中信國際電訊
CITIC TELECOM INTERNATIONAL
A member of CITIC Group Corporation
STOCK CODE:1883

CONNECTING THE WORLD
WITH QUALITY SERVICES

INTERIM REPORT 2016

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 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

To become an Internet-oriented telecommunications company; enabling connections anytime and anywhere, among people, among things, and among each other; enhancing the driving force for the advancement of society and a higher quality of life.

MISSION

- Rooted in Mainland China, taking Hong Kong and Macau as the base and connection, providing communications services with global coverage.
- 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

MILESTONES

Month	Events
January 2016	• CITIC Telecom International CPC Limited ("CPC") received the Grand Award and four Product Awards from "Sing Tao Daily IT Square Editors' Choices 2015" in Hong Kong – Grand Award: ➢ The Best Integrated ICT Services Partner – Four Product Awards: ➢ The Best Managed Security Services Provider ➢ The Best Cloud Infrastructure Service Provider ➢ The Best Cloud Backup Solutions Provider ➢ The Best Enterprise Cloud Datacenter Provider • Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") was awarded the management and maintenance services for Telecommunications and Navaids system at Macau airport
March 2016	• Established direct IPX connections to a Taiwan mobile network operator (MNO) • CPC received 2015 Best IT Candidate Award from Information Management Association of R.O.C. (IMA) – The Best Information Security Practitioner • CTM completed initial platform development of "Macau Good Hands" and starts to gain practical operational experience for online shopping from internal trial. This project targets to enhance the competitiveness in SME sector by extending business from offline to online and vice versa. Official launch is expected by the end of this year • CTM collaborated with a Hong Kong operator to launch the pioneer 4G+ "City Link Plan (Macau & HK)" Service Plan, which provides convenience in telecoms services for customers, including savings in roaming data and international calls • Through the cooperation with a Hong Kong operator, CTM is able to extend its Wi-Fi hotspots to Hong Kong seamlessly, CTM's customers can access Wi-Fi service at more than 16,000 Wi-Fi hotspots located in both cities • CTM was contracted to provide summer activity registration services to the Macau SAR Government for the 15th consecutive year
April 2016	• Launched Macau Day Plan for a China MNO • CTM was continuously awarded the "The Best Telecommunication Service and Brand" in "Macau Elite Service Award 2015" as a recognition of its quality services in the industry • CTM won the phase two and three transmission network projects from the Macau SAR Government
May 2016	• Mobile Virtual Network Operator (MVNO) launched 4G data roaming service in Macau • CPC won "Platinum Brand 2016 – Cloud Computing Solution" organised by PC3 magazine, Hong Kong • CTM formed collaborative partnership to launch "CTM JOOX" Music Service in Macau which allows customers to enjoy a new music experience

Month	Events
June 2016	• Established direct IPX connections to a South-East Asia MNO • Awarded "Best Business Cooperative Partner" from a China operator • Won "Customer Relationship Excellence (CRE) Award 2015" from Asia Pacific Customer Service Consortium winning categories: – China Enterprise ICT Solutions Limited ➢ Customer Service Professional of the Year (Network Communications – Service Centre) ➢ Customer Service Team Leader of the Year (Network Communications – Contact Centre) – CPC ➢ Customer Service Manager of the Year (Network Communications – Service Centre) ➢ CRM Manager of the Year (Network Communications) • CPC won "Managed Security Services Provider" at the "Computerworld Hong Kong Awards 2016" for the 5th consecutive year by Computerworld Hong Kong • CPC won "The Distinguished Salesperson Award (DSA)" from Hong Kong Management Association for the 13th consecutive year • CPC won "Managed Security Services" at the "Information Management Awards 2016" by NetworkWorld Asia, Singapore • CTM successfully completed online video broadcasting for International Dragon Boat Races • Commercial video from Education and Youth Affairs Bureau for International Student Dancing Festival was played in CyberCTM and it was the first commercial video after adding life magazine style contents • CTM was the first operator to launch 4G VoLTE (Voice over LTE) and ViLTE (video over LTE) in Macau, this enhances the speed and quality of communications experience for the 4G+ customers • CTM was awarded the CCTV system from a major gaming enterprise on the Cotai Strip in Macau

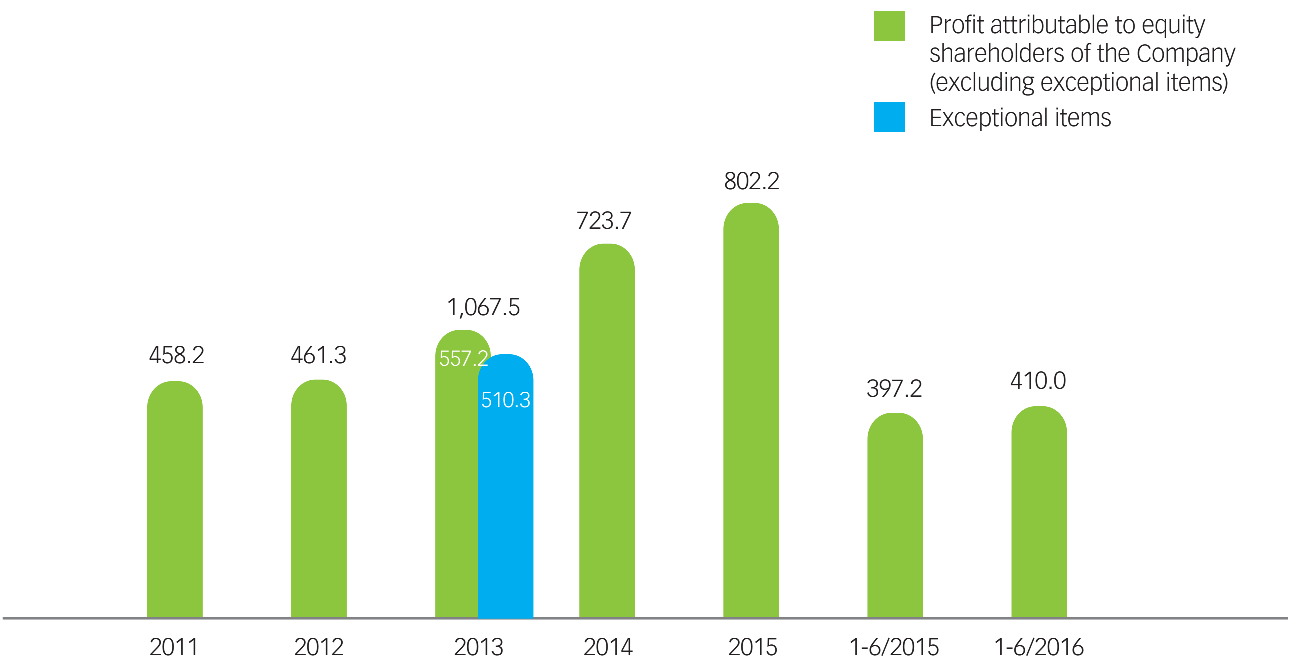
FINANCIAL HIGHLIGHTS

In HK$ million	Half year ended 30 June 2016	2015	
Turnover	**3,823.6**	4,350.3	Decrease 12.1%
Profit attributable to equity shareholders of the Company	**410.0**	397.2	Increase 3.2%
EBITDA#	**997.8**	987.0	Increase 1.1%
Earnings per share (HK cents)			
Basic	**12.1**	11.8	Increase 2.5%
Diluted	**12.0**	11.7	Increase 2.6%
Dividend per share (HK cents)			
Interim dividend	**2.85**	2.80	Increase 1.8%

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

Profit Attributable to Equity Shareholders of the Company

HK$ million



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

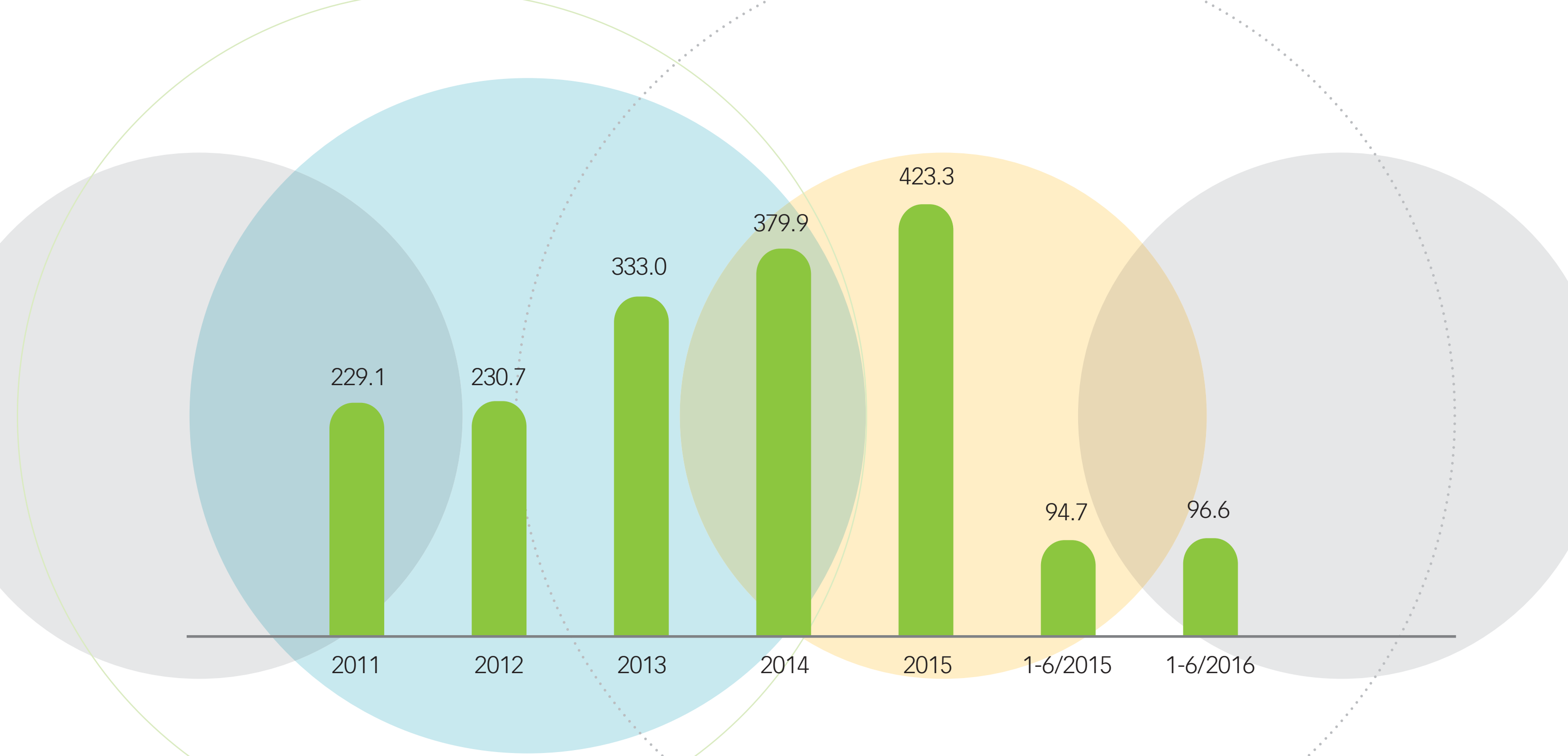
In HK$ million	30 June 2016	31 December 2015	
Total assets	**16,676.5**	16,982.5	Decrease 1.8%
Total equity attributable to equity shareholders of the Company	**7,127.3**	7,029.4	Increase 1.4%
Total bank and other borrowings	**7,172.8**	7,472.5	Decrease 4.0%
Less: Cash and bank deposits	**(1,158.4)**	(1,223.0)	Decrease 5.3%
Net debt	**6,014.4**	6,249.5	Decrease 3.8%
Net gearing ratio *	**46%**	47%	Decrease 1.0%

* 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

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

HK$ million



Note: The dividends payable to equity shareholders of the Company for the period ended 30 June 2016 includes interim dividend payable based on the number of shares in issue at 30 June 2016 which may differ from the number of shares at the closing date of the register of members.

CHAIRMAN'S STATEMENT

I am pleased to present the operating and financial results of CITIC Telecom International Holdings Limited (the "Group") for the first six months of 2016. During the first half of 2016, the outlook of the global economy remained unoptimistic in general, as developed economies were plagued by insufficient effective demand, while emerging-market economies also faced the problem of slowdown in overall economic growth. Amid a complicated economic environment, the Group reported swift development in its Internet business and enterprise solutions business, as it vigorously advanced its projects in accordance with a working principle underlined by the pursuit of change, innovation and advancement in a prudent manner. Our operating results show a trend of steady progress with prospects for improvement, capped by stable profit growth.

I. FINANCIAL RESULTS

The Group reported total revenue of HK$3,823.6 million for the first half of 2016, representing a decrease of 12.1% over the corresponding period of the previous year, which was mainly attributable to the decline in mobile phone sales. Profit attributable to equity shareholders of the Group was HK$410.0 million, increasing by 3.2% compared to the corresponding period of the previous year.

Basic earnings per share amounted to HK12.1 cents, representing an increase of 2.5% compared to the corresponding period of the previous year.

The Board declared an interim dividend of HK2.85 cents per share for 2016, representing a 1.8% growth over the corresponding period of the previous year.

II. BUSINESS DEVELOPMENT

During the first half of the year, the Group seized opportunities for development and continued to sustain growth in its core businesses and operating results as it prudently advanced its key operations and carried out pro-active marketing with the benefit of innovative ideas and refined strategic measures, in accordance with the strategy of "building foundation in the Mainland market while accelerating expansion in and geographic coverage of international markets via Hong Kong and Macau as bases and connections".

In connection with its mobile business, the Group placed a strong emphasis on improving the quality of its 4G network. Following the commissioning of its 4G+ mobile network during the final quarter of last year as the first of its kind in Macau, Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") rolled out its 4G network expansion and upgrade of network, striving to provide better services to its customers. To meet the requirements arising from the increasing interaction and closer economic and trade cooperation among the Mainland, Hong Kong and Macau, CTM launched a Mainland-Hong Kong-Macau data and Wi-Fi sharing plan in partnership with the Mainland and Hong Kong telecommunications carriers, and has become the first carrier in Macau to provide such service. Through this plan, CTM's data and Wi-Fi services were extended to the Mainland and Hong Kong, where CTM customers could securely access local data services as well as over 4 million Wi-Fi hotspots in the Mainland and Hong Kong as if they were in Macau. Wi-Fi roaming was also made available to mobile service customers from the Mainland and Hong Kong visiting Macau. Moreover, the Group added more than 50 overseas network providers to its list of roaming service partners offering concessions, most of which relating to data roaming. During the first half of the year, reciprocal incoming/outgoing visitor services commenced with 27 4G network providers covering 23 countries/regions. CTM successfully completed VoLTE and ViLTE technical tests in cooperation with Samsung and Apple and became the first operator to launch 4G VoLTE voice and

ViLTE video-communication services in Macau, offering customers the experience of higher-quality voice and video communication. During the first half of the year, CTM reported rapid growth in its 4G customer base and was ranked first in Macau in terms of market share. "DataMall 自由行", a global data flow volume trading platform launched by the Group, provided services to the major mobile telecommunications carriers in China. It was marketed on a number of third-party vendor platforms and both of its user base and usage volume have been rapidly expanding.

In connection with the Internet business, our cloud computing data centre in Baoshan, Shanghai reported satisfactory sales. To support our business expansion, we are planning to build two additional cloud computing data centres in Beijing and Guangzhou respectively, to meet the enormous demand in the PRC market. We have also implemented network interconnection with the three major domestic telecommunications providers to expand the coverage of our Internet service, enlarge our bandwidth and increase our Internet traffic flow. Following diligent efforts, the CTM optical fibre network completed 100% full coverage of all buildings during the first half of the year, while the number of residential optical fibre broadband users grew by 31.6% as compared to the figures in the beginning of the year. The Group's Internet business also benefited from the strong occupancy rate of its data centre in CITIC Telecom Tower. At present, the Group has planned to convert the remaining floors of CITIC Telecom Tower into data centres in order to enhance the serviceability of the Group in its data centre business.

In connection with enterprise solutions business, CTM reported sound growth in the local lease line and international lease line operations under its fixed-line data business, as it acquired multiple work contracts from a number of enterprises in Macau. There were also new breakthroughs in the Group's business in enterprise solutions. To address the increasing demand from PRC and overseas users for greater bandwidth and to ensure network coverage and the availability of back-up capacity, the Group carried out the upgrade and expansion of its backbone networks, and established new PoPs in the Mainland China, Asia Pacific and Europe, taking the total number of its global PoPs to over 100. In the meantime, the Group built a cloud computing service centre in each of Tokyo and Taichung, such that 10 cloud computing service centres are now operating to provide strong support for the development of the Group's enterprise solutions. CITIC Telecom International CPC Limited ("CPC") also continued to work with 中信網絡有限公司 (CITIC Networks Co., Ltd.) ("CITIC Networks"), leveraging the latter's "奔騰一號", an optical fibre backbone network in Mainland China, and its equipment based on Ethernet technologies to provide corporate customers with high bandwidth, inter-provincial point-to-point connections via Ethernet lease lines. Meanwhile, CPC also entered into a strategic cooperation framework agreement with CITIC Networks and another Internet company for cooperation in data transmission and communication, global content transmission network services, data centre development and operation and other value-added services (such as cloud products and services), which would jointly enhance and optimise the efficiency of services in general.

In April this year, the Group announced its acquisition of a telecommunications company ("Linx Co.") under Linx Telecommunications Holding B.V., an entity located in Europe. The network of the acquired company covers 24 PoPs in 15 cities of 14 countries across Eastern Europe, the Baltic Sea region, Russia and Central Asia. Following the completion of the acquisition, the Group's business reach will be extended to the telecommunications markets of Eurasia, and its overall capability in such regions will be enhanced as a result. The Group is expanding its business to broader overseas markets in line with China's "One Belt One Road" strategy.

In connection with international telecommunications services, the impact of the development and popular use of Internet applications on traditional telecommunications voice and SMS businesses had constantly emerged. During the first half of the year, the voice and SMS businesses of both PRC and overseas telecommunications carriers declined continuously. In an effort to address such market changes, the Group adopted various measures and procured the proper conduct of related operations. Through the development of mobile NRS, OTA technologies, A2P messaging and SMS firewall services, we have endeavoured to manage our international voice and SMS businesses within a controllable level. Revenue from our A2P messaging services continued to grow, as we made strong efforts to seize market opportunities ahead of others through the development of mobile NRS and OTA technologies. The Group has remained a leader in international voice and SMS businesses in terms of market share.

In connection with fixed-line voice services, the local user base and revenue of CTM's fixed-line service remained stable, as CTM continued to account for 100% market share in Macau.

The Group placed a strong emphasis on corporate social responsibility, and has actively involved in community welfare campaigns organised by the government and other social groups. Leveraging its technical and other resources, the Group worked with different public charity groups to help people in need through different social welfare programmes, in an effort to promote community welfare and charity. In this regard, the Group and its subsidiaries received a number of honours in the first half of 2016, as they were highly commended by relevant social groups, government authorities and fellow industry players.

III. OUTLOOK

We have already fully implemented the advancement of various tasks in an orderly manner in accordance with our working plan. The Group has clear strategic targets and effective measures to cope with challenges. With a strong determination in innovation development, our Group will be advanced to a new and higher level with full striving efforts. We can see clearly that the complexity and changing nature of the current overall situation and environment of the telecommunications market have brought a great challenge to the business development of the Group. However, more opportunities have been brought to the Group for its development at the same time. The prosperous development of the Internet technology and the popular application of Big Data have provided the Group with an invaluable opportunity to develop new types of business. The rapid expansion of mobile business and Internet business of the Group has enhanced its development potential and stamina in the integrated capability of the Group.

The Group will continue to procure the completion of various post-merger tasks following the acquisition of Linx Co. (Eurasia Project). We will put an emphasis on allowing and mobilising our overseas teams to exploit their pro-active motivation and enthusiasm in innovation. At the same time, by consolidating various businesses and networks, and amplifying efforts in market development, business coverage in global VPN, Internet, Internet of things, cloud application and Big Data services will be established. With a faster pace in launching new value-added products, and with the provision of a much better quality service to customers, the global competitiveness will be further enhanced.

We will work hard to broaden our perspectives, develop new businesses and conduct research on new products. We will continue to develop business cooperation and apply marketing promotion for our "DataMall 自由行" project, while endeavours will be made to nurture new niches for business growth. We will complete the relevant work for the acquisition of the remaining floors of CITIC Telecom Tower within this year, in order to build a solid foundation for the development of modernised and large-scale data centres. Meanwhile, we will continue to proceed with the acquisition of stakes in CITIC Networks, and to exploit synergistic effect with CITIC Networks with a view to bringing fruitful benefits as soon as possible.

Considering from the perspective of long term development, the Group will closely monitor market fluctuations and will look for and seize profitable investment opportunities in a pro-active and prudent manner. The Group will relentlessly expand its own development strength.

I firmly believe that, with the support of the shareholders and the guidance of the board of directors, our team will continue to drive innovation and sustainable development in a pro-active manner, making relentless efforts to ensure the achievement of new milestones by the Company.

Xin Yue Jiang
Chairman

Hong Kong, 16 August 2016

ONE STOP SOLUTION

FINANCIAL REVIEW

OVERVIEW

The Group's turnover decreased by 12.1% from HK$4,350.3 million in the six months ended 30 June 2015 to HK$3,823.6 million for the first half of 2016. The Group sustained strong growth in both Internet services and enterprise solutions, but weaker mobile sales and the continued decline in revenue for the more traditional services has resulted in an overall decrease in turnover.

Profit attributable to equity shareholders and basic EPS amounted to HK$410.0 million and HK12.1 cents respectively which represented a corresponding increase of 3.2% and 2.5% when compared with the same period of 2015.

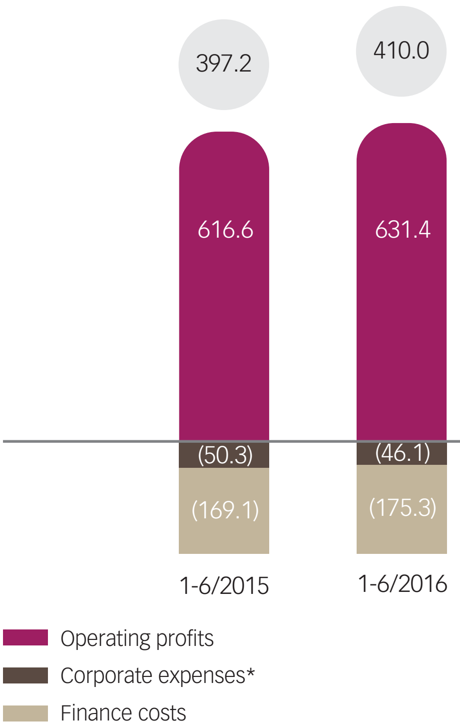
Summary of Financial Results

	Half year ended 30 June			
In HK$ million	2016	2015	Increase/(Decrease)	
Turnover	**3,823.6**	4,350.3	(526.7)	(12.1%)
Other revenue and net (loss)/gain	**(4.8)**	14.1	N/A	N/A
Cost of sales and services	**(2,110.8)**	(2,681.0)	(570.2)	(21.3%)
Depreciation and amortisation	**(333.9)**	(326.0)	7.9	2.4%
Staff costs	**(403.2)**	(389.6)	13.6	3.5%
Other operating expenses	**(304.0)**	(301.5)	2.5	0.8%
Profit from consolidated activities	**666.9**	666.3	0.6	0.1%
Share of equity-accounted investees results, net of tax	**1.0**	(1.3)	N/A	N/A
Finance costs	**(175.3)**	(169.1)	6.2	3.7%
Income tax	**(76.6)**	(92.6)	(16.0)	(17.3%)
Profit for the period	**416.0**	403.3	12.7	3.1%
Less: Non-controlling interests	**(6.0)**	(6.1)	(0.1)	(1.6%)
Profit attributable to equity shareholders of the Company	**410.0**	397.2	12.8	3.2%
EBITDA *	**997.8**	987.0	10.8	1.1%

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

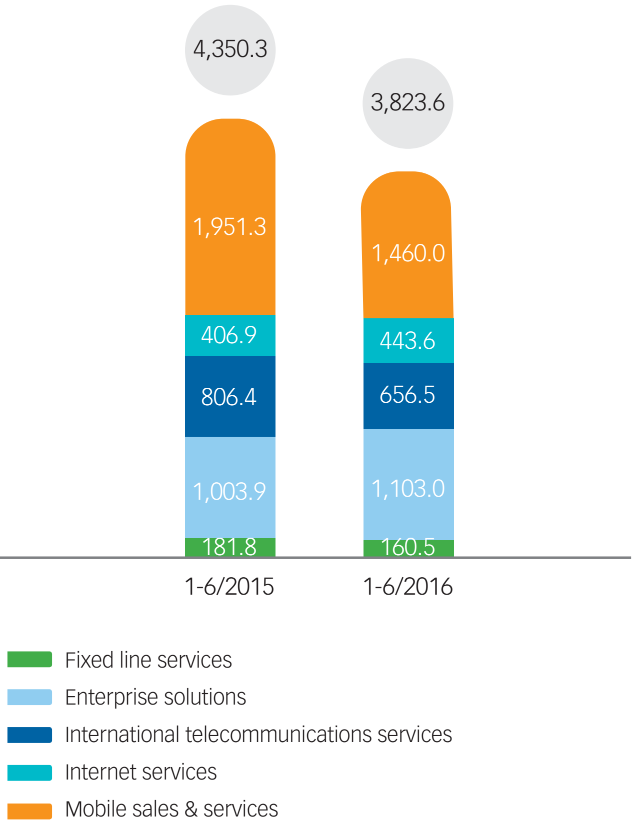
Profit Attributable to Equity Shareholders of the Company

HK$ million



Turnover by Services

HK$ million



* Corporate expenses included staff costs for corporate function, equity-settled share-based payment expenses, listing fee and unallocated staff bonus and others.

Profit attributable to equity shareholders of the Company for the six months ended 30 June 2016 amounted to HK$410.0 million, an increase of HK$12.8 million when compared with the same period of 2015. If we exclude the one-off refinancing cost of HK$23.4 million (six months ended 30 June 2015: HK$Nil) and the reversal of tax over-provision in prior years of HK$14.5 million (six months ended 30 June 2015: HK$0.5 million), profit attributable to equity shareholders of the Company for the first six months of 2016 would amount to HK$418.9 million (six months ended 30 June 2015: HK$396.7 million) representing an increase of 5.6% from the corresponding period of 2015. The increase is mainly contributed by the strong growth in Internet services and enterprise solutions revenue.

Turnover by Services

The Group provides a large spectrum of services which are classified into five major categories: mobile sales & services, Internet services, international telecommunications services, enterprise solutions and fixed line services.

The Group's turnover decreased by 12.1% from HK$4,350.3 million to HK$3,823.6 million for the six months ended 30 June 2016. The decrease in turnover is mainly contributed by the drop in mobile handset sales for the first half of 2016 and decrease in traditional services such as international telecommunications services and fixed line services, and is partly offset by the growth in Internet services and enterprise solutions.

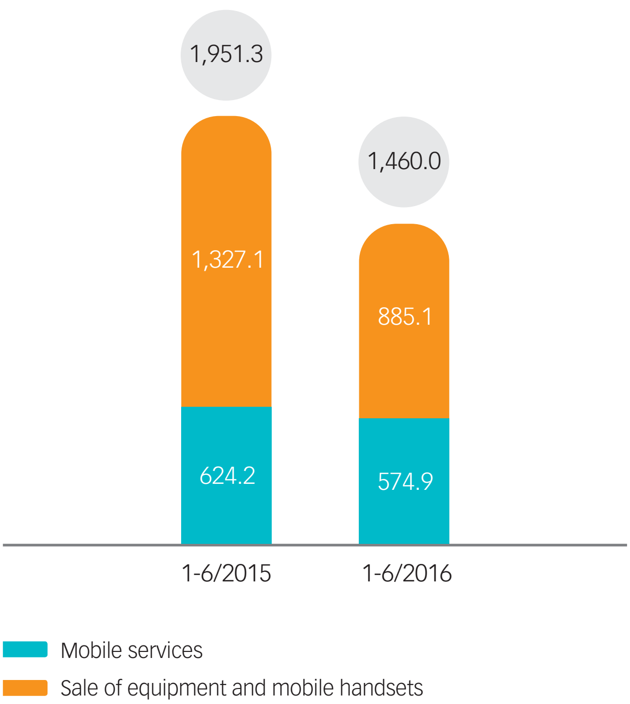
Revenue from Internet services increased by 9.0% or HK$36.7 million to HK$443.6 million as a result of the increase in subscribers and good fibre broadband uptake. The Group's enterprise solutions have performed well in both China and Macau markets and have achieved an increase of HK$99.1 million or 9.9% in enterprise solutions revenue for the period. However, the significant decrease in equipment and mobile handset sales of HK$442.0 million, from HK$1,327.1 million in the six months ended 30 June 2015 to HK$885.1 million for the first half of 2016, has adversely impacted on the Group's total turnover.

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$1,460.0 million for the first six months of 2016, a decrease of 25.2% when compared to the corresponding period of 2015. The decrease was mainly due to the drop in mobile handsets sales.

Turnover – Mobile Sales & Services

HK$ million



Postpaid ARPU (not taking into account the effect arising from inbound roaming and rebates adjustment) was up 2.9% to HK$235.6 when compared with the corresponding period of 2015, while prepaid ARPU dropped by 31.9% to HK$10.1 for the first six months of 2016. The overall number of subscribers in June 2016 increased by 1.3% as compared to December 2015 to over 831,000 subscribers, and the Group's mobile market share in Macau was around 44.3% at 30 June 2016 (31 December 2015: 43.3%).

Internet services

Internet services revenue including the Group's data centre revenue amounted to HK$443.6 million for the current period which represented an increase of HK$36.7 million or 9.0% when compared to the corresponding period in 2015. The increase was mainly due to higher revenue from the good uptake of fibre broadband service and increase in data centre revenue. Overall broadband ARPU increased by 3.1% to HK$321.0 for the six months of 2016 and the total number of broadband subscribers increased by 1.2% from December 2015 to around 171,000 subscribers. The Group's Internet market share in Macau was around 98.7% while broadband market penetration rate in Macau was around 87.5% in June 2016 (December 2015: 86.4%).

International telecommunications services

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

Voice services revenue decreased by HK$33.5 million or 5.7% to HK$552.7 million for the six months ended 30 June 2016 over the same period in 2015, which is in line with the global trend in decreasing tariffs and traffic volume for wholesale voice market. Total traffic of 2.2 billion minutes was handled by the Group, representing a 4.9% reduction compared with the corresponding period of 2015. Total China inbound and outbound traffic for the period has decreased by 3.9% and total international traffic dropped by 7.3% when compared to 2015. 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 average revenue per minute for the first half of both 2016 and 2015 at HK$0.26.

Overall the SMS market has continued to be adversely impacted by the increasing popularity of social networking applications. SMS services revenue totalled HK$103.8 million and average revenue per SMS was HK$0.14, a decrease of 52.9% and 46.2% respectively when compared with the first half of 2015.

Enterprise solutions

Enterprise solutions revenue increased by 9.9% from HK$1,003.9 million in the first half of 2015 to HK$1,103.0 million in the first half of 2016. 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, as well as the higher demand for leased lines from the carriers and corporate customers. In the first six months of 2016 and 2015, around 50% and 40% of the enterprise solutions revenue were derived in Mainland China and in Macau respectively.

The Group continued to expand its Points-of-Presence ("PoPs") for VPN services. The Group has global coverage with over 100 PoPs, including new PoPs established in 2016 which are located in Taiwan and Urumqi, and a new PoP in Yangzhou, China.

Fixed line services

Fixed line services revenue was HK$160.5 million for the first six months in 2016 which represented a decrease of 11.7% when compared to the corresponding period in 2015. 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.

Profit for the period

The Group achieved HK$416.0 million in profit for the period, an increase of HK$12.7 million when compared with the same period of 2015. The increase was mainly due to the combined impact of the following factors:

Turnover

Turnover for the period decreased by HK$526.7 million or 12.1% when compared with the same period of last year, largely due to the decrease in mobile handset sales. Internet services and enterprise solutions revenue have sustained strong growth during the period which has substantially offset the decrease in revenue for international telecommunications services and fixed line services.

Cost of sales and services

Cost of sales and services included costs of goods sold, and network, operations and support expenses. Consistent with the decrease in turnover, cost of sales and services amounted to HK$2,110.8 million, a decrease of HK$570.2 million or 21.3% when compared with the corresponding period of last year. As the Group stepped up efforts in achieving greater cost efficiency, therefore the decrease in cost of sales and services was greater than the decrease in turnover.

Staff costs

Staff costs for the period increased 3.5% to HK$403.2 million compared with the same period of 2015. The increase was mainly due to the increase in staff number as well as the equity-settled share-based payment expenses of HK$11.5 million (six months ended 30 June 2015: HK$9.8 million) recognised during the period.

Depreciation and amortisation

Depreciation and amortisation expenses totalled HK$333.9 million for the six months ended 30 June 2016, an increase of HK$7.9 million or 2.4%. The increase was mainly contributed by commissioning of new LTE assets towards the end of 2015 and in 2016.

Other operating expenses

Other operating expenses for the period amounted to HK$304.0 million, which was similar to the corresponding period of 2015, mainly due to the successful efforts in costs saving, which has offset the increase in repair and maintenance expenses during the period.

Finance costs

Finance costs for the period increased slightly from HK$169.1 million to HK$175.3 million when compared with the same period of 2015 mainly due to the one-off amortisation of the prepaid front end fee of HK$23.4 million in relation to the loans that were refinanced during the period.

Income tax

Income tax for the period amounted to HK$76.6 million, a decrease of HK$16.0 million or 17.3% when compared with the same period of 2015. The decrease was mainly due to the reversal of an over-provision of tax of HK$14.5 million in 2016. If non-taxable/non-deductible items, over/under-provision of tax in respect of prior years and unrecognised temporary differences were excluded, the effective tax rate for the six months ended 30 June 2016 and 2015 would be around 12.5%.

Earnings per share ("EPS")

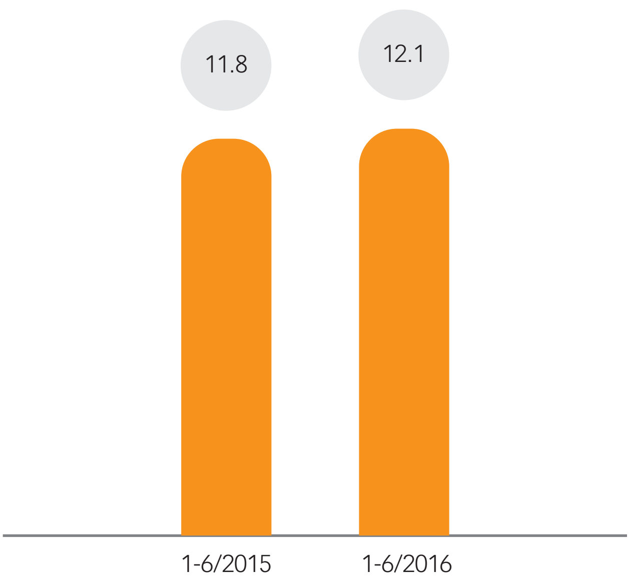
Basic EPS and diluted EPS amounted to HK12.1 cents and HK12.0 cents respectively, both representing an increase of around 3% when compared with the corresponding period of 2015.

Dividends per share

Interim dividend of HK2.85 cents per share is proposed for the first half of 2016.

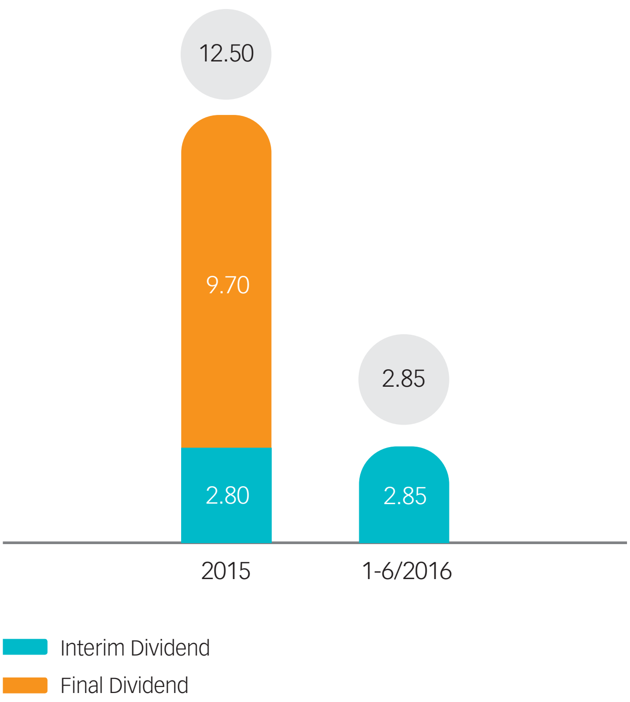
Basic Earnings per Share

HK cent



Dividends per Share

HK cent



Cash flows

In HK$ million	Half year ended 30 June 2016	2015	Increase/(Decrease)	
Source of cash:				
Cash inflows from business operations	**1,019.8**	976.3	43.5	4.5%
Net cash inflows from borrowings	**–**	113.0	(113.0)	N/A
Other cash inflows	**17.2**	49.2	(32.0)	(65.0%)
Sub-total	**1,037.0**	1,138.5	(101.5)	(8.9%)
Use of cash:				
Net capital expenditure*	**(284.8)**	(288.7)	(3.9)	(1.4%)
Dividends paid to equity shareholders and non-controlling interests	**(339.8)**	(300.3)	39.5	13.2%
Transaction costs for acquisitions	**(8.8)**	–	8.8	N/A
Acquisition of equity-accounted investee	**(23.6)**	–	23.6	N/A
Net cash outflows from borrowings	**(442.1)**	–	442.1	N/A
Other cash outflows	**(26.5)**	(61.5)	(35.0)	(56.9%)
Sub-total	**(1,125.6)**	(650.5)	475.1	73.0%
Net (decrease)/increase in cash	**(88.6)**	488.0	N/A	N/A

* Included in the amounts are payments for purchase of property, plant and equipment in respect of both current period additions and prior years unsettled purchases, and proceed from sale of property, plant and equipment.

Profit before taxation amounted to HK$492.6 million for the six months ended 30 June 2016. The Group maintained a strong cash position, where HK$1,019.8 million cash inflow was generated from operations, an increase of HK$43.5 million or 4.5% when compared with the first half of 2015. The use of cash mainly comprised of capital expenditure, payment for acquisition of equity-accounted investee, loan repayments, dividends distribution to equity shareholders and non-controlling interests and various other payments. In total, the Group recorded a net cash outflow of HK$88.6 million for the six months ended 30 June 2016 as the Group utilised its excess cash to early settle some of its outstanding loans during the period.

During the six months ended 30 June 2016, the Group acquired 13.33% equity interest in Changzhou TravelRely Network Technology Co., Ltd. (常州旅信顺捷網絡科技有限公司) ("CTNT") at a consideration of HK$23.6 million. CTNT is engaged in computer and communication hardware and software development, services and technical consulting. The investment is accounted for as an interest in an associate.

Capital expenditure

In-line with the Group's long term plan, the Group has continued to expand its data centres whereby HK$8.0 million of fitting-out costs were incurred during the six months ended 30 June 2016.

The Group's total capital expenditure for the period amounted to HK$172.1 million. Excluding the capital expenditure on data centres, the capital expenditure for the period amounted to HK$164.1 million which was mainly incurred for broadband Internet and mobile network expansions.

Capital commitments

At 30 June 2016, the Group had outstanding capital commitments of HK$402.5 million, mainly for the consideration of potential acquisitions, the acquisition of telecommunications equipment which had yet to be delivered to the Group and construction costs of the networks. Of these commitments, HK$262.3 million were outstanding contractual capital commitments and HK$140.2 million were capital commitments authorised but for which contracts had yet to be entered into.

Potential acquisition of a subsidiary

On 28 April 2016, the Group entered into a share sale and purchase agreement with Linx Telecommunications Holding B.V. to acquire the entire equity interest of its wholly-owned subsidiary, Linx Telecommunications B.V., with a total capital commitment of EUR21.0 million (equivalent to approximately HK$181.2 million) (which is subject to confirmation and adjustments by reference to the completion accounts to be prepared in accordance with the share sale and purchase agreement).

TREASURY POLICY AND FINANCIAL 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 the headquarter. In addition, the decision of financing activities is centralised at head office level.

1. **Debt and leverage**

   As net debt decreased to HK$6,014.4 million, net gearing ratio slightly decreased from 47% at 31 December 2015 to 46% at 30 June 2016.

   At 30 June 2016, total bank and other borrowings and net debt of the Group were as follows:

	Denomination					
In HK$ million equivalents	HKD	USD	MOP	RMB	Others	Total
Total bank and other borrowings	3,691.1	3,481.7	–	–	–	**7,172.8**
Less: Cash and bank deposits	(410.7)	(329.9)	(133.8)	(204.2)	(79.8)	**(1,158.4)**
Net debt/(cash)	**3,280.4**	**3,151.8**	**(133.8)**	**(204.2)**	**(79.8)**	**6,014.4**

At 30 June 2016, the Group's net gearing ratio was as follows:

In HK$ million	30 June 2016	31 December 2015
Total bank and other borrowings	**7,172.8**	7,472.5
Less: Cash and bank deposits	**(1,158.4)**	(1,223.0)
Net debt	**6,014.4**	6,249.5
Total equity attributable to equity shareholders of the Company	**7,127.3**	7,029.4
Total capital	**13,141.7**	13,278.9
Net gearing ratio	**46%**	47%

At 30 June 2016, the principal of total outstanding bank and other borrowings amounted to HK$7,240.0 million, against cash and bank deposits of HK$1,158.4 million.

The maturity profile of the Group's bank and other borrowings in principal amount at 30 June 2016 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	–	300.0	312.0	–	3,118.0	–	**3,730.0**
US$450 million 6.1% guaranteed bonds	–	–	–	–	–	3,510.0	**3,510.0**
	–	**300.0**	**312.0**	**–**	**3,118.0**	**3,510.0**	**7,240.0**

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.

To equilibrate the Group's bank and other borrowings denominated in Hong Kong dollars and United States dollars and reduce the cost of funding, the Group entered into a facility agreement with a group of banks in aggregate amount of HK$3,430.0 million in December 2015 to refinance the borrowings under a facility agreement entered in 2013 (the "US$540.0 million facility").

In 2015, the Group early repaid US$100.0 million (approximately HK$780.0 million), being part of the US$540.0 million facility from its surplus cash, and refinanced part of the US$540.0 million facility for the sum of US$116.0 million (approximately HK$904.8 million). During the period, the Group refinanced the remaining part of the US$540.0 million facility, which amounted to US$324.0 million (approximately HK$2,527.2 million).

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 twelve months.

The Group's cash balance at 30 June 2016 is more than sufficient to cover the contractual capital commitments of HK$262.3 million at 30 June 2016.

At 30 June 2016, the Group had available trade facilities of approximately HK$600.5 million. Approximately HK$297.9 million was utilised as guarantees for performance to customers/the Macau Government, costs payable to telecoms operators and others, and to secure loans extended to a fellow subsidiary by commercial banks under the offshore-security-onshore-loan arrangements. Around HK$165.7 million of these utilised facilities were required to be secured by pledged deposits.

At 30 June 2016, 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	3,730.0	3,730.0	–
US$450 million 6.1% guaranteed bonds	3,510.0	3,510.0	–
	7,240.0	7,240.0	–
Uncommitted facilities:			
Short-term facilities	300.0	–	300.0
Trade facilities	600.5	297.9	302.6
	900.5	297.9	602.6
Total	**8,140.5**	**7,537.9**	**602.6**

2. **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, the Group arranged long-term borrowings from the capital market, and the term loan with repayment by instalment to meet the funding needs. 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.

3. **Loan covenants**

Committed banking facilities contain certain covenants, undertaking, financial covenants, change in control clause and/or events of default customary, which are commonly found in lending arrangement with financial institutions. If the Group were to breach the covenants or in any case of an event of default, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. At 30 June 2016, the Group was in compliance with the relevant requirements.

4. **Contingent liabilities**

At 30 June 2016, the Group had no significant contingent liabilities.

5. **Performance bonds, guarantees and pledged assets**

At 30 June 2016, performance bonds provided to the Macau Government and other customers for which no provision has been made in the consolidated financial statements amounted to approximately HK$81.8 million.

On 5 March 2013, CITIC Telecom International Finance Limited, a wholly-owned subsidiary of the Company, issued US$450 million (approximately HK$3,510.0 million) guaranteed bonds with a maturity of twelve years due on 5 March 2025 and the bonds bore interest at 6.1% per annum. The bonds were unconditionally and irrevocably guaranteed by the Company.

At 30 June 2016, the Company has provided guarantee to its subsidiary in an amount of HK$34.4 million to support its performance under a construction contract.

At 30 June 2016, guarantees of HK$213.0 million were issued by the Group to secure the bank loans extended to a fellow subsidiary by the commercial banks under the offshore-security-onshore-loan arrangements, of which, HK$162.6 million were required to be secured by pledged deposits of HK$170.3 million. In addition, bank deposits of approximately HK$3.3 million were pledged to secure parts of the trade facilities of the Group.

Certain property, plant and equipment of Companhia de Telecomunicações de Macau, S.A.R.L. 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.

6. 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 30 June 2016, approximately 51.5% of the Group's borrowings in principal were linked to floating interest rates. During the period, the Group did not enter into any interest rate swap arrangement.

Average borrowing costs

At 30 June 2016, the average borrowing costs, which is after the inclusion of amortisation of transaction costs, was approximately 4.1%.

7. 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.

8. 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 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 has certain concentration risk in respect of trade debtors due from the Group's five largest customers who accounted for approximately 43.0% and 39.3% of the Group's total trade debtors at 30 June 2016 and 31 December 2015 respectively. The credit risk exposure to trade debtors balance has been and will continue to be monitored by the Group on an ongoing basis.

9. Counterparty risk

At 30 June 2016, 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 Mainland China, or group companies. At 30 June 2016, the Group has approximately HK$1,128.1 million cash balance in the above-mentioned financial institutions, representing approximately 97.4% of the total cash and bank deposits of the Group. Management does not expect any losses from non-recovery from our financial counterparties.

FORWARD LOOKING STATEMENTS

This Interim Report contains certain forward looking statements with respect to the financial condition, results of operations and business of the Group. These forward looking statements represent the Company's current expectations, beliefs, assumptions or projections concerning future events and involve known and unknown risks and uncertainties 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 expressed, implied or anticipated in any forward looking statement or assessment of risk.

None of the Company, the directors, employees or agents assumes (a) any obligation to correct or update any forward looking statements or opinions contained in this Interim Report; and (b) any liability arising from any forward looking statements or opinions that do not materialise or otherwise prove to be incorrect.

HUMAN RESOURCES

The Group has a strong sense of commitment in fulfilling corporate social responsibility ("CSR"). CSR has always been an integral part of the Group's corporate business strategy and philosophy.

As at 30 June 2016, the Group employed a total of 2,181 employees for its headquarter in Hong Kong and its subsidiaries. Number of employees in Hong Kong was 495. Employees in Mainland China and Macau totalled 1,553. Employees in overseas countries totalled 133.

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

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

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

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

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

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

Interim Financial Report

The board of directors (the "Board") of CITIC Telecom International Holdings Limited (the "Company") presents herewith the unaudited consolidated income statement, unaudited consolidated statement of comprehensive income, unaudited consolidated statement of changes in equity and unaudited consolidated cash flow statement of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2016 and the unaudited consolidated statement of financial position of the Group at 30 June 2016, together with the comparative figures for the six months ended 30 June 2015 and at 31 December 2015 respectively.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016 (Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2016 (Unaudited) $'000	2015 (Unaudited) $'000
Turnover	*3(a)*	**3,823,576**	4,350,275
Other revenue	*4*	**3,887**	3,839
Other net (loss)/gain	*5*	**(8,706)**	10,269
		3,818,757	4,364,383
Cost of sales and services		**(2,110,834)**	(2,681,030)
Depreciation and amortisation	*6(c)*	**(333,914)**	(326,036)
Staff costs	*6(b)*	**(403,243)**	(389,575)
Other operating expenses		**(303,938)**	(301,546)
		666,828	666,196
Finance costs	*6(a)*	**(175,263)**	(169,058)
Share of profit/(loss) of equity-accounted investees, net of tax		**1,011**	(1,250)
Profit before taxation	*6*	**492,576**	495,888
Income tax	*7*	**(76,587)**	(92,601)
Profit for the period		**415,989**	403,287
Attributable to:			
Equity shareholders of the Company		**410,008**	397,152
Non-controlling interests		**5,981**	6,135
Profit for the period		**415,989**	403,287
Earnings per share (HK cents)	*8*		
Basic		**12.1**	11.8
Diluted		**12.0**	11.7

The notes on pages 30 to 45 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 15(a).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016 (Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	$'000	$'000
Profit for the period	**415,989**	403,287
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside Hong Kong, net of $Nil tax	**(8,215)**	(2,510)
Other comprehensive income for the period	**(8,215)**	(2,510)
Total comprehensive income for the period	**407,774**	400,777
Attributable to:		
Equity shareholders of the Company	**401,783**	394,784
Non-controlling interests	**5,991**	5,993
Total comprehensive income for the period	**407,774**	400,777

The notes on pages 30 to 45 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016 (Expressed in Hong Kong dollars)

	Note	30 June 2016 (Unaudited) $'000	31 December 2015 (Audited) $'000
Non-current assets			
Property, plant and equipment	9	2,324,939	2,404,952
Intangible assets		1,918,408	2,005,221
Goodwill		9,269,702	9,276,511
Equity-accounted investees		29,952	5,541
Non-current other receivables and deposits	10	168,175	163,862
Deferred tax assets		32,944	33,227
		13,744,120	13,889,314
Current assets			
Inventories		160,886	174,163
Trade and other receivables and deposits	10	1,606,235	1,689,517
Current tax recoverable		6,888	6,497
Cash and bank deposits	11(a)	1,158,397	1,222,979
		2,932,406	3,093,156
Current liabilities			
Trade and other payables	12	1,600,899	1,767,454
Bank loans	13	–	100,000
Current tax payable		323,369	242,206
		1,924,268	2,109,660
Net current assets		1,008,138	983,496
Total assets less current liabilities		14,752,258	14,872,810
Non-current liabilities			
Interest-bearing borrowings	14(a)	7,172,845	7,372,492
Non-current other payables	12	61,964	65,656
Net defined benefit retirement obligation		119,884	117,307
Deferred tax liabilities		247,787	260,297
		7,602,480	7,815,752
NET ASSETS		7,149,778	7,057,058

	Note	30 June 2016 (Unaudited) $'000	31 December 2015 (Audited) $'000
CAPITAL AND RESERVES			
Share capital	*15(b)*	**3,865,844**	3,848,565
Reserves		**3,261,476**	3,180,822
Total equity attributable to equity shareholders of the Company		**7,127,320**	7,029,387
Non-controlling interests		**22,458**	27,671
TOTAL EQUITY		**7,149,778**	7,057,058

The notes on pages 30 to 45 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016 (Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company						
	Note	Share capital (Unaudited) $'000	Capital reserve (Unaudited) $'000	Exchange reserve (Unaudited) $'000	Retained profits (Unaudited) $'000	Total (Unaudited) $'000	Non-controlling interests (Unaudited) $'000	Total equity (Unaudited) $'000
Balance at 1 January 2015		3,780,941	52,477	(559)	2,735,499	6,568,358	25,918	6,594,276
Changes in equity for the six months ended 30 June 2015:								
Profit for the period		–	–	–	397,152	397,152	6,135	403,287
Other comprehensive income for the period		–	–	(2,368)	–	(2,368)	(142)	(2,510)
Total comprehensive income for the period		–	–	(2,368)	397,152	394,784	5,993	400,777
Dividend paid to non-controlling interests		–	–	–	–	–	(10,748)	(10,748)
Shares issued under share option plan	*15(b)(ii)*	59,376	(13,176)	–	–	46,200	–	46,200
Equity-settled share-based transactions	*6(b)*	–	9,772	–	–	9,772	–	9,772
Dividend approved in respect of the previous financial year	*15(a)(ii)*	–	–	–	(289,536)	(289,536)	–	(289,536)
Release upon lapse of share options	*16(a)*	–	(198)	–	198	–	–	–
		59,376	(3,602)	–	(289,338)	(233,564)	(10,748)	(244,312)
Balance at 30 June 2015		3,840,317	48,875	(2,927)	2,843,313	6,729,578	21,163	6,750,741
Balance at 1 July 2015		3,840,317	48,875	(2,927)	2,843,313	6,729,578	21,163	6,750,741
Changes in equity for the six months ended 31 December 2015:								
Profit for the period		–	–	–	405,061	405,061	6,484	411,545
Other comprehensive income for the period		–	–	(21,963)	(13,298)	(35,261)	24	(35,237)
Total comprehensive income for the period		–	–	(21,963)	391,763	369,800	6,508	376,308
Shares issued under share option plan	*15(b)(ii)*	8,248	(1,927)	–	–	6,321	–	6,321
Equity-settled share-based transactions		–	18,348	–	–	18,348	–	18,348
Release upon lapse of share options	*16(a)*	–	(40)	–	40	–	–	–
Dividends approved in respect of the current financial year	*15(a)(i)*	–	–	–	(94,660)	(94,660)	–	(94,660)
		8,248	16,381	–	(94,620)	(69,991)	–	(69,991)
Balance at 31 December 2015 (Audited)		3,848,565	65,256	(24,890)	3,140,456	7,029,387	27,671	7,057,058

	Note	Attributable to equity shareholders of the Company						
		Share capital (Unaudited) $'000	Capital reserve (Unaudited) $'000	Exchange reserve (Unaudited) $'000	Retained profits (Unaudited) $'000	Total (Unaudited) $'000	Non-controlling interests (Unaudited) $'000	Total equity (Unaudited) $'000
Balance at 1 January 2016		3,848,565	65,256	(24,890)	3,140,456	7,029,387	27,671	7,057,058
Changes in equity for the six months ended 30 June 2016:								
Profit for the period		–	–	–	410,008	410,008	5,981	415,989
Other comprehensive income for the period		–	–	(8,225)	–	(8,225)	10	(8,215)
Total comprehensive income for the period		–	–	(8,225)	410,008	401,783	5,991	407,774
Dividend paid to non-controlling interests		–	–	–	–	–	(11,204)	(11,204)
Shares issued under share option plan	*15(b)(ii)*	17,279	(3,981)	–	–	13,298	–	13,298
Equity-settled share-based transactions	*6(b)*	–	11,464	–	–	11,464	–	11,464
Dividend approved in respect of the previous financial year	*15(a)(ii)*	–	–	–	(328,612)	(328,612)	–	(328,612)
Release upon lapse of share options	*16(a)*	–	(18)	–	18	–	–	–
		17,279	7,465	–	(328,594)	(303,850)	(11,204)	(315,054)
Balance at 30 June 2016		3,865,844	72,721	(33,115)	3,221,870	7,127,320	22,458	7,149,778

The notes on pages 30 to 45 form part of this interim financial report.

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2016 (Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2016 (Unaudited) $'000	2015 (Unaudited) $'000
Operating activities			
Cash generated from operations	*11(d)*	**1,026,774**	966,172
Tax paid:			
– Hong Kong Profits Tax paid		**–**	(304)
– Tax paid for jurisdictions outside Hong Kong		**(7,357)**	(5,648)
Tax refunded:			
– Hong Kong Profits Tax refunded		**–**	16,059
– Tax refunded for jurisdictions outside Hong Kong		**345**	–
Net cash generated from operating activities		**1,019,762**	976,279
Investing activities			
Payment for the purchase of property, plant and equipment		**(285,136)**	(288,898)
Proceeds from the sale of property, plant and equipment		**353**	245
Payment for the acquisition of equity-accounted investee		**(23,616)**	–
Payment for transaction costs for the acquisitions		**(8,802)**	–
Increase in pledged deposits		**(26,388)**	(61,510)
Interest received		**3,854**	2,973
Net cash used in investing activities		**(339,735)**	(347,190)
Financing activities			
Proceeds from a new bank loan		**2,530,000**	270,000
Proceeds from new shares issued under share option plan	*15(b)(ii)*	**13,298**	46,200
Payment for transaction costs on bank loans		**–**	(250)
Repayment of bank loans		**(2,827,200)**	–
Other borrowing costs paid		**(144,910)**	(156,724)
Dividend paid to equity shareholders of the Company	*15(a)(ii)*	**(328,612)**	(289,536)
Dividend paid to non-controlling interests		**(11,204)**	(10,748)
Net cash used in financing activities		**(768,628)**	(141,058)
Net (decrease)/increase in cash and cash equivalents		**(88,601)**	488,031
Cash and cash equivalents at 1 January		**1,073,683**	1,393,486
Effect of foreign exchange rate changes		**(283)**	(1,610)
Cash and cash equivalents at 30 June	*11(a)*	**984,799**	1,879,907

The notes on pages 30 to 45 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 16 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company and the independent auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 46.

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group.

– *Annual Improvements to HKFRSs 2012-2014 Cycle*

– Amendments to HKAS 1, *Presentation of financial statements: Disclosure initiative*

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

Annual Improvements to HKFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34, *Interim financial reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to HKAS 1, *Presentation of financial statements: Disclosure initiative*

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

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 period is as follows:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	$'000	$'000
Mobile services	**574,920**	624,153
Internet services	**443,623**	406,913
International telecommunications services	**656,573**	806,352
Enterprise solutions	**1,102,955**	1,003,965
Fixed line services	**160,463**	181,767
Fees from the provision of telecommunications services	**2,938,534**	3,023,150
Sale of equipment and mobile handsets	**885,042**	1,327,125
	3,823,576	4,350,275

3 TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting

The Group manages its businesses by business operations. 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.

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.

Reconciliation of reportable segment profit

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	$'000	$'000
Reportable segment profit	**1,042,893**	1,038,553
Net gain on disposal of property, plant, and equipment	**87**	115
Depreciation and amortisation	**(333,914)**	(326,036)
Finance costs	**(175,263)**	(169,058)
Share of profit/(loss) of equity-accounted investees, net of tax	**1,011**	(1,250)
Interest income	**3,887**	3,839
Unallocated head office and corporate expenses	**(46,125)**	(50,275)
Consolidated profit before taxation	**492,576**	495,888

(c) Seasonality of operations

The Group's telecommunications services are not significantly impacted by seasonal factors and there were historically no significant seasonal or cyclical trends in the operating results.

4 OTHER REVENUE

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	$'000	$'000
Interest income from bank deposits	**3,863**	3,777
Other interest income	**24**	62
	3,887	3,839

5 OTHER NET (LOSS)/GAIN

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	$'000	$'000
Net gain on disposal of property, plant and equipment *(note 9)*	**87**	115
Net foreign exchange (loss)/gain	**(8,793)**	10,154
	(8,706)	10,269

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	$'000	$'000
(a) Finance costs		
Interest on bank and other borrowings	**143,036**	155,388
Other finance charges	**30,622**	11,978
Other interest expense	**1,605**	1,692
	175,263	169,058
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plans	**21,525**	19,616
Expenses recognised in respect of defined benefits retirement plan	**5,143**	5,006
Total retirement costs	**26,668**	24,622
Equity-settled share-based payment expenses *(note 16(c))*	**11,464**	9,772
Salaries, wages and other benefits	**365,111**	355,181
	403,243	389,575
(c) Other items		
Depreciation	**249,055**	237,386
Amortisation	**84,859**	88,650
	333,914	326,036
Net impairment losses for trade debtors	**7,322**	5,113

7 INCOME TAX

	Six months ended 30 June 2016 (Unaudited) $'000	2015 (Unaudited) $'000
Current tax		
Hong Kong Profits Tax		
– Provision for the period	**25,895**	22,465
– Under-provision in respect of prior year	**94**	115
	25,989	22,580
Jurisdictions outside Hong Kong		
– Provision for the period	**76,418**	79,514
– Over-provision in respect of prior years	**(14,576)**	(609)
	61,842	78,905
Deferred tax		
Origination and reversal of temporary differences	**(11,244)**	(8,884)
	76,587	92,601

The provision for Hong Kong Profits Tax for the six months ended 30 June 2016 is calculated at 16.5% (six months ended 30 June 2015: 16.5%) of the estimated assessable profits for the period.

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

8 EARNINGS PER SHARE

	Six months ended 30 June 2016 (Unaudited) $'000	2015 (Unaudited) $'000
Profit attributable to equity shareholders of the Company	**410,008**	397,152

8 EARNINGS PER SHARE (Continued)

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

	Number of shares Six months ended 30 June 2016 (Unaudited) '000	2015 (Unaudited) '000
Issued ordinary shares at 1 January	**3,382,342**	3,355,674
Effect of share options exercised	**2,139**	8,117
Weighted average number of ordinary shares (basic) at 30 June	**3,384,481**	3,363,791
Effect of deemed issue of shares under the Company's share option plan	**28,995**	28,779
Weighted average number of ordinary shares (diluted) at 30 June	**3,413,476**	3,392,570
Basic earnings per share (HK cents)	**12.1**	11.8
Diluted earnings per share (HK cents)	**12.0**	11.7

9 PROPERTY, PLANT AND EQUIPMENT

The Group acquired items of property, plant and equipment with a total cost of $172,130,000 and $370,514,000 for the six months ended 30 June 2016 and 2015 respectively.

Items of property, plant and equipment with a net book value of $266,000 were disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: $130,000), resulting in a net gain on disposal of $87,000 (six months ended 30 June 2015: $115,000).

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

10 TRADE AND OTHER RECEIVABLES AND DEPOSITS

	30 June 2016 (Unaudited) $'000	31 December 2015 (Audited) $'000
Trade debtors	**1,190,801**	1,247,787
Less: allowance for doubtful debts	**(48,736)**	(45,567)
	1,142,065	1,202,220
Other receivables and deposits	**632,345**	651,159
	1,774,410	1,853,379
Represented by:		
Non-current portion	**168,175**	163,862
Current portion	**1,606,235**	1,689,517
	1,774,410	1,853,379

10 TRADE AND OTHER RECEIVABLES AND DEPOSITS (Continued)

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

	30 June 2016 (Unaudited) $'000	31 December 2015 (Audited) $'000
Within 1 year	**1,045,358**	1,069,220
Over 1 year	**145,443**	178,567
	1,190,801	1,247,787

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

11 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	30 June 2016 (Unaudited) $'000	31 December 2015 (Audited) $'000
Cash at bank and on hand	**858,846**	900,267
Time deposits with banks	**299,551**	322,712
Cash and bank deposits in the consolidated statement of financial position *(note (b))*	**1,158,397**	1,222,979
Less: pledged deposits *(note (c))*	**(173,598)**	(149,296)
Cash and cash equivalents in the consolidated cash flow statement	**984,799**	1,073,683

(b) Included in cash and bank deposits were $31,957,000 (31 December 2015: $38,247,000) placed in financial institutions in the People's Republic of China (the "PRC") and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the PRC Government.

(c) At 30 June 2016, the Group pledged deposits of $170,304,000 (31 December 2015: $146,097,000) to commercial banks to secure loans extended to a fellow subsidiary by the commercial banks under the offshore-security-onshore-loan arrangements (see notes 18(c) and 19(a)(iii)).

At 30 June 2016, bank deposits of $3,294,000 (31 December 2015: $3,199,000) were pledged to secure parts of the trade facilities of the Group.

11 CASH AND CASH EQUIVALENTS (Continued)

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

	Note	Six months ended 30 June 2016 (Unaudited) $'000	2015 (Unaudited) $'000
Profit before taxation		**492,576**	495,888
Adjustments for:			
Depreciation and amortisation	*6(c)*	**333,914**	326,036
Net gain on disposal of property, plant and equipment	*5*	**(87)**	(115)
Share of (profit)/loss of equity-accounted investees, net of tax		**(1,011)**	1,250
Finance costs	*6(a)*	**175,263**	169,058
Interest income	*4*	**(3,887)**	(3,839)
Equity-settled share-based payment expenses	*6(b)*	**11,464**	9,772
Foreign exchange loss		**4,814**	460
		1,013,046	998,510
Changes in working capital:			
Decrease in inventories		**13,277**	81,482
Decrease/(increase) in trade and other receivables and deposits		**55,387**	(41,658)
Decrease in trade and other payables		**(56,020)**	(73,125)
Increase in net defined benefit retirement obligation		**1,084**	963
Cash generated from operations		**1,026,774**	966,172

12 TRADE AND OTHER PAYABLES

	30 June 2016 (Unaudited) $'000	31 December 2015 (Audited) $'000
Trade creditors	**770,892**	768,978
Other payables and accruals	**891,971**	1,064,132
	1,662,863	1,833,110
Represented by:		
Non-current portion	**61,964**	65,656
Current portion	**1,600,899**	1,767,454
	1,662,863	1,833,110

12 TRADE AND OTHER PAYABLES (Continued)

At the end of the reporting period, the ageing analysis of trade creditors (included in trade and other payables) based on the invoice date is as follows:

	30 June 2016 (Unaudited) $'000	31 December 2015 (Audited) $'000
Within 1 year	**514,744**	506,173
Over 1 year	**256,148**	262,805
	770,892	768,978

13 BANK LOANS

At the end of the reporting period, bank loans were repayable and secured as follows:

	30 June 2016 (Unaudited) $'000	31 December 2015 (Audited) $'000
Within 1 year or on demand	**–**	100,000
After 1 year but within 2 years	**299,647**	502,405
After 2 years but within 5 years	**3,391,476**	3,389,989
	3,691,123	3,992,394
Represented by:		
Unsecured		
– Current	**–**	100,000
– Non-current *(note 14(a))*	**3,691,123**	3,892,394
	3,691,123	3,992,394

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position and financial performance ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants or in any case of an event of default, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. At 30 June 2016 and 31 December 2015, the Group was in compliance with the relevant requirements.

14 NON-CURRENT INTEREST-BEARING BORROWINGS

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

	30 June 2016 (Unaudited) $'000	31 December 2015 (Audited) $'000
Unsecured bank loans *(note 13)*	**3,691,123**	3,892,394
Guaranteed bonds at 6.1% due 2025 *(note (b))*	**3,481,722**	3,480,098
	7,172,845	7,372,492

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

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

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

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	Six months ended 30 June 2016 (Unaudited) $'000	2015 (Unaudited) $'000
Interim dividend declared/declared and paid after the interim period of HK2.85 cents (six months ended 30 June 2015: HK2.80 cents) per share	**96,578**	94,660

The interim dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

	Six months ended 30 June 2016 (Unaudited) $'000	2015 (Unaudited) $'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK9.70 cents (six months ended 30 June 2015: HK8.60 cents) per share	**328,612**	289,536

15 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(a) Dividends (Continued)

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

For the final dividend in respect of the year ended 31 December 2015, there was a difference of $525,000 between the final dividend disclosed in the 2015 annual report and the amount paid during the six months ended 30 June 2016, which represented dividends attributable to shares issued upon exercise of share options before the closing date of the register of members.

(b) Share capital

	Note	30 June 2016 (Unaudited) Number of shares	Amount $'000	31 December 2015 (Audited) Number of shares	Amount $'000
Ordinary shares, issued and fully paid:					
At 1 January	*(i)*	**3,382,342,098**	**3,848,565**	3,355,674,412	3,780,941
Shares issued under share option plan	*(ii)*	**6,374,398**	**17,279**	26,667,686	67,624
At 30 June/31 December	*(i)*	**3,388,716,496**	**3,865,844**	3,382,342,098	3,848,565

Notes:

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

(ii) During the six months ended 30 June 2016, 6,374,398 ordinary shares (six months ended 30 June 2015: 23,401,623 ordinary shares) were issued at a weighted average exercise price of $2.09 (six months ended 30 June 2015: $1.97) per ordinary share to share option holders who had exercised their options. During the six months ended 31 December 2015, 3,266,063 ordinary shares were issued at a weighted average exercise price of $1.94 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.

16 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(a) On 24 March 2015, options to subscribe for a total of 87,512,500 shares (the "Options") were granted to employees, officers and directors of the Company and its subsidiaries under the Company's share option plan adopted on 17 May 2007. Each option gives the holder the right to subscribe for one ordinary share of the Company. The first 50% of the Options has been vested on 24 March 2016 and is exercisable from 24 March 2016 to 23 March 2021. The remaining 50% of the Options will be vested on 24 March 2017 and is exercisable from 24 March 2017 to 23 March 2022. The exercise price is $2.612 per share. The closing price of the Company's ordinary shares on the date of grant of the Options was $2.61 per share. All options granted on 24 March 2015 was accepted except for options for 398,000 shares which were cancelled during the six months ended 30 June 2015.

Details of the fair value of the Options and assumptions are set out in note 16(b).

During the six months ended 30 June 2016, 31 December 2015 and 30 June 2015, options for 6,374,398 shares, 3,266,063 shares and 23,401,623 shares were exercised respectively. The weighted average closing prices at the date of exercise of share options exercised during the six months ended 30 June 2016, 31 December 2015 and 30 June 2015 were $3.15, $3.01 and $3.27 respectively.

Save as disclosed above, during the six months ended 30 June 2016, 31 December 2015 and 30 June 2015, no options were cancelled.

During the six months ended 30 June 2016, options for 1,076,968 shares (six months ended 30 June 2015: 591,783 shares; six months ended 31 December 2015: 1,215,462 shares) have lapsed. The value of vested options lapsed during the six months ended 30 June 2016 was $18,000 (six months ended 30 June 2015: $198,000; six months ended 31 December 2015: $40,000) and was released directly to retained profits.

16 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(b) Fair value of share options and assumptions

The average fair value of an Option on one ordinary share of the Company measured at the date of grant of 24 March 2015 was $0.673 based on the following assumptions using the binomial option pricing model:

– Taking into account the probability of early exercise behaviour, the average expected term of the grant for directors and employees was determined to be 6.0 years and 4.1 years respectively;

– Expected volatility of the Company's share price at 40% per annum (based on historical movements of the Company's share prices);

– Expected annual dividend yield of 4.0%;

– Expected post-vesting exit rate of 0% per annum for directors and 15.0% per annum for employees;

– Early exercise assumption for directors and employees to exercise their options when the share price is at least 250% and 161% of the exercise price respectively; and

– Risk-free interest rate of 1.18% and 1.30% for the first 50% and the remaining 50% of the options respectively (based on linearly interpolated yields of the Hong Kong Exchange Fund Notes at the grant date).

The result of the binomial option pricing 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 model.

(c) The total expense recognised in the consolidated income statement for the six months ended 30 June 2016 in respect of the above grant of options was $11,464,000 (six months ended 30 June 2015: $9,772,000).

17 CAPITAL COMMITMENTS

Capital commitments of the Group outstanding at the end of reporting period not provided for in the interim financial report were as follows:

	30 June 2016 (Unaudited) $'000	31 December 2015 (Audited) $'000
Contracted for		
– Capital expenditure	**78,528**	110,270
– For potential acquisitions *(note)*	**183,785**	–
	262,313	110,270
Authorised but not contracted for		
– Capital expenditure	**140,202**	91,783

Note: Included in capital commitments is the consideration for the potential acquisition of the entire equity interest in Linx Telecommunications B.V.. On 28 April 2016, the Group, through CITIC Telecom International CPC Limited and its subsidiary, which are wholly-owned subsidiaries of the Company, entered into a share sale and purchase agreement with Linx Telecommunications Holding B.V., pursuant to which the Group will, upon satisfaction of certain conditions set out therein, acquire the entire equity interest in Linx Telecommunications B.V. at a cash consideration of EUR21,000,000 (equivalent to approximately $181,211,000) (the cash consideration is subject to confirmation and adjustments by reference to the completion accounts to be prepared in accordance with the share sale and purchase agreement).

18 PERFORMANCE BONDS AND GUARANTEES

(a) At 30 June 2016, performance bonds provided to the Macau Government and other customers for which no provision has been made in the interim financial report amounted to $81,782,000 (31 December 2015: $81,952,000). At 30 June 2016, 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 end of reporting period is the total amount guaranteed by the performance bonds of $81,782,000 (31 December 2015: $81,952,000).

(b) At 30 June 2016, the Group issued a guarantee of $34,366,000 (31 December 2015: $34,366,000) to a contractor for the performance under a construction contract. At 30 June 2016, the directors do not consider it probable that a claim will be made against the Group under this guarantee. The maximum liability of the Group at the end of reporting period is the guaranteed amount of $34,366,000 (31 December 2015: $34,366,000).

(c) At 30 June 2016, guarantees of $212,988,000 (31 December 2015: $146,097,000) were issued by the Group to secure the bank loans extended to a fellow subsidiary by the commercial banks under the offshore-security-onshore-loan arrangements, of which, $162,631,000 (31 December 2015: $146,097,000) were required to be secured by pledged deposits of $170,304,000 (31 December 2015: $146,097,000) (see notes 11(c) and 19(a)(iii)). At 30 June 2016, the directors do not consider it probable that a claim will be made against the Group under these guarantees. The maximum liability of the Group at the end of the reporting period is the total guaranteed amount of $212,988,000 (31 December 2015: $146,097,000).

19 MATERIAL RELATED PARTY TRANSACTIONS

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

(i) Recurring transactions

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	$'000	$'000
Management consultancy and technical services fee received/receivable from a fellow subsidiary	**5,584**	3,455
Telecommunications services and related expenses paid/payable to		
– a fellow subsidiary	**10,636**	7,560
– an associate of the ultimate holding company	**3,833**	4,370
Professional fees paid/payable to a controlling shareholder for the provision of internal audit and company secretarial services	**2,425**	2,275
Operating lease charges, building management fees, water and electricity fees, air conditioning charges and car parking spaces rental paid/payable to fellow subsidiaries	**11,695**	11,923

19 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

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

	30 June 2016 (Unaudited) $'000	31 December 2015 (Audited) $'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	**72,525**	73,988
Amount due from/(to) a fellow subsidiary included in:		
– Trade and other receivables and deposits	**15,112**	9,447
– Trade and other payables	**(8,512)**	(10,236)

(iii) Arrangements under funding and loan support agreement

On 25 April 2014, the Company and a fellow subsidiary of the Group entered into a funding and loan support agreement (as amended and supplemented by a first supplemental agreement dated 22 April 2015) pursuant to which the Company agreed to provide financial support of not more than RMB200,000,000 (equivalent to approximately $234,000,000) to the fellow subsidiary if and when a shortage of funds arises in the operation of a network in the PRC. The Company entered into the offshore-security-onshore-loan arrangements with commercial banks (see note 11(c) and 18 (c)) whereby loans in the total principal amount of RMB170,000,000 (equivalent to approximately $198,900,000) and RMB113,000,000 (equivalent to approximately $134,877,000) were extended to the fellow subsidiary as at 30 June 2016 and 31 December 2015 respectively.

In respect of the aforementioned agreement, the Group entered into the offshore-security-onshore-loan arrangements, part of these were arranged with another fellow subsidiary as follows:

	30 June 2016 (Unaudited) $'000	31 December 2015 (Audited) $'000
Guarantees issued to a fellow subsidiary	**54,523**	–
Deposits pledged to a fellow subsidiary	**62,196**	–

(b) Transactions with other government-related entities

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

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

- rendering and receiving services; and
- financial services arrangements.

19 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

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

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

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	$'000	$'000
Interest income from bank deposits	**3,081**	2,312
Interest expenses on interest-bearing borrowings	**(7,704)**	(11,959)
Fees received/receivable from the provision of telecommunications services	**563,381**	595,558
Fees paid/payable for network, operations and support services	**(389,545)**	(483,471)

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

	30 June	31 December
	2016	2015
	(Unaudited)	(Audited)
	$'000	$'000
Bank deposits	**293,813**	300,234
Trade debtors	**600,146**	567,422
Trade payables	**(165,689)**	(150,049)
Interest-bearing borrowings	**(828,588)**	(773,693)

The interest-bearing borrowings from state-controlled banks at 30 June 2016 bore interest at the prevailing market rates.

(c) Key management personnel remuneration

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	$'000	$'000
Short-term employee benefits	**12,013**	11,011
Share-based payments	**3,646**	3,128
Post-employment benefits	**352**	327
	16,011	14,466

20 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) After the end of the reporting period, the directors proposed an interim dividend. Further details are disclosed in note 15(a)(i).

(b) On 16 August 2016, the Company as the purchaser entered into an acquisition agreement (the "Acquisition Agreement") with Talisgold Limited as the vendor, a fellow subsidiary of the Company, to acquire the entire share capital of its wholly-owned subsidiary, namely Neostar Investment Limited, and all outstanding loan owing by Neostar Investment Limited to Eltonford Limited, a fellow subsidiary of the Company, at the date of completion of the aforesaid acquisition at the consideration of $850,000,000 (the consideration is subject to adjustment) (the "Acquisition"), approximately $425,000,000 out of the consideration shall be paid by the Company (and/or its nominee) to Talisgold Limited (or such nominee as it may direct) in cash and approximately $425,000,000 out of the consideration shall be satisfied by the issue of the shares of the Company to Talisgold Limited (or its nominee). Neostar Investment Limited is principally engaged in property investment, which jointly-owned the CITIC Telecom Tower with the Group. The Acquisition constitutes a discloseable and connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is subject to the Company's independent shareholders' approval, and fulfilment of certain conditions pursuant to the Acquisition Agreement.

21 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 30 JUNE 2016

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments and new standards which are not yet effective for the period ended 30 June 2016 and which have not been adopted in this interim financial report. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

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

HKFRS 16 *Leases*

HKFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, HKFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces HKAS 17 *Leases* and the related interpretations including HK (IFRIC)-Int 4 *Determining whether an arrangement contains a lease.*

The Group does not plan to early adopt the above new standards or amendments. With respect to HKFRS 16, given the Group has not completed its assessment of their full impact on the Group, their possible impact on the Group's results of operations and financial position has not been quantified.

INDEPENDENT REVIEW REPORT

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 23 to 45 which comprises the consolidated statement of financial position of CITIC Telecom International Holdings Limited (the "Company") as of 30 June 2016 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

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

16 August 2016

STATUTORY DISCLOSURE

DIVIDEND AND CLOSURE OF REGISTER

The board of directors of the Company has declared an interim dividend of HK2.85 cents (2015: HK2.80 cents) per share for the year ending 31 December 2016 payable on Thursday, 22 September 2016 to shareholders whose names appear on the Register of Members of the Company on Friday, 9 September 2016. The Register of Members of the Company will be closed from Monday, 5 September 2016 to Friday, 9 September 2016, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 2 September 2016.

SHARE OPTION PLAN

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

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

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

Date of grant	Number of share options	Exercise period	Exercise price per share HK$
23 May 2007	18,720,000	23 May 2007 to 22 May 2012	3.26
17 September 2009	17,912,500	17 September 2010 to 16 September 2015	2.10
17 September 2009	17,912,500	17 September 2011 to 16 September 2016	2.10
19 August 2011	24,227,500	19 August 2012 to 18 August 2017	1.54
19 August 2011	24,227,500	19 August 2013 to 18 August 2018	1.54
26 June 2013	81,347,000	26 June 2013 to 25 June 2018	2.25
24 March 2015	43,756,250	24 March 2016 to 23 March 2021	2.612
24 March 2015	43,756,250	24 March 2017 to 23 March 2022	2.612

SHARE OPTION PLAN (Continued)

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

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

The share options granted on 23 May 2007 have expired at the close of business on 22 May 2012 and the first 50% of the share options granted on 17 September 2009 have expired at the close of business on 16 September 2015. 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.

A summary of the movements of the share options during the six months ended 30 June 2016 is as follows:

A. Directors of the Company *(Note 1)*

		Number of share options			
Name of director	Date of grant	Balance as at 1.1.2016	Exercised during the six months ended 30.6.2016	Balance as at 30.6.2016	Percentage to the number of issued shares %
Xin Yue Jiang	17.9.2009	991,945	–	991,945	
	19.8.2011	1,377,701	–	1,377,701	
	19.8.2011	1,377,701	–	1,377,701	
	26.6.2013	3,575,000	–	3,575,000	
	24.3.2015	1,787,500	–	1,787,500	
	24.3.2015	1,787,500	–	1,787,500	
				10,897,347	0.322
Lin Zhenhui	24.3.2015	1,573,000	–	1,573,000	
	24.3.2015	1,573,000	–	1,573,000	
				3,146,000	0.093
Luo Ning	26.6.2013	400,000	–	400,000	
	24.3.2015	500,000	–	500,000	
	24.3.2015	500,000	–	500,000	
				1,400,000	0.041
David Chan Tin Wai	17.9.2009	771,513	–	771,513	
	19.8.2011	1,047,052	–	1,047,052	
	19.8.2011	1,047,053	–	1,047,053	
	26.6.2013	2,717,000	–	2,717,000	
	24.3.2015	1,358,500	–	1,358,500	
	24.3.2015	1,358,500	–	1,358,500	
				8,299,618	0.245

SHARE OPTION PLAN (Continued)

A. Directors of the Company *(Note 1)* (Continued)

Name of director	Date of grant	Number of share options: Balance as at 1.1.2016	Number of share options: Exercised during the six months ended 30.6.2016	Number of share options: Balance as at 30.6.2016	Percentage to the number of issued shares %
Liu Jifu	24.3.2015	1,000,000	–	1,000,000	
	24.3.2015	1,000,000	–	1,000,000	
				2,000,000	0.059
Liu Li Qing	24.3.2015	200,000	200,000 *(Note 2)*	–	
	24.3.2015	200,000	–	200,000	
				200,000	0.006
Gordon Kwong Che Keung	26.6.2013	400,000	–	400,000	
	24.3.2015	200,000	–	200,000	
	24.3.2015	200,000	–	200,000	
				800,000	0.024
Zuo Xunsheng	24.3.2015	200,000	200,000 *(Note 3)*	–	
	24.3.2015	200,000	–	200,000	
				200,000	0.006

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

Date of grant	Number of share options: Balance as at 1.1.2016	Exercised during the six months ended 30.6.2016 *(Note 4)*	Cancelled during the six months ended 30.6.2016	Lapsed during the six months ended 30.6.2016 *(Note 5)*	Balance as at 30.6.2016
17.9.2009	3,527,562	2,477,883	–	266	1,049,413
19.8.2011	11,605,026 *(Note 6)*	946,300	–	129	10,658,597
26.6.2013	35,279,817 *(Note 6)*	1,042,000	–	10,000	34,227,817
24.3.2015	71,493,500 *(Note 6)*	1,236,683	–	1,060,000	69,196,817

SHARE OPTION PLAN (Continued)

C. Others *(Note 7)*

Date of grant	Number of share options				
	Balance as at 1.1.2016	Exercised during the six months ended 30.6.2016 *(Note 8)*	Cancelled during the six months ended 30.6.2016	Lapsed during the six months ended 30.6.2016 *(Note 5)*	Balance as at 30.6.2016
17.9.2009	81,053	35,000	–	–	46,053
19.8.2011	219,334 *(Note 6)*	16,532	–	1,573	201,229
26.6.2013	2,971,000 *(Note 6)*	120,000	–	5,000	2,846,000
24.3.2015	598,000 *(Note 6)*	100,000	–	–	498,000

Notes:

1. None of the options granted to the directors of the Company was cancelled or lapsed during the six months ended 30 June 2016.

2. The weighted average closing price of the shares immediately before the date on which Mr. Liu Li Qing exercised the options was HK$3.23.

3. The weighted average closing price of the shares immediately before the date on which Mr. Zuo Xunsheng exercised the options was HK$3.09.

4. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$3.17.

5. These are in respect of options granted to some employees under continuous contracts who have subsequently resigned. Such options have lapsed during the six months ended 30 June 2016.

6. Some share options were reclassified from “Employees of the Company working under continuous contracts” to “Others” due to the resignation/retirement/death of the relevant staff in 2015.

7. These are in respect of options granted to i) some employees under continuous contracts who subsequently retired/passed away before 1 January 2016; ii) some employees under continuous contracts who have subsequently resigned in 2015; and iii) an officer who is not an employee under continuous contract of the Company.

8. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$2.90.

DIRECTORS' INTERESTS IN SECURITIES

The interests of the directors of the Company in shares of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as at 30 June 2016 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		
David Chan Tin Wai	774,262	0.0228
CITIC Limited, an associated corporation		
David Chan Tin Wai	40,000	0.0001
Liu Jifu	840,000	0.0029
Gordon Kwong Che Keung	70,000 *(Note 1)*	0.0002
Dah Chong Hong Holdings Limited, an associated corporation		
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 30 June 2016, none of the directors of the Company had nor were they taken to or deemed to have, under Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, 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 Corporation	1,987,678,508	58.66
CITIC Polaris Limited	1,987,678,508	58.66
CITIC Glory Limited	1,987,678,508	58.66
CITIC Limited	1,987,678,508	58.66
CITIC Corporation Limited	1,987,678,508	58.66
CITIC Investment (HK) Limited	1,987,678,508	58.66
Silver Log Holdings Ltd.	1,987,678,508	58.66
CITIC Pacific Limited ("CITIC Pacific")	1,987,678,508	58.66
Crown Base International Limited	1,987,678,508	58.66
Effectual Holdings Corp.	1,987,678,508	58.66
CITIC Pacific Communications Limited	1,987,678,508	58.66
Douro Holdings Inc.	1,987,678,508	58.66
Ferretti Holdings Corp.	1,987,678,508	58.66
Ease Action Investments Corp.	1,987,678,508	58.66
Peganin Corp.	1,987,678,508	58.66
Richtone Enterprises Inc.	1,987,678,508	58.66
FIL Limited	202,971,000	5.99

CITIC Group Corporation 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 Corporation in the Company and the interests in the Company of all its direct and indirect subsidiaries as described above duplicate each other.

On 18 December 2012, CITIC Investment (HK) Limited entered into an agreement (the "Sale and Purchase Agreement") with 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.

SHARE CAPITAL

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30 June 2016 and the Company has not redeemed any of its shares during the period ended 30 June 2016.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The board of directors of the Company believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. Looking ahead, we will keep our corporate governance practices under continual review to ensure their consistent application and will continue to improve our practices having regard to the latest developments. Details of our corporate governance practices can be found on page 66 of the 2015 annual report and the Company's website www.citictel.com.

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 Listing Rules throughout the six months ended 30 June 2016. In respect of the code provision A.6.7 of the Code, Messrs. Luo Ning, Liu Li Qing and Zuo Xunsheng were unable to attend the annual general meeting of the Company held on 16 May 2016 as they had other engagements.

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

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

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all directors of the Company have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2016.

CORPORATE INFORMATION

HEADQUARTERS AND REGISTERED OFFICE

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

WEBSITE

www.citictel.com contains a description of the Company'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 REGISTRAR

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

ANNUAL AND INTERIM REPORTS

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

FINANCIAL CALENDAR

Closure of Register:	5 September 2016 to 9 September 2016
Interim Dividend Payable:	22 September 2016

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

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

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