中信國際電訊
CITIC TELECOM INTERNATIONAL
A member of CITIC Group Corporation

STOCK CODE:1883

INTERIM REPORT 2017

WE BELIEVE IN A FUTURE FULL OF POSSIBILITIES

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 2017	• CITIC Telecom International CPC Limited ("CPC") won the "Outstanding ICT Solution Provider 2016" at "Quamnet Outstanding Enterprise Awards 2016" by Quamnet • CPC received the Grand Award and three Product Awards from "Sing Tao Daily IT Square Editors' Choices 2016" in Hong Kong – Grand Award: > The Best Integrated ICT Services Partner – Three Product Awards: > The Best Managed Security Services Provider > The Best Cloud Infrastructure Service Provider > The Best Enterprise Cloud Datacenter Provider • China Enterprise ICT Solutions Limited ("CEC") received "Enterprise Credit Evaluation – AAA Credit Level" under the highest level category of value-added service providers from China Association of Communications Enterprises • CEC's SmartCLOUD™ cloud computing solution received "2016 Product of the Year (Cloud Computing Solution)" award from Internet Weekly
February 2017	• Launched YouCLink for an integrated trading and distribution enterprise operating in Asia • CPC announced it has finalised the acquisition of CITIC Telecom CPC Netherlands B.V. (formerly known as Linx Telecommunications B.V.), following completion of all regulatory clearances
March 2017	• Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") officially launched "Macau Good Hands" – a one-stop e-commerce platform combining the features of big data, search engine and electronic payment • CTM showcased an array of network technologies as well as various achievements and application services, including the deployment of carrier aggregation technology; applications for e-educations, e-health; e-commerce platform "Macau Good Hands"; "Smart Home", etc.
April 2017	• Launched the brand "ChinaOne" with "Local or IDD Talk Prepaid SIM Card" in Hong Kong • Extended "DataMall 自由行" coverage to Singapore and Thailand • CEC received the "Most Influential Enterprise of the Year in Cloud Computing" award from the Organizing Committee of China Financial Transaction Technology Conference at Financial Trading Tech Conference 2017 • With its DataHOUSE™ cloud data centre solutions, CEC won "The Best Cloud Data Center of the Year" award at the "World Hosting Day" • CEC received "Partner of the Year Award" from CIO Association of Zhongshan which is a recognition of its effort in providing the best solutions over the years and the contribution to boost the IT development of the local enterprises • CTM launched the world's first VoLTE / ViLTE IDD services with telecoms operator, further affirmed its leading position in Macau as well as overseas • CTM launched a new prepaid card "Social Card", focusing on local unlimited data with speed control and intra-network voice for domestic workers, labour, students and the elderly market • Acclivis Technologies and Solutions Pte. Ltd. ("Acclivis") officially launched the Equinix-Acclivis Business Resiliency Centre (EABRC), a purpose build Disaster Recovery (DR) facility for enterprise market in Singapore

Month	Events
May 2017	• CPC became the first Infrastructure-as-a-Service (IaaS) provider in Hong Kong to receive "ISO 27017 Code of Practice for Information Security Controls for Cloud Services" • CEC received "Good Faith Demonstration Enterprise of Guangdong Province (2012–2016 five consecutive years)" awarded from Guangdong Provincial Enterprise Confederation and Guangdong Provincial Association of Entrepreneurs as a recognition on delivering the quality and trustable products and services to the local enterprises • CTM was the pioneer to launch the 3 Carrier Aggregation technology in Macau, leading the Macau mobile market development by enhancing the speed of LTE up to 300Mbps • CTM launched the free CTM Wi-Fi hotspots for Macau Social housing, providing supports to the disadvantaged
June 2017	• Extended "DataMall 自由行"coverage to South Korea • Awarded the "Most Trusted Service Partner Award" from a China operator • CPC won "Best Full-Service ICT Solutions Company – Hong Kong" at "2017 Business Excellence Awards" by Acquisition International • CPC and CEC received "The Distinguished Salesperson Award (DSA)" from Hong Kong Management Association. It is the 14th consecutive year that CPC has won the award • Won "Customer Relationship Excellence (CRE) Award 2016" winning categories from Asia Pacific Customer Service Consortium: – CPC > Customer Service Manager of the Year (Network Communications – Technical Centre) – CEC > Customer Service Professional of the Year (Network Communications – Technical Centre) > Customer Service Team Leader of the Year (Network Communications – Contact Centre) • CPC won the 1st Grand Award "Technology Company of the Year – Mature", and the Product Award "Managed Security Services Provider" for the 6th consecutive year at the "Computerworld Hong Kong Awards 2017" by Computerworld Hong Kong • CPC won "The Distinguished Cloud Computing Solutions" and "The Distinguished Information Security Services" awards at "The Distinguished SME Partners Award 2017" by Hong Kong Economic Journal and PR Asia • CTM launched the Greater China Data Sharing Plan to further cover Taiwan region, completed the sharing data coverage of Greater China • CTM launched the Taipa Free Wi-Fi service with Direcção dos Serviços de Economia (DSE) to cope with the Government direction on stimulating e-Commerce development and the image of Digital Macau • Acclivis awarded "Marketing Excellence Award (Asia Pacific)" by Equinix for exceptional marketing initiatives in Southeast Asia for 2016 • Pacific Internet (S) Pte. Ltd. launched Pacific – Equinix Cloud Exchange (PacEX) to facilitate enterprise customers' connection to the public cloud located in Equinix from three Southeast Asia markets

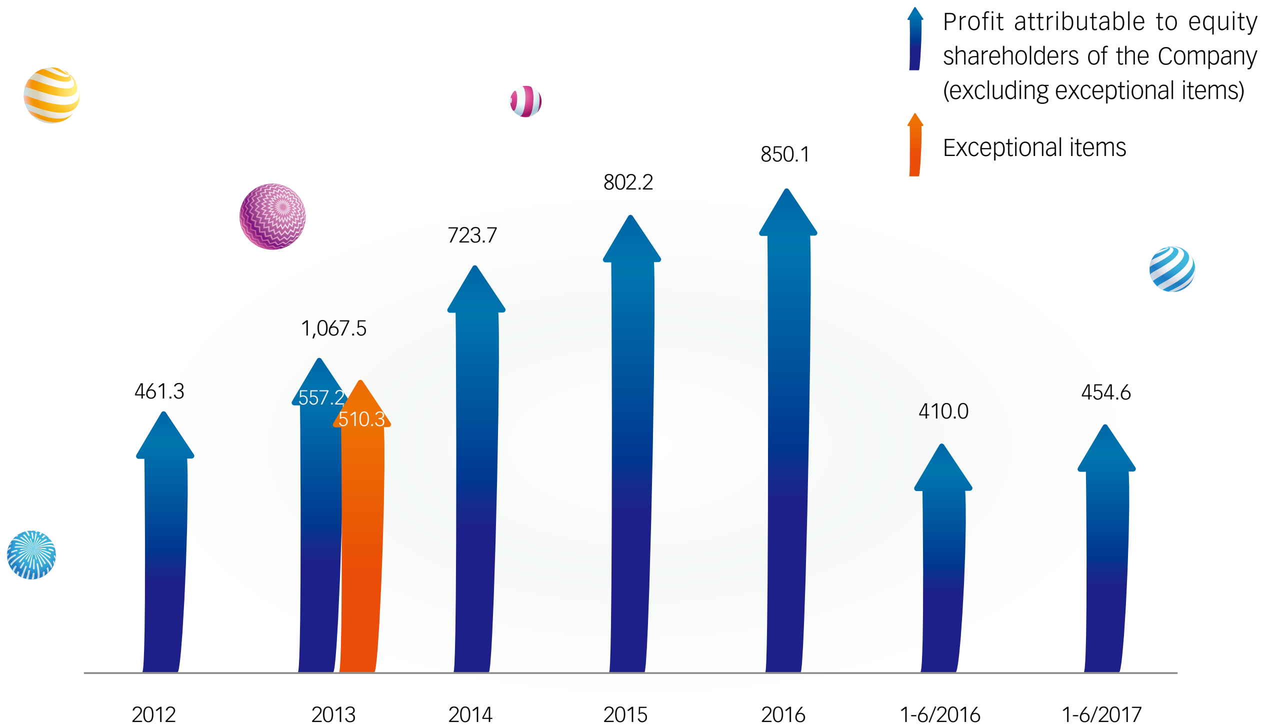
FINANCIAL HIGHLIGHTS

In HK$ million	Half year ended 30 June 2017	2016	
Turnover			
Fees from the provision of telecommunications services	**3,157.5**	2,938.5	Increase 7.5%
Sale of equipment and mobile handsets	**434.7**	885.1	Decrease 50.9%
	3,592.2	3,823.6	Decrease 6.1%
Profit attributable to equity shareholders of the Company	**454.6**	410.0	Increase 10.9%
EBITDA#	**1,051.7**	997.9	Increase 5.4%
Earnings per share (HK cents)			
Basic	**12.9**	12.1	Increase 6.6%
Diluted	**12.8**	12.0	Increase 6.7%
Dividend per share (HK cents)			
Interim dividend	**3.00**	2.85	Increase 5.3%

EBITDA represents earnings before interest, taxes, depreciation and amortisation.

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.

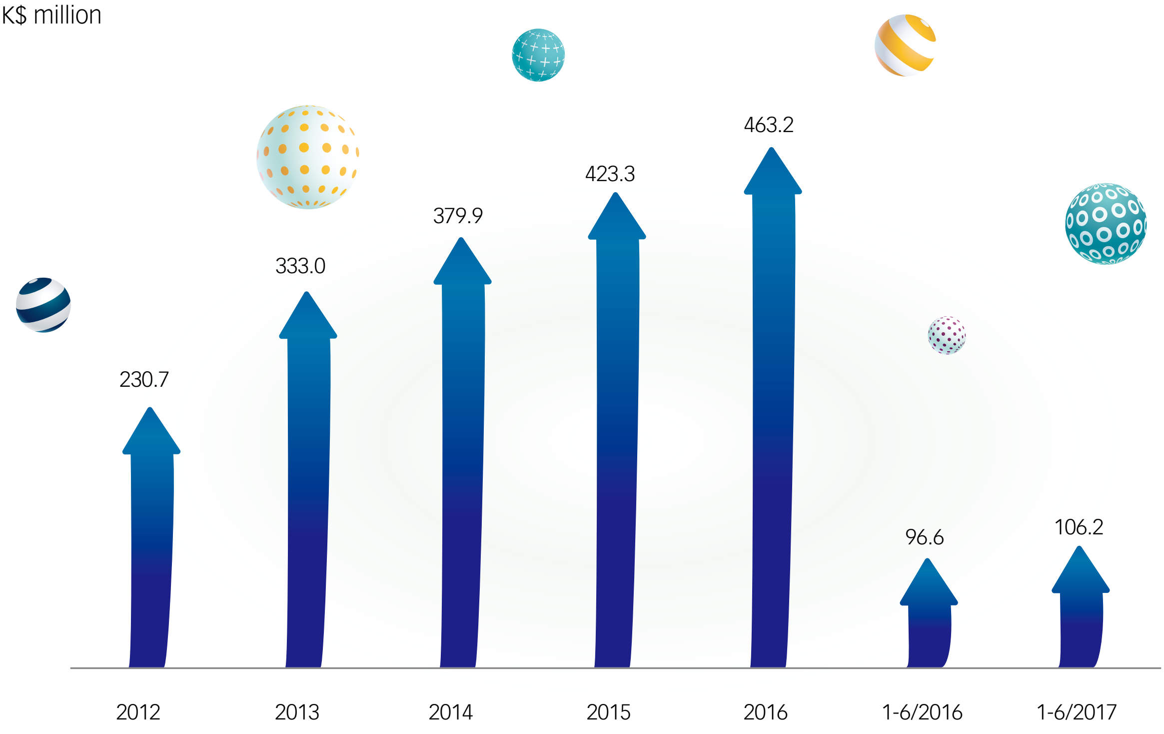
In HK$ million	**30 June 2017**	31 December 2016	
Total assets	**18,305.9**	18,182.9	Increase 0.7%
Total equity attributable to equity shareholders of the Company	**8,003.3**	7,870.5	Increase 1.7%
Total bank and other borrowings	**7,858.1**	7,901.4	Decrease 0.5%
Finance lease liabilities	**4.5**	6.0	Decrease 25.0%
Total debt	**7,862.6**	7,907.4	Decrease 0.6%
Less: Cash and bank deposits	**(1,374.7)**	(1,459.1)	Decrease 5.8%
Net debt	**6,487.9**	6,448.3	Increase 0.6%
Net gearing ratio*	**45%**	45%	Same level as last year

* 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 2017 included interim dividend payable based on the number of shares in issue at 30 June 2017 which may differ from the number of shares at the closing date of the register of members.

I am pleased to present the operating and financial results of CITIC Telecom International Holdings Limited (the "Group") for the first half of 2017.

The global economy showed signs of instability during the first half of 2017, as the trend of low growth for developed countries and slowdown in growth for developing countries remained unchanged. The Group confronted and overcame the challenges present in such complex conditions and confirmed "growth in strength and scale, achievement of higher standards, and delivery of top-rated results" as the Company's new objectives for development. Through the building of a top-rated management team, a top-rated engineering, technical and R&D team and a top-rated business team, we resolved major bottlenecks and major issues in our operations, thereby introducing a revamped setting for our operations. On the back of efforts to pursue growth in strength and scale in its products/businesses, customer base and geographic outreach, the Group achieved stable profit growth in its operating results, underpinned by steady growth in new businesses and products.

I. FINANCIAL RESULTS

Profit attributable to equity shareholders for the first half of 2017 was HK$454.6 million, increasing by 10.9% compared to the corresponding period of the previous year. If the valuation gain on investment property for the period in the sum of HK$19.6 million was excluded, it represented an increase of 6.1% compared to the corresponding period of the previous year.

The Group's total revenue amounted to HK$3,592.2 million, representing a decline of 6.1% compared to the corresponding period of the previous year. The revenue from the Group's principal operations (excluding sale of equipment and mobile handsets) increased by 7.5% compared to the corresponding period of the previous year.

Basic earnings per share for the first half of the year amounted to HK12.9 cents, representing an increase of 6.6% compared to the corresponding period of the previous year.

The Board declared an interim dividend of HK3.00 cents per share for 2017, representing a 5.3% growth over the corresponding period of the previous year.

II. BUSINESS DEVELOPMENT

The Group reported sound business results in its mobile sales & services for the first half of the year, with a market share of over 50% in Macau's 4G market. While experiencing rapid growth in its 4G business, Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") has enhanced its service standards on an ongoing basis, such as continuously improving and upgrading the quality of its 4G network, in order to sustain stable business development. The Group was also actively launching new products in its mobile services. In June this year, CTM launched the "Greater China Data Sharing Plan" on the basis of its existing service for the Mainland, Hong Kong and Macau to extend the geographic reach of its services to Taiwan in full coverage of the Mainland, Taiwan, Hong Kong and Macau, as well as assisting the development of "Guangdong-Hong Kong-Macau Big Bay Area". CTM achieved new breakthroughs in mobile network technologies, as it introduced Macau's first VoLTE IDD service in April in collaboration with a Hong Kong mobile carrier to herald market development with innovative products and extend the scope service of advanced VoLTE.

Meanwhile, the Group experienced substantial growth in the operating results of its international mobile services as compared to the corresponding period of the previous year, as it made strong efforts in the development of the "DataMall 自由行" business. We achieved good progress in overseas geographic coverage and rapid growth in business results as we expanded to Singapore, Thailand and Korea during the first half of the current year, further to the commencement of service in Hong Kong, Macau and Taiwan late last year. The Group has been developing new business models on an ongoing basis, aiming to orchestrate greater breakthroughs in the future. We made new progress in our transformation in connection with the Internet-based development of our traditional communications business, as our A2P SMS business also recorded notable growth over the corresponding period of last year to reverse the declining trend of the SMS business and become one of our growth engines. "CloudSMS", a new Internet-based SMS service platform developed by the Group, went online during the period, while we started to market the "YouCLink" corporate Internet call system, another new development featuring the perfect connection between phone call services and the Internet user interface, in Hong Kong, Singapore and the United States. The commencement of operation of these platform products will drive improvements in the Group's service standards for development towards a "Communication Platform as a Service" (CPaaS). Moreover, the Group also reported sound growth in its mobile roaming signalling service for carriers. Elsewhere, the Group confirmed cooperation in MVNO with a Hong Kong virtual mobile carrier during the first half of the year.

In connection with the Internet services, the Group's overall revenue had been notably affected by the price concessions that were implemented last October for CTM's Internet services, and in last December for Direct Internet Access and leased lines services. To make up for the effect on price reduction, CTM expedited the upgrade to optical fibre Internet services for existing residential and business broadband users. New users were added during the first half of the year and the number of users registered for optical broadband as at the end of June increased by 16% as compared to the number of users registered as at the end of last year. In the future, we will continue to increase the number of optical fibre users and raise the percentage of conversion, in order to provide speedier and higher-quality services to customers. The CITIC Telecom Tower data centre reported satisfactory sales and earnings. Currently, the deliberation process of the plan for the development of the new phase has been completed, and construction is scheduled to begin by the end of the year. The cloud computing data centre in Beijing was commissioned in May this year upon completion of construction.

In connection with our enterprise solutions services, the Group continued to report sound growth. We have completed the acquisition of Acclivis Technologies and Solutions Pte. Ltd. ("Acclivis") and CITIC Telecom CPC Netherlands B.V. (formerly known as Linx Telecommunications B.V.; "CPC Europe"), which are starting to make contributions and set to position the Group favourably for seizing business opportunities presented by the "One Belt One Road" national strategy. As one of the core businesses of the Group, enterprise solutions services continue to provide robust driving force for the ongoing growth of the Group.

III. OUTLOOK

The national strategies of "One Belt One Road" and "Guangdong-Hong Kong-Macau Big Bay Area" will present the Group with opportunities for development. As the impact of Internet and new technologies on the telecommunications industry becomes increasingly evident, the Group's business development will face challenges, and yet there would also be new opportunities, including primarily: (1) the opportunity to drive the Group's business transformation created by the robust development of Internet technologies and the extensive application of big data, cloud computing, artificial intelligence, Internet of Things and 5G technologies; (2) new advantages for the Group's development of ICT services in the Southeast Asian and Eurasian markets and further distinctive advantages in system integration, Internet services, cloud computing and data centre management and virtual private network businesses facilitated by the acquisition of Acclivis and CPC Europe; (3) the large-scale development of the data centre business into one of the Group's principal business segments. The rapid development of the Group's mobile business and Internet business has bolstered the potential and momentum of the Group's general strengths.

The Group will further enhance CTM's leading position in the market. On top of its traditional telecommunications business, CTM will also actively identify new businesses and sources of revenue.

The Group will continue to foster new strengths in enterprise solutions services and seize the new opportunities presented by the "One Belt One Road" national strategy. Through Acclivis and CPC Europe, our two new acquisitions, we will enhance our advantage in product mix, service standard and geographic coverage, providing one-stop, cross-regional and end-to-end integrated corporate ICT services to underpin the Group's ongoing growth.

The Group will continue to seek new breakthroughs in the Internet business. On the basis of existing regions under its coverage, the Group will continue to enlarge its portfolio of "DataMall 自由行" merchants and partners with ongoing innovations in business models. Active efforts will be made to expand the scale of Internet-based communications products such as CloudSMS and YouCLink, with a view to continuously fostering new niches for business growth.

In the meantime, the Group also expedite the development of key business segments such as the data centre business, as it procures work relating to the new phase of construction of the CITIC Telecom Tower data centre, in a move for the large-scale development of the data centre business and the nurturing of a new business segment for the Group.

Business training and skills training will also be enhanced to build a top-rated management team, a top-rated engineering, technical and R&D team, and a top-rated business team, in an effort to improve the professional standards of the Company and provide a solid foundation for the delivery of top-rated results.

Furthermore, the Group will continue to maintain close strategic partnerships with key customers and upgrade its servicing ability on an ongoing basis. In this connection, the Group will be engaged in active development of new customer groups, such as OTT carriers.

The hard-earned results we have achieved for the first half of the year would not have been possible without the wise counsel of the board of directors, the dedication and hard work of all employees, the trust of our customers and the support of our shareholders. To them I must express sincere gratitude. The Group will continue to work in concerted effort and venture from strength to strength in pursuit of excellence, seeking to benefit the community with our contributions while enhancing shareholders' value.

Xin Yue Jiang
Chairman
Hong Kong, 11 August 2017


ONE
STOP
SOLUTION

OVERVIEW

Profit attributable to equity shareholders and basic earnings per share amounted to HK$454.6 million and HK12.9 cents respectively, an increase of 10.9% and 6.6% when compared with the same period of 2016.

Turnover for the six months ended 30 June 2017 amounted to HK$3,592.2 million, a decrease of 6.1% as compared to 2016. The decrease in turnover was primarily due to the weak mobile handsets sales. The Group achieved strong growth in both enterprise solutions and mobile services. In light of the fact that the Group offered a tariff reduction in relation to their Internet services near the end of 2016, the Group still managed to sustain stable growth in Internet services revenue for the six months ended 30 June 2017 when compared with the corresponding period of 2016.

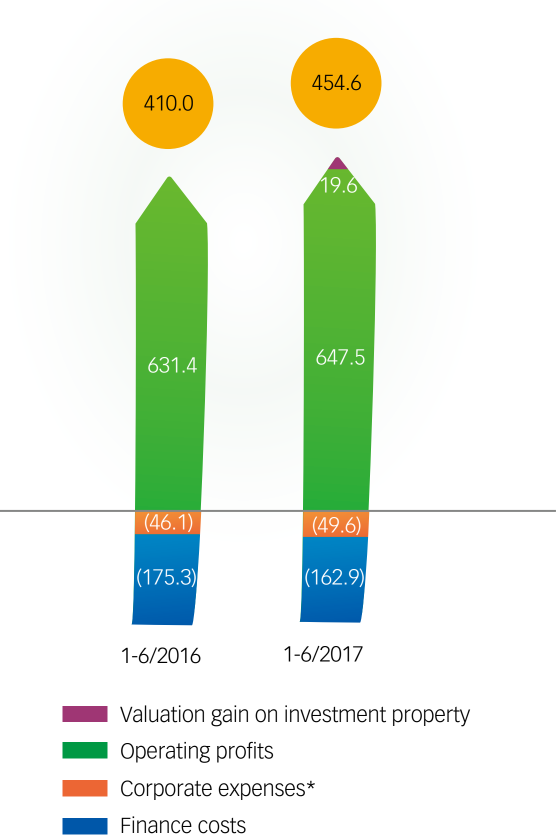
Summary of Financial Results

	Half year ended 30 June			
In HK$ million	**2017**	2016	**Increase/(Decrease)**	
Turnover	**3,592.2**	3,823.6	(231.4)	(6.1%)
Other revenue and net gain/(loss)	**25.3**	(4.8)	N/A	N/A
Valuation gain on investment property	**19.6**	–	19.6	N/A
Cost of sales and services	**(1,811.8)**	(2,110.8)	(299.0)	(14.2%)
Depreciation and amortisation	**(344.2)**	(333.9)	10.3	3.1%
Staff costs	**(424.1)**	(403.2)	20.9	5.2%
Other operating expenses	**(341.0)**	(304.0)	37.0	12.2%
Profit from consolidated activities	**716.0**	666.9	49.1	7.4%
Share of joint venture results	**(1.7)**	1.0	N/A	N/A
Finance costs	**(162.9)**	(175.3)	(12.4)	(7.1%)
Income tax	**(90.3)**	(76.6)	13.7	17.9%
Profit for the period	**461.1**	416.0	45.1	10.8%
Less: Non-controlling interests	**(6.5)**	(6.0)	0.5	8.3%
Profit attributable to equity shareholders of the Company	**454.6**	410.0	44.6	10.9%
EBITDA *	**1,051.7**	997.9	53.8	5.4%

* EBITDA represents earnings before interest, taxes, depreciation and amortisation.

Profit Attributable to Equity Shareholders of the Company

HK$ million



* Corporate expenses included staff costs for corporate functions, 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 2017 amounted to HK$454.6 million, an increase of HK$44.6 million when compared with the same period of 2016. If we exclude the valuation gain on investment property of HK$19.6 million (six months ended 30 June 2016: HK$Nil), profit attributable to equity shareholders of the Company for the first six months of 2017 would amount to HK$435.0 million (six months ended 30 June 2016: HK$410.0 million) representing an increase of 6.1% from the corresponding period of 2016. The increase is mainly contributed by the strong growth in enterprise solutions business.

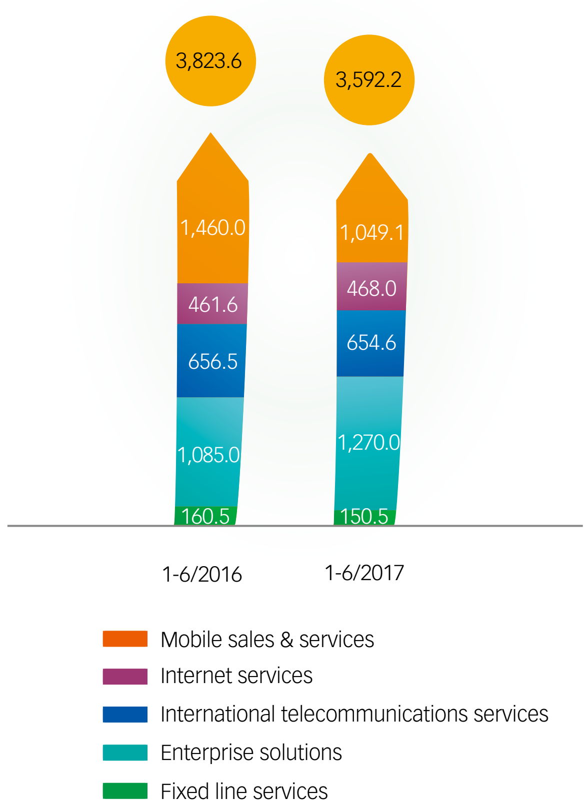
Acquisition during the period

On 1 February 2017, the Group completed the acquisition of the entire equity interest in CITIC Telecom CPC Netherlands B.V. (formerly known as Linx Telecommunications B.V.) for a consideration of EUR21.0 million (approximately HK$172.5 million). The final consideration was adjusted to EUR22.1 million (approximately HK$181.3 million) by reference to the completion accounts prepared in accordance with the share sale and purchase agreement. The financial results of CITIC Telecom CPC Netherlands B.V. and its subsidiaries (collectively referred to as "CPC Europe Group") had been consolidated into the Group's financial results subsequent to the acquisition completion.

CPC Europe Group is engaged in the provision of data networks across Western Europe, Central and Eastern Europe, as well as Central Asia.

Turnover by Services

HK$ million



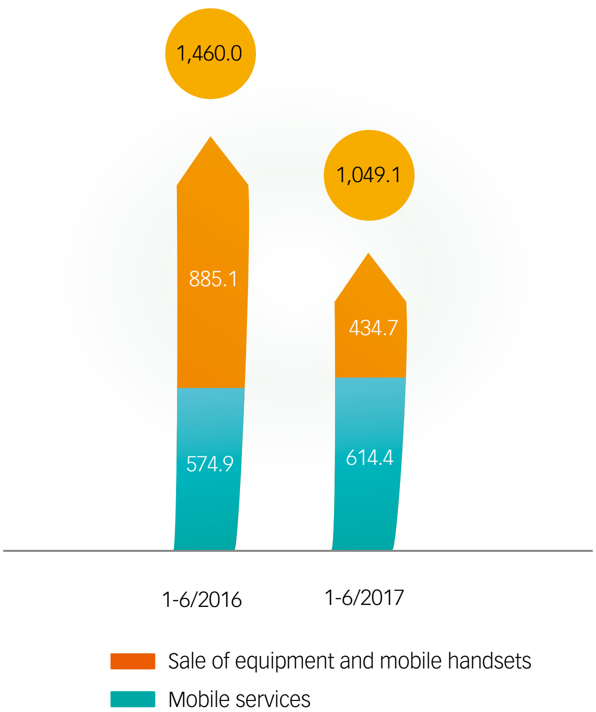
The Group provides a large spectrum of services which are classified into five major categories: mobile sales & services, Internet services, international telecommunications services, enterprise solutions and fixed line services.

The Group's enterprise solutions revenue continued to record stable growth in Mainland China and Hong Kong markets but was partly offset by the decrease in enterprise solutions revenue in Macau. Coupled with the revenue contribution from Acclivis Technologies and Solutions Pte. Ltd. ("Acclivis") since November 2016 and CPC Europe Group since February 2017, revenue from enterprise solutions achieved an increase of HK$185.0 million or 17.1% for the period. Revenue from mobile services grew by 6.9% or HK$39.5 million to HK$614.4 million in the first half of 2017. Internet services also experienced a steady increase of 1.4% or HK$6.4 million to HK$468.0 million despite the Group's tariff reduction in Macau since October 2016.

However, the Group's overall turnover decreased by 6.1% from HK$3,823.6 million to HK$3,592.2 million for the six months ended 30 June 2017. The decrease was mainly due to the drop of equipment and mobile handsets sales from HK$885.1 million for the six months ended 30 June 2016 to HK$434.7 million for the first half of 2017, and the decrease in traditional services such as international telecommunications services and fixed line services.

Mobile sales & services

HK$ million



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$1,049.1 million for the first six months of 2017, a decrease of 28.1% when compared to the corresponding period of 2016. The decrease was due to the drop in mobile handsets sales.

Postpaid ARPU (after adjusting the effect arising from inbound roaming and other adjustments) was up 1.5% when compared with the corresponding period of 2016, while prepaid ARPU was up by 6.0% for the first six months of 2017. The overall number of subscribers in June 2017 was around 856,000, which were similar to that in December 2016, of which approximately 78.8% were 4G subscribers. The Group's mobile market share in Macau was around 42.4% at 30 June 2017 (31 December 2016: 43.5%), while the Group had around 51.2% market share in the 4G subscribers of Macau mobile market at 30 June 2017 (31 December 2016: 57.0%).

Internet services

Internet services revenue including the Group's data centre revenue amounted to HK$468.0 million for the current period which represented an increase of HK$6.4 million or 1.4% when compared to the corresponding period in 2016. The increase was mainly due to increase in data centre revenue, which has more than countered the adverse impact of the Group's tariff reduction on Internet services in Macau in late 2016. Overall broadband ARPU decreased by 11.9% for the first six months of 2017 while the total number of broadband subscribers increased by 2.1% from December 2016.

International telecommunications services

Voice services revenue decreased by HK$55.6 million or 10.1% to HK$497.1 million for the six months ended 30 June 2017 over the same period in 2016, which is in line with the global trend in decreasing tariffs and traffic volume for wholesale voice market. Despite the intensely competitive market conditions, the Group has continued to focus its efforts in regions with higher profit margins and has managed to achieve average revenue of HK$0.31 per minute for the first half of 2017 which is 19.2% higher than the average for the corresponding period of 2016.

Despite the SMS market has continued to be adversely impacted by the increasing popularity of social networking applications, the Group's total SMS revenue increased 26.4% to HK$131.2 million when compared with the first half of 2016, mainly due to its successful efforts in growing its A2P SMS services.

Revenue from "DataMall 自由行" had recorded tremendous growth reaching HK$26.3 million in just the first half of 2017, representing a 61.3% increase when compared to the whole year of 2016.

Enterprise solutions

Enterprise solutions revenue increased 17.1% from HK$1,085.0 million in the first half of 2016 to HK$1,270.0 million in the first half of 2017. The increase was due to the steady growth in enterprise solutions services especially in Mainland China and the first time inclusion of Acclivis' financial results which had more than offset the drop in the Group's enterprise solutions revenue in Macau.

Fixed line services

Fixed line services revenue was HK$150.5 million for the first six months in 2017 which represented a decrease of 6.2% when compared to the first half of 2016. The decrease was in-line with the global 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$461.1 million in profit for the period, an increase of HK$45.1 million when compared with the same period of 2016. The increase was mainly due to the combined impact of the following factors:

Turnover

Turnover for the period decreased by HK$231.4 million or 6.1% when compared with the same period of last year. The Group experienced growth in enterprise solutions, mobile services and Internet services, but the decrease in equipment and mobile handsets sales and the continued deterioration of revenue from international telecommunications services and fixed line services had offset the growth in other businesses contributing to the decrease in turnover.

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$1,811.8 million, a decrease of HK$299.0 million or 14.2% 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.

Valuation gain on investment property

On 28 October 2016, the Group acquired 100% equity interest in Neostar Investment Limited ("Neostar") from a fellow subsidiary, namely Talisgold Limited. Neostar is principally engaged in property holding in Hong Kong and certain floors of the property held by Neostar had been leased out to third parties. The floors that were leased out were revalued at 30 June 2017 by the Group's independent valuer with a gain of HK$19.6 million for the period.

Staff costs

Staff costs for the period increased by 5.2% to HK$424.1 million compared with the same period of 2016. The increase was due to HK$4.9 million increase in equity-settled share-based payment expenses and increase in headcount during the period mainly as a result of the Group's acquisitions of subsidiaries in late 2016 and early 2017.

Depreciation and amortisation

Depreciation and amortisation expenses totaled HK$344.2 million for the six months ended 30 June 2017, an increase of HK$10.3 million or 3.1% when compared with the same period of 2016. The increase was mainly contributed by the newly acquired Acclivis and CPC Europe Group.

Other operating expenses

Other operating expenses for the period amounted to HK$341.0 million, an increase of HK$37.0 million or 12.2% when compared with the same period of 2016. The increase was mainly contributed by the newly acquired Acclivis and CPC Europe Group.

Finance costs

Finance costs for the period decreased from HK$175.3 million to HK$162.9 million when compared with the corresponding period of 2016. If the one-off write-off of the prepaid front end fee of HK$23.4 million in relation to the loans that were refinanced in the first half of 2016 were excluded, the finance costs for the period have increased 7.2% or HK$11.0 million, mainly due to the finance costs incurred in relation to additional borrowings for the Group's acquisitions of subsidiaries in late 2016 and early 2017.

Income tax

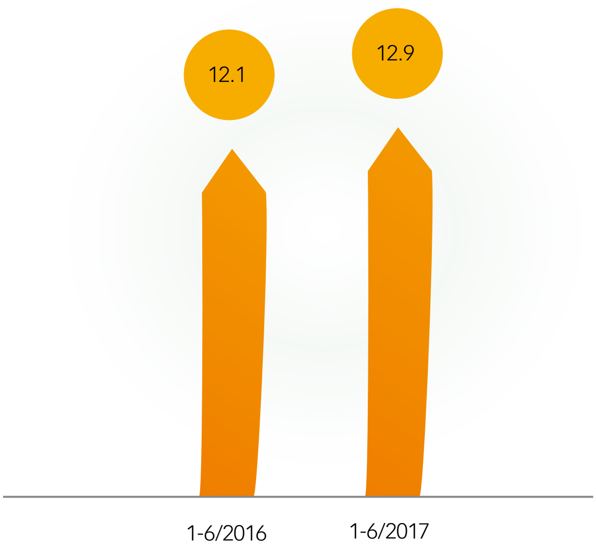
Income tax for the period amounted to HK$90.3 million, an increase of HK$13.7 million or 17.9% when compared with the same period of 2016. The increase was mainly due to the reversal of an over-provision of tax of HK$14.5 million in the first half of 2016 whereas the amount of reversal of the over-provision for tax in the period was only HK$5.1 million.

Earnings per share ("EPS")

Basic EPS and diluted EPS amounted to HK12.9 cents and HK12.8 cents respectively, representing an increase of 6.6% and 6.7% respectively when compared with the corresponding period of 2016.

Basic Earnings per Share

HK cent

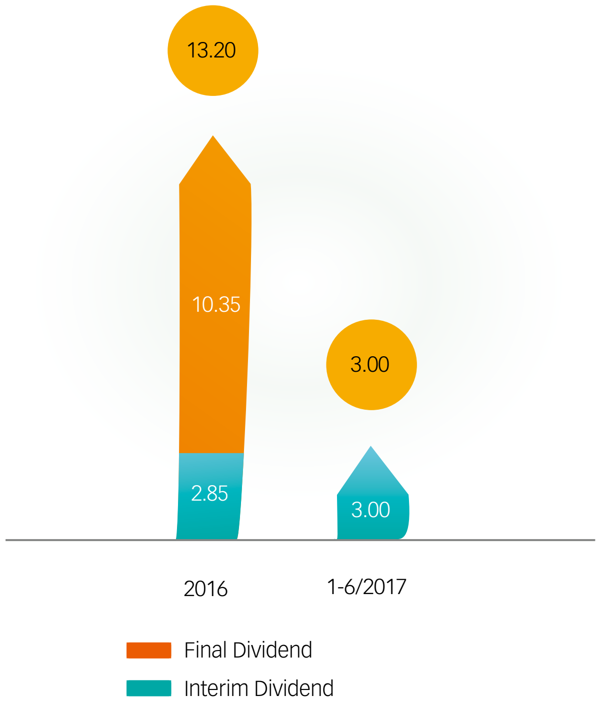


Dividends per share

Interim dividend of HK3.00 cents per share is proposed for the first half of 2017.

Dividends per Share

HK cent



Cash flows

In HK$ million	Half year ended 30 June 2017	2016	Increase/(Decrease)	
Source of cash:				
Cash inflows from business operations	**885.7**	1,019.8	(134.1)	(13.1%)
Other cash inflows	**16.6**	17.2	(0.6)	(3.5%)
Sub-total	**902.3**	1,037.0	(134.7)	(13.0%)
Use of cash:				
Net capital expenditure*	**(221.1)**	(308.4)	(87.3)	(28.3%)
Dividends paid to equity shareholders and non-controlling interests	**(377.0)**	(339.8)	37.2	10.9%
Transaction costs for acquisitions	**(1.0)**	(8.8)	(7.8)	(88.6%)
Acquisition of subsidiaries	**(158.5)**	–	158.5	N/A
Net cash outflows from borrowings	**(243.6)**	(442.1)	(198.5)	(44.9%)
Increase in pledged deposits	**(81.7)**	(26.4)	55.3	>100%
Other cash outflows	**–**	(0.1)	(0.1)	N/A
Sub-total	**(1,082.9)**	(1,125.6)	(42.7)	(3.8%)
Net decrease in cash and cash equivalents	**(180.6)**	(88.6)	92.0	>100%

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

Profit before taxation amounted to HK$551.4 million for the six months ended 30 June 2017. The Group maintained a strong cash position, where HK$885.7 million cash inflow was generated from operations. The use of cash mainly comprised of capital expenditure, payment for acquisition of subsidiaries, loans and 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$180.6 million for the six months ended 30 June 2017 as the Group utilised its excess cash to early settle some of its outstanding loans during the period.

Capital expenditure

The Group's total capital expenditure for the six months ended 30 June 2017 amounted to HK$142.4 million. HK$0.3 million of fitting-out costs were incurred for the Group's data centres and the remainder of the capital expenditure was mainly for network systems upgrade and expansion.

Capital commitments

At 30 June 2017, the Group had outstanding capital commitments of HK$247.8 million, mainly for the acquisition of telecommunications equipment which had yet to be delivered to the Group and construction costs of the networks. Of these commitments, HK$106.2 million were outstanding contractual capital commitments and HK$141.6 million were capital commitments authorised but for which contracts had yet to be entered into.

TREASURY POLICY AND FINANCIAL RISK MANAGEMENT

General

Managing financial risks to which the Group 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 headquarters. In addition, the decision of financing activities is centralised at head office level.

1. Debt and leverage

As the Group has arranged new bank loan for payment for the acquisition of subsidiaries, the Group's net debt increased to HK$6,487.9 million. Benefits from the increase in the total capital which amounted to HK$14,491.2 million, the net gearing ratio maintained at 45% at 30 June 2017.

At 30 June 2017, total debt and net debt of the Group were as follows:

				Denomination				
In HK$ million equivalents	HKD	USD	SGD	EUR	MOP	RMB	Others	Total
Total bank and other borrowings	3,797.7	3,531.1	323.2	206.1	–	–	–	**7,858.1**
Finance lease liabilities	–	–	4.5	–	–	–	–	**4.5**
Total debt	3,797.7	3,531.1	327.7	206.1	–	–	–	**7,862.6**
Less: Cash and bank deposits	(381.9)	(448.1)	(63.8)	(33.9)	(200.6)	(200.5)	(45.9)	**(1,374.7)**
Net debt/(cash)	**3,415.8**	**3,083.0**	**263.9**	**172.2**	**(200.6)**	**(200.5)**	**(45.9)**	**6,487.9**

At 30 June 2017, the Group's net gearing ratio was as follows:

In HK$ million	30 June 2017	31 December 2016
Total bank and other borrowings	**7,858.1**	7,901.4
Finance lease liabilities	**4.5**	6.0
Total debt	**7,862.6**	7,907.4
Less: Cash and bank deposits	**(1,374.7)**	(1,459.1)
Net debt	**6,487.9**	6,448.3
Total equity attributable to equity shareholders of the Company	**8,003.3**	7,870.5
Total capital	**14,491.2**	14,318.8
Net gearing ratio	**45%**	45%

At 30 June 2017, the principal of total debt amounted to HK$7,920.1 million, of which HK$261.0 million will mature in the coming twelve months, against cash and bank deposits of HK$1,374.7 million.

The maturity profile of the Group's total debt in principal amount at 30 June 2017 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 and other borrowings	259.0	341.1	287.5	3,118.0	400.0	–	**4,405.6**
Finance lease liabilities	2.0	1.2	1.3	–	–	–	**4.5**
US$450 million 6.1% guaranteed bonds	–	–	–	–	–	3,510.0	**3,510.0**
	261.0	**342.3**	**288.8**	**3,118.0**	**400.0**	**3,510.0**	**7,920.1**

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

The Group's total debt in principal decreased to HK$7,920.1 million which was mainly due to the early repayment of HK$300.0 million bank loan from its surplus cash during the interim period, which was partly offset by a EUR22.1 million (approximately HK$181.3 million) new bank loan drawn down for the payment for the acquisition of CPC Europe Group, which headquarters is in Netherlands. Other than the above-mentioned loan, the balance of the EUR borrowings of the Group at 30 June 2017 was used to support the liquidity requirements of the Group's operation over Europe.

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 2017 are more than sufficient to cover the repayments of principal amount of total debt of HK$261.0 million in the coming twelve months and contractual capital commitments of HK$106.2 million at 30 June 2017.

At 30 June 2017, the Group had available trade facilities of approximately HK$639.6 million. Approximately HK$407.0 million was utilised as guarantees for performance to customers/the Macau Government, costs payable to telecoms operators and others, and to secure loans drawn by a fellow subsidiary from the commercial banks under the offshore-security-onshore-loan arrangements. Around HK$242.2 million of these utilised facilities were required to be secured by pledged deposits or fixed assets.

At 30 June 2017, the type of facilities of the Group was summarised as follows:

In HK$ million	Total available facilities	Amount utilised	Amount unutilised
Bank and other loans			
– Committed facilities:			
Term loans	4,330.2	4,183.4	146.8
– Uncommitted facilities:			
Short-term facilities	597.5	222.2	375.3
	4,927.7	4,405.6	522.1
Finance lease liabilities – Committed facilities	4.5	4.5	–
Guaranteed bonds – Committed facility			
US$450 million 6.1% guaranteed bonds	3,510.0	3,510.0	–
Trade facilities – Uncommitted facilities	639.6	407.0	232.6
Total	**9,081.8**	**8,327.1**	**754.7**

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 2017, the Group was in compliance with the relevant requirements.

4. Contingent liabilities

At 30 June 2017, the Group had no significant contingent liabilities.

5. Performance bonds, guarantees and pledged assets

At 30 June 2017, 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$72.7 million.

At 30 June 2017, 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 2017, guarantees of HK$328.6 million were issued by the Group to secure the bank loans drawn by a fellow subsidiary from the commercial banks under the offshore-security-onshore-loan arrangements, of which, HK$229.2 million were required to be secured by pledged deposits of HK$252.9 million. In addition, bank deposits of approximately HK$5.9 million and fixed assets of approximately HK$5.8 million were pledged to secure parts of the facilities of the Group.

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 2017, the Company has issued guarantees for its subsidiaries in respect of the bank and other loans in an amount of HK$571.1 million and finance lease liabilities in an amount of HK$4.0 million.

Certain other 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 2017, approximately 55.0% 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 2017, the average borrowing costs, which is after the inclusion of amortisation of transaction costs, was approximately 3.9%.

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 current assets, current 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 45.2% and 43.9% of the Group's total trade debtors at 30 June 2017 and 31 December 2016 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 2017, 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's and Fitch Group), or the note issuing banks in Hong Kong, Macau and Mainland China, or group companies. At 30 June 2017, the Group has approximately HK$1,368.1 million cash balance in the above-mentioned financial institutions, representing approximately 99.5% 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.

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 2017, the Group employed a total of 2,394 employees for its headquarters in Hong Kong and its subsidiaries. Number of employees in Hong Kong was 506. Employees in Mainland China and Macau totalled 1,560. Employees in overseas countries totalled 328.

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.

To adopt our philosophy of committing and making contribution to the community, the Group has organised our employees to participate into various volunteer work and charitable activities. Moreover, the Group continues to utilise our strength on information technology to support the community.

The Group is committed to conduct business in an environmentally responsible manner. The Group has formulated and ongoing reviewed our policies of environmental protection and energy saving in order to achieve sustainable targets.

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 2017 and the unaudited consolidated statement of financial position of the Group at 30 June 2017, together with the comparative figures for the six months ended 30 June 2016 and at 31 December 2016 respectively.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2017 (Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Note	**$'000**	$'000
Turnover	*3(a)*	**3,592,189**	3,823,576
Other revenue	*4*	**20,599**	3,887
Other net gain/(loss)	*5*	**4,682**	(8,706)
Valuation gain on investment property	*9(b)*	**19,629**	–
		3,637,099	3,818,757
Cost of sales and services		**(1,811,792)**	(2,110,834)
Depreciation and amortisation	*6(c)*	**(344,239)**	(333,914)
Staff costs	*6(b)*	**(424,075)**	(403,243)
Other operating expenses		**(340,995)**	(303,938)
		715,998	666,828
Finance costs	*6(a)*	**(162,906)**	(175,263)
Share of (loss)/profit of a joint venture		**(1,713)**	1,011
Profit before taxation	*6*	**551,379**	492,576
Income tax	*7*	**(90,279)**	(76,587)
Profit for the period		**461,100**	415,989
Attributable to:			
Equity shareholders of the Company		**454,644**	410,008
Non-controlling interests		**6,456**	5,981
Profit for the period		**461,100**	415,989
Earnings per share (HK cents)	*8*		
Basic		**12.9**	12.1
Diluted		**12.8**	12.0

The notes on pages 34 to 57 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 2017 (Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	$'000	$'000
Profit for the period	**461,100**	415,989
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	**18,540**	(8,215)
Other comprehensive income for the period	**18,540**	(8,215)
Total comprehensive income for the period	**479,640**	407,774
Attributable to:		
Equity shareholders of the Company	**473,174**	401,783
Non-controlling interests	**6,466**	5,991
Total comprehensive income for the period	**479,640**	407,774

The notes on pages 34 to 57 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017 (Expressed in Hong Kong dollars)

	Note	**30 June 2017 (Unaudited) $'000**	31 December 2016 (Audited) $'000
Non-current assets			
Investment property	*9*	**654,957**	635,328
Other property, plant and equipment	*9*	**2,509,774**	2,553,923
		3,164,731	3,189,251
Intangible assets		**1,804,850**	1,878,846
Goodwill		**9,743,315**	9,596,599
Interest in a joint venture		**5,653**	7,367
Non-current other receivables and deposits	*10*	**210,501**	198,920
Deferred tax assets		**82,244**	85,764
		15,011,294	14,956,747
Current assets			
Inventories		**91,388**	69,945
Trade and other receivables and deposits	*10*	**1,820,968**	1,691,446
Current tax recoverable		**7,579**	5,687
Cash and bank deposits	*11(a)*	**1,374,712**	1,459,050
		3,294,647	3,226,128
Current liabilities			
Trade and other payables	*12*	**1,685,553**	1,706,100
Bank and other loans	*13*	**258,956**	43,739
Obligations under finance leases		**2,036**	2,928
Current tax payable		**313,829**	230,183
		2,260,374	1,982,950
Net current assets		**1,034,273**	1,243,178
Total assets less current liabilities		**16,045,567**	16,199,925

	Note	30 June 2017 (Unaudited) $'000	31 December 2016 (Audited) $'000
Non-current liabilities			
Interest-bearing borrowings	*14(a)*	**7,599,178**	7,857,680
Obligations under finance leases		**2,432**	3,063
Non-current other payables	*12*	**65,061**	77,594
Net defined benefit retirement obligation		**115,420**	112,878
Deferred tax liabilities		**235,039**	249,024
		8,017,130	8,300,239
NET ASSETS		**8,028,437**	7,899,686
CAPITAL AND RESERVES			
Share capital	*15(b)*	**4,275,178**	4,262,457
Reserves		**3,728,097**	3,608,047
Total equity attributable to equity shareholders of the Company		**8,003,275**	7,870,504
Non-controlling interests		**25,162**	29,182
TOTAL EQUITY		**8,028,437**	7,899,686

The notes on pages 34 to 57 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017 (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 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

	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
		Attributable to equity shareholders of the Company						
Balance at 1 July 2016		3,865,844	72,721	(33,115)	3,221,870	7,127,320	22,458	7,149,778
Changes in equity for the six months ended 31 December 2016:								
Profit for the period		–	–	–	440,080	440,080	6,652	446,732
Other comprehensive income for the period		–	–	(5,619)	2,762	(2,857)	72	(2,785)
Total comprehensive income for the period		–	–	(5,619)	442,842	437,223	6,724	443,947
Shares issued under share option plan	*15(b)(ii)*	11,280	(2,760)	–	–	8,520	–	8,520
Shares issued for acquisition of a subsidiary	*15(b)(iii)*	385,333	–	–	–	385,333	–	385,333
Equity-settled share-based transactions		–	8,756	–	–	8,756	–	8,756
Release upon lapse of share options	*16(a)*	–	(197)	–	197	–	–	–
Dividends approved in respect of the current financial year	*15(a)(i)*	–	–	–	(96,648)	(96,648)	–	(96,648)
		396,613	5,799	–	(96,451)	305,961	–	305,961
Balance at 31 December 2016 (Audited)		4,262,457	78,520	(38,734)	3,568,261	7,870,504	29,182	7,899,686

		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 2017		4,262,457	78,520	(38,734)	3,568,261	7,870,504	29,182	7,899,686
Changes in equity for the six months ended 30 June 2017:								
Profit for the period		–	–	–	454,644	454,644	6,456	461,100
Other comprehensive income for the period		–	–	18,530	–	18,530	10	18,540
Total comprehensive income for the period		–	–	18,530	454,644	473,174	6,466	479,640
Dividend paid to non-controlling interests		–	–	–	–	–	(10,486)	(10,486)
Shares issued under share option plan	*15(b)(ii)*	12,721	(3,016)	–	–	9,705	–	9,705
Equity-settled share-based transactions	*6(b)*	–	16,395	–	–	16,395	–	16,395
Dividend approved in respect of the previous financial year	*15(a)(ii)*	–	–	–	(366,503)	(366,503)	–	(366,503)
Release upon lapse of share options	*16(a)*	–	(289)	–	289	–	–	–
		12,721	13,090	–	(366,214)	(340,403)	(10,486)	(350,889)
Balance at 30 June 2017		4,275,178	91,610	(20,204)	3,656,691	8,003,275	25,162	8,028,437

The notes on pages 34 to 57 form part of this interim financial report.

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2017 (Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Note	**$'000**	$'000
Operating activities			
Cash generated from operations	*11(d)*	**901,534**	1,026,774
Tax paid:			
– Hong Kong Profits Tax paid		**(3,858)**	–
– Tax paid for jurisdictions outside Hong Kong		**(12,736)**	(7,357)
Tax refunded:			
– Hong Kong Profits Tax refunded		**377**	–
– Tax refunded for jurisdictions outside Hong Kong		**385**	345
Net cash generated from operating activities		**885,702**	1,019,762
Investing activities			
Payment for the purchase of other property, plant and equipment and others		**(221,668)**	(308,752)
Proceeds from the sale of other property, plant and equipment		**541**	353
Payment for acquisition of subsidiaries (net of cash and cash equivalents acquired)	*17(c)*	**(158,485)**	–
Payment for transaction costs for the acquisitions		**(1,007)**	(8,802)
Increase in pledged deposits		**(81,726)**	(26,388)
Interest received		**6,929**	3,854
Net cash used in investing activities		**(455,416)**	(339,735)

		Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Note	**$'000**	$'000
Financing activities			
Proceeds from new bank and other loans		**264,704**	2,530,000
Proceeds from new shares issued under share option plan		**9,705**	13,298
Capital element of finance lease rentals paid		**(1,825)**	–
Repayment of bank and other loans		**(350,767)**	(2,827,200)
Interest element of finance lease rentals paid		**(118)**	–
Other borrowing costs paid		**(155,568)**	(144,910)
Dividend paid to equity shareholders of the Company	*15(a)(ii)*	**(366,503)**	(328,612)
Dividend paid to non-controlling interests		**(10,486)**	(11,204)
Net cash used in financing activities		**(610,858)**	(768,628)
Net decrease in cash and cash equivalents		**(180,572)**	(88,601)
Cash and cash equivalents at 1 January	*11(a)*	**1,283,675**	1,073,683
Effect of foreign exchange rate changes		**12,800**	(283)
Cash and cash equivalents at 30 June	*11(a)*	**1,115,903**	984,799

The notes on pages 34 to 57 form part of this interim financial report.

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 11 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 2016 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 58.

The financial information relating to the financial year ended 31 December 2016 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 2016 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The Group is principally engaged in the provision of telecommunications services, including 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	
	2017	2016
	(Unaudited)	(Unaudited)
	$'000	$'000
Mobile services	**614,355**	574,920
Internet services	**468,015**	461,628
International telecommunications services	**654,573**	656,573
Enterprise solutions	**1,270,048**	1,084,950
Fixed line services	**150,453**	160,463
Fees from the provision of telecommunications services	**3,157,444**	2,938,534
Sale of equipment and mobile handsets	**434,745**	885,042
	3,592,189	3,823,576

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.

Reconciliations of reportable segment profit

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	$'000	$'000
Reportable segment profit	**1,088,456**	1,051,686
Net gain on disposal of other property, plant and equipment	**24**	87
Net foreign exchange gain/(loss)	**4,658**	(8,793)
Depreciation and amortisation	**(344,239)**	(333,914)
Finance costs	**(162,906)**	(175,263)
Share of (loss)/profit of a joint venture	**(1,713)**	1,011
Interest income	**6,850**	3,887
Rentals receivable from investment property less direct outgoings	**9,851**	–
Unallocated head office and corporate expenses	**(49,602)**	(46,125)
Consolidated profit before taxation	**551,379**	492,576

(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	
	2017	2016
	(Unaudited)	(Unaudited)
	$'000	$'000
Interest income from bank deposits	**4,586**	3,863
Other interest income	**2,264**	24
	6,850	3,887
Gross rental income from investment property	**13,749**	–
	20,599	3,887

5 OTHER NET GAIN/(LOSS)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	$'000	$'000
Net gain on disposal of other property, plant and equipment *(note 9)*	**24**	87
Net foreign exchange gain/(loss)	**4,658**	(8,793)
	4,682	(8,706)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June 2017 (Unaudited) $'000	2016 (Unaudited) $'000
(a) Finance costs		
Interest on bank and other borrowings	**154,382**	143,036
Finance charges on obligations under finance leases	**118**	–
Other finance charges	**6,863**	30,622
Other interest expense	**1,543**	1,605
	162,906	175,263
(b) Staff costs (including directors' emoluments)		
Contributions to defined contribution retirement plans	**27,940**	21,525
Expenses recognised in respect of defined benefits retirement plan	**5,019**	5,143
Total retirement costs	**32,959**	26,668
Equity-settled share-based payment expenses *(note 16(c))*	**16,395**	11,464
Salaries, wages and other benefits	**374,721**	365,111
	424,075	403,243
(c) Other items		
Depreciation	**258,668**	249,055
Amortisation	**85,571**	84,859
	344,239	333,914
Net impairment losses for trade debtors	**7,424**	7,322
Rentals receivable from investment property less direct outgoings of $3,898,000 (six months ended 30 June 2016: $Nil)	**(9,851)**	–

7 INCOME TAX

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	$'000	$'000
Current tax		
Hong Kong Profits Tax		
– Provision for the period	**32,295**	25,895
– Under-provision in respect of prior years	**304**	94
	32,599	25,989
Jurisdictions outside Hong Kong		
– Provision for the period	**70,116**	76,418
– Over-provision in respect of prior years	**(5,450)**	(14,576)
	64,666	61,842
Deferred tax		
Origination and reversal of temporary differences	**(6,986)**	(11,244)
	90,279	76,587

The provision for Hong Kong Profits Tax for the six months ended 30 June 2017 is calculated at 16.5% (six months ended 30 June 2016: 16.5%) of the estimated assessable profits for the period.

The provision for Macau Complementary Tax for the six months ended 30 June 2017 is calculated at 12% (six months ended 30 June 2016: 12%) of the estimated assessable profits for the period. Assessable profits of the first MOP600,000 (equivalent to approximately $583,000) (six months ended 30 June 2016: MOP600,000 (equivalent to approximately $583,000)) are exempted from Macau Complementary Tax.

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

8 EARNINGS PER SHARE

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	$'000	$'000
Profit attributable to equity shareholders of the Company	**454,644**	410,008

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

	Number of shares Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	'000	'000
Issued ordinary shares at 1 January	**3,534,581**	3,382,342
Effect of share options exercised	**3,215**	2,139
Weighted average number of ordinary shares (basic) at 30 June	**3,537,796**	3,384,481
Effect of deemed issue of shares under the Company's share option plan	**8,781**	28,995
Weighted average number of ordinary shares (diluted) at 30 June	**3,546,577**	3,413,476
Basic earnings per share (HK cents)	**12.9**	12.1
Diluted earnings per share (HK cents)	**12.8**	12.0

9 INVESTMENT PROPERTY AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals

During the six months ended 30 June 2017, the Group acquired items of other property, plant and equipment with a total cost of $206,009,000 (six months ended 30 June 2016: $172,130,000) which included an amount of $63,634,000 (six months ended 30 June 2016: $Nil) acquired through acquisition of subsidiaries. Items of other property, plant and equipment with a net book value of $517,000 were disposed of during the six months ended 30 June 2017 (six months ended 30 June 2016: $266,000), resulting in a net gain on disposal of $24,000 (six months ended 30 June 2016: $87,000).

(b) Valuation

The valuation of investment property carried at fair value was updated at 30 June 2017 by the Group's independent valuer using the same valuation technique as was used by this valuer when carrying out the December 2016 valuation. As a result of the update, a gain of $19,629,000 (six months ended 30 June 2016: $Nil), has been recognised in profit or loss for the period.

(c) Certain other 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 2017 (Unaudited) $'000	31 December 2016 (Audited) $'000
Trade debtors	**1,349,995**	1,312,809
Less: allowance for doubtful debts	**(44,616)**	(38,759)
	1,305,379	1,274,050
Other receivables and deposits	**726,090**	616,316
	2,031,469	1,890,366
Represented by:		
Non-current portion	**210,501**	198,920
Current portion	**1,820,968**	1,691,446
	2,031,469	1,890,366

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 2017 (Unaudited) $'000	31 December 2016 (Audited) $'000
Within 1 year	**1,266,693**	1,196,840
Over 1 year	**83,302**	115,969
	1,349,995	1,312,809

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 2017 (Unaudited) $'000	31 December 2016 (Audited) $'000
Cash at bank and in hand	**961,505**	823,342
Time deposits with banks	**413,207**	635,708
Cash and bank deposits in the consolidated statement of financial position *(note (b))*	**1,374,712**	1,459,050
Less: pledged deposits *(note (c))*	**(258,809)**	(175,375)
Cash and cash equivalents in the consolidated cash flow statement	**1,115,903**	1,283,675

(b) Included in cash and bank deposits were $45,466,000 (31 December 2016: $57,861,000) 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 2017, the Group pledged deposits of $252,858,000 (31 December 2016: $171,324,000) to commercial banks to secure loans drawn by a fellow subsidiary from the commercial banks under the offshore-security-onshore-loan arrangements (see notes 19(c) and 20(a)(iii)).

At 30 June 2017, bank deposits of $5,951,000 (31 December 2016: $4,051,000) 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:

		Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Note	**$'000**	$'000
Profit before taxation		**551,379**	492,576
Adjustments for:			
Depreciation and amortisation	*6(c)*	**344,239**	333,914
Valuation gain on investment property	*9(b)*	**(19,629)**	–
Net gain on disposal of other property, plant and equipment	*5*	**(24)**	(87)
Share of loss/(profit) of a joint venture		**1,713**	(1,011)
Finance costs	*6(a)*	**162,906**	175,263
Interest income	*4*	**(6,850)**	(3,887)
Equity-settled share-based payment expenses	*6(b)*	**16,395**	11,464
Foreign exchange (gain)/loss		**(7,905)**	4,814
		1,042,224	1,013,046
Changes in working capital:			
(Increase)/decrease in inventories		**(21,443)**	13,277
(Increase)/decrease in trade and other receivables and deposits		**(123,991)**	55,387
Increase/(decrease) in trade and other payables		**3,746**	(56,020)
Increase in net defined benefit retirement obligation		**998**	1,084
Cash generated from operations		**901,534**	1,026,774

12 TRADE AND OTHER PAYABLES

	30 June 2017 (Unaudited) $'000	31 December 2016 (Audited) $'000
Trade creditors	**785,679**	751,836
Other payables and accruals	**964,935**	1,031,858
	1,750,614	1,783,694
Represented by:		
Non-current portion	**65,061**	77,594
Current portion	**1,685,553**	1,706,100
	1,750,614	1,783,694

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 2017 (Unaudited) $'000	31 December 2016 (Audited) $'000
Within 1 year	**573,617**	494,475
Over 1 year	**212,062**	257,361
	785,679	751,836

13 BANK AND OTHER LOANS

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

	30 June 2017 (Unaudited) $'000	31 December 2016 (Audited) $'000
Within 1 year or on demand	**258,956**	43,739
After 1 year but within 2 years	**338,751**	312,892
After 2 years but within 5 years	**3,775,447**	4,061,423
	4,373,154	4,418,054
Represented by:		
Unsecured		
– Current	**258,956**	43,739
– Non-current *(note 14(a))*	**4,114,198**	4,374,315
	4,373,154	4,418,054

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 2017 and 31 December 2016, 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 2017 (Unaudited) $'000	31 December 2016 (Audited) $'000
Unsecured bank and other loans *(note 13)*	**4,114,198**	4,374,315
Guaranteed bonds at 6.1% due 2025 *(note (b))*	**3,484,980**	3,483,365
	7,599,178	7,857,680

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

14 NON-CURRENT INTEREST-BEARING BORROWINGS (Continued)

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

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

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	
	2017	2016
	(Unaudited)	(Unaudited)
	$'000	$'000
Interim dividend declared/declared and paid after the interim period of HK3.00 cents (six months ended 30 June 2016: HK2.85 cents) per share	**106,242**	96,648

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	
	2017	2016
	(Unaudited)	(Unaudited)
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK10.35 cents (six months ended 30 June 2016: HK9.70 cents) per share	**366,503**	328,612

For the final dividend in respect of the year ended 31 December 2016, there was a difference of $674,000 between the final dividend disclosed in the 2016 annual report and the amount paid during the six months ended 30 June 2017, which represented dividends attributable to shares issued upon exercise of share options before the closing date of the register of members.

15 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Share capital

	Note	30 June 2017 (Unaudited) Number of shares	Amount $'000	31 December 2016 (Audited) Number of shares	Amount $'000
Ordinary shares, issued and fully paid:					
At 1 January	*(i)*	**3,534,581,049**	**4,262,457**	3,382,342,098	3,848,565
Shares issued under share option plan	*(ii)*	**6,834,810**	**12,721**	10,572,284	28,559
Shares issued for acquisition of a subsidiary	*(iii)*	**–**	**–**	141,666,667	385,333
At 30 June/31 December	*(i)*	**3,541,415,859**	**4,275,178**	3,534,581,049	4,262,457

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

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 2017, 6,834,810 ordinary shares (six months ended 30 June 2016: 6,374,398 ordinary shares) were issued at a weighted average exercise price of $1.42 (six months ended 30 June 2016: $2.09) per ordinary share to share option holders who had exercised their options. During the six months ended 31 December 2016, 4,197,886 ordinary shares were issued at a weighted average exercise price of $2.03 per ordinary share to share option holders who had exercised their options. These shares so issued rank pari passu with the then existing ordinary shares in issue.

(iii) On 28 October 2016, the Company acquired the entire share capital of Neostar Investment Limited from Talisgold Limited, a fellow subsidiary of the Company, at a final consideration of $813,181,000, of which, $427,848,000 was paid by the Company in cash and the remaining $385,333,000 was satisfied by allotting 141,666,667 new shares of the Company to Perfect New Holdings Limited, a fellow subsidiary of Talisgold Limited, which was nominated by Talisgold Limited to take up the aforesaid new shares issued by the Company.

16 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(a) On 24 March 2015, options to subscribe for a total of 87,512,500 ordinary shares (the "2015 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 2015 Options has been vested on 24 March 2016 and is exercisable from 24 March 2016 to 23 March 2021. The remaining 50% of the 2015 Options has been vested on 24 March 2017 and is exercisable from 24 March 2017 to 23 March 2022. The exercise price is $2.612 per ordinary share. The closing price of the Company's ordinary shares on the date of grant of the 2015 Options was $2.61 per ordinary share. All options granted on 24 March 2015 was accepted except for options for 398,000 ordinary shares which were cancelled during the six months ended 30 June 2015.

On 24 March 2017, options to subscribe for a total of 90,679,000 ordinary shares (the "2017 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 2017 Options will be vested on 24 March 2018 and is exercisable from 24 March 2018 to 23 March 2023. The remaining 50% of the 2017 Options will be vested on 24 March 2019 and is exercisable from 24 March 2019 to 23 March 2024. The exercise price is $2.45 per ordinary share. The closing price of the Company's ordinary shares on the date of grant of the 2017 Options was $2.37 per ordinary share. All options granted on 24 March 2017 was accepted except for options for 1,513,000 ordinary shares which were cancelled during the six months ended 30 June 2017.

Details of the fair value of the 2015 Options and 2017 Options and assumptions are set out in note 16(b).

During the six months ended 30 June 2017, 31 December 2016 and 30 June 2016, options for 6,834,810 ordinary shares, 4,197,886 ordinary shares and 6,374,398 ordinary 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 2017, 31 December 2016 and 30 June 2016 were $2.37, $2.91 and $3.15 respectively.

Save as disclosed above, options for 1,513,000 ordinary shares were cancelled during the six months ended 30 June 2017. No options were cancelled during the six months ended 31 December 2016 and 30 June 2016.

During the six months ended 30 June 2017, options for 1,784,450 ordinary shares (six months ended 30 June 2016: 1,076,968 ordinary shares; six months ended 31 December 2016: 935,346 ordinary shares) have lapsed. The value of vested options lapsed during the six months ended 30 June 2017 was $289,000 (six months ended 30 June 2016: $18,000; six months ended 31 December 2016: $197,000) and was released directly to retained profits.

16 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(b) Fair value of share options and assumptions

(i) 2015 Options

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.

16 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(b) Fair value of share options and assumptions (Continued)

(ii) 2017 Options

The average fair value of an option on one ordinary share of the Company measured at the date of grant of 24 March 2017 was $0.558 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 4.2 years respectively;
- Expected volatility of the Company's share price at 38% per annum (based on historical movements of the Company's share prices);
- Expected annual dividend yield of 4.2%;
- 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 1.47% and 1.53% 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 2017 in respect of the above grant of options was $16,395,000 (six months ended 30 June 2016: $11,464,000).

17 ACQUISITION OF SUBSIDIARIES

(a) 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 CITIC Telecom CPC Netherlands B.V. (formerly known as Linx Telecommunications B.V.) at a total cash consideration of EUR21,000,000 (equivalent to approximately $172,528,000) (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). The final consideration was adjusted to EUR22,068,000 (equivalent to approximately $181,302,000). All the conditions of the acquisition were fulfilled and the completion of the acquisition took place on 1 February 2017 whereby CITIC Telecom CPC Netherlands B.V. and its subsidiaries (collectively referred to as the "CPC Europe Group") became subsidiaries of the Group.

17 ACQUISITION OF SUBSIDIARIES (Continued)

(b) For the six months ended 30 June 2017, the CPC Europe Group contributed turnover of $48,992,000 and loss after tax of $2,425,000 to the Group's results. If the acquisition of the CPC Europe Group had occurred on 1 January 2017, the Group's turnover and profit after tax for the six months ended 30 June 2017 would have been $3,601,991,000 and $457,757,000 respectively.

These amounts have been calculated using the Group's accounting policies and by adjusting the results of the relevant subsidiaries to reflect any additional depreciation and amortisation that would have been charged assuming the fair value adjustments to other property, plant and equipment and intangible assets had been applied from 1 January 2017 together with the consequential tax effects.

(c) The acquisition of CPC Europe Group had the following effect on the Group's assets and liabilities:

	Fair value $'000
Other property, plant and equipment *(note 9(a) and note (d))*	63,634
Intangible assets *(note (d))*	8,355
Non-current other receivables and deposits	107
Net deferred tax assets	2,304
Trade and other receivables and deposits	15,127
Current tax recoverable	99
Cash and cash equivalents	22,817
Trade and other payables	(42,403)
Bank and other loans	(4,397)
Net identifiable assets and liabilities	65,643
Goodwill on the acquisition	115,659
	181,302
Satisfied by:	
Cash consideration paid	181,302
Cash consideration paid	181,302
Cash and cash equivalents acquired	(22,817)
Net outflow of cash and cash equivalents in respect of the acquisition	158,485

17 ACQUISITION OF SUBSIDIARIES (Continued)

(d) Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Other property, plant and equipment	*Replacement cost method:* Replacement cost method considers the replacement cost which reflects adjustment for physical deterioration as well as functional and economic obsolescence.
Intangible assets – Customer relationships	*Multi-period excess earnings method:* The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.

If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any adjustments to be made according to the relevant sale and purchase agreement, then the acquisition accounting will be revised.

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

18 CAPITAL COMMITMENTS

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

	30 June 2017 (Unaudited) $'000	31 December 2016 (Audited) $'000
Contracted for		
– Capital expenditure	**106,197**	46,888
– For an acquisition	**–**	171,539
	106,197	218,427
Authorised but not contracted for		
– Capital expenditure	**141,559**	40,024

19 PERFORMANCE BONDS AND GUARANTEES

(a) At 30 June 2017, performance bonds provided to the Macau Government and other customers for which no provision has been made in the interim financial report amounted to $72,693,000 (31 December 2016: $90,034,000). At 30 June 2017, 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 $72,693,000 (31 December 2016: $90,034,000).

(b) At 30 June 2017, the Group issued a guarantee of $34,366,000 (31 December 2016: $34,366,000) to a contractor for the performance under a construction contract. At 30 June 2017, 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 2016: $34,366,000).

(c) At 30 June 2017, guarantees of $328,607,000 (31 December 2016: $260,874,000) were issued by the Group to secure the bank loans drawn by a fellow subsidiary from the commercial banks under the offshore-security-onshore arrangements, of which, $229,173,000 (31 December 2016: $152,482,000) were required to be secured by pledged deposits of $252,858,000 (31 December 2016: $171,324,000) (see notes 11(c) and 20(a)(iii)). At 30 June 2017, 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 $328,607,000 (31 December 2016: $260,874,000).

20 MATERIAL RELATED PARTY TRANSACTIONS

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

(i) Recurring transactions

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	$'000	$'000
Management consultancy and technical services fee received/receivable from a fellow subsidiary	**5,640**	5,584
Telecommunications services and related expenses paid/payable to		
– a fellow subsidiary	**13,729**	10,636
– an associate of the ultimate holding company	**3,733**	3,833
Professional fees paid/payable to a controlling shareholder for the provision of internal audit and company secretarial services	**2,490**	2,425
Operating lease charges, building management fees, water and electricity fees, air conditioning charges and car parking spaces rental paid/payable to fellow subsidiaries	**14,891**	11,695
Rental income received/receivable from a fellow subsidiary	**9,506**	–

20 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 2017 (Unaudited) $'000	31 December 2016 (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	**71,421**	69,295
Amount due from/(to) a fellow subsidiary included in:		
– Trade and other receivables and deposits	**26,401**	20,027
– Trade and other payables	**(6,910)**	(7,426)

(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 and a second supplemental agreement dated 1 September 2016) pursuant to which the Company agreed to provide financial support of not more than RMB340,000,000 (equivalent to approximately $391,748,000) 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 notes 11(c) and 19(c)) whereby loans in the total principal amount of RMB236,000,000 (equivalent to approximately $271,919,000) were drawn by the fellow subsidiary as at 30 June 2017 (31 December 2016: RMB220,000,000 (equivalent to approximately $245,938,000)).

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

	30 June 2017 (Unaudited) $'000	31 December 2016 (Audited) $'000
Guarantees issued to a fellow subsidiary	**107,846**	104,413
Deposits pledged to a fellow subsidiary	**124,120**	123,254

20 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with other government-related entities

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

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

– rendering and receiving services; and

– financial services arrangements.

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

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

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	$'000	$'000
Interest income from bank deposits	**2,306**	3,081
Finance costs on interest-bearing borrowings	**(10,436)**	(7,704)
Fees received/receivable from the provision of telecommunications services	**550,811**	563,381
Fees paid/payable for network, operations and support services	**(381,048)**	(389,545)

20 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

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

	30 June 2017 (Unaudited) $'000	31 December 2016 (Audited) $'000
Bank deposits	**289,793**	571,111
Trade debtors	**649,391**	656,362
Trade payables	**(259,304)**	(181,843)
Interest-bearing borrowings	**(830,758)**	(829,682)

The interest-bearing borrowings from state-controlled banks at 30 June 2017 bore interest at the prevailing market rates.

(c) Key management personnel emoluments

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

	Six months ended 30 June	
	2017 (Unaudited) $'000	2016 (Unaudited) $'000
Short-term employee benefits	**12,295**	12,013
Share-based payments	**4,362**	3,646
Post-employment benefits	**360**	352
	17,017	16,011

21 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

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

22 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017

A number of amendments and new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

HKFRS 16 *Leases*

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for other properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated income statement over the period of the lease. At 30 June 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to $231,000,000 and $272,000,000 for land and buildings and leased circuits respectively, the majority of which is either payable within 1 year or between 1 to 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to early adopt HKFRS 16 in its 2018 consolidated financial statements.

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 25 to 57 which comprises the consolidated statement of financial position of CITIC Telecom International Holdings Limited (the "Company") as of 30 June 2017 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 2017 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

11 August 2017

DIVIDEND AND CLOSURE OF REGISTER

The board of directors of the Company has declared an interim dividend of HK3.00 cents (2016: HK2.85 cents) per share for the year ending 31 December 2017 payable on Wednesday, 20 September 2017 to shareholders whose names appear on the Register of Members of the Company on Thursday, 7 September 2017. The Register of Members of the Company will be closed from Friday, 1 September 2017 to Thursday, 7 September 2017, 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 Thursday, 31 August 2017.

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. The Plan was valid and effective till 16 May 2017.

As approved at the annual general meeting held on 25 April 2014, the mandate limit is refreshed so that taking into account the overriding limit of the Plan, the total number of shares which may be issued upon the exercise of all options to be granted under the Plan, together with all outstanding options granted and yet to be exercised 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
24 March 2017	45,339,500	24 March 2018 to 23 March 2023	2.45
24 March 2017	45,339,500	24 March 2019 to 23 March 2024	2.45

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:

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

The closing price of the Company's shares immediately before the grant on 24 March 2017 was HK$2.39.

The share options granted on 23 May 2007 and 17 September 2009 have expired. In addition, the first 50% of the share options granted on 19 August 2011 have expired at the close of business on 18 August 2017. 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 2017 is as follows:

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

Name of director	Date of grant	Exercise period	Number of share options: Balance as at 1.1.2017	Granted during the six months ended 30.6.2017	Exercised during the six months ended 30.6.2017	Cancelled during the six months ended 30.6.2017	Balance as at 30.6.2017	Percentage to the number of issued shares %
Xin Yue Jiang	19.8.2011	19.8.2012 – 18.8.2017	1,377,701	–	–	–	1,377,701	
	19.8.2011	19.8.2013 – 18.8.2018	1,377,701	–	–	–	1,377,701	
	26.6.2013	26.6.2013 – 25.6.2018	3,575,000	–	–	–	3,575,000	
	24.3.2015	24.3.2016 – 23.3.2021	1,787,500	–	–	–	1,787,500	
	24.3.2015	24.3.2017 – 23.3.2022	1,787,500	–	–	–	1,787,500	
	24.3.2017	24.3.2018 – 23.3.2023	–	1,787,500	–	–	1,787,500	
	24.3.2017	24.3.2019 – 23.3.2024	–	1,787,500	–	–	1,787,500	
							13,480,402	0.381
Lin Zhenhui	24.3.2015	24.3.2016 – 23.3.2021	1,573,000	–	–	–	1,573,000	
	24.3.2015	24.3.2017 – 23.3.2022	1,573,000	–	–	–	1,573,000	
	24.3.2017	24.3.2018 – 23.3.2023	–	1,573,000	–	–	1,573,000	
	24.3.2017	24.3.2019 – 23.3.2024	–	1,573,000	–	–	1,573,000	
							6,292,000	0.178

SHARE OPTION PLAN (Continued)

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

Name of director	Date of grant	Exercise period	Number of share options: Balance as at 1.1.2017	Granted during the six months ended 30.6.2017	Exercised during the six months ended 30.6.2017	Cancelled during the six months ended 30.6.2017	Balance as at 30.6.2017	Percentage to the number of issued shares %
Luo Ning	26.6.2013	26.6.2013 – 25.6.2018	400,000	–	–	–	400,000	
	24.3.2015	24.3.2016 – 23.3.2021	500,000	–	–	–	500,000	
	24.3.2015	24.3.2017 – 23.3.2022	500,000	–	–	–	500,000	
	24.3.2017	24.3.2018 – 23.3.2023	–	500,000	–	500,000 *(Note 2)*	–	
	24.3.2017	24.3.2019 – 23.3.2024	–	500,000	–	500,000 *(Note 2)*	–	
							1,400,000	0.040
David Chan Tin Wai	19.8.2011	19.8.2012 – 18.8.2017	1,047,052	–	1,047,052 *(Note 3)*	–	–	
	19.8.2011	19.8.2013 – 18.8.2018	1,047,053	–	–	–	1,047,053	
	26.6.2013	26.6.2013 – 25.6.2018	2,717,000	–	–	–	2,717,000	
	24.3.2015	24.3.2016 – 23.3.2021	1,358,500	–	–	–	1,358,500	
	24.3.2015	24.3.2017 – 23.3.2022	1,358,500	–	–	–	1,358,500	
	24.3.2017	24.3.2018 – 23.3.2023	–	1,358,500	–	–	1,358,500	
	24.3.2017	24.3.2019 – 23.3.2024	–	1,358,500	–	–	1,358,500	
							9,198,053	0.260
Liu Jifu	24.3.2015	24.3.2016 – 23.3.2021	1,000,000	–	–	–	1,000,000	
	24.3.2015	24.3.2017 – 23.3.2022	1,000,000	–	–	–	1,000,000	
	24.3.2017	24.3.2018 – 23.3.2023	–	1,000,000	–	–	1,000,000	
	24.3.2017	24.3.2019 – 23.3.2024	–	1,000,000	–	–	1,000,000	
							4,000,000	0.113
Fei Yiping	24.3.2017	24.3.2018 – 23.3.2023	–	500,000	–	–	500,000	
	24.3.2017	24.3.2019 – 23.3.2024	–	500,000	–	–	500,000	
							1,000,000	0.028
Liu Li Qing	24.3.2015	24.3.2017 – 23.3.2022	200,000	–	–	–	200,000	
	24.3.2017	24.3.2018 – 23.3.2023	–	200,000	–	–	200,000	
	24.3.2017	24.3.2019 – 23.3.2024	–	200,000	–	–	200,000	
							600,000	0.017

SHARE OPTION PLAN (Continued)

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

Name of director	Date of grant	Exercise period	Number of share options					Percentage to the number of issued shares
			Balance as at 1.1.2017	Granted during the six months ended 30.6.2017	Exercised during the six months ended 30.6.2017	Cancelled during the six months ended 30.6.2017	Balance as at 30.6.2017	%
Gordon Kwong Che Keung	26.6.2013	26.6.2013 – 25.6.2018	400,000	–	–	–	*(Note 4)*	
	24.3.2015	24.3.2016 – 23.3.2021	200,000	–	–	–	*(Note 4)*	
	24.3.2015	24.3.2017 – 23.3.2022	200,000	–	–	–	*(Note 4)*	
	24.3.2017	24.3.2018 – 23.3.2023	–	200,000	–	–	*(Note 4)*	
	24.3.2017	24.3.2019 – 23.3.2024	–	200,000	–	–	*(Note 4)*	
							N/A	N/A
Zuo Xunsheng	24.3.2015	24.3.2017 – 23.3.2022	200,000	–	–	–	200,000	
	24.3.2017	24.3.2018 – 23.3.2023	–	200,000	–	–	200,000	
	24.3.2017	24.3.2019 – 23.3.2024	–	200,000	–	–	200,000	
							600,000	0.017

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

Date of grant	Exercise period	Number of share options					
		Balance as at 1.1.2017	Granted during the six months ended 30.6.2017	Exercised during the six months ended 30.6.2017 *(Note 5)*	Cancelled during the six months ended 30.6.2017	Lapsed during the six months ended 30.6.2017 *(Note 6)*	Balance as at 30.6.2017
19.8.2011	19.8.2012 – 18.8.2017	2,974,568	–	2,581,012	–	45	393,511
19.8.2011	19.8.2013 – 18.8.2018	7,475,432 *(Note 7)*	–	3,046,746	–	1,862	4,426,824
26.6.2013	26.6.2013 – 25.6.2018	33,487,817 *(Note 7)*	–	150,000	–	100,000	33,237,817
24.3.2015	24.3.2016 – 23.3.2021	33,282,067 *(Note 7)*	–	–	–	192,500	33,089,567
24.3.2015	24.3.2017 – 23.3.2022	34,352,250 *(Note 7)*	–	–	–	190,000	34,162,250
24.3.2017	24.3.2018 – 23.3.2023	–	37,870,500	–	256,500 *(Note 8)*	570,000	37,044,000
24.3.2017	24.3.2019 – 23.3.2024	–	37,870,500	–	256,500 *(Note 8)*	570,000	37,044,000

SHARE OPTION PLAN (Continued)

C. Others *(Note 9)*

Date of grant	Exercise period	Number of share options					
		Balance as at 1.1.2017	Granted during the six months ended 30.6.2017	Exercised during the six months ended 30.6.2017 *(Note 10)*	Cancelled during the six months ended 30.6.2017	Lapsed during the six months ended 30.6.2017 *(Note 6)*	Balance as at 30.6.2017 *(Note 4)*
19.8.2011	19.8.2013 – 18.8.2018	200,518 *(Note 7)*	–	–	–	43	200,475
26.6.2013	26.6.2013 – 25.6.2018	2,866,000 *(Note 7)*	–	10,000	–	5,000	3,251,000
24.3.2015	24.3.2016 – 23.3.2021	386,500 *(Note 7)*	–	–	–	155,000	431,500
24.3.2015	24.3.2017 – 23.3.2022	329,000 *(Note 7)*	–	–	–	–	529,000
24.3.2017	24.3.2018 – 23.3.2023	–	150,000	–	–	–	350,000
24.3.2017	24.3.2019 – 23.3.2024	–	150,000	–	–	–	350,000

Notes:

1. None of the options granted to the directors of the Company lapsed during the six months ended 30 June 2017.

2. These are in respect of options granted to Mr. Luo Ning who had not accepted the options. These options had been cancelled during the six months ended 30 June 2017.

3. The weighted average closing price of the shares immediately before the date on which Dr. David Chan Tin Wai exercised the options was HK$2.35.

4. Subsequent to the retirement of Mr. Gordon Kwong Che Keung as an independent non-executive director of the Company in the annual general meeting of the Company held on 1 June 2017, his remaining share options (including 400,000 share options granted on 26 June 2013, 400,000 share options granted on 24 March 2015 and 400,000 share options granted on 24 March 2017) were reclassified and added to the closing balance as at 30 June 2017 under the above section of "Others".

5. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$2.38.

6. 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 2017.

7. 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 2016.

8. These are in respect of options granted to some employees under continuous contracts who had not accepted the options. These options had been cancelled during the six months ended 30 June 2017.

9. These are in respect of options granted to (i) some employees under continuous contracts who subsequently resigned/retired/passed away before 1 January 2017; (ii) a former non-executive director of the Company who retired on 1 June 2017; and (iii) an officer who is not an employee under continuous contract of the Company.

10. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$2.45.

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 2017 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	2,034,827	0.057
CITIC Limited, an associated corporation		
David Chan Tin Wai	40,000	0.0001
Liu Jifu	840,000	0.0029
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)*	0.00002

Note:

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 2017, 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 2017, 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	2,129,345,175	60.13
CITIC Polaris Limited	2,129,345,175	60.13
CITIC Glory Limited	2,129,345,175	60.13
CITIC Limited	2,129,345,175	60.13
CITIC Corporation Limited	2,129,345,175	60.13
CITIC Investment (HK) Limited	2,129,345,175	60.13
Silver Log Holdings Ltd.	2,129,345,175	60.13
CITIC Pacific Limited ("CITIC Pacific")	2,129,345,175	60.13
Crown Base International Limited	2,129,345,175	60.13
Effectual Holdings Corp.	2,129,345,175	60.13
CITIC Pacific Communications Limited	2,129,345,175	60.13
Douro Holdings Inc.	2,129,345,175	60.13
Ferretti Holdings Corp.	2,129,345,175	60.13
Ease Action Investments Corp.	2,129,345,175	60.13
Peganin Corp.	2,129,345,175	60.13
Richtone Enterprises Inc.	2,129,345,175	60.13
FIL Limited	246,238,000	6.95

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.

SUBSTANTIAL SHAREHOLDERS (Continued)

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.

Out of the 246,238,000 shares held by FIL Limited, 68,375,000 shares are in respect of derivative interests.

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 2017 and the Company has not redeemed any of its shares during the period ended 30 June 2017.

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 53 of the 2016 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 2017. In respect of the code provision A.6.7 of the Code, Messrs. Luo Ning and Liu Li Qing were unable to attend the annual general meeting of the Company held on 1 June 2017 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 2017.

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

Dr. Lin Zhenhui, an executive director of the Company, has resigned as a director of Hong Kong Applied Science and Technology Research Institute Company Limited in May 2017.

Mr. Fei Yiping, a non-executive director of the Company, (i) has been re-designated as the Vice Chairman of CITIC Pacific China Holdings Limited in March 2017; and (ii) has been appointed in July 2017 as a director of certain member companies of CITIC Limited involving in its interests in McDonald's Mainland China and Hong Kong businesses.

CORPORATE INFORMATION

HEADQUARTERS AND REGISTERED OFFICE

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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:	1 September 2017 to 7 September 2017
Interim Dividend Payable:	20 September 2017

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.