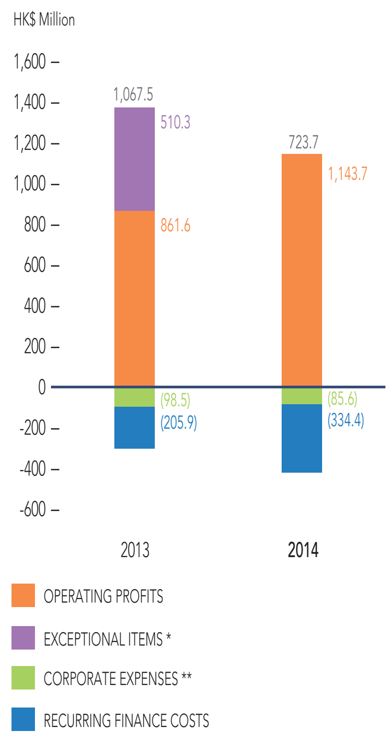
Summary of Financial Results

In HK$ Million	Year ended 31 December 2014	2013	Increase/(Decrease)	
Turnover	8,183.6	6,018.5	2,165.1	36.0%
Other revenue and net gain	13.4	1,145.5	(1,132.1)	(98.8%)
Cost of sales and services	(4,879.9)	(3,935.5)	944.4	24.0%
Depreciation and amortisation	(682.6)	(417.0)	265.6	63.7%
Staff costs	(722.4)	(589.7)	132.7	22.5%
Other operating expenses	(663.9)	(656.3)	7.6	1.2%
Profit from consolidated activities	1,248.2	1,565.5	(317.3)	(20.3%)
Share of joint venture/associate results	0.4	80.1	(79.7)	(99.5%)
Finance costs	(334.4)	(444.5)	(110.1)	(24.8%)
Income tax	(179.3)	(130.8)	48.5	37.1%
Profit for the year	734.9	1,070.3	(335.4)	(31.3%)
Less: Non-controlling interests	(11.2)	(2.8)	8.4	300.0%
Profit attributable to equity shareholders of the Company	723.7	1,067.5	(343.8)	(32.2%)
EBITDA*	1,926.8	2,053.3	(126.5)	(6.2%)

* Earnings before interest, taxes, depreciation and amortisation, and adjusted for gains/losses on disposal of property, plant and equipment.

FINANCIAL REVIEW

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS — OPERATIONAL VS EXCEPTIONAL



* 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, equity-settled share-based payment expenses, listing fee, advisory fees for potential acquisitions and others.

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

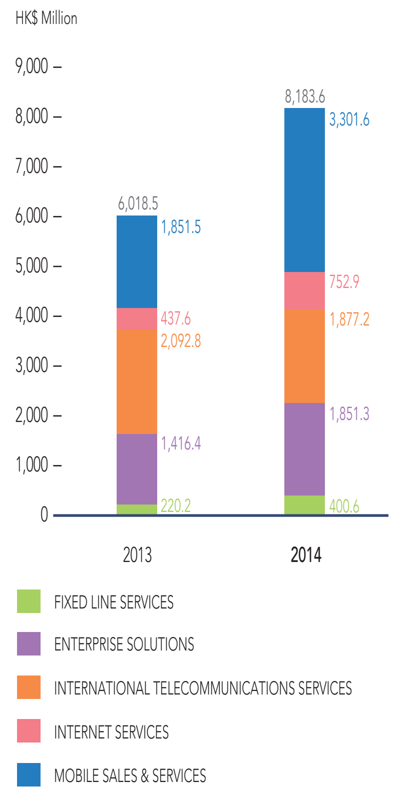
Following the Group's completion of its acquisition of the controlling equity interest in CTM increasing the Group's equity shareholding in CTM from 20% to 99% on 20 June 2013 ("the Acquisition"), the Group had, for the first time, consolidated full year results (2013: included 6.3 months' results) of the Group's 99% stake of CTM in our 2014 financial results.

With the acquisition of CTM, the Group has expanded its service offerings. The Group's businesses currently cover five major categories: mobile sales & services, Internet services, international telecommunications services, enterprise solutions and fixed line services.

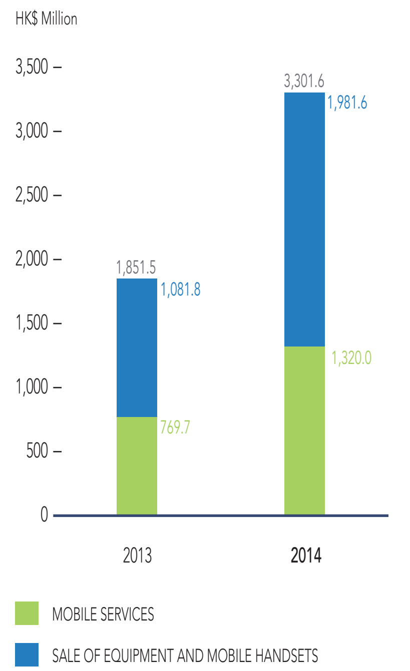
Profit attributable to equity shareholders of the Company

Profit attributable to equity shareholders of the Company for the year ended 31 December 2014 amounted to HK$723.7 million, a decrease of HK$343.8 million when compared with 2013. If the one-off exceptional items were excluded, profit attributable to equity shareholders of the Company had increased by 29.9%. The increase was mainly due to the first time inclusion of 99% interest in CTM since the Acquisition and the steady growth in the Group's international enterprise solutions business.

TURNOVER BY SERVICES



TURNOVER — MOBILE SALES & SERVICES



Turnover by Services

The Group's turnover achieved a year on year increase of 36.0% from HK$6,018.5 million to HK$8,183.6 million for the year ended 31 December 2014. The turnover from mobile sales & services, Internet services and fixed line services are mainly contributed by CTM and the significant increase compared with last year was due to the first time inclusion of CTM's full year results for 2014 (2013: included 6.3 months' results).

The Group's successful efforts in capitalising on enterprise solutions opportunities has resulted in an increase of HK$434.9 million or 30.7% in enterprise solutions revenue for the year. In respect of international telecommunications services, the Group has recorded a growth in the corporate SMS business and product customisation, which has largely offset the adverse impact of the continuing decrease in global IDD wholesale traffic, mounting pressures on tariffs, and emerging Internet operations from OTT players.

Mobile sales & services

Mobile sales & services revenue, includes the revenue from equipment and mobile handsets sales, mobile roaming services, and other mobile value added services. Total mobile sales & services revenue amounted to HK$3,301.6 million in 2014, an increase of 78.3% when compared with 2013. The increase was mainly due to the first time inclusion of CTM's full year results (2013: included 6.3 months' results), CTM contributed HK$3,038.8 million and HK$1,616.0 million to mobile sales & services revenue for 2014 and 2013 respectively. The growth in mobile data usage and customisation of products to better satisfy the needs of customers were other factors contributing to the increase in mobile sales & services revenue.

On a year to year comparison, postpaid ARPU (excluding inbound roaming) increased by 12% to HK$212 in 2014 mainly due to increase in mobile data usage. Prepaid ARPU decreased by 13% to HK$17 in 2014 mainly due to drop in voice revenue, which offset the growth in prepaid data revenue. The overall number of subscribers in 2014 increased by 3% as compared to 2013 to 814,000 subscribers, and mobile market share accounted for around 44% as at 31 December 2014.

FINANCIAL REVIEW

Internet services

Internet services revenue including the Group's data centre revenue amounted to HK$752.9 million in 2014 which represented an increase of HK$315.3 million or 72.1% when compared to 2013. If we exclude the impact of the first time full year inclusion of CTM's results, Internet services revenue would have increased by HK$95.7 million. The increase was mainly due to higher revenue from the good uptake of fibre broadband service. Overall broadband ARPU increased by 10% to HK$301 in 2014 and the total number of broadband subscribers increased by 6% (net) from 2013 to 161,500 subscribers. Broadband market penetration rate in Macau was around 83% in 2014 (2013: 82%).

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 year, a subsidiary of the Group, China Enterprise ICT Solutions Limited ("CEC-BJ"), secured the cross-regional value-added telecoms services Internet Data Centre and Internet Content Provider (IDC/ICP) operating licence from the Ministry of Industry and Information Technology of the People's Republic of China ("PRC"), making way for the Group to capture greater market opportunities in IDC, hosting and cloud computing services. CEC-BJ 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 was commissioned in January 2015. According to the cooperation agreement, the data centre under the two parties' cooperation shall provide approximately 500 standard racks. The Group will continue to seize opportunities to further its Internet services including data centre business in China, Hong Kong and Macau.

International telecommunications services

The Group's international telecommunications services comprised of voice and SMS services.

Voice services revenue decreased by HK$225.5 million or 13.5% to HK$1,450.8 million for the year ended 31 December 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 6.1 billion minutes was handled by the Group, representing a 13% reduction compared with last year. Total China inbound and outbound traffic for the year has decreased by 10% and total international traffic dropped by 21% 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$0.24 which was the same as last year.

SMS services recorded stable performance during the year ended 31 December 2014 with turnover at HK$426.4 million similar to 2013. Despite that the Group has been impacted by the increasing popularity of social networking applications, the number of Hong Kong domestic and International SMS has increased by 2% and 3% during the year respectively. The Group has continued its efforts in accelerating the development of corporate SMS which have countered the substitution impact brought by emerging Internet applications during the year. The number of messages handled by the Group was stable at 1.7 billion messages which were similar to last year, and the average revenue per SMS kept stable at HK$0.25.

Enterprise solutions

The turnover from enterprise solutions increased by 30.7% to HK$1,851.3 million in 2014. The increase was contributed by the growth of professional service projects from the government and corporate customers, continuing popularity of VPN services, steady growth in cloud computing services and information security services ("ISP"), as well as the higher demand for leased lines from the carriers and corporate customers.

The Group continued to expand its Points-of-Presence ("PoPs") for VPN services. Global coverage increased to over 100 PoPs, including new PoPs in Hanoi of Vietnam; Manila of the Philippines; Zhengzhou, Changsha, Changzhou, Yantai, Harbin and Changchun in Mainland China.

Fixed line services

Fixed line services revenue was HK$400.6 million in 2014 which represented an increase of 81.9% when compared to 2013. If the impact of the first time full year inclusion of CTM's results was excluded, fixed line services revenue would have decreased by 5.4% when compared to 2013. The decrease was in line with the worldwide trends of declining fixed IDD traffic volumes and the decrease in 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 year.

Profit for the year

The Group achieved HK$734.9 million in profits for the year, a decrease of HK$335.4 million when compared with 2013. The decrease was mainly due to the combined impact of the following factors:

Turnover

Turnover for the year increased by HK$2,165.1 million or 36.0% when compared with last year, largely due to the first time inclusion of CTM's full year revenue (2013: included 6.3 months' revenue). The increase in mobile sales & services, Internet services and enterprise solutions revenue was also contributing factors.

Gain on deemed disposal of equity interest in an associate

Included in other net gain for the year ended 31 December 2013 was an amount of HK$1,116.3 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 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$4,879.9 million in 2014, an increase of 24.0% as compared with 2013. The increase in turnover was higher than the increase in cost of sales and services as CTM's businesses had a comparatively higher profit margin than the Group's other businesses.

Staff costs

Staff costs for the year increased by 22.5% to HK$722.4 million when compared with 2013. The increase was mainly due to the first time inclusion of CTM's full year staff costs (2013: included 6.3 months' staff costs) which was partly offset by the equity-settled share-based payment expenses of HK$50.2 million recognised in 2013. There were no share options granted by the Company during the year.

Depreciation and amortisation

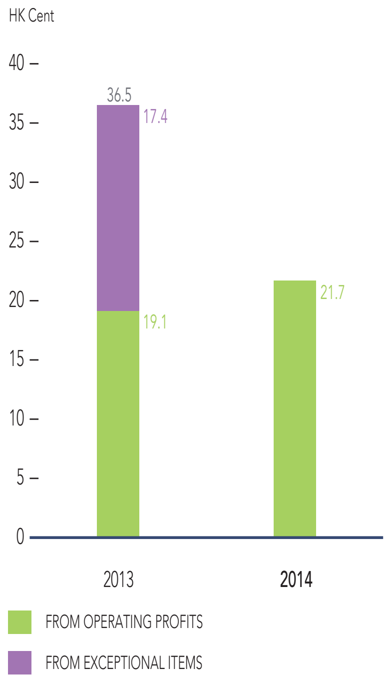
Depreciation and amortisation expenses increased by 63.7% to HK$682.6 million as compared with 2013. The increase was mainly due to the first time full year inclusion of CTM's depreciation and amortisation expenses (2013: included 6.3 months' depreciation and amortisation expenses) and the commissioning of the new data centre and network system upgrades during the year.

Other operating expenses

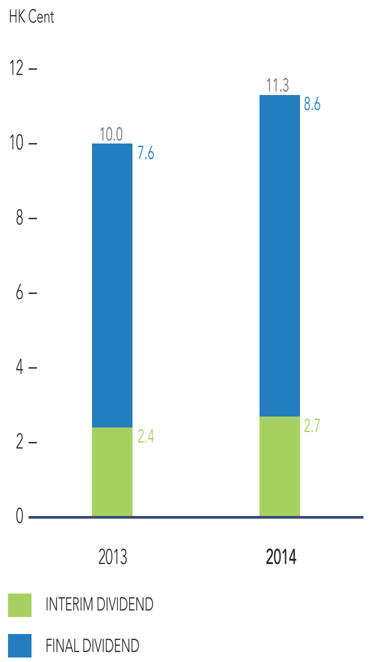
Other operating expenses for the year ended 31 December 2014 amounted to HK$663.9 million, an increase of 1.2% when compared with 2013. The other operating expenses for 2013 included certain exceptional items which mainly represented the transaction costs in relation to the Acquisition, impairment of certain disputed debtor balances and interest in a joint venture. If the exceptional items were excluded, other operating expenses have increased by 57.4% or HK$242.1 million when compared with 2013, mainly due to the inclusion of CTM's full year (2013: included 6.3 months) other 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 year which were consistent with the Group's operational expansion.

FINANCIAL REVIEW

BASIC EARNINGS PER SHARE



DIVIDENDS PER SHARE



Share of profit of an associate

The Group's 20% share of the profit of CTM for the year ended 31 December 2013 prior to the Acquisition amounted to HK$80.6 million.

Finance costs

Finance costs decreased from HK$444.5 million in 2013 to HK$334.4 million in 2014. If all one-off funding costs in connection with the Acquisition were excluded, the recurring finance costs increased from HK$205.9 million for 2013 to HK$334.4 million for 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 year ended 31 December 2014 increased by 37.1% to HK$179.3 million compared to last year. 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 year ended 31 December 2014 and 2013 would be approximately 14.0% and 11.7% respectively.

Earnings per share ("EPS")

Basic EPS and diluted EPS decreased by 40.5% and 40.6% to HK21.7 cents and HK21.5 cents respectively for the year ended 31 December 2014 as compared with 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. If the above exceptional items were excluded, basic EPS and diluted EPS would increase by 13.6% and 13.8% respectively.

Dividends per share

Final dividend of HK8.6 cents per share is proposed for 2014. Total dividends per share will amount to HK11.3 cents for the year.

Cash flows

In HK$ Million	Year ended 31 December 2014	2013	Increase/(Decrease)	
Source of cash:				
Cash inflows from business operations	1,627.9	1,072.7	555.2	51.8%
Rights issue net of transaction costs	–	1,794.5	(1,794.5)	N/A
Net cash inflows from borrowings	–	7,246.8	(7,246.8)	N/A
Other cash inflows	70.2	256.9	(186.7)	(72.7%)
Sub-total	1,698.1	10,370.9	(8,672.8)	(83.6%)
Use of cash:				
Capital expenditure*	(719.1)	(470.9)	248.2	52.7%
Dividends paid to equity shareholders and non-controlling interests	(353.5)	(253.0)	100.5	39.7%
Acquisition of subsidiaries	(1.2)	(8,979.5)	(8,978.3)	(100.0%)
Net cash outflows from borrowings	(79.7)	–	79.7	N/A
Other cash outflows	(2.1)	(162.8)	(160.7)	(98.7%)
Sub-total	(1,155.6)	(9,866.2)	(8,710.6)	(88.3%)
Net increase in cash	542.5	504.7	37.8	7.5%

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

Profit before taxation amounted to HK$914.2 million for 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$1,627.9 million which was approximately 1.5 times that of 2013 largely due to the strong financial position of CTM. The use of cash comprised capital expenditure, dividends distribution to equity shareholders and non-controlling interests, acquisition of subsidiaries and various other payments. In total, the Group generated net cash inflow of HK$542.5 million for 2014.

Capital expenditure

With the growing customer demand for data centre services, the Group has continued to expand its data centres whereby HK$104.4 million of fitting-out costs were incurred during 2014.

Capital expenditure for the Group amounted to HK$730.9 million for 2014. Excluding the capital expenditure on the data centres, the capital expenditure for the year amounted to HK$626.5 million, an increase of 46.5% compared to 2013. The increase for the year was mainly due to the first time inclusion of CTM's full year's capital expenditure (2013: included 6.3 months' capital expenditure).

FINANCIAL REVIEW

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, each business unit within the Group is responsible for its own cash management which is 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 31 December 2014, net gearing ratio decreased to 50%, from 53% at 31 December 2013, when the net debt decreased to HK$6,570.7 million.

At 31 December 2014, total bank and other borrowings and net debt of the Group were as follows:

In HK$ million equivalents	HKD	USD	Denomination MOP	RMB	Others	Total
Total bank and other borrowings	329.5	7,638.1	–	–	–	7,967.6
Less: Cash and bank deposits	(653.0)	(279.1)	(353.9)	(61.7)	(49.2)	(1,396.9)
Net debt/(cash)	**(323.5)**	**7,359.0**	**(353.9)**	**(61.7)**	**(49.2)**	**6,570.7**

At 31 December 2014, the Group's net gearing ratio was as follows:

In HK$ Million	31 December 2014	31 December 2013
Total bank and other borrowings	7,967.6	7,716.6
Less: Cash and bank deposits	(1,396.9)	(856.1)
Net debt	6,570.7	6,860.5
Total equity attributable to equity shareholders of the Company	6,568.4	6,163.3
Total capital	13,139.1	13,023.8
Net gearing ratio	50%	53%

At 31 December 2014, the principal of total outstanding bank and other borrowings amounted to HK$8,052.0 million, of which HK$100.0 million will mature in the coming year, against cash and bank deposits of HK$1,396.9 million.

The maturity profile of the Group's bank and other borrowings in principal amount at 31 December 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 borrowings	100.0	1,914.8	505.4	2,021.8	–	–	4,542.0
US$450 million 6.1% guaranteed bonds	–	–	–	–	–	3,510.0	3,510.0
	100.0	**1,914.8**	**505.4**	**2,021.8**	**–**	**3,510.0**	**8,052.0**

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

Liquidity risk management

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

To minimise refinancing risk 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 banking facilities at a reasonable level to meet the debt repayments and capital expenditure requirement in the coming year.

At 31 December 2014, the Group's cash and bank deposits and undrawn committed banking facilities were HK$1,396.9 million and HK$270.0 million respectively. The Group's cash balance together with the undrawn committed banking facilities at 31 December 2014 are more than sufficient to cover the repayments of principal amount of bank loan of HK$100.0 million in the coming year and contractual capital commitments of HK$348.6 million at 31 December 2014.

At 31 December 2014, the Group had available trade facilities of approximately HK$282.2 million. Approximately HK$67.9 million and HK$3.2 million were utilised as guarantees for performance to customers/the Macau Government and costs payable to telecoms operators and others respectively. Around HK$3.2 million of these utilised facilities were required to be secured by pledged deposits.

At 31 December 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	4,442.0	270.0
US$450 million 6.1% guaranteed bonds	3,510.0	3,510.0	–
	8,222.0	7,952.0	270.0
Uncommitted facilities:			
Short-term facilities	300.0	100.0	200.0
Trade facilities	282.2	71.1	211.1
	582.2	171.1	411.1
Total	**8,804.2**	**8,123.1**	**681.1**

FINANCIAL REVIEW

Guarantees and pledged assets

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

At 31 December 2014, the Group pledged approximately HK$3.4 million of bank deposits to secure parts of the trade facilities.

At 31 December 2014, the Company has provided guarantee to its subsidiary in an amount of HK$34.4 million to support its performance under a construction contract.

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 31 December 2014, the Group was in compliance with the relevant requirements.

Capital commitments

At 31 December 2014, the Group had outstanding capital commitments of HK$625.0 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$348.6 million were outstanding contractual capital commitments and HK$276.4 million were capital commitments authorised but for which contracts had yet to be entered into.

Contingent liabilities

At 31 December 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 swap, if necessary. At 31 December 2014, approximately 56.4% of the Group's borrowings in principal were linked to floating interest rates. During the year, the Group did not enter any interest rate swap arrangement.

Average borrowing costs

At 31 December 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 an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining the economic environment in which the customer operates. Trade debtors are due within 7 to 180 days from the date of billing. 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 48.1% and 46.2% of the Group's total trade debtors at 31 December 2014 and 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 31 December 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 31 December 2014, the Group has approximately HK$1,370.6 million cash balance in the above-mentioned financial institutions, representing approximately 98.1% of the total cash and bank deposits of the Group. Management does not expect any losses from non-recovery from our financial counterparties.

FORWARD LOOKING STATEMENTS

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

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

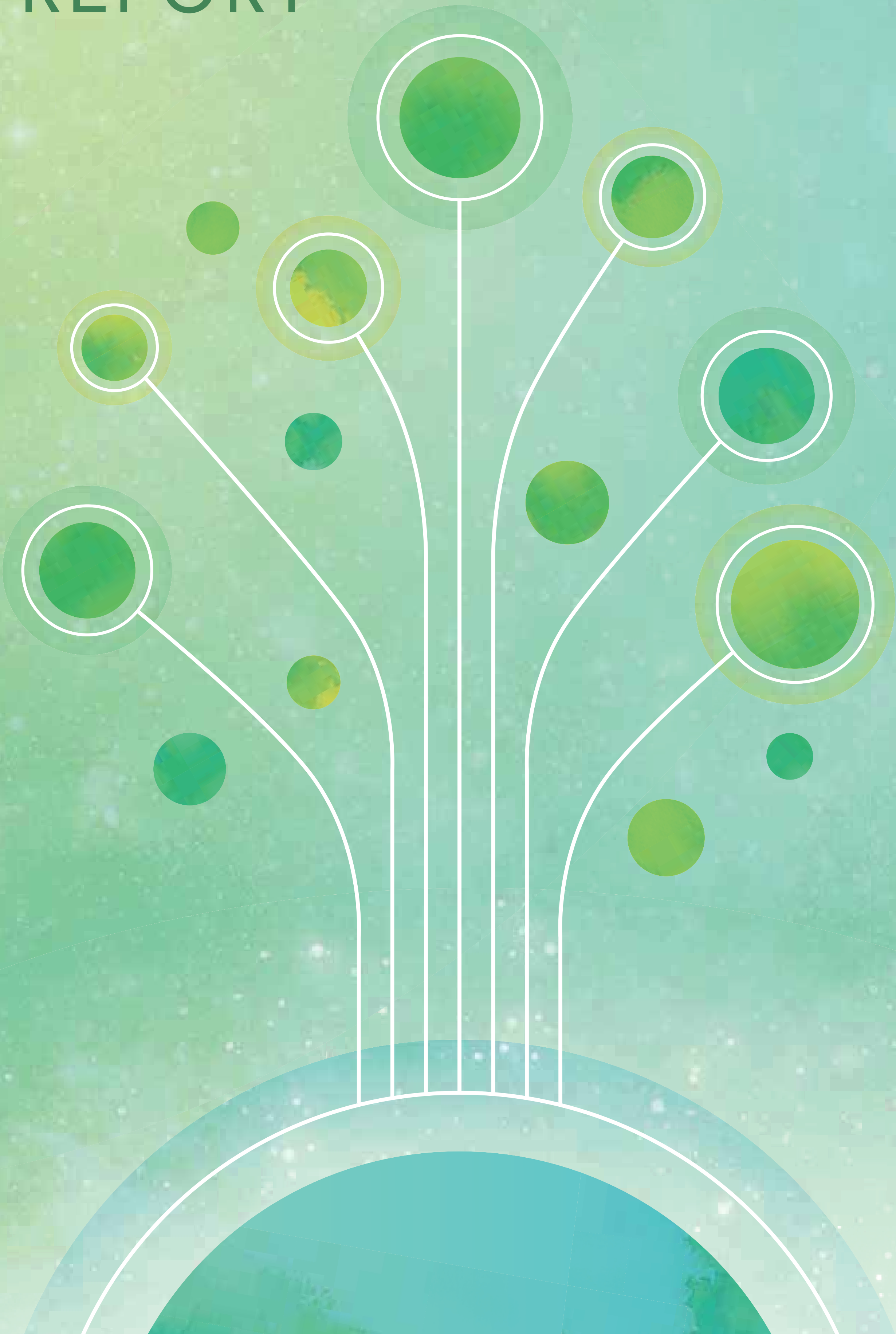
FIVE YEAR SUMMARY

	At 31 December				
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000
Assets and liabilities					
Property, plant and equipment	595,350	668,521	742,376	1,884,339	2,105,909
Intangible assets	48,362	89,888	105,825	2,342,878	2,167,628
Goodwill	281,465	363,549	402,456	9,283,688	9,281,625
Interest in an associate	1,489,382	1,472,414	1,449,938	–	–
Interest in a joint venture	–	43,176	45,950	6,264	6,265
Non-current other receivables and deposits	171,370	109,347	174,352	164,974	215,612
Deferred tax assets	22,172	19,902	37,451	33,011	33,141
Net current assets	476,722	569,159	615,725	552,947	1,109,669
Non-current interest-bearing borrowings and other payables	(102,582)	(95,192)	(87,808)	(7,696,989)	(7,940,626)
Net defined benefit retirement obligation	–	–	–	(72,302)	(103,729)
Deferred tax liabilities	(38,424)	(61,638)	(65,241)	(310,859)	(281,218)
NET ASSETS	2,943,817	3,179,126	3,421,024	6,187,951	6,594,276
Capital and reserves					
Share capital and other statutory capital reserves (note)	1,824,105	1,826,317	1,827,687	3,697,638	3,780,941
Other reserves (note)	1,119,712	1,352,809	1,605,016	2,465,633	2,787,417
Total equity attributable to equity shareholders of the Company	2,943,817	3,179,126	3,432,703	6,163,271	6,568,358
Non-controlling interests	–	–	(11,679)	24,680	25,918
TOTAL EQUITY	2,943,817	3,179,126	3,421,024	6,187,951	6,594,276

	For the year ended 31 December				
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000
Results					
Turnover	2,966,469	3,196,753	3,609,810	6,018,543	8,183,607
Profit before taxation	445,757	523,683	505,221	1,201,125	914,294
Income tax	(44,469)	(65,437)	(40,232)	(130,826)	(179,339)
Profit for the year	401,288	458,246	464,989	1,070,299	734,955
Attributable to:					
Equity shareholders of the Company	401,288	458,246	461,283	1,067,506	723,734
Non-controlling interests	–	–	3,706	2,793	11,221
Profit for the year	401,288	458,246	464,989	1,070,299	734,955
Basic earnings per share (HK cents)	17.9	19.2	19.3	36.5	21.7
Diluted earnings per share (HK cents)	17.8	19.2	19.3	36.2	21.5
Dividends per share					
Interim dividend (HK cents)	2.4	2.4	2.4	2.4	2.7
Final dividend (HK cents)	7.1	7.2	7.2	7.6	8.6
	9.5	9.6	9.6	10.0	11.3

Note: As the term "share capital" includes share premium and capital redemption reserve from the commencement date of the new Hong Kong Companies Ordinance of 3 March 2014, but not before that date, presentation of "capital and reserves" has been revised in order to be consistent with the new terminology.

SUSTAINABILITY REPORT



SUSTAINABILITY REPORT

CITIC Telecom International Group has a strong sense of commitment in fulfilling corporate social responsibility ("CSR") and ensuring that it is part of our core corporate value in our daily operation. It is our belief that a responsible business creates a win-win situation for the Group, its shareholders, customers, employees, business partners, and the community. Therefore, CSR on both workplace practices, community involvement, training and development, and environmental protection, has always been an integral part of the Group's corporate business strategy and philosophy that drives the Group's continued growth. Our CSR is based on "People and Community", which are represented by the following:

- (I) FAIRNESS AND INTEGRITY
- (II) CONCERTEDLY BUILDING THE "CITIC TELECOM TEAM"
- (III) CARING FOR THE COMMUNITY
- (IV) SUPPORT FOR THE COMMUNITY
- (V) TRAINING AND DEVELOPMENT
- (VI) CARING FOR THE ENVIRONMENT

FAIRNESS AND INTEGRITY

Equal Opportunity

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

Business Ethics

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

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

The Group takes a series of mechanism including report on compliance of Code of Conduct and Whistle-blowing policy. This helps to monitor and ensure that the local law of commercial bribery, extortion and fraud have been strictly followed.

Product and Service Responsibility

Service Excellence is the core value of the Group. We have put high priorities in collecting and analysis of customers' feedback on our products and services. The proper review and enhancement on our service procedures and quality of products/services are made to continuously uplift the overall satisfaction of our customers.

Our subsidiary was awarded the Customer Relationship Excellent Award by Asia Pacific Customer Service Consortium for the 6th consecutive year, in recognition of the effort in providing professional customer services. Our subsidiary in Macau was honored the certificate of "iPhone Masters" by Apple again, as the sole telecoms operator in the region to be awarded.

Through staff education to continuously increase the awareness and knowledge on personal data protection, communication security and privacy protection, our staff working in a telecommunications entity are professional in handling customer and sensitive information.

Supply Chain Management

The Group was committed to comply with the policy and procedures of our supply chain management during all purchasing activities. The policy and procedures provide clear guidelines on selection of supplier, evaluation of supplier and other purchasing operational process for our staff to implement. In return, the Group could serve our customers towards their satisfaction through the products and services with best service quality.

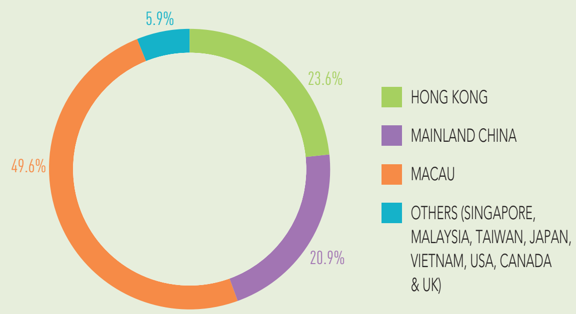
The Group always takes into account of the environmental protection, energy saving and corporate social responsibility during our supply chain management. Great care should be taken to fulfill our environmental responsibility and to achieve better results for energy efficiency and conservation.

CONCERTEDLY BUILDING THE "CITIC TELECOM TEAM"

People

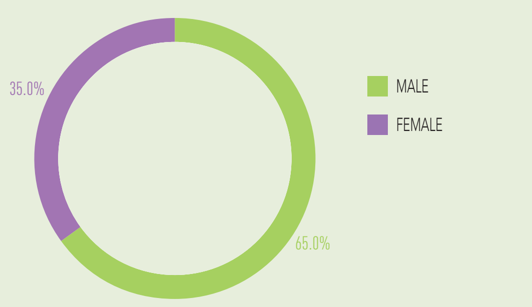
As at the end of December 2014, the Group employed a total of 2,110 employees (2013: 2,016) for its headquarter in Hong Kong and its principal subsidiaries. Number of employees in Hong Kong was 499. Employees in Mainland China and Macau totaled 1,486. Employees in overseas countries totaled 125. The number of employees was increased in line with business need of this year. The diverse workforce offers us the opportunity to learn from one another and to connect with wide range of customers.

EMPLOYEE NUMBERS BY REGION

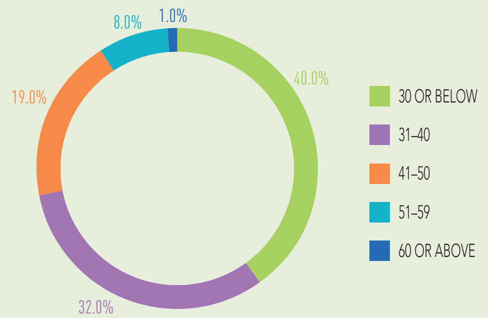


SUSTAINABILITY REPORT

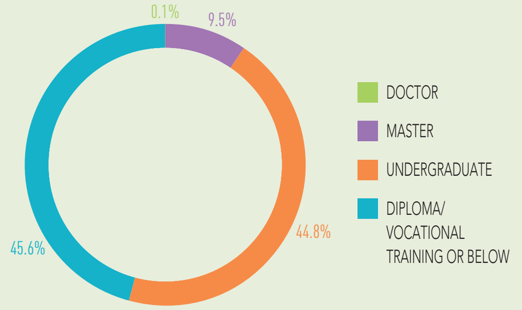
EMPLOYEE NUMBERS BY GENDER



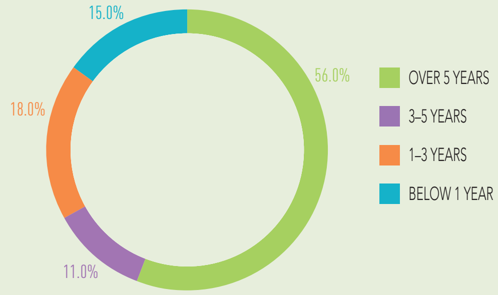
EMPLOYEE NUMBERS BY AGE



EMPLOYEE NUMBERS BY EDUCATIONAL BACKGROUND



EMPLOYEE NUMBERS BY YEARS OF SERVICE



Healthy, Safe Working Environment and Comprehensive Benefits

The Group strives to ensure that our staff enjoy a healthy, safe and positive environment in which to work and interact with others. The comprehensive medical benefits, dental benefits, various leave entitlement, shuttle bus services, staff lunch, gifts celebrating the birth of employees' children and discount purchase will be provided to staff members of Hong Kong headquarter. For the members overseas, in Mainland China and Macau, we will provide the benefits according to the local rules and market requirements. Number of reportable injuries in 2014 was 29 cases.

Work-Life Balance

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

The Group supports and organises various kinds of outdoor sports activities, interest classes and ball games competitions to facilitate interaction and communication among staff to enhance team spirit and physical fitness of our staff. In 2014, the Group continuously organised "CITIC Telecom International Basketball Champion" and "CITIC Telecom International Badminton Competition".

The joint basketball team of the Group and our subsidiary won the friendship basketball game with Banco Nacional Ultramarino. Ping Pong team of our subsidiary participated in "Ping Pong Telecom Cup" which co-organised by Bureau of Telecommunications Regulation and Association of Macau Public Utility Employees. Our subsidiary also joined the "Workers' Sport Games Day 2014" which organised by Macao Federation of Trade Unions, supported by Association of Macau Public Utility Employees. Our subsidiary formed a team to participate in Treasure Hunt which held by the Young Managers' Club of the Macau Management Association and sponsored by the Education and Youth Affairs Bureau. Moreover, our subsidiary continues to support "World Challenge Day" for 8th consecutive year which co-organised by Macau Sports Development Board and Civic and Municipal Affairs Bureau. Through the activities, our staff were provided with opportunities to participate and establish team spirit, and to promote the importance of physical exercise.

The Group has also built the indoor sports centre and multi-functional recreation centre in our headquarter building to allow our staff to enjoy all kinds of leisure and sports activities regardless of the weather conditions. Our subsidiary also held different health talk and leisure program for staff to join and relax.

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

SUSTAINABILITY REPORT

The Group was honored the award of "2013/14 Family-Friendly Employer" under the category of Information and Technology by the Family Council of the Hong Kong SAR. Our subsidiary was honored the award of "Excellent Family-Friendly Employers Award". Both are the recognition of the company attaching importance to the spirit of family-friendliness, putting in place measures to raise awareness in the organisation of the importance of family core values, and to foster a pro-family culture and environment. Our subsidiary was awarded the "Happy Company" by the Hong Kong Productivity Council in its "Happy Organisation Label Scheme" 2 years in a row. The effort to strive for developing a happy and caring working environment, and cultivating a common value of Happiness-at-Work was recognised.

Remuneration Policy

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

Retirement Benefits

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

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

Two-way Communication

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

SUSTAINABILITY REPORT

CARING FOR THE COMMUNITY

As a responsible corporate citizen, the Group clearly understands the needs of integrating into the society, creating harmony and making full commitments to social services. The Group has set up the community services team since 2009 and has been active in fulfilling its social responsibility and encouraging its staff to support voluntary services and community activities through various means. During the year, the Group and its subsidiaries made charitable donations over HK$680,000.

Disaster Relief and Donations

Disaster relief is one of the areas of focus in our commitment towards social responsibility. Our subsidiary donated to the Macau Red Cross to subsidise the purchase of relief family pack for aiding the earthquake victims in Yunnan. Moreover, our subsidiary launched the bonus point redemption scheme to foster more funds for the relieve work in order to expand the channels for donation.

The Group has always been committed to participating and supporting local charitable activities. We provided short-term food assistance for vulnerable populations by the following two programs: The Group organised the program of "canned food donation" to the Food Bank of Kwun Tong Methodist Social Service. Our subsidiary also made a donation in supporting the welfare shop of rehabilitation centre for the Blind managed by the Macau Holy House of Mercy.

Our subsidiary actively supported Walk For A Million by making charitable donation, and setting up donation channels through internet and mobile, aiming at expanding the fund-raising network. For Tung Sin Tong fund raising activity, apart from the monetary donation, our subsidiary helped to further arouse people's attention to the annual fundraising campaign.

Staff Volunteerism

As a corporate member of Hong Kong Community Volunteer, the Group supports and encourages staff members to offer their time and care to the people in need in our community. The volunteer service of the Group in this year was over 850 hours. Our volunteer services team visited "Ronald McDonald House" located in Shatin for four consecutive years. We supported "Ronald McDonald House" by providing cleaning of the hostel, meal services and funny games to the kids of sickness. "Ronald McDonald House" was the first organisation in Asia providing temporary housing for kids receiving treatment and their families during their stay in hospitals.

The volunteer service team of the Group participated "Campaign of One Hundred Volunteers". We visited the families of low income including the living alone elderly and the people with chronic disease receiving support from the Food Bank. We delivered both the physical assistance and extend our warmth to the family members through the event. The team also demonstrated the full support towards ORBIS's sight-saving mission that they participated in the Overnight Walk campaign held by ORBIS. It raised funds for helping the blind to have the sight again.

Our volunteers of the subsidiary joined with the elderly in the Sham Shui Po district to discover the untold stories of Hong Kong's historic landmark Mei Ho House and have lunch with them.

Moreover, the volunteer team members of our subsidiary also participated in various events for helping the needed in the community of Macau. The volunteer team organised a Chinese New Year Visit with Caritas Macau, through which to extend care and warmth to the underprivileged groups. The volunteer team led a group of Macau Special Olympics members to visit the Macau Science Centre. We also formed a group of volunteers to respectively participate in Oxfam's annual fundraising campaign "Oxfam Rice Sale", and World Vision's flag-selling to support this year's "30-Hour Famine" activities. The volunteer team organised a Mid-Autumn Festival celebration activity to express the festival greeting to the elderlies. A Christmas gathering was organised by our volunteer team to share the joy of festival with the disadvantaged and single-parent families from Domestic Service Centre of the Women's General Association of Macau. Our subsidiary jointly held a ceremony and a visit to the underprivileged families in different districts with the General Union of the Macau Neighborhood Association to mark a series of community caring activities that we organised to commemorate its 33rd Anniversary. As a long-term supporter of Fuhong Society of Macau, our subsidiary and Fuhong Society of Macau co-organised a two-day charity sale activity, for handcrafted items that are produced by people with disabilities. All proceeds from sale of these handcrafted items were donated to Fuhong for the purposes of promoting a harmonious society.

SUSTAINABILITY REPORT

Sponsorships

The Group made donations for “Ronald McDonald House Charities” Raffle Ticket Sale and ORBIS the Overnight Walk campaign in 2014. In support and promote local sports development, the Group sponsored the 5th Hong Kong Games organised by the Leisure and Cultural Services of HKSAR.

Our subsidiary in Singapore sponsored and took part in “Frost the Trail 2014”, a corporate charity run for donation to “Bright Hill Evergreen Home”, a local non-profit nursing home for the destitute elderly. The event was meant to generate deeper awareness of the community issues. Our subsidiary in Malaysia participated in a charity run for donation to “Shelter Home for Children”. This home has provided support to the children coming from abused or neglected backgrounds, and abandoned by their families. Our subsidiary in Singapore also continued to sponsor “CITIC Telecom Scholarship” at Singapore Polytechnic in this year.

Our subsidiary in Macau continued to sponsor “CTM Macau Touring Car Cup” of Grand Prix. 19 teams of our subsidiary were formed to take part in the charitable sporting event “Macau TrailHiker 2014”. Our subsidiary supported the charity activities respectively “Oxfam Towerrun 2014” and “Oxfam Walkathon 2014”, by making use of e-promotional channels for further promotion with aims to generate more funds for the good cause. The subsidiary also encouraged our staff to actively participate the events.

Our subsidiary donated a number of desktop computers to over 1,000 students of the Bo Ai Primary Schools in China through the Macau Red Cross, so as to help satisfy the IT demand of the deprived regions in China and improve the education condition of the students there. We launched a series of "CTM x Rilakkuma™" fundraising activities to help support children in need through Macau Caritas.

Nurturing Youth

The Group have been devoting great efforts to help youngsters for their future development and to nurture local talents. The Group sponsored the "Best Innovation Awards" organised by the School of Professional Education and Executive Development of the Hong Kong Polytechnic University. The award provided a platform to unleash the business creativity, to enhance business sense, writing and presentation skills of the students.

SUSTAINABILITY REPORT

This year our subsidiary participated in the Business-School Partnership Program organised by the Hong Kong General Chamber of Commerce. We partnered with St. Francis' Canossian College to organise industry talk, data centre visits, company visits & interview skills workshop and Job Shadowing Program for students. Under this program, students have the opportunity to learn more about the Information & Communications Technology (ICT) industry through interactive activities, while learning about the history and development of latest products and services in the industry. We also co-organised with HKFYG Lee Shau Kee College to provide an opportunity for students to grasp and understand the prospect of working in the ICT Industry and the entry requirements through the "Workplace Visit". A group of students led by teachers and social workers, visited our office and data centre of our subsidiary as well as received briefing from our staff of Product Development, Human Resources and Engineering Department.

In this year, students respectively from Macao Polytechnic Institute, the Youth Centre of Bairro do Hipódromo of the Education and Youth Affairs Bureau, the Innovative Smart Center visited our subsidiary of Macau. Our company structure, products and services, new IT Data Centre, IT system & facilities, and the latest mobile application were introduced, through which to further enhance the students' understanding of the telecoms industry.

Our subsidiary organised "CTM Youth Development Program 2014" and through a series of training activities, including work experience in the subsidiary, volunteer activities and leadership training camps, we aim at fostering the holistic development of young people by broadening their horizons, unleash their potential and train up their self-confidence.

SUPPORT FOR THE COMMUNITY

The Group has been continuing to work with different organisations for various charitable and meaningful activities with aims to care for the needy and help create greater harmony in society. Apart from encouraging our staff to actively participate in volunteer work and join activities at leisure, the Group continues to utilise our strength on information technology to support the community.

50222 Hiker SMS Tracking Service

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

Support to Communications Industry Development

The Group and its subsidiary provide support to the industry organisation – the Communications Association of Hong Kong, which encourages the communications industry in maintaining high standard of business and professional ethics and protects the interests of the society and the public. The Group held the briefing and visit at our Data Centre in Aberdeen for support the event of CAHK, "World Telecommunication and Information Society Day – Hong Kong", to promote the latest technology in ICT to the youth and academic communities.

Our subsidiary hosted the "Leaders Conference of AICEP 2014" for the first time to reinforce regional cooperation and facilitate telecoms industry to tackle the challenges and embrace the opportunities of future network.

Provide a wide range of telecoms services to important conference and event

Our subsidiary provided professional telecoms service to the election event of Chief Executive of Macau SAR. The subsidiary was entrusted to provide a series of telecoms service including mobile, fixed line, Internet and leased line services for the APEC 8th Tourism Ministerial Meeting, ensuring smooth and stable delivery of communications services. The subsidiary also fully supported the 17th Wireless Group Meeting of APT by providing an array of telecoms services, equipment and technical support, as well as high speed Wi-Fi access for delegates. As a sole telecoms service provider of Grand Prix, the subsidiary has provided a wide range of telecoms services and technical support for 12 consecutive years.

SUSTAINABILITY REPORT

Further promote the popularity of fibre broadband service and the effective use of telecoms services

The Group and its subsidiaries have been making significant investments to introduce a variety of services and applications with the objective of facilitating the customers as well as community to enjoy the convenience brought by technology including our subsidiary's on-going commitment on expanding fibre broadband coverage in Macau in order to further promote the popularity of fibre broadband service. To enhance local residents' understanding of fibre-to-the-home technology, we hosted seminar to introduce to residents our fibre broadband technology, as well as providing attendees with a detailed list of WiFi tips. Moreover, our subsidiary worked with the center of Women's General Association of Macau, Lok Yi Day Care Centre for the Elderly, to organise the "Elderly Caring – 3G Service Briefing", with aims to deepen the elderlies' understanding about 3G service, to narrow digital divide and to enrich their life style through effective use of telecoms services. This year our subsidiary has been appointed by the Committee of IT Week as the sole telecoms provider to provide Wi-Fi access for the exhibitors during the "IT Week 2014". We also set up a booth to demonstrate a wide range of innovative technologies and a series of E-Business solutions, including E-Learning Service and E-Marketing Service for SME, in order to further strengthen the promotion of information technology and improving the knowledge and awareness of various sectors to information technology.

Further promote the development of digital campus

Our subsidiary has also launched the "i-Campus" Teachers Program to the members of the Chinese Educators Association of Macau to accelerate the use of information technology in Macau's educational institutions. It also helps further promoting the development of digital campus.

Award and Recognition

The Group has been awarded as "Caring Company" for years for our dedication to promote corporate social responsibility through caring for the community, employees and the environment. The Group was awarded "Award for Volunteer Service Commitment 2014" by Agency for Volunteer Service in recognition of our continuous commitment to community services.

商界展關懷
caringcompany® 2010-14
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

The Group was granted the Corporate Citizenship Logo again under the "Hong Kong Corporate Citizenship Award Scheme" organised by the Hong Kong Productivity Council in 2014, to recognise our contribution in social responsibilities.

Our subsidiary was honored the "Partner Employer Award" by the Hong Kong General Chamber of Small and Medium Business in the second year in recognition of our effort in hiring graduates of local technical institutes and universities, giving such graduates training opportunities and practical work experience.

TRAINING AND DEVELOPMENT

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

In 2014, the Group provided various training opportunities, both internally and externally, in order to enhance the competitiveness of the Group. Such training areas and scopes cover advanced management skills, engineering techniques, quality management, information technology, finance management and language, etc.

Our subsidiary organised different training schemes in this year including leadership workshop, key account management workshop and selling skills workshop. It will help skills enhancement and ongoing talent development.

SUSTAINABILITY REPORT

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

The Group supports ongoing training and development for our senior executives. It is believed that ongoing skills enhancement, attending seminar and international conference will be beneficial to them for industry information exchange, technology update and personal conduct compliance. In return, it helps the Group on enhancing overall work efficiency and effectiveness. The Group will continuously keep on providing training in a systematic and proper manner in addition to the learning though normal work practices and on the job training.

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

In 2014, the Group provided a variety of training courses to employees, making a total of 43,000 hours of training.

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

Internship Schemes

The Group contributes to the society by providing various working and internship opportunities. The Group and the subsidiary respectively launched university graduates training scheme with talent pool for corporate future growth, including schemes of engineer and sales trainees.

Continuous Professional Development for Directors

All board directors also participate in continuous professional training to develop and refresh their knowledge and skills. This is to ensure that they obtain the updated market information and regulations for decision.

Prospects

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

CARING FOR THE ENVIRONMENT

Climate change is one of the most important challenges facing mankind. The Group is committed to conduct business in an environmentally responsible manner. In 2014, the Group conducted carbon audit by using an effective and scientific method and under the international recognised standard, to measure greenhouse gas (GHG) emissions of our office areas in Hong Kong Headquarter. It helps identifying and managing risks and opportunities with respect of GHG, as well as to facilitate our tracking of the performance and progress in the reduction of GHG emissions. After the process of the quantification, monitoring, reporting and verification of our GHG emission and removal, the Group successfully gained the certificate of ISO 14064 for our office floors of 20, 23, 25–26 of CITIC Telecom Tower and is the first certified 14064 organisation in the telecommunications sector.

The results of carbon audit of our office floors of 20, 23, 25–26 of CITIC Telecom Tower of Hong Kong headquarter:

GHG Emission/Removal Source	April 2013 – March 2014
GHG EMISSIONS (in tonnes of CO_2-equivalent)	
Scope 1: Direct GHG Emissions	
Stationary Combustion Sources	–
Mobile Combustion Sources	39.92
Fugitive Emissions	–
Scope 2: Energy Indirect GHG Emissions	
Electricity Purchased	355.03
Towngas Purchased	–
Scope 3: Other Indirect GHG Emissions	
Methane Generation at Landfill due to Disposal of Paper Waste	16.53
Electricity for Processing Fresh Water	0.35
Electricity for Processing Sewage	0.14
GHG OFFSETS/REMOVALS (in tonnes of CO_2-equivalent)	–
Total GHG Emissions (in tonnes of CO_2-equivalent)	**411.97**

SUSTAINABILITY REPORT

The Group joined as "Earth Partner 2014–2015" of Friends of the Earth (HK). This is our corporate commitment to environmental protection, to maintain a sustainable work place and to fulfill our green responsibility for the community. The Group continued to be the "Carbon Audit • Green Partner" of Environmental Protection Department in this year for the recognition of our effort of environmental protection, maintaining a sustainable working environment, and ongoing implementing green responsibilities. The Group also participated in the "Energy Saving Charter on Indoor Temperature" scheme and was embarking upon a series of measures to reduce GHG emissions. These include improving energy efficiency and energy conservation, encouraging greening and raising public awareness. To achieve our goal, we have taken the following actions:

Mars 2014-15 Earth Partner
Friends of the Earth (HK)

Carbon Audit 碳審計
綠色機構 Green Partner

Reduce electricity consumption and improving energy efficiency

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

Reduce paper consumption

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

Reduce water consumption

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

Reuse and Recycle

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

Establish and Maintain Green Environment

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

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

Our Singapore subsidiary was a lead-sponsor for "the Asian Environmental Journalism Awards" (AEJA). The award aimed at recognising and rewarding excellence in environmental journalism. The Singapore subsidiary participated in a river cleanup exercise organised by the Singapore's Waterways Watch Society. This exercise was to promote a greater awareness of pollution, its impact on the environment and remedial or protecting actions. To further the environmental protection effort as well as to help students with financial needs, the Singapore subsidiary also sponsored "CITIC Telecom Scholarship" at Singapore Polytechnic to help students pursuing the related courses concerning the preservation of the environment.

SUSTAINABILITY REPORT HIGHLIGHTS 2014

JANUARY

- Provided support for the "Energy Saving Charter on Indoor Temperature 2014" to be launched by Electrical & Mechanical Services Department of HKSAR for environmental protection
- The Group and its subsidiaries were awarded as "Caring Company" for years for our dedication to promote corporate social responsibility through caring for the community, employees and the environment
- Our subsidiary CPC held and delivered a "CEO Talk" with the students from St. Francis' Canossian College introducing the overall development, latest trend and future of ICT industry
- Our subsidiary CTM Volunteer Team organised a "Chinese New Year Visit" with Caritas Macau, through which to extend care and warmth to the underprivileged groups
- CTM set up online donation platforms for "Walk for A Million" and the annual fundraising campaign of "Tung Sin Tong" to foster more charity fund

FEBRUARY

- CPC organised an on-site visit for students at our Data Centre in Kwai Chung CITIC Telecom Tower to enhance their knowledge and widen their vision about ICT Industry
- Our Singapore subsidiary sponsored "CITIC Telecom Scholarship" at Singapore Polytechnic

MARCH

- Hosted Employee Opinion Meeting at Head Office of the Group, where our Management could listen to employees' ideas and concerns and to collect their suggestions on future development of the Company
- Participated the "Reuse & Recycling Programme" held by Friends of the Earth (HK)
- CPC conducted an office tour for students for sharing the skills and tips by the professionals of different departments
- CTM showed support to local charitable events, including "Charity Bike Event to Guangzhou" and "Macau Famine" fundraising activities

APRIL

- Organised briefing and visit at our Data Centre in Aberdeen for "World Telecommunication and Information Society Day – Hong Kong" organised by Communications Association of Hong Kong, to promote the latest technology in ICT to the youth and academic communities
- Sponsored the "Best Innovation Awards 2014" by the School of Professional Education and Executive Development of the Hong Kong Polytechnic University by providing a platform for students to compete and apply their creativity in real-world scenarios
- Joined as "Earth Partner 2014–2015" of Friends of the Earth (HK)
- CPC arranged secondary school students under the "Job Shadowing" programme for office visit to strengthen students' knowledge about job positions at ICT Industry
- CPC was awarded the "Manpower Developer" launched by Employees Retraining Board in recognition of its outstanding accomplishments in manpower training and development

- CTM hosted visit to students from Macao Polytechnic Institute through which to further enhance their understanding of the telecoms industry
- CTM actively promoted the popularity of optical fibre broadband service in the community through organising seminars, briefing sessions and road shows

MAY

- The Group and its subsidiaries were honored the "Family-Friendly Employers Award"
- Organised outing activity for staff and their families to enjoy a healthy vegetarian meal
- Participated the Experience Sharing Seminar under "Hong Kong Awards for Environmental Excellence 2014" by Hong Kong Productivity Council
- CTM participated in the Macau Special Olympics (MSO) Charity Football Match to raise public awareness on underprivileged groups of society
- CTM volunteers participated in "Oxfam Rice Sale"

JUNE

- Participated in the Carbon Audit and Carbon Management Technique Training under "Carbon Smart Programme", organised by Hong Kong Productivity Council
- CPC was awarded the "Happy Company" by the Hong Kong Productivity Council. The effort to strive for developing a happy and caring working environment, and cultivating a common value of Happiness-at-Work was recognised
- CPC Volunteer team with YWCA toured with the elderly in YHA Mei Ho House Youth Hostel in Sham Shui Po
- CTM supported Oxfam for the "Oxfam Towerrun 2014", and launched "CTM Bonus Points Donation Scheme" for fund raising
- CTM Volunteer Team invited the members of MSO to visit Macau Science Centre, to promote a harmonious community
- CTM launched a charity programme to fund raise for the Children Caring Program of Macau Caritas
- CTM signed the "i-Campus" Teachers Programme Agreement with the Chinese Educators Association of Macau to provide special optical fibre broadband service offers to its members, so as to enrich teaching quality and promote the popularity of digital campus
- CTM collaborated with The Women's General Association of Macau to organise a 3G Service Briefing for the elderly to enrich their life style through effective use of telecoms services
- CTM organised "Youth Development Programme" aiming at fostering the holistic development of young people by broadening their horizons, unleash their potential and train up their self-confidence
- Our Singapore subsidiary participated in a river cleanup exercise organised by the Singapore's Waterways Watch Society

SUSTAINABILITY REPORT

JULY

- CTM organised a seminar for the members of the Chinese Educators Association of Macau to share the experience in effective use of information technology to optimise the teaching quality

AUGUST

- Volunteer team visited "Ronald McDonald House" for four consecutive years to provide support for kids receiving treatment and their families
- Our Singapore subsidiary participated in "Frost the Trail 2014" a charity run for donation to "Bright Hill Evergreen Home"

SEPTEMBER

- The Group and CTM co team won a friendship basketball game with Banco Nacional Ultramarino to enhance relationships and communications
- CTM Volunteer Team joined hand with Macau Choi Nong Hap Kuan Se to celebrate Mid-Autumn Festival with elderlies
- CTM Ping Pong Team participated in "Ping Pong Telecom Cup" which co-organised by Bureau of Telecommunications Regulation and Association of Macau Public Utility Employees
- CTM provided professional telecoms service to the election event of Chief Executive of Macau SAR
- CTM provided a series of telecoms service for the APEC 8th Tourism Ministerial Meeting, ensuring smooth and stable delivery of communications services
- CTM fully supported the 17th Wireless Group Meeting of APT by providing an array of telecoms services, equipment and technical support, as well as high speed Wi-Fi access for delegates

OCTOBER

- Conducted carbon audit by using an effective and scientific method and under the international recognised standard, to measure greenhouse gas emissions of our office areas in Hong Kong Headquarter
- Successfully gained the certificate of ISO 14064 for our office floors of CITIC Telecom Tower
- CTM Volunteer team paid a visit to the Rehabilitation Centre for the blind and helped deliver food hampers to the single-parent families, elderly and low income families
- CTM extended the support and care towards underprivileged groups in commemorative of CTM 33rd Anniversary; CTM and the General Union of the Macau Neighborhood Association co-volunteer team visited the underprivileged families in different districts
- CTM staff & their relatives fully support "Oxfam Walkathon 2014"
- Our Singapore subsidiary sponsored the Asian Environmental Journalism Awards to encourage environmental protection

NOVEMBER

- Continuously organised "CITIC Telecom International Basketball Competition Champion"
- Organised Badminton Competition 2014 for the Group

- Organised the program of "canned food donation" to the Food Bank of Kwun Tong Methodist Social Service
- Sponsored and participated in the Overnight Walk campaign held by ORBIS to raise fund for the blind
- CPC was honored the "Partner Employer Award" by the Hong Kong General Chamber of Small and Medium Business in the 2nd year in recognition of our effort in hiring local graduates, and giving such graduates training opportunities and practical work experience
- CPC co-organised with HKFYG Lee Shau Kee College to hold the event of "Workplace Visit"
- CTM formed 19 teams to take part in "Macau TrailHiker 2014"
- CTM was appointed by the Committee of IT Week as the sole telecoms provider to provide Wi-Fi access for the exhibitors during the exhibition of "IT Week 2014"
- CTM hosted the "Leaders Conference of AICEP 2014" for the first time to reinforce regional cooperation and facilitate telecoms industry to tackle the challenges and embrace the opportunities of future network
- CTM continued to sponsor "CTM Macau Touring Car Cup" of Grand Prix and provided a wide range of telecoms services and technical support for 12 consecutive years

DECEMBER

- The Group and CPC were granted the Corporate Citizenship Logo again under the "Hong Kong Corporate Citizenship Award Scheme", to recognise our contribution in social responsibilities
- Volunteer team participated in the "Campaign of One Hundred Volunteers" and visited the families of low income including the living alone elderly and the people with chronic disease receiving support from the Food Bank
- CTM Volunteer Team shared the joy and warmth of Christmas with the members of the Domestic Service Center from the Women's General Association of Macau
- CTM continuously supported 'Walk for A Million' charity activity

CORPORATE GOVERNANCE

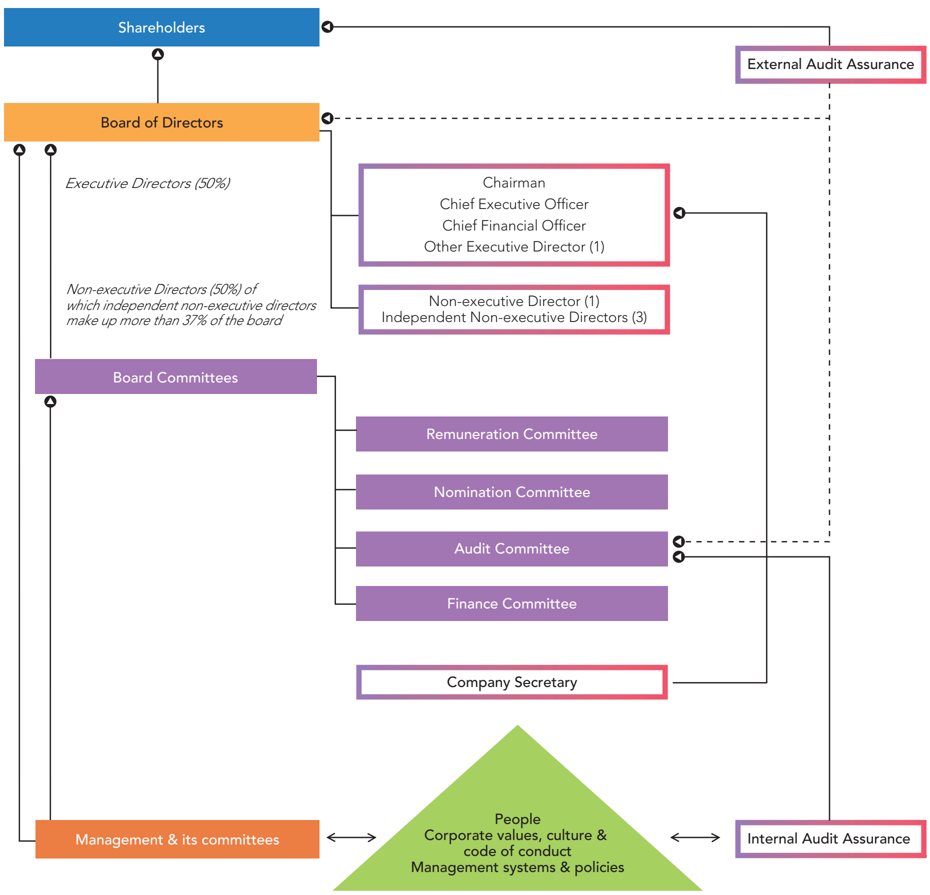
CORPORATE GOVERNANCE PRACTICES

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

This report describes how the Company has applied its corporate governance practices to its everyday activities. Save as disclosed below, the Company has fully complied with the applicable code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year 2014. In respect of the code provision A.6.7 of the Code, Mr. Luo Ning was unable to attend the annual general meeting of the Company held on 25 April 2014 (the "2014 AGM") as he had other engagements.

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

CORPORATE GOVERNANCE STRUCTURE



BOARD OF DIRECTORS

Overall accountability

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

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

Board composition and changes during 2014

The Board currently comprises four executive and four non-executive directors of whom three are independent as defined under the Listing Rules. Independent non-executive directors constitute more than one-third and non-executive director constitutes half of the Board. The Company has received from each independent non-executive director a confirmation of his independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that all independent non-executive directors are independent. Brief biographical particulars of the directors are set out on pages 83 to 85.

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

During the year of 2014,

i) Mr. Yang Xianzu has retired from the Board;

ii) Mr. Luo Ning was re-designated as an executive director of the Company; and

iii) Mr. Zuo Xunsheng was appointed as an independent non-executive director of the Company.

In addition, with effect from 1 January 2015, Mr. Yuen Kee Tong retired from the Board and Dr. Lin Zhenhui was appointed as an executive director and Chief Executive Officer of the Company.

Thus, Mr. Zuo and Dr. Lin will hold office only until the next general meeting and shall then be eligible for re-election. Thereafter, they will be subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

CORPORATE GOVERNANCE

Board responsibilities and delegation

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

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

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

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

Details of the responsibilities, membership, attendance and activities during the year of each Board committee are set out on pages 75 to 78.

Board meetings and attendance

The Board meets regularly to review the financial and operating performance of the Group and to discuss future strategy. Four regular Board meetings were held in 2014. At the Board meetings, the Board reviewed significant matters including the Group's annual and interim financial statements, annual budget, proposals for final and interim dividends, annual report and interim report and connected transactions. At least 14 days' notice is given to all directors for all regular Board meetings and all directors are given the opportunity to include matters for discussion in the agenda. The agenda and Board papers for each meeting are sent to all directors at least 3 days in advance of every regular Board meeting. All minutes of the Board meetings are kept by the company secretary and are available to all directors for inspection. During the year, the Chairman of the Company has also held a meeting with the non-executive directors (including the independent non-executive directors) without the presence of executive directors.

The attendance record of each director at the Board meetings in 2014 and the 2014 AGM is set out below:

	Attendance/Number of Meetings	
Directors	Board Meeting	General Meeting
Executive Directors		
Mr. Xin Yue Jiang – *Chairman*	4/4	1/1
Mr. Yuen Kee Tong – *Chief Executive Officer* (retired on 1 January 2015)	4/4	1/1
Mr. Luo Ning (re-designated as executive director on 26 April 2014)	3/4	0/1
Dr. David Chan Tin Wai – *Chief Financial Officer*	4/4	1/1
Non-executive Director		
Mr. Liu Jifu	4/4	1/1
Independent Non-executive Directors		
Mr. Yang Xianzu (retired on 25 April 2014)	1/1	N/A
Mr. Liu Li Qing	4/4	1/1
Mr. Gordon Kwong Che Keung	4/4	1/1
Mr. Zuo Xunsheng (appointed on 26 April 2014)	2/2	N/A

The Company's external auditor also attended the 2014 AGM.

Chairman and Chief Executive Officer

Mr. Xin Yue Jiang serves as the Chairman of the Company. Mr. Yuen Kee Tong, the Chief Executive Officer, retired and Dr. Lin Zhenhui was appointed as the Chief Executive Officer of the Company with effect from 1 January 2015. The Chairman and Chief Executive Officer have separate defined responsibilities whereby the Chairman is primarily responsible for leadership and effective functioning of the Board, ensuring all key and appropriate issues are addressed by the Board in a timely manner, as well as providing strategic direction of the Group, and also take primary responsibility for ensuring good corporate governance practices and procedures are established. The Chief Executive Officer is responsible for the day-to-day management of the Group and the effective implementation of corporate strategy and policies. Their respective roles and responsibilities are set out in writing, which have been approved and adopted by the Board.

CORPORATE GOVERNANCE

Directors' Continuing Professional Development Programme

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

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

During the year, the Company has also organised two briefing sessions conducted by Messrs. Mayer Brown JSM and KPMG respectively for the directors of the Company. The briefing sessions covered topics including the internationalisation of Renminbi, weighted voting rights structure, Shanghai-Hong Kong Stock Connect and risk management and internal control.

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

Directors	Type of continuous professional development programme
Executive Directors	
Mr. Xin Yue Jiang	A, B
Mr. Yuen Kee Tong (retired on 1 January 2015)	A, B
Mr. Luo Ning	A, B
Dr. David Chan Tin Wai	A, B
Non-executive Director	
Mr. Liu Jifu	A, B
Independent Non-executive Directors	
Mr. Yang Xianzu (retired on 25 April 2014)	B
Mr. Liu Li Qing	A, B
Mr. Gordon Kwong Che Keung	A, B
Mr. Zuo Xunsheng (appointed on 26 April 2014)	A, B

Notes:

A: attending briefings and/or seminars

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

BOARD COMMITTEES

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

Remuneration Committee

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

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

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

Membership and Attendance	
Members	Attendance/ Number of Meetings
Independent Non-executive Directors	
Mr. Yang Xianzu – *Chairman* (retired on 25 April 2014)	N/A
Mr. Liu Li Qing – *Chairman* (appointed as Chairman on 26 April 2014)	2/2
Mr. Gordon Kwong Che Keung	2/2
Mr. Zuo Xunsheng (appointed on 26 April 2014)	1/1
Non-executive Director	
Mr. Liu Jifu	2/2

During the year, the remuneration committee has reviewed the remuneration policies and approved, inter alia, the salaries and bonuses of the executive directors and senior management. No director took part in any discussion about his own remuneration. A resolution in writing was passed and two meetings were held in 2014. The remuneration committee has communicated with the Chairman of the Company about proposals relating to the remuneration packages of other executive directors and senior management.

Details of the Company's remuneration policies are set out in the Sustainability Report on page 53, and directors' emoluments and retirement benefits are disclosed on pages 136 to 137 and 154 to 158. Share options granted under the Company's share option plan are disclosed on pages 96 to 99.

CORPORATE GOVERNANCE

The remuneration paid to the directors of the Company, by name, for the year ended 31 December 2014 is set out in note 8 to the financial statements. The remuneration paid to the senior management, by band, for the year ended 31 December 2014 is set out below:

Remuneration of senior management other than directors for the full year of 2014

Total Remuneration Bands	Number of Executives
HK$3,000,001 – HK$6,000,000	3
HK$6,000,001 – HK$9,000,000	0
HK$9,000,001 – HK$12,000,000	0
HK$12,000,001 – HK$15,000,000	1

Audit Committee

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

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

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

The audit committee held two meetings in 2014 with full attendance by the committee members in person or by video conference. The agenda and accompanying committee papers were sent to the committee members at least 3 days prior to each meeting. The company secretary of the Company prepared full minutes of the audit committee meetings with details of discussions and decisions reached. The draft and final versions of minutes were sent to all committee members within a reasonable time after each meeting.

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

Membership and Attendance	
Members	Attendance/ Number of Meetings
Independent Non-executive Directors	
Mr. Gordon Kwong Che Keung – *Chairman*	2/2
Mr. Yang Xianzu (retired on 25 April 2014)	1/1
Mr. Liu Li Qing	2/2
Mr. Zuo Xunsheng (appointed on 26 April 2014)	1/1

During 2014, the audit committee has considered the external auditor's proposed audit fees; discussed with the external auditor their independence and the nature and scope of the audit; reviewed the interim and annual financial statements of the Group, particularly judgmental areas, before submission to the Board; reviewed the internal control system and the internal audit plan, findings and management's response; reviewed the Group's adherence to the code provisions in the Code. The audit committee recommended the Board to adopt the interim and annual financial statements for 2014. The audit committee has also performed the corporate governance duties as set out in its terms of reference.

Nomination Committee

The nomination committee is authorised by the Board to determine the policy for the nomination of directors, to set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship. The nomination committee is also responsible for reviewing the structure, size and diversity of the Board. The full terms of reference are available on the Company's website (www.citictel.com) and the Stock Exchange's website.

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

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

CORPORATE GOVERNANCE

Two meetings were held and one resolution in writing was passed in 2014. The composition of the nomination committee during the year as well as the meeting attendance of the committee members are as follows:

Membership and Attendance	
Members	Attendance/ Number of Meeting
Executive Director	
Mr. Xin Yue Jiang – *Chairman*	2/2
Non-executive Director	
Mr. Liu Jifu	2/2
Independent Non-executive Directors	
Mr. Yang Xianzu (retired on 25 April 2014)	N/A
Mr. Liu Li Qing	2/2
Mr. Gordon Kwong Che Keung	2/2
Mr. Zuo Xunsheng (appointed on 26 April 2014)	1/1

In 2014, the nomination committee determined the criteria and the procedures for re-designation of a non-executive director as an executive director and nomination of an independent non-executive director and the Chief Executive Officer of the Company, and recommended new appointment for approval by the Board. The nomination committee has also made recommendations to the Board on the re-election of the directors retiring at the 2014 AGM and reviewed the structure, size and diversity of the Board and discussed the measurable objectives, including knowledge, appropriate professional qualifications, relevant business background and experience, skills, related management expertise and independence of directors and agreed that these measurable objectives were achieved for the diversity on the Board which contributed to the corporate strategy and the business development of the Company.

Finance Committee

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

The finance committee comprises three executive directors. In 2014, five resolutions in writing were passed by the finance committee to approve opening of bank accounts and other financial transactions such as acceptance of banking facilities.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

The Board considers that the adoption of amended financial reporting standards and the new Companies Ordinance (Chapter 622 of the laws of Hong Kong) that became effective during the year has not had a significant impact on the Group's financial statements, details of which are disclosed in notes 1(a), 1(c) and 25 to the financial statements.

The responsibilities of the external auditor with respect to the financial statements for the year ended 31 December 2014 are set out in the Independent Auditor's Report on page 105.

External Auditors and their Remuneration

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

During the year, the fees charged by KPMG for the audit of the Company and its subsidiaries amounted to approximately HK$5,223,000. In addition, approximately HK$1,332,000 was charged for non-audit services. The non-audit services mainly consist of taxation services, interim review, advisory and other professional services. The fees charged by other auditors of the Group for audit services during the year amounted to approximately HK$331,000.

Internal Controls

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

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

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

In addition, the Internal Audit Department of CITIC Pacific Limited (a wholly-owned subsidiary of CITIC Limited (formerly known as CITIC Pacific Limited, being the controlling shareholder (as defined in the Listing Rules) of the Company)) conducts regular and independent reviews of the effectiveness of the Group's internal control system. The audit committee reviews the findings and opinion of the Internal Audit Department on the effectiveness of the Group's internal control system and reports to the Board on such reviews.

Internal Audit

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

CORPORATE GOVERNANCE

Business Ethics

Code of conduct

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

Whistle-blowing policy

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

According to the whistle-blowing policy, concerns can be raised in writing, to any of the (i) Chairman or Chief Executive Officer, (ii) Chairman of the audit committee, (iii) Head of Human Resources & Administration Department, (iv) Head of Finance Department, (v) Head of Internal Control and Compliance Department. All allegations received shall be registered and will be evaluated to determine the credibility, materiality and verifiability. To this end, the allegation will be evaluated to determine whether there is a legitimate basis to warrant an investigation. Member of corporate management and the above department heads will handle the investigation and directly report to the Chairman of the Group. Those who have conflict of interest will not be included.

Price-sensitive Information

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

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. All directors confirmed that they have complied with the required standard set out in the Model Code throughout 2014. The interests held by individual directors in the Company's securities at 31 December 2014 are set out in the Directors' Report on page 100.

COMMUNICATION WITH SHAREHOLDERS

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

Information Disclosure on Corporate Website

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

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

During 2014, the Company has issued announcements in respect of, inter alia, some connected transactions which can be viewed on the Company's website.

General Meetings with Shareholders

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

Voting by Poll

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

Investor Relations

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

Shareholders' Rights

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

Convening of extraordinary general meeting on requisition by shareholders

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

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

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

Procedures for directing shareholders' enquiries to the Board

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

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

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

CORPORATE GOVERNANCE

Procedures for putting forward proposals at general meetings by shareholders

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

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

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

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

Constitutional Documents

A Special Resolution was put forward to the shareholders in the 2014 AGM to adopt the new Articles of Association of the Company so as to bring the constitution of the Company in line with provisions of the new Companies Ordinance (Chapter 622 of the laws of Hong Kong).

Non-competition Undertaking

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

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

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

#^ **Mr. Xin Yue Jiang**, aged 66, has been appointed as the Chairman of the Company from 19 March 2009. He joined the Company in January 2008 as executive director and Vice Chairman of the Board. Mr. Xin is also the Chairman of Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM"), a subsidiary of the Company. Mr. Xin graduated from China Naval Aeronautic Engineering Institute and Central University of Finance and Economics and obtained a Master degree in Economics and Management from the Graduate School of Chinese Academy of Social Sciences. After serving a substantial period of time in the government of the People's Republic of China ("PRC") in which Mr. Xin was involved in the administration of science, technology information and economics, Mr. Xin joined in succession various major conglomerates as senior management, researcher or chief engineer. When Mr. Xin was with China Netcom (Hong Kong) Operations Limited, he held the position of Senior Vice President and Senior Consultant. Mr. Xin had also participated in the planning, implementation and management of many different important state projects. Mr. Xin thus possesses extensive knowledge and experience in science and technology information, business operation and management, and capital market operation. Since 1985, Mr. Xin has joined many different overseas studies and visits, and gained many valuable experiences in promoting co-operation with overseas enterprises, technology exchange, product research and development, and product marketing. Mr. Xin has long participated in the study and research of corporate governance and corporate culture, in particular the characteristics of Western economy and the corporate governance practices adopted by overseas enterprises, and has made significant achievement in that regard.

^ **Dr. Lin Zhenhui**, aged 52, has been an executive director and the Chief Executive Officer of the Company since 1 January 2015. Dr. Lin is also the Corporate Representative of the Company on the Board of CTM. Dr. Lin is a professorate senior engineer. He obtained a Bachelor degree of Engineering from the Beijing University of Post and Telecommunications, a Master degree of Business Administration from the Australian National University and a Doctor degree of Business Administration from The Hong Kong Polytechnic University. Dr. Lin was formerly the Deputy Managing Director of Guangdong China Mobile Co., Ltd.® (廣東移動有限責任公司) and Chairman and General Manager of China Mobile Group Yunnan Company Limited. Before joining the Company, Dr. Lin was the Chairman of China Mobile Hong Kong Company Limited and the Chairman and Chief Executive Officer of China Mobile International Limited. Dr. Lin has been conferred the national science and technology progress award (second class) and China provincial management innovation award (first class). Dr. Lin is also a director of Hong Kong Applied Science and Technology Research Institute Company Limited.

Mr. Luo Ning, aged 55, was appointed as a non-executive director of the Company in February 2013 and has been re-designated as an executive director of the Company since April 2014. Mr. Luo is currently an assistant president of CITIC Limited (formerly known as CITIC Pacific Limited) ("CITIC Limited", listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")), the controlling shareholder of the Company and a subsidiary of CITIC Group Corporation which is the ultimate holding company of the Company, a Vice Chairman of CITIC Guoan Group, the Chairman of 中信網絡有限公司 (CITIC Networks Co., Ltd.) and China Enterprise ICT Solutions Limited ("CEC-BJ"), a subsidiary of the Company. He is also the Chairman of CITIC Guoan Information Industry Company Limited (listed on the Shenzhen Stock Exchange in the PRC). He is also the Deputy Chairman of Frontier Services Group Limited (formerly known as DVN (Holdings) Limited) and a non-executive director of Asia Satellite Telecommunications Holdings Limited (both of which are listed on the Stock Exchange). He also holds directorships in several other subsidiaries of CITIC Group Corporation. Mr. Luo has extensive experience in telecommunications business and holds a bachelor degree in Communication Speciality from The Wuhan People's Liberation Army Institute of Communication Command (武漢解放軍通信指揮學院). He graduated from the Party School of the Central Committee of the Communist Party of China (中共中央黨校) as a professional postgraduate of the modern history of the PRC.

DIRECTORS AND SENIOR MANAGEMENT

^ **Dr. Chan Tin Wai, David**, aged 50, is the Chief Financial Officer of the Company and he joined the Company in June 2006. Dr. Chan is also a director of CTM and CEC-BJ. Dr. Chan obtained a LLB (Hons) degree and a Master degree of Law from the University of London in the United Kingdom, a Master degree of Accounting from Curtin University in Australia and a Doctor degree of Business Administration from the University of Newcastle in Australia. He is a member of the Institute of Chartered Accountants in England and Wales and also a fellow member of the Association of Chartered Certified Accountants, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong and the Hong Kong Institute of Chartered Secretaries. Dr. Chan worked in CITIC Limited during the period from 1994 to 2000. He had worked in several multi-national and Hong Kong blue chip companies and has over 25 years of experience in overseeing corporate finance, merger and acquisition activities, accounting, company secretarial, administration, human resources and legal matters.

NON-EXECUTIVE DIRECTOR

△# **Mr. Liu Jifu**, aged 71, has been a director of the Company since November 2010. He is also the Chairman of the Supervisory Board of CTM. Mr. Liu is a director of CITIC Pacific Limited (formerly known as Golden Crest Company Ltd.), CITIC Hong Kong (Holdings) Limited and CITIC International Financial Holdings Limited (all of these three companies are subsidiaries of CITIC Group Corporation). Mr. Liu was an executive director of CITIC Limited until 26 September 2014. He was with the Financial and Economics Research Institute in the Chinese Academy of Social Sciences, an executive director of China Everbright Group Limited, and the Chairman of China Everbright Travel Inc and China PINGHE Import & Export Co., Ltd.

INDEPENDENT NON-EXECUTIVE DIRECTORS

*△# **Mr. Liu Li Qing**, aged 74, joined the Company as an independent non-executive director in March 2007. Mr. Liu, a senior economist, graduated from Management Engineering in Beijing University of Posts and Telecommunications in 1963. Mr. Liu served as a Vice Minister of Ministry of Posts and Telecommunications during the period from 1996 to 1998 and the Head of State Postal Bureau from March 1998 to April 2003. Mr. Liu is currently the Chairman of Sino-French Life Insurance Co., Ltd. Mr. Liu previously served as the Deputy Director of the Committee for Economic Affairs of the Tenth National Committee of the Chinese People's Political Consultative Conference as well as the Chairman of China Association of Communications Enterprises and now is the Honorary Chairman of China Association of Communications Enterprises.

*△# **Mr. Kwong Che Keung, Gordon**, aged 65, joined the Company as an independent non-executive director in March 2007. Mr. Kwong is also an independent non-executive director of a number of companies listed on the Stock Exchange, including NWS Holdings Limited, OP Financial Investments Limited, Global Digital Creations Holdings Limited, China Power International Development Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Agile Property Holdings Limited, China COSCO Holdings Company Limited and Chow Tai Fook Jewellery Group Limited. Mr. Kwong has a Bachelor of Social Science degree from the University of Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. From 1984 to 1998, he was a partner of Price Waterhouse and was a council member of the Stock Exchange from 1992 to 1997.

*△# **Mr. Zuo Xunsheng**, aged 64, joined the Company as an independent non-executive director in April 2014. He obtained an EMBA degree from Guanghua School of Management of Peking University in 2004. From July 1993 to October 1997, Mr. Zuo served as the Director of the former Bureau of Telecommunications of Jinan City, Shandong Province. From October 1997 to May 2000, he served as the Director of the former Posts and Telecommunications Bureau of Shandong Province. He was the President of the former Shandong Telecommunications Company from May 2000 to April 2002.

Mr. Zuo served as the Vice President of China Network Communications Group Corporation from April 2002 to May 2008. He was the Senior Vice President of China Netcom Group Corporation (Hong Kong) Limited ("CNC HK") since July 2004; Chief Operating Officer of CNC HK since December 2005; an Executive Director and Chief Executive Officer of CNC HK from May 2006 to October 2008 and Chairman of CNC HK from May 2008 to October 2008. From October 2008 to March 2011, Mr. Zuo was the Vice Chairman and Vice President of China United Network Communications Group Company Limited; Director and Senior Vice President of China United Network Communications Corporation Limited; and Director of China United Network Communications Limited (listed on the Shanghai Stock Exchange in the PRC). Mr. Zuo also served as an Executive Director of China Unicom (Hong Kong) Limited (listed on the Stock Exchange) from October 2008 to March 2011.

In addition, Mr. Zuo served as a Non-Executive Director and Deputy Chairman of PCCW Limited (listed on the Stock Exchange) from July 2007 to November 2011. Mr. Zuo is well experienced in telecommunications operations and has rich management experience.

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

◎ *for identification purpose only*

SENIOR MANAGEMENT

Mr. Cheung Yuet Pun, aged 42, is the Chief Technology Officer of the Company. He joined the Company in February 2002 and was responsible in areas such as product marketing, development and management within the organisation. Mr. Cheung obtained a Bachelor of Science degree of Electrical Engineering from Queen's University at Kingston, Canada in 1995 and also completed the Master of Science (MSc) in Financial Analysis and the Executive Diploma in Management at the Hong Kong University of Science and Technology in 2010 and 2006 respectively. From his professional certification aspect, he was granted the Professional Engineer Licence of Ontario, Canada in 1999. Mr. Cheung previously held various positions within Nortel Networks Corporation during 1996 to 2002, responsible for software design, technical support, and sales and marketing. To date, Mr. Cheung has about 19 years of operational experience in the telecoms industry.

He is the President of Internet Service & Content Provider Group of Communications Association of Hong Kong (CAHK) and a member of the Telecommunications Regulatory Affairs Advisory Committee (TRAAC) of Office of the Communications Authority (OFCA). He has also been appointed as the incu-Apps admission panel member for Hong Kong Science & Technology Parks Corporation (HKSTPC) to foster technology and innovation advancement in Hong Kong. He is also participating in the Steering Committee of i3 Forum, which comprised more than 52 telecommunications operators representing a combined retail base in excess of one billion customers in over 80 countries. Previously, he was a committee member of the Cyberport IncuTrain Centre Vetting Committee.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong Ching Wa, aged 40, is the President, head of China business of the Company. He joined the Company in January 2008 as director of Chinese business department and was responsible for China market and business development. Mr. Wong is a director of CEC-BJ. Mr. Wong obtained a Bachelor degree of Telecom Engineering Management from Beijing Information Technology College in 1996 and a Master degree of Engineering Management from Sichuan University in 2002. Mr. Wong previously held management positions in different telecoms and technology companies in the PRC. Before joining the Company, he was the General Manager of operations management department of China Netcom (Hong Kong) Operations Limited. To date, Mr. Wong has more than 18 years experience in the telecoms industry.

Mr. Ho Wai Chung, Stephen, aged 56, is the Chief Executive Officer ("CEO") of CITIC Telecom International CPC Limited ("CPC"). He joined CITIC Pacific Communications Limited, a wholly-owned subsidiary of CITIC Limited, as Executive Vice President in April 2001. Mr. Ho was appointed CEO of CPC in 2002 and was transferred to the Group in 2007 when CPC was acquired by the Group. Mr. Ho was also appointed as President of CEC-BJ in 2010. Mr. Ho holds an Honor Bachelor Degree in Electrical Engineering specialising in digital communications from McGill University of Canada. Prior to joining the CITIC Limited Group, Mr. Ho held senior positions at Cable and Wireless Systems Limited, Hong Kong Telecom CSL Limited, Hong Kong Telecommunications Limited ("Hong Kong Telecom") and iAdvantage Limited. Mr. Ho carries with him more than 30 years of extensive industry experience. He was the project director for numerous important telecommunications projects on public transportation in both Hong Kong and Taiwan. His experience spans marketing and sales of telecommunications products and services, logistics and strategic purchasing management, operations and technical management for the Hong Kong Telecom engineering support unit at the Hong Kong Kai Tak International Airport and other Hong Kong Government facilities. Mr. Ho also led Hong Kong Telecom's regional market development in mainland China, Taiwan, Singapore, Korea and Japan in the early 90s. He is a founder of two Internet Data Centres between 1999 and 2001.

Mr. Ho has been named to several leaderships awards, including "The CEO of the Year 2007" by Asia Pacific Customer Service Consortium and "Outstanding Entrepreneurship Awards 2011 & 2012" by Enterprise Asia. Since 2012, he has been the Chairman of the Communications Association of Hong Kong (CAHK). He also serves as the President and Chair on the Board of Governors of the US Pacific Telecommunications Council (PTC) for 2014 & 2015 as well as Vice-Chairman of IT Management Club of The Hong Kong Management Association for 2015.

Mr. Poon Fuk Hei, Vandy, aged 49, is the Chief Executive Officer ("CEO") and Chairman of the Executive Committee of CTM. Mr. Poon has held various pivotal roles in Marketing, Mobile Business and as the Chief Operating Officer. In 2007, Mr. Poon became the CEO of CTM until now. Mr. Poon has played an important role in the development milestones of CTM including the introduction of 3G mobile service, broadband services and the establishment of the Media Centre for the historical ceremony of Macau's Return to China in 1999.

Under Mr. Poon's leadership and active participation in the discussion, in 2009, CTM signed the "Macau Public Telecommunications Services Mid-term Review Notarization Contract" with the Macau SAR Government which has laid a solid foundation for the company's sustainable development while at the same time demonstrated support to the Macau SAR Government's strategy of fully liberalising the telecom market in 2012. In addition, Mr. Poon had been fully involved in the discussion with the Macau SAR Government in regards to the renewal of fixed-line and mobile service licences. The Macau SAR Government had renewed both licences of CTM until 2021 and 2023.

Upon acquisition of further interests in CTM, CTM became a subsidiary of the Group in June 2013.

Born and raised in Macau, Mr. Poon received tertiary education in the United States of America. He has obtained a Bachelor of Science Degree and a Master Degree. Up to date, Mr. Poon has over 27 years of extensive experience in managing the operation in the telecoms industry.

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2014.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES

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

DIVIDENDS

The directors declared an interim dividend of HK2.7 cents (2013: HK2.4 cents) per share in respect of the year ended 31 December 2014 which was paid on 12 September 2014. The directors recommended, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 21 April 2015 (the "Annual General Meeting"), the payment of a final dividend of HK8.6 cents (2013: HK7.6 cents) per share in respect of the year ended 31 December 2014 payable on 11 May 2015 to shareholders on the Register of Members at the close of business on 29 April 2015.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	6.6%	
Five largest customers in aggregate	16.7%	
The largest supplier		34.0%
Five largest suppliers in aggregate		54.6%

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

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2014 and the state of the Company's and the Group's affairs as at the date are set out in the financial statements on pages 106 to 177.

DIRECTORS' REPORT

TRANSFER TO RESERVES

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

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$686,000 (2013: HK$618,000).

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS

The directors of the Company who held office during the year ended 31 December 2014 and up to the date of this report were:

Mr. Xin Yue Jiang
Mr. Yuen Kee Tong (retired with effect from 1 January 2015)
Dr. Lin Zhenhui (appointed with effect from 1 January 2015)
Mr. Luo Ning (re-designated as executive director with effect from 26 April 2014)
Dr. David Chan Tin Wai
Mr. Liu Jifu
Mr. Yang Xianzu (retired with effect from 25 April 2014)
Mr. Liu Li Qing
Mr. Gordon Kwong Che Keung
Mr. Zuo Xunsheng (appointed with effect from 26 April 2014)

Mr. Zuo Xunsheng was appointed as independent non-executive director with effect from 26 April 2014 and Dr. Lin Zhenhui was appointed as executive director and Chief Executive Officer with effect from 1 January 2015. Thus, in accordance with Article 95 of the Articles of Association of the Company, they shall hold office only until the Annual General Meeting and are then eligible for re-election. In addition, pursuant to Article 104(A) of the Articles of Association of the Company, Dr. David Chan Tin Wai and Mr. Liu Li Qing shall retire by rotation in the Annual General Meeting. All, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2014, there were no service contracts which were not determinable by the employer within one year without payment of compensation (other than statutory compensation) between any company in the Group and any director of the Company proposed for re-election at the Annual General Meeting.

DIRECTORS' INTERESTS IN CONTRACTS

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

COMPETING INTERESTS

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

Mr. Luo Ning, an executive director of the Company, is a vice chairman of CITIC Guoan Group and the chairman of 中信網絡有限公司 (CITIC Networks Co., Ltd.) ("CITIC Networks").

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

CITIC Networks is also a wholly-owned subsidiary of CITIC Group. It possesses licences for operation of basic telecommunications services and value added services under which CITIC Networks is permitted to conduct the sale and leasing of network resources and satellite transmitter, ISP (Internet Service Provider) services and ICP (Internet Content Provider) services, etc. in the PRC. It now possesses a nation-wide optical fibre backbone network and holds various investments in other network resources.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

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

On 25 April 2014, the Company entered into the non-binding Memorandum of Understanding ("MOU") with CITIC Group and CITIC Networks, a wholly-owned subsidiary of CITIC Group, pursuant to which it was contemplated that (a) CITIC Networks would restructure and inject the business and assets relating to the nation-wide optical fibre backbone network of the PRC (the "China Express Network") into a standalone company to be established in the PRC as a wholly-owned subsidiary of CITIC Networks ("China Express Network Company"), and (b) the Company and CITIC Group would discuss the possibility of the Company acquiring an equity stake in China Express Network Company.

In anticipation of the transactions contemplated under the MOU, the Company intended to cooperate with CITIC Networks in respect of improvement and expansion of the existing capacity of the China Express Network in order to lay out a solid foundation for the possible integration of the China Express Network Company with the Company in future. Therefore, on 25 April 2014, the Company and CITIC Networks entered into the funding and loan support agreement (the "Funding and Loan Support Agreement") pursuant to which the Company agreed to provide funds of not more than RMB200 million (equivalent to approximately HK$250 million) to CITIC Networks if and when a shortage of funds arises in the operation of the China Express Network at any time during the two years commencing on the date of the Funding and Loan Support Agreement. The funding support may be provided by other means of financial assistance as agreed between the parties in order to comply with the prevalent laws and regulations in the PRC. The Company shall charge the finance costs to CITIC Networks for any funds advanced or financial assistance provided, with reference to the usual finance costs of the Company which shall not be higher than the RMB benchmark interest rates for loans of financial institutions as announced by the People's Bank of China for the same period.

CITIC Networks is a wholly-owned subsidiary of CITIC Group, the ultimate holding company of the Company, and, therefore, is a connected person of the Company.

DIRECTORS' REPORT

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

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

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

   On 19 February 2014, CEC-BJ, CEC-HK and CPC entered into an agreement supplemental to the First Supplemental Agreement (the "Second Supplemental Agreement") for the purpose of renewing the First Supplemental Agreement for a further term of one year until 23 June 2015.

   The annual caps for the transactions under the Second Supplemental Agreement are US$34,860,000 (equivalent to approximately HK$271,910,000) and US$19,810,000 (equivalent to approximately HK$154,520,000) for the financial year ended 31 December 2014 (which covered both the period from 1 January 2014 to 23 June 2014 under the First Supplemental Agreement and the period from 24 June 2014 to 31 December 2014 under the Second Supplemental Agreement), and the period from 1 January 2015 to 23 June 2015 respectively.

   The aggregate service fee paid by CEC-HK and CPC to CEC-BJ under the First Supplemental Agreement and the Second Supplemental Agreement for the year ended 31 December 2014 was approximately HK$226,707,000.

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

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

   For the period ended 29 December 2014, the aggregate of the general management fees, chilled water charges and air-conditioning charges paid to Hang Luen Chong was approximately HK$4,968,000.

3. On 24 October 2012, CITIC Telecom International Limited ("CITIC Telecom", a wholly-owned subsidiary of the Company) entered into a tenancy agreement (the "CITIC Tower Tenancy Agreement") with Goldon Investment Limited ("Goldon"), pursuant to which CITIC Telecom leased from Goldon the premises comprising all those suites 811-16 on the 8th floor of CITIC Tower (the "CITIC Tower Premises") for a term of two years commencing from 16 November 2012 and expiring on 15 November 2014, with a monthly rental of approximately HK$576,960. CITIC Telecom shall also pay its share of service charge (for maintenance and supply of central air-conditioning during normal business hours and management services), being approximately HK$52,530 per month (subject to revision), and charges for extension of chilled water supply, which are based on actual usage, in respect of the CITIC Tower Premises. CITIC Telecom shall also be responsible for the payment of its own utility charges and government rates and government rent in respect of the CITIC Tower Premises during the term of the CITIC Tower Tenancy Agreement. As CITIC Limited has more than 30% interest in Goldon, Goldon is an associate of CITIC Limited, and, therefore is a connected person of the Company.

   The expected maximum amount (including rentals, service charge, charges for extension of chilled water supply and other outgoings) payable under the CITIC Tower Tenancy Agreement to Goldon for the period from 1 January 2014 to 15 November 2014 is approximately HK$8,200,000.

   For the period ended 15 November 2014, the aggregate amount paid by CITIC Telecom in respect of the CITIC Tower Tenancy Agreement was approximately HK$7,514,000.

4. On 24 October 2012, CITIC Telecom entered into a tenancy agreement (the "First Ap Lei Chau Tenancy Agreement") with Tendo Limited ("Tendo"), pursuant to which CITIC Telecom leased from Tendo the premises comprising the whole of the 5th floor, a portion of the ground floor, a portion of the 3rd floor podium, a portion of the roof floor, and an area for cable duct and trunking (the "Ap Lei Chau Premises") at the building located at No.111 Lee Nam Road, Ap Lei Chau, Hong Kong (the "Ap Lei Chau Building") for a term of no more than three years commencing from the earlier of 20 September 2012 or the delivery of vacant possession of the Ap Lei Chau Premises to CITIC Telecom and expiring on 19 September 2015, with an aggregate monthly rental of approximately HK$553,920. CITIC Telecom shall also pay its share of management fee in respect of the Ap Lei Chau Premises, being approximately HK$57,740 per month, subject to revision. CITIC Telecom shall also be responsible for the payment of its own utility charges and government rates and government rent in respect of the Ap Lei Chau Premises during the term of the First Ap Lei Chau Tenancy Agreement. Tendo is a wholly-owned subsidiary of CITIC Limited, and, therefore, is a connected person of the Company.

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

   On 25 April 2014, CITIC Telecom further entered into the following tenancy agreements with Tendo:

   a) the second supplemental tenancy agreement (the "Second Ap Lei Chau Supplemental Agreement") in relation to the leasing of a certain portion of the 3rd floor podium of the Ap Lei Chau Building (the "Additional Space") to CITIC Telecom by Tendo for a term commencing from 20 May 2014 and expiring on 19 September 2015, with a monthly rental of approximately HK$11,300. CITIC Telecom shall also pay its share of management fee in respect of the Additional Space, being approximately HK$3,400 per month, subject to revision. CITIC Telecom shall also be responsible for the payment of its own utility charges and government rates and government rent in respect of the Additional Space during the term of the Second Ap Lei Chau Supplemental Agreement; and

DIRECTORS' REPORT

b) a tenancy agreement (the "Second Ap Lei Chau Tenancy Agreement") in relation to the leasing of the Mezzanine floor (including the store room) of the Ap Lei Chau Building (the "Other Premises") to CITIC Telecom by Tendo for a term commencing from 20 May 2014 and expiring on 19 September 2015. In addition to a monthly rental of approximately HK$62,200, CITIC Telecom shall pay its share of management fee as well as air-conditioning charges in respect of the Other Premises during the term of the Second Ap Lei Chau Tenancy Agreement, being approximately HK$4,200 per month and HK$11,000 per month respectively, subject to revision. CITIC Telecom shall also be responsible for the payment of its own utility charges and government rates and government rent in respect of the Other Premises during the term of the Second Ap Lei Chau Tenancy Agreement. Pursuant to the terms of the Second Ap Lei Chau Tenancy Agreement, CITIC Telecom should also contribute to construction works carried out at the Other Premises in the amount of approximately HK$536,900, which should be payable upon the signing of the Second Ap Lei Chau Tenancy Agreement.

The expected maximum amounts (including the rentals, the management fees, CITIC Telecom's contribution to construction works, the air-conditioning charges and other outgoings such as rentals for car parking spaces to be leased by Tendo to CITIC Telecom from time to time) payable by CITIC Telecom to Tendo under (i) the First Ap Lei Chau Tenancy Agreement as supplemented by the Second Ap Lei Chau Supplemental Agreement; and (ii) the Second Ap Lei Chau Tenancy Agreement for the financial year ended 31 December 2014 and the period from 1 January 2015 to 19 September 2015 will be approximately HK$9,000,000 and HK$6,500,000, respectively.

Incidental to the First Ap Lei Chau Tenancy Agreement, the Second Ap Lei Chau Supplemental Agreement and the Second Ap Lei Chau Tenancy Agreement, Tendo and CITIC Telecom also entered into:

a) the first supplemental agreement on 24 October 2012 pursuant to which Tendo has granted to CITIC Telecom three consecutive options to renew the First Ap Lei Chau Tenancy Agreement for a further term of three years each upon the expiration of the First Ap Lei Chau Tenancy Agreement; and

b) two further agreements on 25 April 2014 pursuant to each of which Tendo has granted to CITIC Telecom three consecutive options to renew the Second Ap Lei Chau Supplemental Agreement and the Second Ap Lei Chau Tenancy Agreement (as the case may be) for a further term of three years each upon the expiration of the Second Ap Lei Chau Supplemental Agreement and the Second Ap Lei Chau Tenancy Agreement (as the case may be).

In the event that CITIC Telecom shall have duly exercised its option to renew for the first new term, the First Ap Lei Chau Tenancy Agreement, the Second Ap Lei Chau Supplemental Agreement and/or the Second Ap Lei Chau Tenancy Agreement will be renewed at the then current open market rent. In the event that CITIC Telecom shall have duly exercised its options to renew for the second and the third new terms, the First Ap Lei Chau Tenancy Agreement, the Second Ap Lei Chau Supplemental Agreement and/or the Second Ap Lei Chau Tenancy Agreement will be renewed at a new rent to be mutually agreed by the parties.

The aggregate amount paid by CITIC Telecom to Tendo under the First Ap Lei Chau Tenancy Agreement as supplemented by the Second Ap Lei Chau Supplemental Agreement and the Second Ap Lei Chau Tenancy Agreement for the financial year ended 31 December 2014 was approximately HK$8,628,000.

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

   The aggregate service fee paid by CEC-BJ to CITIC Networks under the Telecoms Services Agreement for the financial year ended 31 December 2014 was approximately HK$10,314,000.

6. On 19 February 2014, CEC-BJ and 廣東盈通網絡投資有限公司 (Guangdong Eastern Fibernet Investment Company Limited) ("Guangdong Eastern Fibernet") entered into a services agreement (the "Services Agreement"), pursuant to which CEC-BJ shall engage Guangdong Eastern Fibernet as service provider for the provision of Synchronous Digital Hierarchy ("SDH", a kind of telecommunications technology for signal transmission) circuit services, such as leasing of circuits and racks for data networking to CEC-BJ for a term of three years until 18 February 2017. For each service order under the Services Agreement, the service fee includes (i) a one-off set-up fee; and (ii) a monthly service fee, the amount of which will depend on the location and bandwidth of the SDH circuits provided by Guangdong Eastern Fibernet based on the business needs of CEC-BJ. An estimated total basic monthly service fee of approximately RMB730,000 (equivalent to approximately HK$950,000), subject to adjustment based on actual usage, shall be payable to Guangdong Eastern Fibernet by CEC-BJ on a monthly prepayment basis. Guangdong Eastern Fibernet, of which CITIC Group held more than 30% equity interest, is a connected person of the Company.

   The service fees payable by CEC-BJ to Guangdong Eastern Fibernet for the term of the Services Agreement are subject to annual caps of RMB10,420,000 (equivalent to approximately HK$13,550,000), RMB14,210,000 (equivalent to approximately HK$18,470,000), RMB17,050,000 (equivalent to approximately HK$22,170,000) and RMB3,410,000 (equivalent to approximately HK$4,430,000) for the period from 19 February 2014 to 31 December 2014, and the two financial years ending 31 December 2016 and the period from 1 January 2017 to 18 February 2017 respectively.

   The aggregate service fee paid by CEC-BJ to Guangdong Eastern Fibernet under the Services Agreement for the period ended 31 December 2014 was approximately HK$8,143,000.

7. On 28 March 2014, CEC-BJ entered into a tenancy agreement (the "Tenancy Agreement") with 北京中信國際大廈物業管理有限公司 (CITIC Building Management Co., Ltd.) ("CB Management Co.", a wholly-owned subsidiary of CITIC Group, and, therefore, a connected person of the Company), pursuant to which CB Management Co., as agent of CITIC Group (the owner of the Beijing Premises (as defined below)), leased to CEC-BJ the premises comprising part of the first floor and the third to fifth floors of #3 Building (subsequently revised to #5 Building so as to align with the description of that premises as set out in the Certificate of Real Estate Ownership issued by the Beijing Municipal Bureau of Land and Resources) of the CITIC Building in Beijing, the PRC (the "Beijing Premises") for a term of two years commencing 1 August 2014 and expiring on 31 July 2016. A monthly rental of approximately RMB450,000 (equivalent to approximately HK$570,000), which covers air-conditioning charges during normal business hours, shall be payable quarterly in advance. In addition, CEC-BJ shall carry out renovation works at the Beijing Premises during 1 April 2014 to 31 July 2014 (the "Renovation Period") on a rent-free basis and pay monthly management fees to CB Management Co. in the sum of approximately RMB60,000 (equivalent to approximately HK$80,000). CEC-BJ shall have a right of first offer to lease the Beijing Premises for a further term subject to the terms and conditions to be agreed between the parties.

DIRECTORS' REPORT

Due to the delay in handing over of the Beijing Premises by CB Management Co. to CEC-BJ, CB Management Co. and CEC-BJ had entered into a supplemental agreement on 19 August 2014, whereby the Renovation Period was revised so as to commence from 1 April 2014 to 31 August 2014 and the term of the Tenancy Agreement from 1 September 2014 to 31 August 2016 instead.

CEC-BJ and CB Management Co. also entered into other related agreements relating to the leasing of car parking spaces at the CITIC Building and the provision of management services in respect of certain utility facilities at the Beijing Premises to CEC-BJ during the Renovation Period and the term of the tenancy. The fees payable by CEC-BJ to CB Management Co. under such other related agreements include (i) one-off installation fees for telephone and internet facilities; (ii) monthly fees for the use of telephone and internet facilities; (iii) air-conditioning (outside normal business hours only) and electricity charges, the amount of which is based on actual usage; and/or (iv) monthly rental for car parking spaces. It is estimated that the total monthly fees payable by CEC-BJ to CB Management Co. under such related agreements will be approximately RMB50,000 (equivalent to approximately HK$60,000).

The annual caps for the transactions under the Tenancy Agreement (including the monthly management fees and monthly rental payable during the Renovation Period and the term of the tenancy respectively under the Tenancy Agreement, and the fees payable under other related agreements for both periods) for the period from 1 April 2014 to 31 December 2014, the financial year ending 31 December 2015 and the period from 1 January 2016 to 31 July 2016 are approximately HK$3,710,000, HK$7,790,000 and HK$4,660,000 respectively.

For the period ended 31 December 2014, the aggregate amount paid by CEC-BJ to CB Management Co. under the Tenancy Agreement and other related agreements was approximately HK$2,659,000.

8. In anticipation of the transactions contemplated under the MOU as mentioned in the above paragraph of connected transaction and taking into consideration the reasons as stated above, on 25 April 2014, the Company and CITIC Networks had also entered into the management consultancy and technical service agreement (the "Management Service Agreement") pursuant to which CITIC Networks engaged the Company to provide technical support, business support and related consultancy services relating to the China Express Network (the "Management Consultancy and Technical Services") at an annual service fee of RMB10,000,000 (equivalent to approximately HK$12,500,000) for a term of two years.

   During the term of the Management Service Agreement, the Company and CITIC Networks shall enter into specific agreements in which the detailed scope, manner and standard requirement of technical services or consultancy services to be provided shall be specified. A consultancy and management committee comprising committee members nominated jointly by CITIC Networks and the Company shall also be established to report regularly to the board of directors of CITIC Networks.

   The service fee payable by CITIC Networks to the Company during the term of the Management Service Agreement in each of the financial year ended 31 December 2014, the financial years ending 31 December 2015 and 31 December 2016 shall be subject to an annual cap of RMB10,000,000 (equivalent to approximately HK$12,500,000). The service fee will only be payable upon the China Express Network achieving the pre-defined standards requirement through the provision of Management Consultancy and Technical Services as confirmed by CITIC Networks.

   During the period ended 31 December 2014, CITIC Networks is undergoing the restructuring process to inject the business and assets relating to China Express Network into China Express Network Company. After completion of the restructuring, the consultancy and management committee will be formed, and the specific agreements concerning the Management Consultancy and Technical Services will be finalised. Some preliminary consultancy services have been performed. However, the service fee will only be paid upon the China Express Network achieving the pre-defined standard requirements as confirmed by CITIC Networks and the relevant standard requirements can only be finalised after completion of the restructuring. As such, no service fee in respect of the Management Service Agreement is payable in the financial year ended 31 December 2014.

9. On 15 September 2014, CPC and CEC-BJ entered into a funding support agreement (the "Funding Support Agreement"), pursuant to which CPC agreed to provide funding support of not more than RMB50,000,000 (equivalent to approximately HK$63,000,000) to CEC-BJ if and when a shortage of funds arises in the operation of the cloud data centre to be established by CEC-BJ in Shanghai, the PRC during the three years from the date of the Funding Support Agreement. CPC shall provide funds by way of shareholder's loans and the interest rate shall be equivalent to the RMB benchmark interest rates for loans of financial institutions as announced by the People's Bank of China for the same period.

    The maximum amount of funding support to be provided by CPC to CEC-BJ for each of the period ended 31 December 2014, the financial years ending 31 December 2015 and 31 December 2016 and the period from 1 January 2017 to 14 September 2017 shall not exceed RMB50,000,000 (approximately equivalent to HK$63,000,000).

    CEC-BJ is a non-wholly owned subsidiary of the Company and also an associate of CITIC Group, and, therefore, is a connected person of the Company.

    For the period ended 31 December 2014, the aggregate amount of the funds advanced by CPC to CEC-BJ under the Funding Support Agreement was RMB50,000,000 (approximately equivalent to HK$63,000,000).

Review of the Continuing Connected Transactions:

The independent non-executive directors of the Company have reviewed the aforesaid continuing connected transactions made for the year ended 31 December 2014 and confirmed that the transactions had been entered into

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Group on pages 90 to 95 of the annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Related Party Transactions:

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

DIRECTORS' REPORT

SHARE OPTION PLAN

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

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

2. The grantees of the Plan are any person employed by the Company or any of its subsidiaries and any person who is an officer or director (whether executive or non-executive) of the Company or any of its subsidiaries (the "Employees") as the Board may, in its absolute discretion, select.

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

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

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

6. The subscription price determined by the Board will not be less than the higher of (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; 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.

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

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. As at 13 February 2015, the maximum number of Shares available for issue under the Plan is 217,958,419, representing approximately 6.50% of the Shares in issue.

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

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

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

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

All options granted were accepted except for options for 115,000 shares granted on 17 September 2009, options for 200,000 shares granted on 19 August 2011 and options for 660,000 shares granted on 26 June 2013. The share options granted on 23 May 2007 have expired at the close of business on 22 May 2012. The remaining options granted and accepted under the Plan can be exercised in whole or in part within 5 years from the date of commencement of the exercise period.

During the year ended 31 December 2014, options for 32,432,054 shares were exercised and options for 599,587 shares have lapsed, but save as disclosed above, none of the options granted was cancelled.

DIRECTORS' REPORT

A summary of the movements of the share options during the year ended 31 December 2014 is as follows:

A. Directors of the Company

Name of director	Date of grant	Exercise period	Number of share options: Balance as at 1.1.2014	Exercised during the year ended 31.12.2014	Balance as at 31.12.2014	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	0.248
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	0.219
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	0.189
Yang Xianzu *(Note 1)*	26.6.2013	26.6.2013–25.6.2018	400,000	400,000 *(Note 2)*	N/A	N/A
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

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

	Number of share options			
Date of grant	Balance as at 1.1.2014	Exercised during the year ended 31.12.2014 *(Note 5)*	Lapsed during the year ended 31.12.2014 *(Note 6)*	Balance as at 31.12.2014
17.9.2009	13,931,324	6,496,098	13,902	7,421,324
19.8.2011	21,793,077	6,352,477	95,685	15,344,915
26.6.2013	67,522,000	18,122,183	490,000	48,909,817

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$2.97.

6. These are in respect of options granted to some former employees under continuous contracts who have resigned. Such options have lapsed during the year ended 31 December 2014.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SECURITIES

The interests of the directors of the Company in shares of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as at 31 December 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	0.0205
David Chan Tin Wai	2,750	0.0001
CITIC Limited, an associated corporation		
Yuen Kee Tong	1,033,000	0.0041
David Chan Tin Wai	40,000	0.0002
Liu Jifu	840,000	0.0034
Gordon Kwong Che Keung	70,000 *(Note 1)*	0.0003
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

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.

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".

Save as disclosed above, as at 31 December 2014, none of the directors of the Company had nor were they taken to or deemed to have, under Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, the interests of the substantial shareholders, other than the directors of the Company or their respective associates, in the shares of the Company as recorded in the register of interests in shares and short positions required to be kept under section 336 of the SFO were as follows:

Name	Number of shares of the Company	Percentage to the number of issued shares %
CITIC Group	1,987,678,508	59.233
CITIC Polaris Limited	1,987,678,508	59.233
CITIC Glory Limited	1,987,678,508	59.233
CITIC Limited	1,987,678,508	59.233
CITIC Corporation Limited (formerly known as CITIC Limited)	1,987,678,508	59.233
CITIC Investment (HK) Limited	1,987,678,508	59.233
Silver Log Holdings Ltd.	1,987,678,508	59.233
CITIC Pacific Limited (formerly known as Golden Crest Company Ltd.) ("CITIC Pacific")	1,987,678,508	59.233
Crown Base International Limited	1,987,678,508	59.233
Effectual Holdings Corp.	1,987,678,508	59.233
CITIC Pacific Communications Limited	1,987,678,508	59.233
Douro Holdings Inc.	1,987,678,508	59.233
Ferretti Holdings Corp.	1,987,678,508	59.233
Ease Action Investments Corp.	1,987,678,508	59.233
Peganin Corp.	1,987,678,508	59.233
Richtone Enterprises Inc.	1,987,678,508	59.233
Matthews International Capital Management, LLC	238,345,250	7.103

CITIC Group is the direct holding company of CITIC Polaris Limited and CITIC Glory Limited, which in turn hold CITIC Limited. CITIC Limited is the direct holding company of CITIC Corporation Limited and CITIC Pacific. CITIC Corporation Limited is the direct holding company of CITIC Investment (HK) Limited, which in turn holds Silver Log Holdings Ltd.. 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 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 CITIC Limited and Onway Assets Holdings Ltd. (a wholly-owned subsidiary of CITIC Limited) 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.

DIRECTORS' REPORT

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

The Company and the controlling shareholders of the Company have entered into the following contracts of significance which were subsisting during the year ended 31 December 2014:

1. Administrative services agreement dated 21 March 2007 (the "Administrative Services Agreement") entered into between the Company and CITIC Limited, a controlling shareholder of the Company, pursuant to which CITIC Limited and the Company will share the company secretarial services and the internal audit services with effect from 1 January 2007. The amount payable by the Company to CITIC Limited for the services received shall be determined on costs basis with payment terms to be agreed between the parties from time to time. The Administrative Services Agreement may be terminated if CITIC Limited shall hold less than 30% of the shares of the Company and is terminable by giving a six months' prior notice in writing by either party. Mr. Liu Jifu, a non-executive director of the Company, was an executive director of CITIC Limited until 26 September 2014 and therefore has indirect interests in the Administrative Services Agreement. The Administrative Services Agreement has been terminated on 1 July 2014.

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

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

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

5. Administrative services agreement dated 20 August 2014 (the "New Administrative Services Agreement") entered into between the Company and CITIC Pacific, a controlling shareholder of the Company, pursuant to which CITIC Pacific and the Company will share the company secretarial services and the internal audit services with retrospective effect from 1 July 2014. The amount payable by the Company to CITIC Pacific for the services received shall be determined on costs basis with payment terms to be agreed between the parties from time to time. The New Administrative Services Agreement may be terminated if CITIC Limited, the immediate holding company of CITIC Pacific, shall hold less than 30% of the shares of the Company and is terminable by giving a six months' prior notice in writing by either party. Mr. Liu Jifu is a director of CITIC Pacific and therefore has indirect interests in the New Administrative Services Agreement. A copy of the New Administrative Services Agreement will be available for inspection at the Annual General Meeting.

Apart from the above and the transactions as mentioned in the section of "Connected Transaction and Continuing Connected Transactions", none of the Company or any of its subsidiaries has entered into any other contract of significance with the Company's controlling shareholders or their subsidiaries which were subsisting during the year ended 31 December 2014.

SUFFICIENCY OF PUBLIC FLOAT

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

BORROWINGS AND ISSUE OF GUARANTEED BONDS

On 6 March 2013, CITIC Telecom International Finance Limited ("CITIC Finance"), a wholly-owned subsidiary of the Company, issued US$450 million 6.1% guaranteed bonds due 2025 (the "Bonds") to professional investors pursuant to a subscription agreement made between the Company (as guarantor), CITIC Finance and CITIC Securities Corporate Finance (HK) Limited, Deutsche Bank AG, Singapore Branch, Standard Chartered Bank and UBS AG, Hong Kong Branch on 26 February 2013 for financing part of the consideration paid by the Company in respect of the acquisition of 79% interest in Companhia de Telecomunicações de Macau, S.A.R.L. The Bonds are listed on the Stock Exchange on 6 March 2013. All of the Bonds remained outstanding at 31 December 2014.

Particulars of borrowings of the Company and the Group at 31 December 2014 are set out in notes 21 and 22 to the financial statements.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

In accordance with the requirements under Rule 13.21 of the Listing Rules, the Directors report below details of loan facilities, which existed during the year ended 31 December 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.

The Facility Agreement includes, inter alia, an undertaking by the Company to procure CITIC Group 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 31 December 2014, there was no breach of the covenants.

SHARE CAPITAL

During the year ended 31 December 2014, a total of 32,432,054 shares of the Company were issued upon the exercise of share options granted under the Plan as mentioned in the section of "Share Option Plan".

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31 December 2014 and the Company has not redeemed any of its shares during the year ended 31 December 2014.

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' REPORT

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 46 of the annual report.

RETIREMENT SCHEMES

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

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

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

Name of director	Previous monthly salary	Monthly salary (with effect from 1 January 2015)
Xin Yue Jiang	HK$276,500	HK$293,090
David Chan Tin Wai	HK$191,400	HK$202,890

Note: For information in relation to the 2014 full year emoluments of the directors of the Company, please refer to note 8 to the financial statements.

In addition, an ordinary resolution will be put forth to the shareholders in the Annual General Meeting, proposing that, with effect from the financial year ending 31 December 2015, the director's fee of each of the non-executive directors of the Company (other than the non-executive directors with employment with CITIC Pacific) be increased to HK$180,000 per annum.

AUDITOR

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

By Order of the Board
Xin Yue Jiang
Chairman

Hong Kong, 13 February 2015

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of CITIC Telecom International Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 106 to 177, which comprise the consolidated and company balance sheets as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 80 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

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

13 February 2015

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014 (Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Turnover	3	8,183,607	6,018,543
Other revenue	4	4,157	9,361
Other net gain	5	9,216	1,136,185
		8,196,980	7,164,089
Cost of sales and services		(4,879,929)	(3,935,560)
Depreciation and amortisation	6(c)	(682,619)	(416,972)
Staff costs	6(b)	(722,378)	(589,747)
Other operating expenses		(663,763)	(656,349)
		1,248,291	1,565,461
Finance costs	6(a)	(334,350)	(444,457)
Share of profit of an associate	15(a)	–	80,569
Share of profit/(loss) of a joint venture	16(a)	353	(448)
Profit before taxation	6	914,294	1,201,125
Income tax	7(a)	(179,339)	(130,826)
Profit for the year		734,955	1,070,299
Attributable to:			
Equity shareholders of the Company		723,734	1,067,506
Non-controlling interests		11,221	2,793
Profit for the year		734,955	1,070,299
Earnings per share (HK cents)	10		
Basic		21.7	36.5
Diluted		21.5	36.2

The notes on pages 113 to 177 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 25(a).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014 (Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Profit for the year		734,955	1,070,299
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit obligation:			
– actuarial (loss)/gain	23(a)(v)	(33,914)	16,208
– deferred tax recognised on the actuarial (loss)/gain	7(c)(i)	4,130	(1,897)
		(29,784)	14,311
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments:			
– exchange differences on translation of financial statements of operations outside Hong Kong, net of $nil tax		(10,270)	857
– release of exchange reserve upon deemed disposal of equity interest in an associate, net of $nil tax	26(c)(iii)	–	(11,136)
		(10,270)	(10,279)
Other comprehensive income for the year		(40,054)	4,032
Total comprehensive income for the year		694,901	1,074,331
Attributable to:			
Equity shareholders of the Company		683,954	1,071,590
Non-controlling interests		10,947	2,741
Total comprehensive income for the year		694,901	1,074,331

The notes on pages 113 to 177 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2014 (Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Non-current assets			
Property, plant and equipment	11	2,105,909	1,884,339
Intangible assets	12	2,167,628	2,342,878
Goodwill	13	9,281,625	9,283,688
Interest in a joint venture	16	6,265	6,264
Non-current other receivables and deposits	18	215,612	164,974
Deferred tax assets	7(c)	33,141	33,011
		13,810,180	13,715,154
Current assets			
Inventories	17	198,931	127,130
Trade and other receivables and deposits	18	1,906,539	1,727,741
Current tax recoverable	7(b)	28,005	15,553
Cash and bank deposits	19(a)	1,396,892	856,076
		3,530,367	2,726,500
Current liabilities			
Trade and other payables	20	2,088,566	1,871,540
Bank loans	21	100,000	100,000
Current tax payable	7(b)	232,132	202,013
		2,420,698	2,173,553
Net current assets		1,109,669	552,947
Total assets less current liabilities		14,919,849	14,268,101
Non-current liabilities			
Interest-bearing borrowings	22	7,867,586	7,616,565
Non-current other payables	20	73,040	80,424
Net defined benefit retirement obligation	23(a)	103,729	72,302
Deferred tax liabilities	7(c)	281,218	310,859
		8,325,573	8,080,150
NET ASSETS		6,594,276	6,187,951
CAPITAL AND RESERVES	25		
Share capital: nominal value		–	332,324
Other statutory capital reserves		–	3,365,314
Share capital and other statutory capital reserves	25(b)	3,780,941	3,697,638
Other reserves		2,787,417	2,465,633
Total equity attributable to equity shareholders of the Company		6,568,358	6,163,271
Non-controlling interests		25,918	24,680
TOTAL EQUITY		6,594,276	6,187,951

Approved and authorised for issue by the board of directors on 13 February 2015.

Xin Yue Jiang
Director

Lin Zhenhui
Director

The notes on pages 113 to 177 form part of these financial statements.

BALANCE SHEET

At 31 December 2014 (Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Non-current assets			
Property, plant and equipment	11	8,787	14,754
Investments in subsidiaries	14(a)	11,155,844	11,155,844
Deferred tax assets	7(c)	–	1,679
		11,164,631	11,172,277
Current assets			
Trade and other receivables and deposits	18	1,429,099	1,230,469
Current tax recoverable	7(b)	377	–
Cash and bank deposits	19(a)	571,760	76,289
		2,001,236	1,306,758
Current liabilities			
Trade and other payables	20	206,925	154,056
Bank loans	21	100,000	100,000
Current tax payable	7(b)	–	786
		306,925	254,842
Net current assets		1,694,311	1,051,916
Total assets less current liabilities		12,858,942	12,224,193
Non-current liabilities			
Amount due to a subsidiary	20	3,478,340	3,363,269
Interest-bearing borrowings	22	4,390,746	4,142,984
		7,869,086	7,506,253
NET ASSETS		4,989,856	4,717,940
CAPITAL AND RESERVES	25		
Share capital: nominal value		–	332,324
Other statutory capital reserves		–	3,365,314
Share capital and other statutory capital reserves	25(b)	3,780,941	3,697,638
Other reserves		1,208,915	1,020,302
TOTAL EQUITY		4,989,856	4,717,940

Approved and authorised for issue by the board of directors on 13 February 2015.

Xin Yue Jiang
Director

Lin Zhenhui
Director

The notes on pages 113 to 177 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014 (Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company								
	Note	Share capital (note 25(b)) $'000	Share premium (note 25(c)) $'000	Capital reserve (note 25(d)) $'000	Capital redemption reserve (note 25(c)) $'000	Exchange reserve (note 25(e)) $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2013		238,668	1,586,985	29,350	2,034	19,819	1,555,847	3,432,703	(11,679)	3,421,024
Changes in equity for 2013:										
Profit for the year		–	–	–	–	–	1,067,506	1,067,506	2,793	1,070,299
Other comprehensive income for the year		–	–	–	–	(10,083)	14,167	4,084	(52)	4,032
Total comprehensive income for the year		–	–	–	–	(10,083)	1,081,673	1,071,590	2,741	1,074,331
Dividends approved in respect of the previous financial year	25(a)(ii)	–	–	–	–	–	(173,448)	(173,448)	–	(173,448)
Rights issue	25(b)(iii)	90,372	1,704,174	–	–	–	–	1,794,546	–	1,794,546
Shares issued under share option plan	24(b)(ii)	3,284	72,121	(18,300)	–	–	–	57,105	–	57,105
Equity-settled share-based transactions	6(b)	–	–	50,229	–	–	–	50,229	–	50,229
Release upon lapse of share options	24(b)(ii)	–	–	(226)	–	–	226	–	–	–
Share of reserve of an associate	15(a)	–	–	(1,203)	–	–	–	(1,203)	–	(1,203)
Release of reserve upon deemed disposal of equity interest in an associate	26(c)(iii)	–	–	11,293	–	–	–	11,293	–	11,293
Non-controlling interests arising from acquisitions of subsidiaries	26(c)(i)	–	–	–	–	–	–	–	33,618	33,618
Dividends approved in respect of the current financial year	25(a)(i)	–	–	–	–	–	(79,544)	(79,544)	–	(79,544)
		93,656	1,776,295	41,793	–	–	(252,766)	1,658,978	33,618	1,692,596
Balance at 31 December 2013		332,324	3,363,280	71,143	2,034	9,736	2,384,754	6,163,271	24,680	6,187,951
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 2014:										
Profit for the year		–	–	–	–	–	723,734	723,734	11,221	734,955
Other comprehensive income for the year		–	–	–	–	(10,295)	(29,485)	(39,780)	(274)	(40,054)
Total comprehensive income for the year		–	–	–	–	(10,295)	694,249	683,954	10,947	694,901
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	(9,709)	(9,709)
Shares issued under share option plan before 3 March 2014	24(b)(ii)	678	16,371	(3,695)	–	–	–	13,354	–	13,354
Transition to no-par value regime on 3 March 2014	25(b)	3,381,685	(3,379,651)	–	(2,034)	–	–	–	–	–
Shares issued under share option plan on and after 3 March 2014	24(b)(ii)	66,254	–	(14,638)	–	–	–	51,616	–	51,616
Dividends approved in respect of the previous financial year	25(a)(ii)	–	–	–	–	–	(253,474)	(253,474)	–	(253,474)
Release upon lapse of share options	24(b)(ii)	–	–	(333)	–	–	333	–	–	–
Dividends approved in respect of the current financial year	25(a)(i)	–	–	–	–	–	(90,363)	(90,363)	–	(90,363)
		3,448,617	(3,363,280)	(18,666)	(2,034)	–	(343,504)	(278,867)	(9,709)	(288,576)
Balance at 31 December 2014		3,780,941	–	52,477	–	(559)	2,735,499	6,568,358	25,918	6,594,276

The notes on pages 113 to 177 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014 (Expressed in Hong Kong dollars)

	Note	Share capital (note 25(b)) $'000	Share premium (note 25(c)) $'000	Capital reserve (note 25(d)) $'000	Capital redemption reserve (note 25(c)) $'000	Retained profits (note 25(f)) $'000	Total $'000
Balance at 1 January 2013		238,668	1,586,985	95,337	2,034	912,606	2,835,630
Changes in equity for 2013:							
Total comprehensive income for the year	25(g)	–	–	–	–	233,422	233,422
Dividends approved in respect of the previous financial year	25(a)(ii)	–	–	–	–	(173,448)	(173,448)
Rights issue	25(b)(iii)	90,372	1,704,174	–	–	–	1,794,546
Shares issued under share option plan	24(b)(ii)	3,284	72,121	(18,300)	–	–	57,105
Equity-settled share-based transactions	6(b)	–	–	50,229	–	–	50,229
Release upon lapse of share options	24(b)(ii)	–	–	(226)	–	226	–
Dividends approved in respect of the current financial year	25(a)(i)	–	–	–	–	(79,544)	(79,544)
Balance at 31 December 2013 and 1 January 2014		332,324	3,363,280	127,040	2,034	893,262	4,717,940
Changes in equity for 2014:							
Total comprehensive income for the year	25(g)	–	–	–	–	550,783	550,783
Shares issued under share option plan before 3 March 2014	24(b)(ii)	678	16,371	(3,695)	–	–	13,354
Transition to no-par value regime on 3 March 2014	25(b)	3,381,685	(3,379,651)	–	(2,034)	–	–
Shares issued under share option plan on and after 3 March 2014	24(b)(ii)	66,254	–	(14,638)	–	–	51,616
Dividends approved in respect of the previous financial year	25(a)(ii)	–	–	–	–	(253,474)	(253,474)
Release upon lapse of share options	24(b)(ii)	–	–	(333)	–	333	–
Dividends approved in respect of the current financial year	25(a)(i)	–	–	–	–	(90,363)	(90,363)
Balance at 31 December 2014		3,780,941	–	108,374	–	1,100,541	4,989,856

The notes on pages 113 to 177 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014 (Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Operating activities			
Cash generated from operations	19(d)	1,815,617	1,281,130
Tax paid:			
– Hong Kong Profits Tax paid		(52,999)	(77,390)
– Tax paid for jurisdictions outside Hong Kong		(137,151)	(131,253)
Tax refunded:			
– Hong Kong Profits Tax refunded		763	235
– Tax refunded for jurisdictions outside Hong Kong		1,654	–
Net cash generated from operating activities		1,627,884	1,072,722
Investing activities			
Payment for the purchase of property, plant and equipment		(719,074)	(470,882)
Proceeds from sale of property, plant and equipment		1,275	134
Payment for the acquisitions of subsidiaries (net of cash and cash equivalents acquired)	26(d)	–	(8,894,986)
Payment for transaction costs for the acquisitions of subsidiaries		(1,167)	(84,550)
(Increase)/decrease in pledged deposits		(2,072)	2,474
Interest received		3,916	9,260
Dividend received from an associate		–	187,882
Net cash used in investing activities		(717,122)	(9,250,668)
Financing activities			
Proceeds from new bank loans		230,000	9,206,000
Proceeds from the issue of guaranteed bonds	22(b)	–	3,510,000
Proceeds from rights issue	25(b)(iii)	–	1,825,521
Proceeds from new shares issued under share option plan	25(b)(ii)	64,970	57,105
Payment for transaction costs on new bank loans		(1,682)	(122,741)
Payment for transaction costs on issue of guaranteed bonds		–	(39,114)
Payment for transaction costs on rights issue	25(b)(iii)	–	(30,975)
Repayment of bank loans			(4,994,000)
Repayment of loan from an associate		–	(162,870)
Other borrowing costs paid		(308,022)	(313,317)
Dividends paid to equity shareholders of the Company		(343,837)	(252,992)
Dividend paid to non-controlling interests		(9,709)	–
Net cash (used in)/generated from financing activities		(368,280)	8,682,617
Net increase in cash and cash equivalents		542,482	504,671
Cash and cash equivalents at 1 January	19(a)	854,742	351,008
Effect of foreign exchange rate changes		(3,738)	(937)
Cash and cash equivalents at 31 December	19(a)	1,393,486	854,742

The notes on pages 113 to 177 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("SEHK"). A summary of the significant accounting policies adopted by the Group is set out below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise CITIC Telecom International Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") and the Group's interest in a joint venture.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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 and the Company. Of these, the following developments are relevant to the Group's and the Company's financial statements:

– Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*

– Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

– Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of these new or amended HKFRSs are discussed below:

(i) Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

(ii) Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

(iii) Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or a cash-generating unit whose recoverable amount is based on fair value less costs of disposal. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 16.

(d) Subsidiaries and non-controlling interests

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (Continued)

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

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

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

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

(e) Associates and joint ventures

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill

Goodwill represents the excess of

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

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

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

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

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

(g) Property, plant and equipment

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

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

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

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

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

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

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

– Telecommunications equipment is depreciated over 2 to 20 years.

– Other assets are depreciated over 2 to 5 years.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment (Continued)

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

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

(h) Intangible assets (other than goodwill)

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

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

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

Both the period and method of amortisation are reviewed annually.

(i) Leased assets

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

(i) Classification of assets leased to the Group

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leased assets (Continued)

(ii) Operating lease charges

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

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

(j) Impairment of assets

(i) Impairment of investments in equity securities and trade and other receivables and deposits

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

– significant financial difficulty of the debtor;

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

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

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

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

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

– For investment in a joint venture accounted for under equity method in the consolidated financial statements (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(j)(ii).

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (Continued)

(i) Impairment of investments in equity securities and trade and other receivables and deposits (Continued)

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

(ii) Impairment of other assets

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

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (Continued)

(iii) Interim financial reporting and impairment

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

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

(k) Inventories

(i) Sales of goods

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

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

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

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

(ii) Business solution projects

The revenue recognition policy for revenue from business solution projects is set out in note 1(s)(iii). When the outcome of a project can be estimated reliably, project costs are recognised as an expense by reference to the stage of completion of the project at the balance sheet date. When it is probable that total project costs will exceed total project revenue, the expected loss is recognised as an expense immediately. When the outcome of a project cannot be estimated reliably, project costs are recognised as an expense in the period in which they are incurred.

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

(l) Trade and other receivables and deposits

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Interest-bearing borrowings

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

(n) Trade and other payables

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

(o) Cash and cash equivalents

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

(p) Employee benefits

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

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

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits (Continued)

(iii) Share-based payments

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

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

(q) Income tax

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (Continued)

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

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

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

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

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

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

  – the same taxable entity; or

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

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Financial guarantees issued, provisions and contingent liabilities (Continued)

(ii) Other provisions and contingent liabilities

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

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

(s) Revenue recognition

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

(i) Revenue from telecommunications services

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

(ii) Sale of equipment and mobile handsets

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

(iii) Revenue from business solution projects

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

(iv) Customer loyalty programme

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue recognition (Continued)

(v) Rental income from operating leases

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

(vi) Interest income

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

(vii) Barter transactions

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

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

(t) Translation of foreign currencies

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

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

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

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

(u) Borrowing costs

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

(w) Segment reporting

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

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

(x) Deferred revenue

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

(y) Deferred expenditure

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES

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

(a) Depreciation and amortisation

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

(b) Impairment

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

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

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

(c) Income tax

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

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

(d) Business solution projects

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

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

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

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

	2014 $'000	2013 $'000
Fees from the provision of telecommunications services	6,202,009	4,936,704
Sale of equipment and mobile handsets	1,981,598	1,081,839
	8,183,607	6,018,543

(b) Segment reporting

The Group manages its businesses by business operations. Starting from the year ended 31 December 2014, the financial results of the Group are reported to the Group's most senior executive management as one operating segment for the purposes of resource allocation and performance assessment. Following a change in the composition of the Group's operating segments that in turn results in a change in the reportable segments, the segment information for the year ended 31 December 2013 and at 31 December 2013 has been restated.

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified only one operating segment, i.e. telecommunications operations.

(i) Segment results, assets and liabilities

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

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

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

3 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(ii) Reconciliation of reportable segment profit

	2014 $'000	2013 $'000
Profit		
Reportable segment profit	2,012,075	1,115,043
Net gain/(loss) on disposal of property, plant and equipment	272	(128)
Depreciation and amortisation	(682,619)	(416,972)
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	(334,350)	(444,457)
Share of profit of an associate	–	80,569
Share of profit/(loss) of a joint venture	353	(448)
Gain on deemed disposal of equity interest in an associate	–	1,116,298
Interest income	4,157	9,361
Unallocated head office and corporate expenses	(85,594)	(209,926)
Consolidated profit before taxation	914,294	1,201,125

(iii) Reconciliation of reportable segment assets and liabilities

	2014 $'000	2013 $'000
Assets		
Reportable segment assets	17,194,560	16,307,985
Interest in a joint venture	6,265	6,264
Deferred tax assets	33,141	33,011
Current tax recoverable	28,005	15,553
Unallocated head office and corporate assets	78,576	78,841
Consolidated total assets	17,340,547	16,441,654
Liabilities		
Reportable segment liabilities	2,222,259	1,994,109
Bank loans	100,000	100,000
Current tax payable	232,132	202,013
Non-current interest-bearing borrowings	7,867,586	7,616,565
Deferred tax liabilities	281,218	310,859
Unallocated head office and corporate liabilities	43,076	30,157
Consolidated total liabilities	10,746,271	10,253,703

3 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(iv) Geographic information

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

	Revenue from external customers		Specified non-current assets	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Hong Kong (place of domicile)	2,765,912	2,845,220	1,063,574	1,039,451
Macau	4,708,046	2,463,670	12,206,892	12,196,025
Others	709,649	709,653	290,961	281,693
	8,183,607	6,018,543	13,561,427	13,517,169

4 OTHER REVENUE

	2014 $'000	2013 $'000
Interest income from bank deposits	3,945	9,088
Other interest income	212	273
	4,157	9,361

5 OTHER NET GAIN

	2014 $'000	2013 $'000
Gain on deemed disposal of equity interest in an associate (note 26(c)(iii))	–	1,116,298
Net gain/(loss) on disposal of property, plant and equipment	272	(128)
Net foreign exchange gain	8,944	20,015
	9,216	1,136,185

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2014 $'000	2013 $'000
(a) Finance costs		
Interest on bank and other borrowings		
– wholly repayable within five years	93,867	79,658
– not wholly repayable within five years	214,110	175,451
	307,977	255,109
Other finance charges	23,441	187,889
Other interest expense (note 23(a)(v))	2,932	1,459
	334,350	444,457
(b) Staff costs (including directors' remuneration (note 8))		
Contributions to defined contribution retirement plans	36,660	30,226
Expenses recognised in respect of defined benefits retirement plan (note 23(a)(v))	8,523	4,528
Total retirement costs	45,183	34,754
Equity-settled share-based payment expenses (note 24(b)(iv))	–	50,229
Salaries, wages and other benefits	677,195	504,764
	722,378	589,747
(c) Other items		
Operating lease charges		
– leased circuits	723,659	674,279
– land and buildings	94,509	73,274
Depreciation (note 11(a))	507,028	311,110
Amortisation (note 12)	175,591	105,862
	682,619	416,972
Impairment losses		
– trade debtors, net (note 18(b))	26,798	77,558
– interest in a joint venture (note 16(a))	–	37,811
Goodwill written-off upon disposal of an operation outside Hong Kong (note 13(a))	–	10,404
Auditors' remuneration		
– audit services	5,554	5,218
– non-audit services	1,332	6,747*
Transaction costs for the acquisitions of subsidiaries	–	111,395

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

NOTES TO THE FINANCIAL STATEMENTS

7 INCOME TAX

(a) Income tax in the consolidated income statement represents:

	2014 $'000	2013 $'000
Current tax		
Hong Kong Profits Tax		
– Provision for the year	50,949	45,626
– (Over)/under-provision in respect of prior year	(896)	984
	50,053	46,610
Jurisdictions outside Hong Kong		
– Provision for the year	155,295	114,611
– Over-provision in respect of prior year	(358)	(1,576)
	154,937	113,035
Deferred tax		
Origination and reversal of temporary differences (note 7(c)(i))	(25,651)	(28,819)
	179,339	130,826

The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year.

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

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

	2014 $'000	2013 $'000
Profit before taxation	914,294	1,201,125
Less: Share of profit of an associate	–	(80,569)
Share of (profit)/loss of a joint venture	(353)	448
	913,941	1,121,004
Calculated at the Hong Kong Profits Tax rate of 16.5% (2013: 16.5%)	150,800	184,966
Tax effect of non-taxable income and non-deductible expenses	72,130	(69,977)
Tax effect of unused tax losses not recognised	7,655	8,957
Tax effect of different tax rates of operations in other jurisdictions	(50,084)	7,571
Over-provision in respect of prior years	(1,254)	(592)
Others	92	(99)
Actual tax expense	179,339	130,826

7 INCOME TAX (CONTINUED)

(b) Current taxation in the balance sheet represents:

	The Group 2014 $'000	The Group 2013 $'000	The Company 2014 $'000	The Company 2013 $'000
Hong Kong Profits Tax				
Provision for the year	50,949	45,626	–	1,302
Provisional profits tax paid	(43,956)	(52,506)	(377)	(516)
Provisional profits tax recoverable relating to prior years	(16,056)	–	–	–
	(9,063)	(6,880)	(377)	786
Jurisdictions outside Hong Kong				
Provision for the year	155,295	114,611	–	–
Profits tax paid	(2,445)	(131,859)	–	–
Through acquisitions of subsidiaries (note 26(c)(i))	–	195,803	–	–
Balance of profits tax provision relating to prior years	59,930	14,923	–	–
Exchange adjustments	410	(138)	–	–
	213,190	193,340	–	–
	204,127	186,460	(377)	786
Representing:				
Current tax recoverable	(28,005)	(15,553)	(377)	–
Current tax payable	232,132	202,013	–	786
	204,127	186,460	(377)	786

7 INCOME TAX (CONTINUED)

(c) Deferred tax assets and liabilities recognised:

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

(i) The Group

	Intangible assets arising from business combination $'000	Depreciation allowances in excess of the related depreciation $'000	Defined benefit retirement obligation $'000	Future benefits of tax losses $'000	Others $'000	Total $'000
Deferred tax arising from:						
At 1 January 2013	20,303	60,059	–	(52,572)	–	27,790
Through acquisitions of subsidiaries (note 26(c)(i))	279,619	7,943	(10,893)	–	(601)	276,068
(Credited)/charged to profit or loss (note 7(a))	(20,755)	11,600	320	(19,984)	–	(28,819)
Charged to reserves	–	–	1,897	–	–	1,897
Exchange adjustments	177	95	–	640	–	912
At 31 December 2013	279,344	79,697	(8,676)	(71,916)	(601)	277,848
At 1 January 2014	279,344	79,697	(8,676)	(71,916)	(601)	277,848
(Credited)/charged to profit or loss (note 7(a))	(27,528)	3,659	360	(2,142)	–	(25,651)
Credited to reserves	–	–	(4,130)	–	–	(4,130)
Exchange adjustments	(27)	–	–	37	–	10
At 31 December 2014	251,789	83,356	(12,446)	(74,021)	(601)	248,077

7 INCOME TAX (CONTINUED)

(c) Deferred tax assets and liabilities recognised: (Continued)

(ii) The Company

	Depreciation in excess of the related depreciation allowances $'000	Future benefits of tax losses $'000	Total $'000
Deferred tax arising from:			
At 1 January 2013	(1,051)	(124)	(1,175)
(Credited)/charged to profit or loss	(628)	124	(504)
At 31 December 2013	(1,679)	–	(1,679)
At 1 January 2014	(1,679)	–	(1,679)
Charged to profit or loss	1,679	–	1,679
At 31 December 2014	–	–	–

(iii) Reconciliation to the balance sheets

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Net deferred tax assets recognised in the balance sheets	(33,141)	(33,011)	–	(1,679)
Net deferred tax liabilities recognised in the balance sheets	281,218	310,859	–	–
	248,077	277,848	–	(1,679)

(d) Deferred tax assets not recognised

In accordance with the accounting policies set out in note 1(q), the Group has not recognised deferred tax assets in respect of unused tax losses of $118,533,000 (2013: $81,560,000) at 31 December 2014 as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities. $91,695,000 (2013: $57,896,000) of the tax losses do not expire under the current tax legislation, and $26,838,000 (2013: $23,664,000) of the tax losses will expire after 3 to 20 years.

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014						
	Directors' fees $'000	Basic salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments $'000	Total $'000
Executive directors							
Xin Yue Jiang	–	3,696	3,931	–	7,627	–	7,627
Yuen Kee Tong (retired on 1 January 2015)	–	4,087	3,538	166	7,791	–	7,791
Luo Ning*	–	–	500	–	500	–	500
Chan Tin Wai, David	–	2,531	3,163	17	5,711	–	5,711
Non-executive directors							
Liu Jifu	–	–	–	–	–	–	–
Luo Ning*	48	–	–	–	48	–	48
Independent non-executive directors							
Yang Xianzu (retired on 25 April 2014)	99	–	–	–	99	–	99
Liu Li Qing	310	–	–	–	310	–	310
Kwong Che Keung, Gordon	310	–	–	–	310	–	310
Zuo Xunsheng (appointed on 26 April 2014)	211	–	–	–	211	–	211
Total	978	10,314	11,132	183	22,607	–	22,607

8 DIRECTORS' REMUNERATION (CONTINUED)

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

* Mr Luo Ning was re-designated as an executive director of the Company with effect from 26 April 2014.

\# During the year ended 31 December 2013, a service fee of $500,000 was paid to Mr Luo Ning for advisory services in relation to collaboration of telecommunications businesses.

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

A number of the Company's directors were granted share options of the Company and CITIC Limited (formerly known as CITIC Pacific Limited), an intermediate holding company of the Company. Details of the share option plans are set out in note 24.

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

During the years ended 31 December 2014 and 2013, no emoluments were paid by the Company to any of the directors as an inducement to join or upon joining the Company or as compensation for loss of office and none of the directors has waived or agreed to waive any emoluments.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2013: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2013: two) individuals are as follows:

	2014 $'000	2013 $'000
Salaries and other emoluments	6,272	4,133
Discretionary bonuses	11,401	4,026
Share-based payments	–	2,571
Retirement scheme contributions	490	291
	18,163	11,021

The emoluments of the two (2013: two) individuals with the highest emoluments are within the following bands:

	2014 Number of individuals	2013 Number of individuals
$		
5,000,001 – 5,500,000	1	1
6,000,001 – 6,500,000	–	1
12,500,001 – 13,000,000	1	–

During the years ended 31 December 2014 and 2013, no emoluments were paid by the Company to any of the highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office.

10 EARNINGS PER SHARE

	2014 $'000	2013 $'000
Profit attributable to equity shareholders of the Company	723,734	1,067,506

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

	Number of shares 2014 '000	 2013 '000
Issued ordinary shares at 1 January	3,323,242	2,386,675
Effect of rights issue	–	514,998
Effect of share options exercised	15,742	21,793
Weighted average number of ordinary shares at 31 December	3,338,984	2,923,466
Effect of deemed issue of shares under the Company's share option plan	32,848	21,779
Weighted average number of ordinary shares (diluted) at 31 December	3,371,832	2,945,245
Basic earnings per share (HK cents)	21.7	36.5
Diluted earnings per share (HK cents)	21.5	36.2

11 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Land and buildings held for own use (note (c)) $'000	Tele-communications equipment $'000	Other assets (note (d)) $'000	Construction in progress $'000	Total $'000
Cost:					
At 1 January 2013	160,927	1,283,532	192,807	27,777	1,665,043
Additions					
– through acquisitions of subsidiaries (note 26(c)(i))	104,668	738,069	1,661	60,445	904,843
– others	–	79,845	9,636	460,958	550,439
Disposals	–	(16,355)	(358)	–	(16,713)
Reclassification and transfer to intangible assets (note 12)	–	288,052	7,743	(296,988)	(1,193)
Exchange adjustments	–	2,020	(1,266)	(127)	627
At 31 December 2013	265,595	2,375,163	210,223	252,065	3,103,046
At 1 January 2014	265,595	2,375,163	210,223	252,065	3,103,046
Additions	–	78,027	42,695	610,182	730,904
Disposals	–	(335,863)	(3,217)	–	(339,080)
Reclassification and transfer to intangible assets (note 12)	–	525,560	10,142	(536,358)	(656)
Exchange adjustments	–	(2,439)	(818)	(3)	(3,260)
At 31 December 2014	265,595	2,640,448	259,025	325,886	3,490,954
Accumulated depreciation:					
At 1 January 2013	12,702	818,841	91,124	–	922,667
Charge for the year (note 6(c))	8,035	275,476	27,599	–	311,110
Written back on disposals	–	(16,106)	(345)	–	(16,451)
Exchange adjustments	–	2,210	(829)	–	1,381
At 31 December 2013	20,737	1,080,421	117,549	–	1,218,707
At 1 January 2014	20,737	1,080,421	117,549	–	1,218,707
Charge for the year (note 6(c))	11,254	459,923	35,851	–	507,028
Written back on disposals	–	(335,233)	(2,844)	–	(338,077)
Exchange adjustments	–	(2,035)	(578)	–	(2,613)
At 31 December 2014	31,991	1,203,076	149,978	–	1,385,045
Net book value:					
At 31 December 2014	233,604	1,437,372	109,047	325,886	2,105,909
At 31 December 2013	244,858	1,294,742	92,674	252,065	1,884,339

NOTES TO THE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) The Company

	Other assets (note (d)) $'000
Cost:	
At 1 January 2013	52,762
Additions	88
At 31 December 2013	52,850
At 1 January 2014	52,850
Additions	113
Disposals	(48)
At 31 December 2014	52,915
Accumulated depreciation:	
At 1 January 2013	32,041
Charge for the year	6,055
At 31 December 2013	38,096
At 1 January 2014	38,096
Charge for the year	6,069
Written back on disposals	(37)
At 31 December 2014	44,128
Net book value:	
At 31 December 2014	8,787
At 31 December 2013	14,754

(c) The analysis of net book value of properties is as follows:

	The Group 2014 $'000	2013 $'000
Situated in Hong Kong and held under medium-term leases	139,633	143,930
Situated outside Hong Kong and held under medium-term leases	93,971	100,928
	233,604	244,858
Representing:		
Land and buildings carried at cost	233,604	244,858

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

(e) Certain property, plant and equipment of Companhia de Telecomunicações de Macau S.A.R.L. ("CTM") are designated for the provision of basic infrastructure of public telecommunications services. They may need to be shared with other licensed telecommunications operators or the Macau Government with fair compensation, or, upon termination of the concession agreement, assigned in favour of the Macau Government.

12 INTANGIBLE ASSETS

	The Group					
	Customer relationships $'000	Order backlog $'000	Trade names/ trademarks $'000	IRU of tele-communications capacity $'000	Computer software $'000	Total $'000
Cost:						
At 1 January 2013	102,456	18,580	31,895	626	–	153,557
Additions through acquisitions of subsidiaries	1,574,957	–	758,273	–	7,978	2,341,208
Transfer from property, plant and equipment (note 11(a))	–	–	–	–	1,193	1,193
Disposals	(3,070)	–	–	–	–	(3,070)
Exchange adjustments	(323)	163	437	–	(1)	276
At 31 December 2013	1,674,020	18,743	790,605	626	9,170	2,493,164
At 1 January 2014	1,674,020	18,743	790,605	626	9,170	2,493,164
Transfer from property, plant and equipment (note 11(a))	–	–	–	–	656	656
Disposals	–	–	–	–	(29)	(29)
Exchange adjustments	(929)	(18)	(49)	–	–	(996)
At 31 December 2014	1,673,091	18,725	790,556	626	9,797	2,492,795
Accumulated amortisation:						
At 1 January 2013	39,516	4,564	3,133	519	–	47,732
Charge for the year (note 6(c))	82,512	4,031	16,973	103	2,243	105,862
Written back on disposals	(3,070)	–	–	–	–	(3,070)
Exchange adjustments	(288)	26	24	–	–	(238)
At 31 December 2013	118,670	8,621	20,130	622	2,243	150,286
At 1 January 2014	118,670	8,621	20,130	622	2,243	150,286
Charge for the year (note 6(c))	137,700	4,038	30,176	4	3,673	175,591
Written back on disposals	–	–	–	–	(29)	(29)
Exchange adjustments	(682)	–	–	–	1	(681)
At 31 December 2014	255,688	12,659	50,306	626	5,888	325,167
Net book value:						
At 31 December 2014	1,417,403	6,066	740,250	–	3,909	2,167,628
At 31 December 2013	1,555,350	10,122	770,475	4	6,927	2,342,878

13 GOODWILL

(a) The Group

	2014 $'000	2013 $'000
Cost and carrying amount:		
At 1 January	9,283,688	402,456
Additions through acquisitions of subsidiaries (note 26(c)(i))	–	8,892,097
Written-off upon disposal of an operation outside Hong Kong (note 6(c))	–	(10,404)
Exchange adjustments	(2,063)	(461)
At 31 December	9,281,625	9,283,688

(b) Impairment tests for cash-generating units containing goodwill

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

	2014 $'000	2013 $'000
Telecoms business – Macau	8,892,097	8,892,097
International telecommunications services	270,596	272,558
Enterprise solutions (outside Macau)	118,932	119,033
	9,281,625	9,283,688

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

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

	2014	2013
Long term growth rate	0% – 7%	1% – 7%
Discount rate	9%	9%

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

14 INTERESTS IN SUBSIDIARIES

(a) The Company

	2014 $'000	2013 $'000
Unlisted shares, at cost	11,155,844	11,155,844
Amounts due from subsidiaries (note 18)	1,397,662	1,223,463
	12,553,506	12,379,307
Amounts due to subsidiaries (note 20)	(3,613,858)	(3,458,774)
	8,939,648	8,920,533

(b) The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed repayment terms except for an amount due to a subsidiary of $3,478,340,000 (2013: $3,363,269,000) which is unsecured, interest-bearing and will not be called upon within one year.

(c) The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

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

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES (CONTINUED)

(c) (Continued)

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

14 INTERESTS IN SUBSIDIARIES (CONTINUED)

(c) (Continued)

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

Notes:

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

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

* Represents ordinary shares.

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

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

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

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

(d) The Group had no subsidiaries which have material non-controlling interests for the years ended 31 December 2014 and 2013.

NOTES TO THE FINANCIAL STATEMENTS

15 INTEREST IN AN ASSOCIATE

(a) The Group

	2014 $'000	2013 $'000
Share of net assets		
At 1 January	–	631,688
Share of profit for the year	–	80,569
Dividend received during the year	–	(188,160)
Share of reserve	–	(1,203)
Exchange adjustments	–	4,852
	–	527,746
Goodwill		
At 1 January	–	818,250
Exchange adjustments	–	6,284
	–	824,534
	–	1,352,280
Deemed disposal upon acquisition of additional equity interest in the associate (note 26(c)(iii))	–	(1,352,280)
Carrying amount		
At 31 December	–	–

(b) The Company

	2014 $'000	2013 $'000
Unlisted shares at cost		
At 1 January	–	1,400,268
Deemed disposal upon acquisition of additional equity interest in the associate	–	(1,400,268)
At 31 December	–	–

(c) On 20 June 2013, the Group acquired an additional 79% equity interest in CTM and increased its shareholding in CTM from 20% to 99% (see note 26(a)). Thereafter, CTM became a subsidiary of the Company. The investment in CTM is consolidated into the consolidated financial statements of the Group.

16 INTEREST IN A JOINT VENTURE

(a) The Group

	2014 $'000	2013 $'000
Share of net assets		
At 1 January	15,057	15,975
Share of profit/(loss) for the year	353	(448)
Exchange adjustments	(352)	(470)
At 31 December	15,058	15,057
Goodwill	29,018	29,018
	44,076	44,075
Less: impairment loss (note)	(37,811)	(37,811)
	6,265	6,264

Note: The recoverable amount of the interest in a joint venture is determined based on value-in-use calculation. This calculation used cash flow projections based on financial budgets approved by management covering a three-year period. Based on the value-in-use calculation, an impairment loss of $37,811,000 (note 6(c)) was recognised for the year ended 31 December 2013 to reduce the carrying amount to its recoverable amount of $6,264,000. Any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

(b) Particulars of the joint venture

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

17 INVENTORIES

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

The amount of inventories recognised as an expense and included in profit or loss for the year ended 31 December 2014 is $2,361,576,000 (2013: $1,304,163,000).

18 TRADE AND OTHER RECEIVABLES AND DEPOSITS

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade debtors	1,608,801	1,503,486	–	–
Less: allowance for doubtful debts	(113,347)	(93,186)	–	–
	1,495,454	1,410,300	–	–
Other receivables and deposits	626,697	482,415	31,437	7,006
Amounts due from subsidiaries (note 14(a))	–	–	1,397,662	1,223,463
	2,122,151	1,892,715	1,429,099	1,230,469
Represented by:				
Non-current portion	215,612	164,974	–	–
Current portion	1,906,539	1,727,741	1,429,099	1,230,469
	2,122,151	1,892,715	1,429,099	1,230,469

All of the current trade and other receivables and deposits are expected to be recovered or recognised as expense within one year except for utility and rental deposits at 31 December 2014 of the Group and the Company amounted to $33,215,000 (2013: $30,357,000) and $664,000 (2013: $741,000) respectively which will not be recovered within a year.

At 31 December 2014 and 2013, included in other receivables and deposits were the following:

(i) deferred expenditure of $71,562,000 (2013: $78,132,000) for the prepayment of certain telecommunications services. Such costs are deferred and amortised on a straight-line basis over the underlying service period of 15 years; and

(ii) an advance payment paid to the ultimate holding company for the acquisition of the remaining equity interest in a subsidiary of RMB61,987,000 (equivalent to $78,576,000), (2013: equivalent to $78,841,000).

18 TRADE AND OTHER RECEIVABLES AND DEPOSITS (CONTINUED)

(a) Ageing analysis

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

	The Group		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Within 1 year	1,267,839	1,326,944	–	–
Over 1 year	340,962	176,542	–	–
	1,608,801	1,503,486	–	–

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

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(j)(i)).

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

	The Group		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
At 1 January	93,186	40,898	–	–
Through acquisitions of subsidiaries	–	3,153	–	–
Impairment loss recognised	39,004	81,252	–	–
Impairment loss reversed	(12,206)	(3,694)	–	–
Uncollectible amounts written off	(6,201)	(28,548)	–	–
Exchange adjustments	(436)	125	–	–
At 31 December	113,347	93,186	–	–

At 31 December 2014, the Group's trade debtors of $225,225,000 (2013: $212,852,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $113,347,000 (2013: $93,186,000) were recognised by the Group. The Group does not hold any collateral over these balances.

18 TRADE AND OTHER RECEIVABLES AND DEPOSITS (CONTINUED)

(c) Trade debtors that are not impaired

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

	The Group		The Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Within 1 year	1,132,416	1,172,343	–	–
Over 1 year	251,160	118,291	–	–
	1,383,576	1,290,634	–	–

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

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

19 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	742,534	637,197	65,575	13,889
Time deposits with banks	654,358	218,879	506,185	62,400
Cash and bank deposits in the balance sheet (note (b))	1,396,892	856,076	571,760	76,289
Less: pledged deposits (note (c))	(3,406)	(1,334)		
Cash and cash equivalents in the consolidated cash flow statement	1,393,486	854,742		

19 CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Included in cash and bank deposits were $65,173,000 (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 31 December 2014 and 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:

	Note	2014 $'000	2013 $'000
Profit before taxation		914,294	1,201,125
Adjustments for:			
Depreciation and amortisation	6(c)	682,619	416,972
Net (gain)/loss on disposal of property, plant and equipment	5	(272)	128
Share of profit of an associate		–	(80,569)
Share of (profit)/loss of a joint venture		(353)	448
Transaction costs for the acquisitions of subsidiaries	6(c)	–	111,395
Impairment loss on interest in a joint venture	6(c)	–	37,811
Goodwill written-off upon disposal of an operation outside Hong Kong	6(c)	–	10,404
Gain on deemed disposal of equity interest in an associate	5	–	(1,116,298)
Finance costs	6(a)	334,350	444,457
Interest income	4	(4,157)	(9,361)
Equity-settled share-based payment expenses	6(b)	–	50,229
Foreign exchange gain		(2,735)	(5,158)
		1,923,746	1,061,583
Changes in working capital:			
(Increase)/decrease in inventories		(71,801)	8,611
Increase in trade and other receivables and deposits		(177,529)	(44,203)
Increase in trade and other payables		146,619	258,872
Decrease in net defined benefit retirement obligation		(5,418)	(3,733)
Cash generated from operations		1,815,617	1,281,130

20 TRADE AND OTHER PAYABLES

	The Group 2014 $'000	2013 $'000	The Company 2014 $'000	2013 $'000
Trade creditors	1,082,228	985,111	–	–
Other payables and accruals	1,079,378	966,853	71,407	58,551
Amounts due to subsidiaries (note 14(a))	–	–	3,613,858	3,458,774
	2,161,606	1,951,964	3,685,265	3,517,325
Represented by:				
Non-current portion	73,040	80,424	3,478,340	3,363,269
Current portion	2,088,566	1,871,540	206,925	154,056
	2,161,606	1,951,964	3,685,265	3,517,325

At 31 December 2014, other payables included a deferred revenue of $80,424,000 (2013: $87,808,000) for an amount received from a customer for the provision of certain telecommunications services. Such amount has been deferred and amortised on a straight-line basis over the underlying service period of 15 years.

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

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

	The Group 2014 $'000	2013 $'000	The Company 2014 $'000	2013 $'000
Within 1 year	643,509	689,707	–	–
Over 1 year	438,719	295,404	–	–
	1,082,228	985,111	–	–

21 BANK LOANS

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

	The Group and the Company	
	2014	2013
	$'000	$'000
Within 1 year or on demand	100,000	100,000
After 1 year but within 2 years	1,896,128	–
After 2 years but within 5 years	2,494,618	4,142,984
	4,490,746	4,242,984
Represented by:		
Unsecured		
– Current	100,000	100,000
– Non-current (note 22(a))	4,390,746	4,142,984
	4,490,746	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. Further details of the Group's management of liquidity risk are set out in note 27(b). At 31 December 2014 and 2013, the Group was in compliance with the relevant requirements.

22 NON-CURRENT INTEREST-BEARING BORROWINGS

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

	The Group		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Unsecured bank loans (note 21)	4,390,746	4,142,984	4,390,746	4,142,984
Guaranteed bonds at 6.1% due 2025 (note (b))	3,476,840	3,473,581	–	–
	7,867,586	7,616,565	4,390,746	4,142,984

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

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

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

23 EMPLOYEE RETIREMENT BENEFITS

(a) Defined benefit retirement plan

A subsidiary of the Company, CTM, makes contributions to a defined benefit retirement plan, CTM Staff Provident Fund (the "Fund"). The Fund was established on 1 January 2003 to replace a staff provident fund of a previous constitution. The Fund is registered with Autoridade Monetária de Macau ("AMCM") and is under the management of Macau Life Insurance Company Limited. The members of the Fund are all the employees who were members of the original staff provident fund. No new members joined the Fund after 1 May 2002. The members are required to make contributions to the Fund at 5% of their relevant income. CTM is required to make contributions to the Fund in accordance with an independent actuary's recommendation based on periodic actuarial valuations. CTM is also obliged to make any extraordinary contributions which may be deemed necessary by Macau Life Insurance Company Limited when there are insufficient assets in the Fund to meet the liabilities of the Fund or when such insufficiency is anticipated. Upon retirement or resignation, each member is entitled to receive a lump sum payment calculated on the basis of a multiplying factor ranging from 0.6 to 2 times the final monthly salary and the number of service year that the member has served with CTM.

The independent actuarial valuation of the Fund at 31 December 2014 was prepared by Towers Watson & Co., using the projected unit credit method. The actuarial valuation indicates that CTM's obligations under the Fund was 70% (2013: 75%) covered by the plan assets held by the trustees at 31 December 2014. The Fund exposes the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk, and market (investment) risk.

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

	The Group 2014 $'000	2013 $'000
Fair value of plan assets	239,641	220,363
Present value of plan obligation	(343,370)	(292,665)
	(103,729)	(72,302)

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay $15,534,000 in contributions to the Fund in 2015.

23 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(a) Defined benefit retirement plan (Continued)

(ii) Plan assets consist of the following:

	The Group	
	2014 $'000	2013 $'000
Cash and money market	20,862	11,691
Bonds		
– Government bonds	45,510	40,978
– Corporate bonds	46,510	50,517
	92,020	91,495
Equity securities		
– Asia	1,580	4,728
– North America	39,777	30,708
– Europe	78,856	78,891
– Other areas	6,546	2,850
	126,759	117,177
	239,641	220,363

All of the bonds and equity securities have quoted prices in active markets.

At each balance sheet date, a study is performed by the Fund's asset manager in which the consequences of the strategic investment policies are analysed. The strategic investment policy of the Fund can be summarised as follows:

– a strategic assets mix comprising 40%-60% equity securities, 35%-55% bonds and 0%-15% other investments;

– interest rate risk is managed by duration limitation; and

– foreign currency risk is managed by allocation guideline.

23 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(a) Defined benefit retirement plan (Continued)

(iii) Movements in the present value of the defined benefit obligation

	The Group	
	2014	2013
	$'000	$'000
At 1 January	292,665	–
Addition through acquisitions of subsidiaries	–	293,606
Benefits paid by the Fund	(14,355)	(9,679)
Employees' contributions	4,288	2,133
Current service cost	8,523	4,528
Interest cost	13,126	5,367
Remeasurements:		
– Experience adjustments	7,798	8,928
– Actuarial gains and losses arising from changes in demographic assumptions	–	–
– Actuarial losses/(gains) arising from changes in financial assumptions	31,325	(12,218)
At 31 December	343,370	292,665

The weighted average duration of the defined benefit obligations is 8 (2013: 8.5) years.

(iv) Movements in plan assets

	The Group	
	2014	2013
	$'000	$'000
At 1 January	220,363	–
Addition through acquisitions of subsidiaries	–	202,823
Employer's and employees' contributions paid to the Fund	18,851	10,717
Benefits paid by the Fund	(14,355)	(9,679)
Administrative expenses	(621)	(324)
Interest income	10,194	3,908
Remeasurements	5,209	12,918
At 31 December	239,641	220,363

23 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(a) Defined benefit retirement plan (Continued)

(v) Amounts recognised in the consolidated income statement and consolidated statement of comprehensive income are as follows:

	The Group 2014 $'000	2013 $'000
Current service cost	8,523	4,528
Net interest on net defined benefit obligation	2,932	1,459
Administrative expenses	621	324
Total amount recognised in profit or loss	12,076	6,311
Actuarial loss/(gain) and total amount recognised in other comprehensive income	33,914	(16,208)
Net defined benefit loss/(gain)	45,990	(9,897)

The current service cost and the net interest on net defined benefit liability are recognised in the following line items in the consolidated income statement:

	The Group 2014 $'000	2013 $'000
Staff costs (note 6(b))	8,523	4,528
Other operating expenses	621	324
Finance costs (note 6(a))	2,932	1,459
	12,076	6,311

(vi) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	The Group 2014 %	2013 %
Discount rate	3.6	4.6
Salary escalation	5.0	5.0

23 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

(a) Defined benefit retirement plan (Continued)

(vi) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows: (Continued)

The below analysis shows how the defined benefit obligation at 31 December 2014 would have increased/(decreased) as a result of a 0.25% (2013: 0.25%) change in the significant actuarial assumptions:

	2014		2013	
	Increase of 0.25% $'000	Decrease of 0.25% $'000	Increase of 0.25% $'000	Decrease of 0.25% $'000
Discount rate	(6,857)	7,068	(5,964)	6,152
Future salary growth	6,631	(6,468)	5,840	(5,691)

The above sensitivities are generated by measuring the effect on the defined benefit retirement obligation at 31 December 2014 by revising each of the major assumptions independently (i.e. no changes in the other assumptions). Whilst the analysis does not take account of the full distribution of cash flows expected under the Fund, it does provide an approximation to the sensitivity of the assumptions shown.

(b) Defined contribution retirement plans

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $30,000 ($25,000 prior to June 2014). Contributions to the plan vest immediately.

CTM also operates the Defined Contribution Fund which was set up under the terms of Decree Law 6/99/M and registered with AMCM. The Defined Contribution Fund is for all full time Macau employees who joined CTM after 1 May 2002. The Defined Contribution Fund is under the management of Macau Life Insurance Company Limited. The employees and CTM are each required to make contributions to the Defined Contribution Fund at 5% of the employee's relevant income. Contributions to the Defined Contribution Fund vest immediately.

Employees employed by the Group outside Hong Kong and Macau are covered by the appropriate local defined contribution schemes pursuant to the local labour rules and regulations.

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(a) Share option plan of an intermediate holding company

CITIC Limited (formerly known as CITIC Pacific Limited), an intermediate holding company of the Company, adopted the CITIC Pacific Share Incentive Plan 2000 (the "Plan 2000") on 31 May 2000 under which the board of directors of CITIC Limited may invite any director, executive or employee of CITIC Limited or any of its subsidiaries to subscribe for options over CITIC Limited's shares. The Plan 2000 ended on 30 May 2010 and a new plan, CITIC Pacific Share Incentive Plan 2011, was adopted by CITIC Limited on 12 May 2011. The options granted under these plans are exercisable till the end of exercise period. No option was granted to directors or employees of the Group for their services to the Group under these plans. None of the directors or employees of the Group had options subsisting at 31 December 2014 under these plans.

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Share option plan of the Company

The Company has a share option plan ("CITIC Telecom International Plan") which was adopted on 17 May 2007 whereby the directors of the Company are authorised, at their discretion, to offer any person employed by the Company or any of its subsidiaries and any person who is an officer or director (whether executive or non-executive) of the Company or any of its subsidiaries options to subscribe for shares in the Company to recognise their contributions to the growth of the Company. The CITIC Telecom International Plan is valid and effective for a period of ten years ending on 16 May 2017.

Since the adoption of the CITIC Telecom International Plan, the Company has granted the following share options to employees, directors and non-executive directors of the Company and its subsidiaries. Each option gives the holder the right to subscribe for one ordinary share of the Company.

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

Notes:

(i) The closing price of the Company's ordinary shares on the date of grant.

(ii) The closing price of the Company's ordinary shares on the date of grant was $1.48 per share.

The share options granted on 23 May 2007 have expired at the close of business on 22 May 2012.

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

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

Details of the fair value of the share options and assumptions are set out in note 24(b)(iii).

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Share option plan of the Company (Continued)

(i) The terms and conditions of the options granted under the CITIC Telecom International Plan are as follows, whereby all options are settled by physical delivery of shares:

	Exercise price per share	Number of options	Vesting condition	Expiry date
Options granted to directors:				
– on 23 May 2007	$3.26	10,290,000	Fully vested on the date of grant	Expired at the close of business on 22 May 2012
– on 17 September 2009	$2.10*	3,150,000	Fully vested on 17 September 2010	Expire at the close of business on 16 September 2015
– on 17 September 2009	$2.10*	3,150,000	Fully vested on 17 September 2011	Expire at the close of business on 16 September 2016
– on 19 August 2011	$1.54#	3,750,000	Fully vested on 19 August 2012	Expire at the close of business on 18 August 2017
– on 19 August 2011	$1.54#	3,750,000	Fully vested on 19 August 2013	Expire at the close of business on 18 August 2018
– on 26 June 2013	$2.25	11,038,000	Fully vested on the date of grant	Expire at the close of business on 25 June 2018
Options granted to employees:				
– on 23 May 2007	$3.26	8,430,000	Fully vested on the date of grant	Expired at the close of business on 22 May 2012
– on 17 September 2009	$2.10*	14,762,500	Fully vested on 17 September 2010	Expire at the close of business on 16 September 2015
– on 17 September 2009	$2.10*	14,762,500	Fully vested on 17 September 2011	Expire at the close of business on 16 September 2016
– on 19 August 2011	$1.54#	20,477,500	Fully vested on 19 August 2012	Expire at the close of business on 18 August 2017
– on 19 August 2011	$1.54#	20,477,500	Fully vested on 19 August 2013	Expire at the close of business on 18 August 2018
– on 26 June 2013	$2.25	70,309,000	Fully vested on the date of grant	Expire at the close of business on 25 June 2018
Total number of share options		184,347,000		

* Exercise price per share has been adjusted to $1.91 since 7 June 2013

Exercise price per share has been adjusted to $1.40 since 7 June 2013

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Share option plan of the Company (Continued)

(ii) The number and weighted average exercise prices of share options are as follows:

	2014 Weighted average exercise price	2014 Number of options	2013 Weighted average exercise price	2013 Number of options
Outstanding at the beginning of the year	$2.00	127,510,329	$1.75	75,506,000
Adjusted during the year	–	–	$1.59	5,290,034
Granted during the year	–	–	$2.25	81,347,000
Exercised during the year (note 25(b))	$2.00	(32,432,054)	$1.74	(32,843,662)
Cancelled during the year	–	–	$2.25	(660,000)
Lapsed during the year	$2.11	(599,587)	$1.57	(1,129,043)
Outstanding at the end of the year	$2.00	94,478,688	$2.00	127,510,329
Exercisable at the end of the year	$2.00	94,478,688	$2.00	127,510,329

During the year ended 31 December 2014, options for 32,432,054 (2013: 32,843,662) shares were exercised and options for 599,587 (2013: 1,129,043) shares have lapsed, but no option (2013: 660,000 shares) has been cancelled. The value of vested options lapsed during the year ended 31 December 2014 was $333,000 (2013: $226,000) and was released directly to retained profits.

The weighted average closing price at the date of exercise of share options exercised during the year was $2.98 (2013: $2.53). The options outstanding at 31 December 2014 had a weighted average exercise price of $2.00 (2013: $2.00) and a weighted average remaining contractual life of 3.14 (2013: 4.10) years.

(iii) Fair value of share options and assumptions

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

– Taking into account the probability of early exercise behaviour, the average expected life of the share options granted was determined to be around 3.6 years;

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

– Expected annual dividend yield of 4.0%;

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

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

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

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Share option plan of the Company (Continued)

(iii) Fair value of share options and assumptions (Continued)

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

All the options forfeited before expiry of the CITIC Telecom International Plan will be treated as lapsed options which will be added back to the number of shares available to be issued under the CITIC Telecom International Plan.

(iv) The total expense recognised in the consolidated income statement for the year ended 31 December 2014 in respect of the above grants of options was $Nil (2013: $50,229,000).

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	2014 $'000	2013 $'000
Interim dividend declared and paid of HK 2.7 cents (2013: HK 2.4 cents) per share	90,363	79,544
Final dividend proposed after the balance sheet date of HK 8.6 cents (2013: HK 7.6 cents) per share	288,588	252,566
	378,951	332,110

For the interim dividend in respect of the period ended 30 June 2014, there was a difference of $247,000 between the interim dividend disclosed in 2014 interim report and the amount paid during the year ended 31 December 2014, which represented dividends attributable to shares issued upon exercise of share options before the closing date of register of members.

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

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

	2014 $'000	2013 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK 7.6 cents (2013: HK 7.2 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 year ended 31 December 2014, which represented dividends attributable to shares issued upon exercise of share options before the closing date of the register of members.

25 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Share capital

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.

	Note	2014 No. of shares	2014 Amount $'000	2013 No. of shares	2013 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 or after 3 March 2014	(ii)	25,655,986	66,254	–	–
Rights issue	(iii)	–	–	903,723,326	90,372
At 31 December	(i)	3,355,674,412	3,780,941	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 year ended 31 December 2014, 32,432,054 (2013: 32,843,662) ordinary shares were issued at a weighted average exercise price of $2.00 (2013: $1.74) 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.

25 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share premium and capital redemption reserve

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 25(b)). The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

(d) Capital reserve

The capital reserve represents the portion of the grant date fair value of unexercised share options granted to directors or employees of the Group under the Company's share option plan that has been recognised in accordance with the accounting policies adopted for share-based payments set out in note 1(p)(iii).

(e) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 1(t).

(f) Distributability of reserves

At 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the new Hong Kong Companies Ordinance (Cap. 622), was $1,100,541,000 (2013: $893,262,000). After the balance sheet date, the directors proposed a final dividend of HK8.6 cents (2013: HK7.6 cents) per share, amounting to $288,588,000 (2013: $252,566,000). This dividend has not been recognised as a liability at the balance sheet date.

(g) Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of $544,408,000 (2013: $383,304,000) for the year ended 31 December 2014 which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2014 **$'000**	2013 $'000
Amount of consolidated loss attributable to equity shareholders dealt with in the Company's financial statements	(544,408)	(383,304)
Interim/final dividends from subsidiaries and an associate attributable to the profits of the current/previous financial year, approved and paid during the year	1,095,191	616,726
Company's profit for the year	550,783	233,422

Details of dividends paid and payable to equity shareholders of the Company are set out in note 25(a).

25 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(h) Capital management

The Group's primary objective on capital management is to safeguard the Group's ability to continue as a going concern, while at the same time continues to provide returns for shareholders.

The Group regularly reviews its capital structure to maintain a balance between the enhancement of shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Adjustments are made to the capital structure as necessary in response to changes in economic conditions.

The capital structure of the Group consists of its total equity attributable to equity shareholders of the Company, comprising share capital and reserves as disclosed in the consolidated financial statements. The Group's gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank deposits. Total capital is total equity attributable to shareholders, as shown in the consolidated balance sheet, plus net debt.

The Group's net gearing ratios at 31 December 2014 and 2013 are as follows:

	2014 $'000	2013 $'000
Total bank and other borrowings	7,967,586	7,716,565
Less: cash and bank deposits	(1,396,892)	(856,076)
Net debt	6,570,694	6,860,489
Total equity attributable to equity shareholders of the Company	6,568,358	6,163,271
Total capital	13,139,052	13,023,760
Net gearing ratio	50%	53%

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

26 ACQUISITIONS OF SUBSIDIARIES

(a) On 13 January 2013, the Company entered into two sale and purchase agreements with Sable Holding Limited (a wholly-owned subsidiary of Cable & Wireless Communications Plc) and Portugal Telecom, SGPS, S.A., PT Participações SGPS, S.A. and PT Comunicações, S.A. (collectively referred to as the "Sellers") respectively to acquire their entire equity interests in CTM (being a total of 79% equity interest), for a total cash consideration of US$1,161,300,000 (approximately $9,058,140,000), subject to adjustments as set out in the relevant sale and purchase agreements (together referred to as the "Acquisitions"). The adjusted consideration was US$1,250,193,000 (approximately $9,751,506,000), which was 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 held a 99% equity interest in CTM and its subsidiaries (collectively referred to as the "CTM Group"), which became subsidiaries of the Company.

(b) The Group completed another acquisition at a consideration of $3,058,000 during the year ended 31 December 2013. Considering the cash acquired from this acquisition, the net outflow of cash and cash equivalents in respect of this acquisition was $3,042,000. Since it is relatively immaterial to both the Group's financial position and results, details of this acquisition were not separately disclosed.

26 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(c) Companies that were acquired in 2013 contributed in aggregate $2,472,266,000 and $419,271,000 to the Group's revenue and profit for the year respectively from the date of acquisition to 31 December 2013. The effect on revenue and profit of the acquired companies as if the acquisitions had occurred at the beginning of the year ended 31 December 2013 to the Group were $4,566,267,000 and $821,855,000 (including the share of profit of an associate) respectively.

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

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

	Acquiree's carrying amount before combination $'000	Fair value adjustments $'000	Fair value $'000
Property, plant and equipment (note 11(a))	838,655	66,188	904,843
Intangible assets	7,978	2,330,160	2,338,138
Other non-current assets	728	–	728
Inventories	135,741	–	135,741
Trade and other receivables and deposits	392,209	–	392,209
Cash and bank deposits	859,562	–	859,562
Trade and other payables	(706,805)	–	(706,805)
Current tax payable (note 7(b))	(195,803)	–	(195,803)
Net defined benefit retirement obligation (note 23(a))	(90,783)	–	(90,783)
Deferred tax assets/(liabilities) (note 7(c)(i))	11,494	(287,562)	(276,068)
Net identifiable assets and liabilities	1,252,976	2,108,786	3,361,762
Non-controlling interests arising from the Acquisitions			(33,618)
Goodwill on the Acquisitions (note 13(a) and note (c)(ii))			8,892,097
Fair value of previously held 20% equity interest in CTM Group (note (c)(iii))			(2,468,735)
			9,751,506
Satisfied by:			
Cash paid			9,751,506
Cash consideration paid			9,751,506
Cash and cash equivalents acquired			(859,562)
Net outflow of cash and cash equivalents in respect of the Acquisitions of CTM Group			8,891,944

26 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(c) (Continued)

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

(iii) The gain on deemed disposal of previously held 20% equity interest in CTM Group of $1,116,298,000 (note 5) was measured as the excess of the fair value of the 20% equity interest in CTM Group of $2,468,735,000 at 20 June 2013 over the carrying amount of the 20% equity interest previously held in CTM Group of $1,352,280,000 (note 15(a)) at 20 June 2013, the share of reserve of CTM Group in previous years of a negative balance of $11,293,000 and the release of exchange reserve upon deemed disposal of the 20% equity interest previously held in CTM Group of $11,136,000 in accordance with HKFRS 3 (Revised), Business combinations.

(d) Payment for the acquisition of subsidiaries (net of cash and cash equivalents acquired) for the year ended 31 December 2013:

	2013 $'000
Acquisitions of CTM Group (note (c)(i))	8,891,944
Acquisition of another subsidiary (note (b))	3,042
	8,894,986

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

The Group has a certain concentration of credit risk of the total trade debtors due from the Group's largest customer and the five largest customers are as follows:

	2014 %	2013 %
Due from the Group's largest customer	40.7	37.7
Due from the Group's five largest customers	48.1	46.2

Financial guarantee given by the Group and the maximum exposure to credit risk in respect of financial guarantees at the balance sheet date is disclosed in note 29(a).

(b) Liquidity risk

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

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay.

(i) The Group

	2014						2013					
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total contractual undiscounted cash flow $'000	Carrying amount at 31 December $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total contractual undiscounted cash flow $'000	Carrying amount at 31 December $'000
Trade and other payables	2,088,566	–	–	–	2,088,566	2,088,566	1,871,540	–	–	–	1,871,540	1,871,540
Bank loans	100,090	–	–	–	100,090	100,000	100,391	–	–	–	100,391	100,000
Non-current interest-bearing borrowings	307,273	2,216,898	3,265,437	4,687,605	10,477,213	7,867,586	302,394	302,394	5,036,594	4,901,715	10,543,097	7,616,565
	2,495,929	2,216,898	3,265,437	4,687,605	12,665,869	10,056,152	2,274,325	302,394	5,036,594	4,901,715	12,515,028	9,588,105

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (Continued)

(ii) The Company

	2014						2013					
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total contractual undiscounted cash flow $'000	Carrying amount at 31 December $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total contractual undiscounted cash flow $'000	Carrying amount at 31 December $'000
Other payables and accruals	71,407	–	–	–	71,407	71,407	58,551	–	–	–	58,551	58,551
Bank loans	100,090	–	–	–	100,090	100,000	100,391	–	–	–	100,391	100,000
Amounts due to subsidiaries	354,709	219,512	660,679	4,811,617	6,046,517	3,613,858	314,393	219,191	659,585	4,917,152	6,110,321	3,458,774
Non-current interest-bearing borrowings	93,163	2,002,788	2,623,107	–	4,719,058	4,390,746	88,284	88,284	4,394,264	–	4,570,832	4,142,984
	619,369	2,222,300	3,283,786	4,811,617	10,937,072	8,176,011	561,619	307,475	5,053,849	4,917,152	10,840,095	7,760,309

(c) Interest rate risk

The Group is exposed to cashflow interest rate risk arising from the Group's holding of cash and bank deposits, bank loans and other borrowings which are interest-bearing at fixed or floating rates. The management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's interest-earning financial assets, bank loans and other interest-bearing borrowings at the balance sheet date:

	The Group				The Company			
	2014		2013		2014		2013	
	Effective interest rate %	$'000	Effective interest rate %	$'000	Effective interest rate %	$'000	Effective interest rate %	$'000
Fixed rate borrowings		(3,476,840)		(3,473,581)		(3,478,340)		(3,363,269)
Variable rate borrowings:								
Bank loans	2.53	(4,490,746)	2.51	(4,242,984)	2.53	(4,490,746)	2.51	(4,242,984)
		(7,967,586)		(7,716,565)		(7,969,086)		(7,606,253)
Cash and bank deposits	0.45	1,396,892	0.26	856,076	0.90	571,760	0.74	76,289
Net debt		(6,570,694)		(6,860,489)		(7,397,326)		(7,529,964)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2014, it is estimated that interest rates will not decrease and a general increase of 50 (2013: 50) basis points in interest rates, with all other variables held constant, would have decreased the Group's profit for the year and retained profits by approximately $15,469,000 (2013: $16,935,000). Other components of consolidated equity would not be affected (2013: $Nil) by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit for the year and retained profits that would arise assuming that the change in interest rates had occurred at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit for the year and retained profits is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for 2013.

(d) Currency risk

(i) The Group is exposed to currency risk primarily through sales and purchase which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operation to which the transactions relate.

Certain operating companies of the Group have certain transactions in USD and the telecommunications services provided by these companies to their customers in the PRC represent a significant portion of their turnover. The operating currency of these PRC customers is mainly RMB. RMB is not freely convertible into foreign currencies.

The Group's other assets, liabilities and transactions are mainly denominated in HKD, USD, RMB or MOP.

(ii) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HKD, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded. The Company had no significant exposure to currency risk at the balance sheet date.

The Group

	2014 RMB $'000	2013 RMB $'000
Trade and other receivables and deposits	160,819	51,611
Cash and bank deposits	61,748	32,852
Trade and other payables	(172,630)	(66,423)
	49,937	18,040

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (Continued)

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit for the year and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. In this respect, as the HKD is linked to the USD and the MOP is pegged to the HKD, the Group does not expose to significant currency risks arising from USD and MOP denominated balances and transactions. Other components of consolidated equity would not be affected (2013: $Nil) by the changes in the foreign exchange rates.

The Group

	2014		2013	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit for the year and retained profits $'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit for the year and retained profits $'000
RMB	5%	2,594	3%	615

Results of the analysis as presented in the above table represented an aggregation of the instantaneous effects on each of the Group's entities' profit for the year and equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2013.

(e) Fair values

No disclosure of fair value is required as all of the Group's financial instruments are carried at amounts not materially different from their fair values at 31 December 2014 and 2013.

NOTES TO THE FINANCIAL STATEMENTS

28 COMMITMENTS

(a) Capital commitments

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

	The Group	
	2014	2013
	$'000	$'000
Contracted for	348,558	239,553
Authorised but not contracted for	276,422	163,129

The Company had no capital commitments at 31 December 2014 and 2013.

(b) Commitments under operating leases

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Land and buildings				
Within 1 year	62,152	46,871	145	1,472
After 1 year but within 5 years	67,915	21,366	–	145
	130,067	68,237	145	1,617
Leased circuits				
Within 1 year	88,036	44,741	–	–
After 1 year but within 5 years	4,334	4,951	–	–
	92,370	49,692	–	–

The leases typically run for an initial period of 1 to 5 years, with an option to renew the lease when all terms are renegotiated. None of these leases includes contingent rentals.

29 FINANCIAL GUARANTEES AND PERFORMANCE BONDS AND GUARANTEE

(a) Financial guarantees

(i) At 31 December 2014, the Company provided an unconditional and irrevocable guarantee in respect of the Guaranteed Bonds issued by a wholly-owned subsidiary of the Company (see note 22(b)). At 31 December 2014, the directors do not consider it probable that a claim will be made against the Company under this guarantee. The maximum liability of the Company at the balance sheet date is the outstanding balance of the borrowing of $3,510,000,000.

(ii) At 31 December 2014, the Company has issued a guarantee in respect of a loan made to a subsidiary by another subsidiary of the Company. At 31 December 2014, the directors do not consider it probable that a claim will be made against the Company under this guarantee. The maximum liability of the Company at the balance sheet date is the outstanding balance of the loan of $855,460,000.

(iii) The Company has not recognised any deferred income in respect of the above guarantees as the fair value cannot be reliably measured using observable market data and the transaction price was $nil.

(b) Performance bonds and guarantee

(i) At 31 December 2014, performance bonds provided to the Macau Government and other customers for which no provision has been made in the consolidated financial statements amounted to $67,874,000 (2013: $94,214,000). At 31 December 2014, the directors do not consider it probable that a claim will be made against the Group under any of the performance bonds. The maximum liability of the Group at the balance sheet date is the total amount guaranteed by the performance bonds of $67,874,000 (2013: $94,214,000).

(ii) At 31 December 2014, the Company has issued a guarantee of $34,366,000 to a contractor for the performance of its subsidiary under a construction contract. At 31 December 2014, the directors do not consider it probable that a claim will be made against the Company under this guarantee. The maximum liability of the Company and the Group at the balance sheet date is the guaranteed amount of $34,366,000.

30 MATERIAL RELATED PARTY TRANSACTIONS

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

(i) Recurring transactions

	2014 $'000	2013 $'000
Telecommunications services and related expenses paid/payable to		
– fellow subsidiaries	10,313	4,039
– an associate of the ultimate holding company	8,143	–
Professional fees paid/payable to controlling shareholders for the provision of internal audit and company secretarial services	4,550	4,330
Operating lease charges, building management fees, water and electricity fees, air conditioning charges and car parking spaces rental paid/payable to fellow subsidiaries	25,749	24,121

The directors are of the opinion that the above transactions with related parties were conducted on normal commercial terms in the ordinary course of business and the terms are fair and reasonable so far as the shareholders of the Company are concerned. The professional fees paid by the Group were reimbursement of costs incurred by the related party, the price which the Group paid for the relevant services were fair and reasonable with reference to market price.

30 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

(ii) Non-recurring transactions

	2014 $'000	2013 $'000
Transaction costs paid/payable to an affiliate	–	41,326

During the year ended 31 December 2013, the Group entered into a facility agreement with a group of banks where one of the banks is a fellow subsidiary. Pursuant to the facility agreement, the fellow subsidiary agreed to make available to the Group a loan facility of up to US$20,000,000 (approximately $156,000,000). The loan bore interest at the prevailing market rates and was fully repaid at 31 December 2013.

(iii) Trade and other receivables and deposits

	2014 $'000	2013 $'000
Advance payment paid to the ultimate holding company for the acquisition of the remaining equity interest in a subsidiary, included in – Trade and other receivables and deposits	78,576	78,841

(iv) Commitments under operating leases payable to fellow subsidiaries

The total future minimum lease payments under non-cancellable operating leases relating to land and buildings are payable as follows:

	2014 $'000	2013 $'000
Within 1 year	13,118	14,796
After 1 year but within 5 years	4,024	4,958
	17,142	19,754

The leases related to the fellow subsidiaries run for an initial period of 2 to 3 years and the related commitments are included in note 28(b).

(v) Commitments under funding and loan support agreement to a fellow subsidiary

On 25 April 2014, the Company and a fellow subsidiary entered into a funding and loan support agreement pursuant to which the Company agreed to provide funds of not more than RMB200,000,000 (equivalent to approximately $250,000,000) to the fellow subsidiary at any time during the two years commencing on the date of the funding and loan support agreement if and when a shortage of funds arises in the operation of a network in the PRC. The funding support may be provided by other means of financial assistance as agreed between the parties in order to comply with the prevalent laws and regulations in the PRC. During the year ended 31 December 2014, the Company did not provide any fund or other financial assistance to the fellow subsidiary under the funding and loan support agreement as no request of fund or other financial assistance was received from the fellow subsidiary.

30 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 organisation (collectively referred to as "government-related entities").

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

– rendering and receiving services; and

– financial services arrangements.

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

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

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

	2014 $'000	2013 $'000
Interest income from bank deposits	3,108	7,056
Interest expenses on interest-bearing borrowings	22,918	24,443
Fees received/receivable from the provision of telecommunications services	1,329,189	1,083,539
Fees paid/payable for network, operations and support services	(999,491)	(907,777)
Purchase of property, plant and equipment	(36,729)	(34,545)

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

	2014 $'000	2013 $'000
Bank deposits	536,796	290,482
Trade debtors	796,680	720,866
Trade and other payables	(316,019)	(367,452)
Interest-bearing borrowings	(924,725)	(690,497)

The interest-bearing borrowings from state-controlled banks at 31 December 2014 bore interest at the prevailing market rates.

30 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

(iii) Commitments under operating leases payable to other government-related entities in the PRC

The total future minimum lease payments under non-cancellable operating leases relating to leased circuits are payable as follows:

	2014 $'000	2013 $'000
Within 1 year	43,412	21,323

The leases related to the other government-related entities typically run for an initial period of 1 year and the related commitments are included in note 28(b).

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid/payable to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2014 $'000	2013 $'000
Short-term employee benefits	47,188	35,605
Share-based payments	–	11,882
Post-employment benefits	882	667
	48,070	48,154

Total remuneration is included in "staff costs" (see note 6(b)).

31 NON-ADJUSTING POST BALANCE SHEET EVENTS

After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 25(a).

32 IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTY

At 31 December 2014, the directors consider the immediate parent and the ultimate controlling party of the Group to be Ease Action Investments Corp., which is incorporated in the British Virgin Islands, and CITIC Group Corporation, which is a wholly state-owned company in the PRC, respectively. The intermediate holding company, CITIC Limited, which is incorporated and listed in Hong Kong, produces financial statements available for public use.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKAS 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*	1 January 2018

The Group is in the process of making an assessment of what the impact of these development is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began 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 Companies Ordinance on the consolidated financial statements 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 consolidated financial statements.

GLOSSARY

Cloud/Cloud computing	Cloud/Cloud computing is a model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (e.g. networks, servers, storage, applications and services etc.) that can be rapidly provisioned and released with minimal management effort or service provider interaction
ICT	Information and Communications Technology (ICT), an umbrella term that includes any communication device or application, encompassing: radio, television, cellular phones, computer and network hardware and software, satellite systems etc, as well as the various services and applications associated with them
IOSMS	Inter-Operator SMS (IOSMS) is the service provide to Mobile Network Operators within Hong Kong
IPX	IP Packet Exchange (IPX), a network architecture connecting carriers and operators to provide a private interconnection that can support both bilateral and multilateral types of connections
ITFS	International Toll Free Service (ITFS) provides individual special telephone number in each of the requested country which is free for the calling party, and instead the telephone carrier charges the called party for the cost of the call
LTE	Long-term evolution (LTE), marketed as 4G LTE, is a standard for wireless communication of high-speed data for mobile phones and data terminals
Mobile VAS	Mobile Value-Added Service (Mobile VAS) is a suite of services provided to Mobile Network Operators for non-core services
MPLS VPN	MPLS VPN is a service to provide Virtual Private Networks (VPNs) over the Multiprotocol Label Switching (MPLS) backbone
MVNE(s)	Mobile Virtual Network Enabler(s) (MVNE(s)) provides business infrastructure solutions to mobile virtual network operators (MVNO)
MVNO	A mobile virtual network operator (MVNO) is a wireless communications services provider that does not own the radio spectrum or wireless network infrastructure over which the MVNO provides services to its customers
OTT	Over-the-top (OTT) refers to the delivery of content and/or services over an infrastructure that is not under the same administrative control as the content or service provider
PBX	Private Branch Exchange (PBX), a telephone exchange that serves a particular business or office
PoP(s)	Point(s)-of-Presence (PoPs), connection facilities co-located in the data centres of other telecoms operators that consist primarily of transmission equipment with which calls and data are routed to and from the Group's hub
SIMN	Single IMSI Multiple Number (SIMN) service, a Mobile VAS which allows mobile operators' subscribers to hold multiple overseas mobile phone numbers on their existing SIM cards, providing frequent travellers and mobile roamers the choice of saving roaming charges in SIMN-enabled regions

SMS	Short Message Service (SMS), a service available on most digital mobile phones that permits the sending of short messages between mobile phones, other handheld devices and even landline telephones
VPN	Virtual Private Network (VPN), a network that uses a public telecommunication infrastructure, such as the Internet, to provide remote offices or individual users with secure access to their organisation's network
WiFi/Wi-Fi	WiFi/Wi-Fi is a popular technology that allows an electronic device to exchange data wirelessly (using radio waves) over a computer network, including high-speed Internet connections. The Wi-Fi Alliance defines Wi-Fi as any "wireless local area network (WLAN) products that are based on the Institute of Electrical and Electronics Engineers' (IEEE) 802.11 standards"

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WEBSITE

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

STOCK CODES

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

SHARE REGISTRARS

Shareholders should contact our Registrars, Tricor Investor Services Limited, 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.

FINANCIAL CALENDAR

Closure of Register:	17 April 2015 to 21 April 2015 and 27 April 2015 to 29 April 2015
Annual General Meeting:	21 April 2015, 10:30 a.m. JW Marriott Ballroom, Level 3 JW Marriott Hotel Hong Kong Pacific Place, 88 Queensway Hong Kong
Final Dividend Payable:	11 May 2015

ANNUAL REPORT 2014

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

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

Non-shareholders who wish to receive a copy of the Annual 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.

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