中信國際電訊

CITIC TELECOM INTERNATIONAL

A member of CITIC Group Corporation

STOCK CODE:1883

Interim Report 2012

CONNECTING THE WORLD WITH
QUALITY SERVICES

About Us

CITIC Telecom International is one of Asia's leading telecoms service providers specialising in hub-based services. In addition to serving its key markets in China and Hong Kong, the Group is actively expanding its business to international telecoms operators. The Group has four main types of business, namely Voice Services, SMS Services, Mobile VAS and Data Services. Its independent hub connects over 621 telecoms operators in 75 countries or regions.

Contents

Our Vision

To become the International Telecommunications Hubbing Provider of choice providing voice, mobile and data services to mobile operators, ISPs, and carriers.

Our Mission

To capitalise on the Mainland as the marketing base and Hong Kong as the Communications Hub for Asia to deliver telecommunications services on a global basis.

To consistently provide best-of-breed services and exceed customer expectations.

To be the partner of choice in dealing with today's dynamic and changing markets.

To deliver telecoms solutions and to provide a diverse range of services to enable our customers to capture new revenue.

Financial Highlights

in HK$ million	Six months ended 30 June 2012	2011	
Turnover			
Voice Services	**1,039.1**	924.4	Increase 12.4%
SMS Services	**182.7**	168.0	Increase 8.8%
Mobile VAS	**95.9**	77.1	Increase 24.4%
Data Services	**426.3**	322.1	Increase 32.4%
	1,744.0	1,491.6	Increase 16.9%
Profit attributable to equity holders of the Company	**238.8**	233.8	Increase 2.1%

in HK$ million	30 June 2012	31 December 2011	
Total assets	**4,329.3**	4,337.5	Decrease 0.2%
Total equity	**3,258.6**	3,179.1	Increase 2.5%
Cash and bank deposits	**270.6**	257.0	Increase 5.3%
Bank and other loans	**(100.0)**	(123.3)	Decrease 18.9%
Net cash	**170.6**	133.7	Increase 27.6%

in HK cents	Six months ended 30 June 2012	2011	
Earnings per share			
Basic	**10.0**	9.8	Increase 2.0%
Diluted	**10.0**	9.8	Increase 2.0%
Dividend per share			
Interim dividend	**2.4**	2.4	Same level as last year

Chairman's Statement

I am pleased to present the operating and financial results of the Group for the six months ended 30 June 2012.

The Group has achieved notable results and maintained stable growth in the first half of 2012 amidst a stagnant global economy, the European sovereign debt crisis and dramatic changes in the telecommunications market. This was attributable to the diligent efforts committed by the Group in resources integration, continuous pursuit of innovation, further consolidating our businesses in China and expansion in overseas markets.

A. FINANCIAL PERFORMANCE

In the first half of 2012, the Group recorded a total revenue of HK$1,744.0 million, an increase of 16.9% over the corresponding period of the previous year. Net profit of the Group was HK$238.8 million, a rise of 2.1% compared to the same period of the previous year.

Basic earnings per share for the six months ended 30 June 2012 increased by 2.0% to HK10.0 cents as compared to the corresponding period of the previous year.

The Board declared an interim dividend of HK2.4 cents per share for 2012, the same as the corresponding period of the previous year.

B. BUSINESS DEVELOPMENT

The Group recorded a stable growth in its Voice, Short Message Services ("SMS"), Mobile Value-Added Services ("VAS") and Data businesses during the first half of the year. Facing persistent market changes, the Group has responded by actively strengthening its China business and expanding overseas markets, thus achieving solid growth in both the traffic volume and revenue of international Voice services. The Group has completed the integration of CITIC Telecom International CPC Limited ("CITIC Telecom International CPC") and China Enterprise Netcom Corporation Limited ("CEC") with satisfactory results.

At the same time, the Group's market coverage was further enlarged, with the number of telecoms operators it served increasing from 596 at the end of the previous year to 621 at the end of June this year.

Turnover of Voice services in the first half of the year reached HK$1,039.1 million and the volume of voice traffic amounted to 4,703 million minutes, a growth of 12.4% and 8.8% from the corresponding period last year respectively. Turnover of SMS services reached HK$182.7 million, an increase of 8.8% from the corresponding period last year while 964 million SMS were sent, representing a slight drop of 1.4%. For Mobile VAS, turnover climbed strongly by 24.4% to HK$95.9 million. Turnover of Data services such as Virtual Private Networks ("VPN") and Internet access services surged by 32.4% to HK$426.3 million. Profit contributions to the Group from Companhia de Telecomunicacoes de Macau, S.A.R.L. was in line with the same period last year.

1. Strengthen marketing efforts in response to the changing international market to achieve stable growth of Voice and SMS businesses.

To enhance sales performance, the Group reorganised its sales teams at the beginning of this year in response to the changing international markets in Voice services, SMS services and Mobile VAS. All sales staff have been regrouped into new teams according to the geographic markets they serve, instead of divided by services. Each regional sales team will promote service bundles comprise Voice, SMS and Mobile VAS to enhance our competitiveness. This initiative has secured the understanding and support of telecoms operators and business partners as the realigned overseas sales teams can facilitate closer business collaboration with the operators. The bundling of services also contributes to the growth of the Group's Voice and SMS businesses.

2. Mobile VAS and Data businesses comprising VPN and Internet access services continued to grow rapidly by leveraging the Group's leading network and services.

To actively expand the Mobile VAS and VPN markets, the Group has established an extensive network and closer customer relationships with the PRC and overseas operators. It has secured the trust of customers through continuous improvement of service quality and provision of better services to customers. We have also achieved breakthroughs in the international-to-international mobile single IMSI multiple number ("SIMN") business. During the first half of the year, the Group secured an overseas operator to join the SIMN hubbing services solution provided by an operator in Macau and the services have been successfully launched. The Group also continues to promote its Mobile VAS products to other mobile operators. In light of the increasing take-up of international roaming by mobile users, the Mobile VAS business of the Group has continuously surged, providing an increasingly significant contribution to the Group's performance.

The business integration of CITIC Telecom International CPC with CEC has been completed and has generated significant synergies, most notably a broader marketing network and coverage as well as a significant increase in the number of users, thus contributing to a rapid growth in the Group's Data business including VPN and Internet access services.

3. Ensuring quality construction, management and marketing activities of data centre to lay a solid foundation for the development of data centre business of the Group.

The Phase II construction of the data centre at CITIC Telecom Tower commenced in January and its scheduled completion in the second half of the year will further expand the scale of the Group's data centre. The Group has enhanced supervision over the project by working closely with our consultant as well as the construction company, thereby ensuring quality of the construction. Through detailed planning and better management, the Group achieved better capital efficiency.

To further develop its data centre business, the Group has restructured the sales team of the data centre business and formulated related management policies. It has signed leasing contracts with several major customers and the rentable area of Phase I of the data centre has been mostly leased out. The tenants have already begun to move in, generating good profit contribution to the Group in the second half of 2012. The Group will implement its plan and manage the facilities efficiently so as to lay a solid foundation for its data centre business.

4. Laying a solid foundation for the cloud computing business.

According to the development plan for the cloud computing business, the Group has continued to offer innovative SmartCLOUD cloud computing solutions while expanding the points of service for TrueCONNECT™ and promoting TrustCSI™ integrated information security services. To attract more customers to use cloud computing services, CITIC Telecom International CPC has actively embarked on aggressive marketing activities and provided the highest quality of services to customers. In the first half of the year, various cloud computing solutions were launched, including a new back-up, replication and recovery service, "SmartCLOUD BRR" service, and a cloud technology-based regional video conferencing management solution, "SmartCLOUD VC" video conferencing service. It has continued to build a solid foundation for advancing the cloud computing business by constantly launching new products.

5. **Developing new products and exploring new businesses to create new profit growth drivers.**

   The Group has exerted great efforts to develop new products and businesses which would become new profit growth drivers. It has recently completed the R&D work for Voice over Internet Protocol ("VoIP") user services of smart phone branded "HIPPI". The brand "HIPPI" has been awarded "The Best New Communication Application" in the telecommunications category in the I.T. Brand Award organised by The Chamber of Hong Kong Computer Industry and Metroinfo FM99.7. The smart phone VoIP users of "HIPPI" are based on the VoIP users of Apple's IOS system and Android system. The commercial marketing plan and billing system have been completed. The Group has begun the set up of an after-sales service system and a quality maintenance system for the business. The promotion and marketing of the business is currently underway. Anticipating future market demand, the Group has also undertaken preparations for commencing its 4G (LTE) business in various areas such as staff training, technology equipment, sales and marketing and customer development. All these formed a solid foundation for the development of the LTE business.

6. **The Board has established special committees and sets rules for respective committee meetings to further enhance corporate governance.**

   In the first half of the year, the Board has established the Nomination Committee and approved its terms of reference, adopted the revised terms of reference for the Audit Committee and Remuneration Committee. The terms of reference of the board committees have clearly defined duties for the respective committees and their members. The Group has formulated the work procedures of the board committees according to specific conditions and standardised the framework of the procedures of these committees, including work responsibilities, requirements and standards and conditions of establishment based on the terms of reference.

C. OUTLOOK

In the second half of the year, the Group will focus on maintaining stable development of the Voice and SMS business as well as growing of the Mobile VAS business and Data business including VPN and Internet access services. To keep abreast of the latest market developments, the Group is actively advancing the cloud computing business. It is also striving diligently across a broad front, offering international Voice services, SMS, video conference calls and Mobile VAS to the 4G subscribers of PRC and overseas telecommunications operators in order to facilitate the continuous growth of the Group's business. CITIC Group Corporation, the ultimate holding company of the Group, has signed strategic cooperation agreements with PRC telecoms operators to strengthen cooperation in areas such as finance, communication services, sharing of customers and channel resources. In particular, the cooperation in communication services will generate new development opportunities for the Group. The Group is broadening collaboration with PRC telecoms operators and is cultivating the PRC and overseas markets, its two major markets, through offering better services.

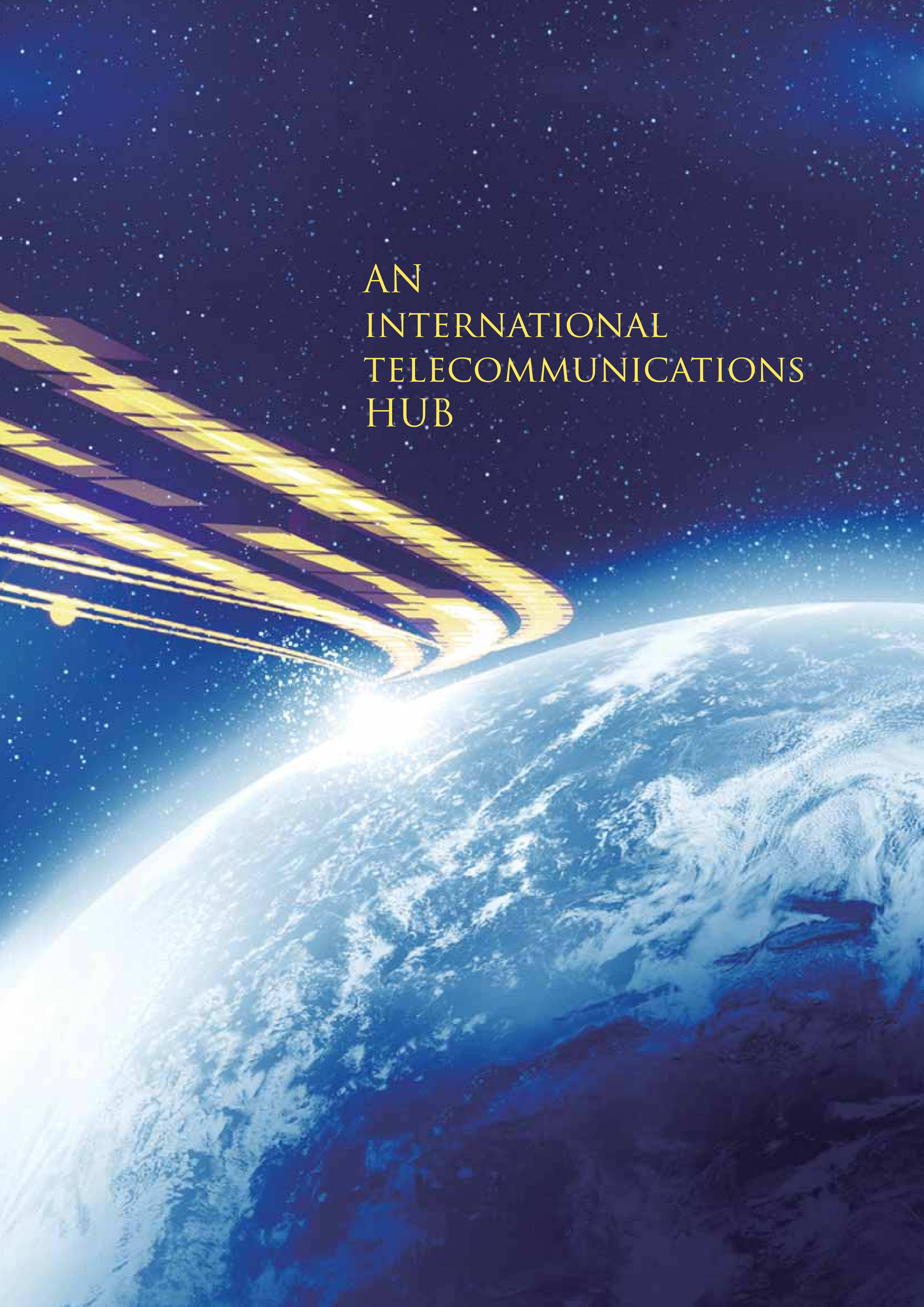
Riding on the Group's excellent telecommunications facilities, quality services, good foundation for co-operation with both PRC and overseas telecoms operators as well as extensive network connections, I believe the Group can maintain its stable growth in the second half of the year based on its existing development strategies.

The Group's outstanding performance is the results of the hard work of our management and entire staff, as well as the support from shareholders and business partners. At this time, I would like to express sincere gratitude to them for their efforts.

Xin Yue Jiang
Chairman

Hong Kong, 15 August 2012

AN INTERNATIONAL TELECOMMUNICATIONS HUB



Financial Review

INTRODUCTION

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

Pages 15 to 19 of the Interim Report contain the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement. Following this financial information, on pages 20 to 35 of the Interim Report, are notes that further explain certain figures presented in the report.

On page 36 is the report of CITIC Telecom International's auditor, KPMG, of their independent review of the Group's interim financial report.

BASIS OF ACCOUNTING

The Group has prepared its interim financial report in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

REVIEW OF FINANCIAL PERFORMANCE

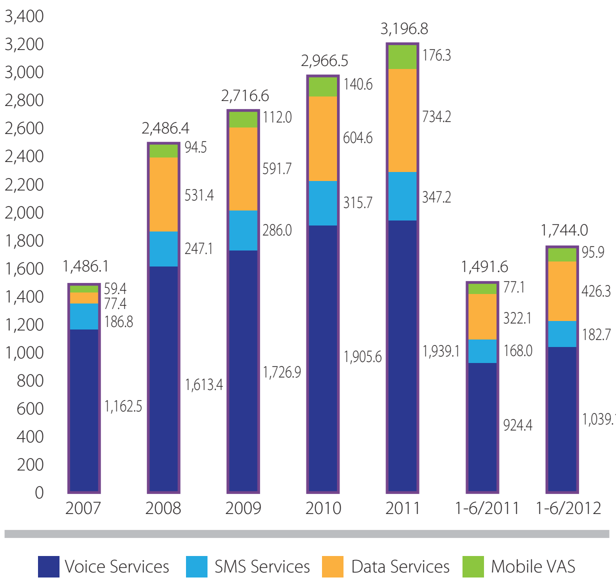
Turnover

The Group's turnover increased 16.9% to HK$1,744.0 million for the six months ended 30 June 2012 compared with HK$1,491.6 million for the corresponding period in 2011.

Voice Services turnover has grown by HK$114.7 million or 12.4% to HK$1,039.1 million for the six months ended 30 June 2012 over the same period in 2011. The Group handled a total traffic of 4.70 billion minutes, 8.8% more when compared with the same period of last year. Total China inbound and outbound traffic remained stable. The increase was mainly due to the Group's successful efforts in strengthening its international coverage which resulted in a 38.8% increase in international traffic. Owing to the change in mix between China and international traffic, the overall revenue per minute increased by 3.3% over the same period of last year.

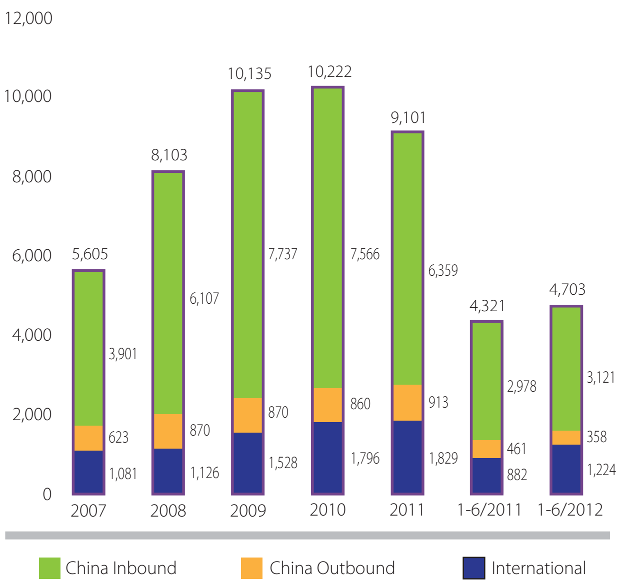
TURNOVER

HK$ Million



TRAFFIC (BY LOCATION)

Minutes in Million



SMS Services sustained stable growth during the first six months of 2012. SMS turnover increased by HK$14.7 million to HK$182.7 million for the six months ended 30 June 2012, an 8.8% growth as compared to the same period of 2011. Owing to the increasing popularity of social networking applications, the number of Hong Kong domestic SMS dropped by 20.0% during the period. International SMS continued to maintain stable growth and the increase in international traffic has partly offset the decrease in local domestic SMS. As a result, the number of messages handled by the Group dropped 1.4% to 964 million messages from the corresponding period of 2011. The average revenue per SMS has increased by 10.3%. During the period, China inbound and outbound traffic increased by 18.3% and 9.8% respectively as the Group secured additional China traffic through the continued expansion of international network coverage and enhanced quality management. The Group's international traffic also experienced a 2.5% growth in the first half of 2012 compared with 2011 as the Group continued to advance its leading market position by enhancing the quality of service and implementing an effective pricing strategy.

Mobile Value-added Services ("VAS") registered strong growth in the first half of 2012 with turnover increasing 24.4% to HK$95.9 million compared with the corresponding period for 2011. The growth was due to the Group's successful strategy to customise existing products to address changing market needs and providing bundled services which were well received by China operators.

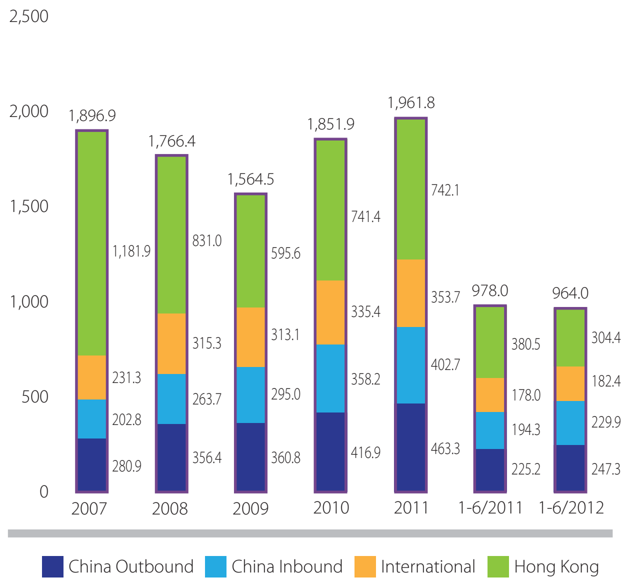
The Group's Data Services comprise managed VPN services and other services such as data centre services. During the first six months of 2012, turnover from Data Services increased by 32.4% to HK$426.3 million compared with HK$322.1 million for the same period of 2011. The significant increase was mainly due to the increase in demand of VPN services, cloud services and the first time inclusion of revenue from China Enterprise Netcom Corporation Limited ("CEC-HK").

Net foreign exchange gain/(loss)

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

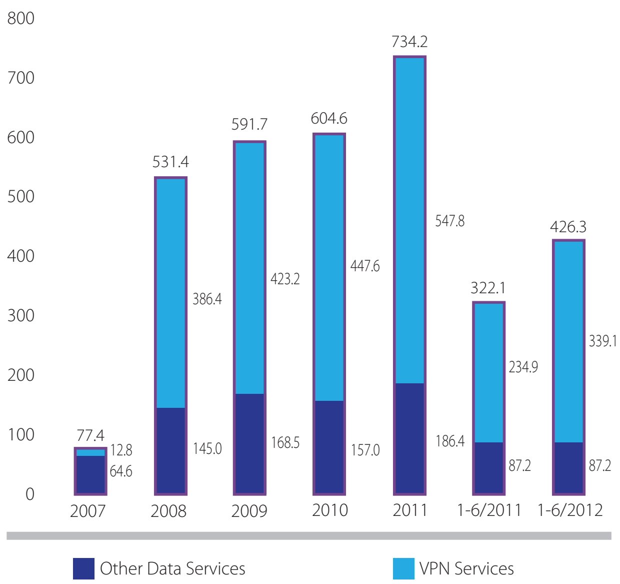
NUMBER OF SMS

Messages in Million



DATA SERVICES TURNOVER

HK$ Million



Network, operations and support expenses

Network, operations and support expenses amounted to HK$1,233.7 million in the first half of 2012, an increase of 20.3% as compared with the corresponding period of 2011. Owing to the first time inclusion of CEC-HK, the increase in network, operations and support expenses was higher than the turnover. The percentage of network, operations and support expenses of turnover was 70.7% for the first half of 2012, similar to the corresponding period for 2011.

Staff costs

Staff costs for the six months ended 30 June 2012 amounted to HK$140.8 million, an increase of 3.4% over HK$136.2 million for the same period of 2011. The increase was mainly due to the increase in equity-settled share-based payment expenses for 2012.

Depreciation and amortisation

Depreciation and amortisation expenses amounted to HK$74.5 million, an increase of HK$16.0 million as compared with the corresponding period of 2011. The rise was mainly due to the new data centre and the network system upgrade in 2011 and also due to the increase in the amortisation of intangible assets recognised on the acquisition of CEC-HK in July 2011.

Other operating expenses

Other operating expenses for the six months ended 30 June 2012 amounted to HK$96.7 million, an increase of 17.5% compared with HK$82.3 million for the corresponding period of 2011. The rise was mainly due to the inclusion of CEC-HK's operating expenses subsequent to its acquisition, higher utilities charges incurred by the new data centre, and an increase in repairs and maintenance expenses during the period, which were consistent with the Group's operational growth.

Share of profit of an associate

During the first six months of 2012, the Group's 20% share of the profit of the associate, Companhia de Telecomunicacoes de Macau, S.A.R.L. ("CTM") amounted to HK$75.2 million which has decreased by 2.3% compared with the corresponding period of 2011. The decrease was mainly due to the one-off rebate to CTM customers as a result of its service outage in the beginning of the year. The decrease in contribution from CTM was partly offset by the reduction in amortisation of intangible assets.

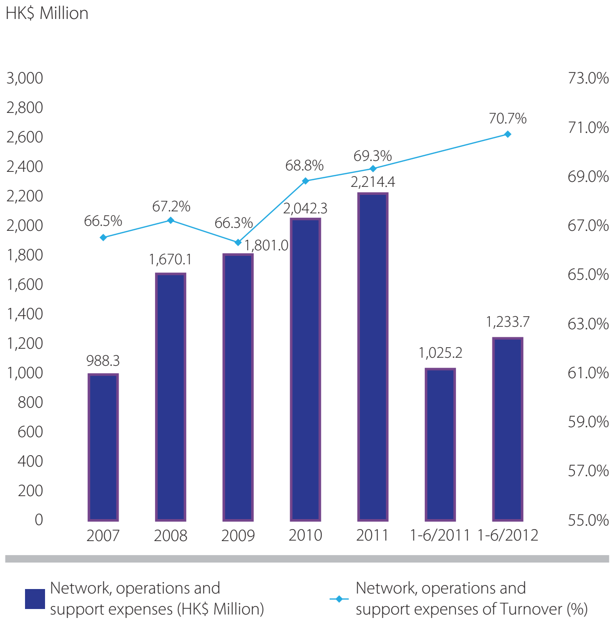
Income tax

The Group's income tax expense for the six months ended 30 June 2012 amounted to HK$33.9 million, similar to the corresponding period of last year and if we excluded the profit contribution from CTM, the effective tax rate for both 30 June 2012 and 2011 was approximately 17.3%.

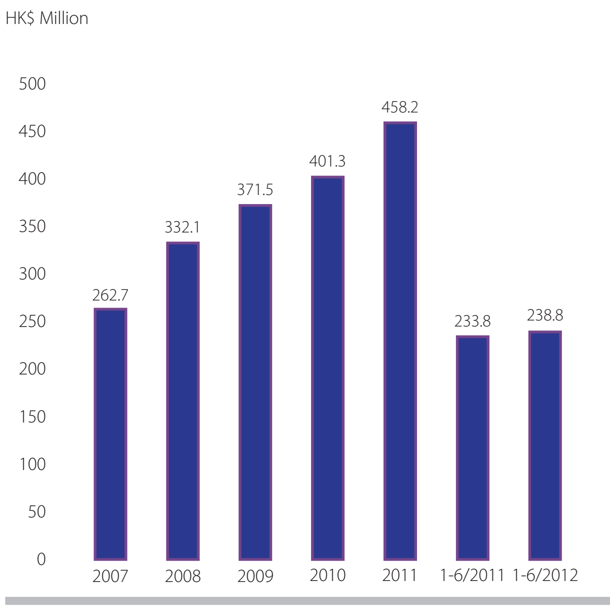
Profit attributable to equity holders of the Company

The Group recorded a net profit of HK$238.8 million for the six months ended 30 June 2012, an increase of 2.1% compared with the same period of 2011. The increase was mainly due to the growth of business which was partly offset by the increase in depreciation and amortisation expenses and increase in other operating expenses as mentioned above.

NETWORK, OPERATIONS AND SUPPORT EXPENSES



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY



Earnings per share ("EPS")

Basic EPS and diluted EPS were both HK10.0 cents for the six months ended 30 June 2012, representing an increase of 2.0% and 2.0% respectively as compared with the corresponding period of last year. The rise was mainly due to the growth of the Group's business.

Dividend per share

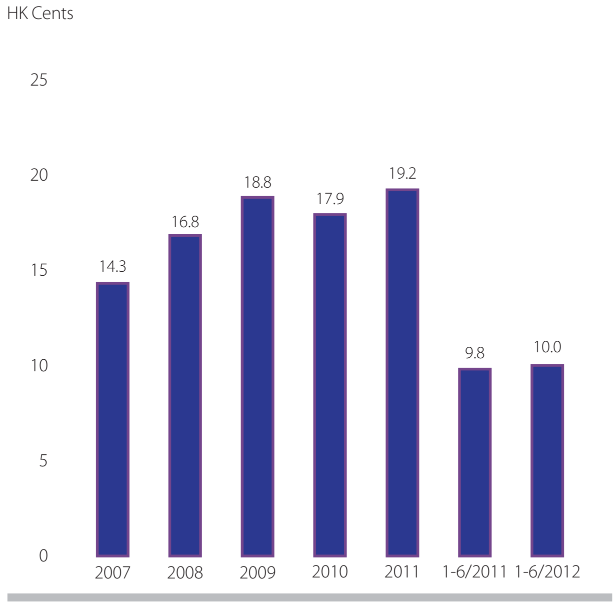
An interim dividend of HK2.4 cents per share is proposed for the first half of 2012.

Capital expenditure

Capital expenditure was HK$50.9 million for the first six months of 2012, a decrease of 23.3% as compared to the same period of 2011. As the new data centre in 2011 has proven to be very popular to customers, the Group has undertaken to expand its data centre at CITIC Telecom Tower where HK$15.3 million of fitting-out costs were incurred during the first half of 2012.

Excluding the capital expenditure on the data centre, the capital expenditure for the first half of 2012 amounted to HK$35.6 million, a rise of 36.4% compared to the six months ended 30 June 2011. The increase was mainly incurred in the network system upgrade in order to enhance the Group's quality of service.

BASIC EARNINGS PER SHARE



TREASURY POLICY AND RISK MANAGEMENT

General

Managing financial risks to which the Group is exposed is one of the primary responsibilities of the Group's treasury function. Financing and cash management activities are centralised to maintain a high degree of financial control and strengthen the Group's risk management.

Exchange rate risks

A substantial portion of the Group's sales revenue and cost of sales are denominated in the United States dollar, to which the Hong Kong dollar is pegged. In addition, the Group's financial assets, financial liabilities and transactions are mainly denominated either in Hong Kong dollars or United States dollars. Management considers that the Group's exposure to foreign currency risk is not material and continues 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.

Credit risk

Credit evaluations are performed on all customers with a credit level exceeding a certain amount. Trade receivables are due within 7 to 180 days from the date of billing. The Group will assign an officer who will be responsible to agree on a settlement plan with those debtors having balances due over one year to reduce the outstanding balance within a reasonable period.

The Group has certain concentration risk in respect of trade receivables due from the Group's five largest customers who accounted for approximately 55% and 54% of the Group's total trade receivables at 30 June 2012 and 31 December 2011 respectively. The credit risk exposure to trade receivables balance has been and will continue to be monitored by the Group on an ongoing basis and the impairment loss on doubtful debts has been within management's expectations.

DIVIDEND PER SHARE

GROUP LIQUIDITY AND CAPITAL RESOURCES

The Group manages its exposure to liquidity risk by reviewing the cash resources required to meet its business objectives.

During the six months ended 30 June 2012, the Group's cash and cash equivalents remained stable at HK$266.9 million (31 December 2011: HK$253.3 million).

The Group had net operating cash inflow plus dividends received from an associate totaling HK$322.5 million at 30 June 2012, a decrease of HK$28.7 million when compared with the corresponding period for 2011. The decrease was mainly due to the short delay in settlements of trade receivables by certain customers in June 2012.

The Group raised loans of HK$100 million for the payment in relation to the completion of acquisition of China Enterprise Communications Ltd. upon obtaining approval from the PRC government and capital expenditure for the new data centre. In addition, the Group received HK$180.7 million in dividends from the associate and the Group paid dividends of HK$171.8 million for return of profits to its shareholders during the six months ended 30 June 2012. The loan from its associate which amounted to HK$124.1 million was fully settled during the current period.

At 30 June 2012 and 31 December 2011, the Group had a net cash balance of HK$170.6 million and HK$133.7 million respectively.

Currency portfolio

The original denomination of the Group's cash and bank deposits by currencies at 30 June 2012 is summarised as follows:

	Denomination				
HK$ Million Equivalent	HKD	USD	SGD	Others	Total
Cash and Bank Deposits	103.3	122.9	7.7	36.7	270.6
Percentage of Total Amount	38.2%	45.4%	2.8%	13.6%	100.0%

The Group maintained currencies other than the Hong Kong dollar and United States dollar as at the balance sheet date to meet the business needs in different regions.

Banking facilities and borrowings

At 30 June 2012, the Group had available banking facilities of approximately HK$136.8 million. A total of HK$100 million was drawn as uncommitted revolving loans which were unsecured and bore interest at prevailing market rates and approximately HK$12.9 million was utilised as guarantees for the Group's procurement of services from telecoms operators, performance to customers and rental deposits.

Around HK$6.8 million of these facilities was required to be secured by pledged deposits.

Securities and guarantees

At 30 June 2012, the Group pledged approximately HK$3.7 million of bank deposits to secure its banking facilities. The Group had not created any other security over its assets nor had it provided any corporate guarantee.

Capital commitments

At 30 June 2012, the Group had outstanding capital commitments of HK$79.2 million, mainly for the acquisition of telecommunications equipment which had yet to be delivered to the Group and fitting out costs of the new data centre. Of these commitments, HK$71.0 million were outstanding contractual capital commitments and HK$8.2 million were capital commitments authorised but for which contracts had yet to be entered into.

Other commitments

Details of the Group's other commitments at 30 June 2012 are stated under Note 15(b) to the interim financial report.

FORWARD LOOKING STATEMENTS

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

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

Human Resources

As at the end of June 2012, the Group employed a total of 568 employees for its headquarters in Hong Kong and its principal subsidiaries. Employees in Hong Kong totalled 455 and employees in overseas and Mainland China totalled 113.

The Group continued 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.

Financial Statements

INTERIM RESULTS

The board of directors (the "Board") of CITIC Telecom International Holdings Limited (the "Company") presents herewith the unaudited consolidated income statement, unaudited consolidated statement of comprehensive income, unaudited consolidated statement of changes in equity and unaudited consolidated cash flow statement of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2012 and the unaudited consolidated balance sheet of the Group at 30 June 2012, together with the comparative figures for the six months ended 30 June 2011 and at 31 December 2011 respectively.

Consolidated Income Statement

for the six months ended 30 June 2012
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2012 (Unaudited) $'000	2011 (Unaudited) $'000
Turnover	2(a)	**1,743,967**	1,491,550
Other revenue	3	**240**	987
Other net loss	4	**(1,425)**	(10)
		1,742,782	1,492,527
Network, operations and support expenses		**(1,233,749)**	(1,025,230)
Depreciation and amortisation		**(74,547)**	(58,484)
Staff costs	5(b)	**(140,777)**	(136,247)
Other operating expenses		**(96,670)**	(82,272)
Profit from operations		**197,039**	190,294
Finance costs	5(a)	**(738)**	(141)
Share of profit of an associate	9(a)	**75,249**	76,998
Share of profit of a jointly controlled entity		**1,113**	–
Profit before taxation	5	**272,663**	267,151
Income tax	6	**(33,863)**	(33,315)
Profit attributable to equity holders of the Company for the period		**238,800**	233,836
Earnings per share (HK cents)	7		
Basic		**10.0**	9.8
Diluted		**10.0**	9.8

The notes on pages 20 to 35 form part of this interim financial report. Details of dividends payable to equity holders of the Company are set out in note 14(a).

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2012
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	$'000	$'000
Profit for the period	**238,800**	233,836
Other comprehensive income for the period (after tax)		
Exchange differences on translation of financial statements of overseas operations	**2,093**	6,266
Total comprehensive income for the period attributable to equity holders of the Company	**240,893**	240,102

The notes on pages 20 to 35 form part of this interim financial report.

Consolidated Balance Sheet

at 30 June 2012
(Expressed in Hong Kong dollars)

	Note	30 June 2012 (Unaudited) $'000	31 December 2011 (Audited) $'000
Non-current assets			
Property, plant and equipment	*8*	**652,998**	668,521
Intangible assets		**82,524**	89,888
Goodwill		**364,537**	363,549
Interest in an associate	*9(a)*	**1,370,507**	1,472,414
Interest in a jointly controlled entity		**44,289**	43,176
Non-current other receivables and deposits	*10*	**156,947**	109,347
Deferred tax assets		**18,696**	19,902
		2,690,498	2,766,797
Current assets			
Trade receivables, other receivables and deposits	*10*	**1,364,834**	1,308,036
Current tax recoverable		**3,323**	5,630
Cash and bank deposits	*11(a)*	**270,618**	257,023
		1,638,775	1,570,689
Current liabilities			
Trade and other payables	*12*	**775,163**	852,196
Bank loans	*13*	**100,000**	–
Loan from an associate	*9(b)*	**–**	123,328
Current tax payable		**42,733**	26,006
		917,896	1,001,530
Net current assets		**720,879**	569,159
Total assets less current liabilities		**3,411,377**	3,335,956
Non-current liabilities			
Non-current other payables	*12*	**91,500**	95,192
Deferred tax liabilities		**61,318**	61,638
		152,818	156,830
NET ASSETS		**3,258,559**	3,179,126
CAPITAL AND RESERVES			
Share capital	*14(b)*	**238,599**	238,599
Reserves		**3,019,960**	2,940,527
TOTAL EQUITY		**3,258,559**	3,179,126

The notes on pages 20 to 35 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2012
(Expressed in Hong Kong dollars)

		Attributable to equity holders of the Company						
	Note	Share capital (Unaudited) $'000	Share premium (Note 14(c)) (Unaudited) $'000	Capital reserve (Unaudited) $'000	Capital redemption reserve (Note 14(c)) (Unaudited) $'000	Exchange reserve (Unaudited) $'000	Retained profits (Unaudited) $'000	Total (Unaudited) $'000
Balance at 1 January 2011 (Audited)		238,520	1,583,551	28,621	2,034	10,848	1,080,243	2,943,817
Changes in equity for the six months ended 30 June 2011:								
Profit for the period		–	–	–	–	–	233,836	233,836
Other comprehensive income for the period		–	–	–	–	6,266	–	6,266
Total comprehensive income for the period		–	–	–	–	6,266	233,836	240,102
Shares issued under share option plan	14(b)(ii)	79	2,133	(551)	–	–	–	1,661
Equity-settled share-based transactions		–	–	3,021	–	–	–	3,021
Release upon lapse of share options	14(d)	–	–	(549)	–	–	549	–
Dividends approved in respect of the previous financial year	14(a)(ii)	–	–	–	–	–	(169,405)	(169,405)
Share of reserve of an associate		–	–	(304)	–	–	–	(304)
		79	2,133	1,617	–	6,266	64,980	75,075
Balance at 30 June 2011		238,599	1,585,684	30,238	2,034	17,114	1,145,223	3,018,892
Balance at 1 July 2011		238,599	1,585,684	30,238	2,034	17,114	1,145,223	3,018,892
Changes in equity for the six months ended 31 December 2011:								
Profit for the period		–	–	–	–	–	224,410	224,410
Other comprehensive income for the period		–	–	–	–	(5,968)	–	(5,968)
Total comprehensive income for the period		–	–	–	–	(5,968)	224,410	218,442
Equity-settled share-based transactions		–	–	7,824	–	–	–	7,824
Release upon lapse of share options	14(d)	–	–	(465)	–	–	465	–
Dividends approved in respect of the current financial year	14(a)(i)	–	–	–	–	–	(57,264)	(57,264)
Share of reserve of an associate		–	–	(8,768)	–	–	–	(8,768)
		–	–	(1,409)	–	(5,968)	167,611	160,234
Balance at 31 December 2011 (Audited)		238,599	1,585,684	28,829	2,034	11,146	1,312,834	3,179,126
Balance at 1 January 2012		**238,599**	**1,585,684**	**28,829**	**2,034**	**11,146**	**1,312,834**	**3,179,126**
Changes in equity for the six months ended 30 June 2012:								
Profit for the period		**–**	**–**	**–**	**–**	**–**	**238,800**	**238,800**
Other comprehensive income for the period		**–**	**–**	**–**	**–**	**2,093**	**–**	**2,093**
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**2,093**	**238,800**	**240,893**
Equity-settled share-based transactions		**–**	**–**	**7,891**	**–**	**–**	**–**	**7,891**
Release upon lapse of share options	14(d)	**–**	**–**	**(9,953)**	**–**	**–**	**9,953**	**–**
Dividends approved in respect of the previous financial year	14(a)(ii)	**–**	**–**	**–**	**–**	**–**	**(171,791)**	**(171,791)**
Share of reserve of an associate		**–**	**–**	**2,440**	**–**	**–**	**–**	**2,440**
		–	**–**	**378**	**–**	**2,093**	**76,962**	**79,433**
Balance at 30 June 2012		**238,599**	**1,585,684**	**29,207**	**2,034**	**13,239**	**1,389,796**	**3,258,559**

The notes on pages 20 to 35 form part of this interim financial report.

Consolidated Cash Flow Statement

for the six months ended 30 June 2012
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2012 (Unaudited) $'000	2011 (Unaudited) $'000
Operating activities			
Cash generated from operations	11(b)	**155,065**	210,293
Hong Kong Profits Tax paid		**(11,671)**	(15,019)
Overseas tax paid		**(1,642)**	(1,720)
Net cash generated from operating activities		**141,752**	193,554
Investing activities			
Payment for the purchase of property, plant and equipment		**(58,442)**	(101,154)
Proceeds from sale of property, plant and equipment		**7**	1,154
Deposit paid for acquisition of subsidiaries		**(53,621)**	–
Transaction costs for acquisition of subsidiaries		**–**	(6,183)
(Increase)/decrease in pledged deposits		**(41)**	390
Interest received		**243**	239
Dividends received from an associate		**180,708**	157,635
Net cash generated from investing activities		**68,854**	52,081
Financing activities			
Proceeds from new shares issued under share option plan		**–**	1,661
Proceeds from new bank loans		**100,000**	–
Repayment of loan from an associate	9(b)	**(124,091)**	(96,946)
Borrowing cost paid		**(1,470)**	(359)
Dividends paid to equity holders of the Company		**(171,791)**	(169,405)
Net cash used in financing activities		**(197,352)**	(265,049)
Net increase/(decrease) in cash and cash equivalents		**13,254**	(19,414)
Cash and cash equivalents at 1 January		**253,326**	325,499
Effect of foreign exchange rate changes		**300**	2,165
Cash and cash equivalents at 30 June	11(a)	**266,880**	308,250

The notes on pages 20 to 35 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 15 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements. The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are effective for accounting periods beginning on or after 1 January 2012, the Group has carried out an assessment of these amendments and considered that they have no significant impact to the interim financial report.

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, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains 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 2011 annual financial statements. The consolidated interim financial statements and notes thereto do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company and by the 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 36.

The financial information relating to the financial year ended 31 December 2011 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2011 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 February 2012.

2 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The Group is principally engaged in the provision of voice services, short message services and other telecommunications services.

Turnover recognised during the period may be analysed as follows:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	$'000	$'000
Fees from the provision of voice services	**1,039,091**	924,402
Fees from the provision of short message services	**182,733**	167,983
Fees from the provision of other telecommunications services	**522,143**	399,165
	1,743,967	1,491,550

Revenue from the provision of the services to government-related entities in the People's Republic of China ("PRC") represents more than 10% of the Group's total revenue. The revenue received from these customers amounted to $719,953,000 for the six months ended 30 June 2012 (six months ended 30 June 2011: $588,130,000).

2 TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting

The Group manages its businesses by business operations and geography. 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 only identified one business segment, i.e. telecommunications operations. Further, the Group's business participates primarily in only one geographical location classified by the location of assets, i.e. Hong Kong. The Group's overseas operation constitutes an insignificant portion of the Group's business.

(i) Reconciliation of reportable segment profit

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	$'000	$'000
Profit		
Reportable segment profit	**199,591**	191,781
Share of profit of an associate	**75,249**	76,998
Share of profit of a jointly controlled entity	**1,113**	–
Unallocated other revenue	**240**	987
Unallocated head office and corporate expenses	**(3,530)**	(2,615)
Consolidated profit before taxation	**272,663**	267,151

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

(ii) Reconciliation of reportable segment assets and liabilities

	30 June	31 December
	2012	2011
	(Unaudited)	(Audited)
	$'000	$'000
Assets		
Reportable segment assets	**2,892,458**	2,796,364
Interest in an associate	**1,370,507**	1,472,414
Interest in a jointly controlled entity	**44,289**	43,176
Deferred tax assets	**18,696**	19,902
Current tax recoverable	**3,323**	5,630
Consolidated total assets	**4,329,273**	4,337,486

2 TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliation of reportable segment assets and liabilities (Continued)

	30 June 2012 (Unaudited) $'000	31 December 2011 (Audited) $'000
Liabilities		
Reportable segment liabilities	**863,873**	944,112
Current tax payable	**42,733**	26,006
Deferred tax liabilities	**61,318**	61,638
Bank loans	**100,000**	–
Loan from an associate	**–**	123,328
Unallocated corporate liabilities	**2,790**	3,276
Consolidated total liabilities	**1,070,714**	1,158,360

Segment assets include all tangible and intangible assets and other current and non-current assets with the exception of interest in an associate, interest in a jointly controlled entity, deferred tax assets, current tax recoverable, and other corporate assets. Segment liabilities include trade and other payables attributable to the operating activities of the segment.

(iii) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of revenue is based on the physical location of assets through which the services were provided.

	Six months ended 30 June	
	2012 (Unaudited) $'000	2011 (Unaudited) $'000
Hong Kong (place of domicile)	**1,544,982**	1,316,892
United States of America	**76,210**	65,922
Singapore	**52,241**	58,372
Other countries	**70,534**	50,364
	1,743,967	1,491,550

3 OTHER REVENUE

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	$'000	$'000
Bank interest income	**99**	65
Other interest income	**141**	472
Total interest income	**240**	537
Rental income from operating leases	**–**	450
	240	987

4 OTHER NET LOSS

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	$'000	$'000
Net gain/(loss) on disposal of property, plant and equipment	**2**	(26)
Net foreign exchange (loss)/gain	**(1,427)**	16
	(1,425)	(10)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	$'000	$'000
(a) Finance costs		
Interest on bank and other loans wholly repayable within 5 years	**738**	141
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plans	**5,046**	4,755
Equity-settled share-based payment expenses	**7,891**	3,021
Salaries, wages and other benefits	**127,840**	128,471
	140,777	136,247
(c) Other items		
Network, operations and support expenses		
— operating leases — leased circuits	**126,078**	120,164
Depreciation	**66,873**	54,139
Amortisation	**7,674**	4,345
Impairment loss on trade debtors	**1,595**	3,653
Operating lease charges in respect of land and buildings	**23,504**	21,875

6 INCOME TAX

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	$'000	$'000
Current tax — Hong Kong Profits Tax		
Provision for the period	**31,094**	27,227
Over-provision in respect of prior years	**(133)**	(314)
	30,961	26,913
Current tax — Overseas		
Provision for the period	**1,261**	1,640
Under-provision in respect of prior years	**–**	276
	1,261	1,916
Deferred tax		
Origination and reversal of temporary differences	**1,641**	4,486
	33,863	33,315

The provision for Hong Kong Profits Tax for the six months ended 30 June 2012 is calculated at 16.5% (six months ended 30 June 2011: 16.5%) of the estimated assessable profits for the period. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the six months ended 30 June 2012 of $238,800,000 (six months ended 30 June 2011: $233,836,000) and the weighted average number of 2,385,993,000 (six months ended 30 June 2011: 2,385,888,000) ordinary shares in issue during the interim period.

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2012 was the same as the basic earnings per share as the potential ordinary shares outstanding during the interim period were anti-dilutive.

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company for the six months ended 30 June 2011 of $233,836,000 and the weighted average number of 2,389,150,000 ordinary shares, after adjusting for the deemed issue of shares under the Company's share option plan.

8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired items of property, plant and equipment with total costs of $50,935,000 (six months ended 30 June 2011: $66,393,000). Items of property, plant and equipment with net book value of $5,000 were disposed of during the six months ended 30 June 2012 (six months ended 30 June 2011: $1,180,000), resulting in a gain on disposal of $2,000 (six months ended 30 June 2011: loss on disposal of $26,000).

9 INTEREST IN AN ASSOCIATE

(a)

	30 June 2012 (Unaudited) $'000	31 December 2011 (Audited) $'000
Share of net assets		
At 1 January	**654,164**	671,132
Share of profit for the period/year	**75,249**	148,770
Dividends received during the period/year	**(179,596)**	(156,666)
Share of reserve	**2,440**	(9,072)
	552,257	654,164
Goodwill	**818,250**	818,250
	1,370,507	1,472,414

Set out below are particulars of the associate:

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

Summary of financial information of the associate:

	At 30 June 2012			For the six months ended 30 June 2012	
	Assets (Unaudited) $'000	**Liabilities (Unaudited) $'000**	**Equity (Unaudited) $'000**	**Revenue (Unaudited) $'000**	**Profit (Unaudited) $'000**
100 per cent	**3,906,401**	**1,145,114**	**2,761,287**	**2,274,692**	**376,245**
Group's effective interest	**781,280**	**229,023**	**552,257**	**454,938**	**75,249**

	At 31 December 2011			For the six months ended 30 June 2011	
	Assets (Audited) $'000	Liabilities (Audited) $'000	Equity (Audited) $'000	Revenue (Unaudited) $'000	Profit (Unaudited) $'000
100 per cent	4,457,262	1,186,440	3,270,822	1,879,744	384,988
Group's effective interest	891,452	237,288	654,164	375,949	76,998

(b) The loan from an associate at 31 December 2011 was unsecured and bore interest at the prevailing market rate. The loan was fully repaid during the six months period ended 30 June 2012.

10 TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS

	30 June 2012 (Unaudited) $'000	31 December 2011 (Audited) $'000
Trade debtors	**1,149,494**	1,098,564
Less: allowance for doubtful debts	**(29,437)**	(28,635)
	1,120,057	1,069,929
Other receivables and deposits	**309,151**	260,916
Amount due from a fellow subsidiary	**92,573**	86,538
	1,521,781	1,417,383
Represented by:		
Non-current portion	**156,947**	109,347
Current portion	**1,364,834**	1,308,036
	1,521,781	1,417,383

Included in trade receivables, other receivables and deposits are trade debtors (before allowance for doubtful debts) with the following ageing analysis at the balance sheet date:

	30 June 2012 (Unaudited) $'000	31 December 2011 (Audited) $'000
Within 1 year	**1,073,049**	1,044,958
Over 1 year	**76,445**	53,606
	1,149,494	1,098,564

Credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables are due within 7 to 180 days from the date of billing. For debtors with balances due over one year, the Group will assign an officer who will be responsible to agree on a settlement plan with those debtors to reduce the outstanding balance within a reasonable period.

11 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	30 June 2012 (Unaudited) $'000	31 December 2011 (Audited) $'000
Cash at bank and in hand	**228,137**	186,473
Time deposits with banks	**42,481**	70,550
Cash and bank deposits	**270,618**	257,023
Less: pledged deposits *(note)*	**(3,738)**	(3,697)
Cash and cash equivalents	**266,880**	253,326

11 CASH AND CASH EQUIVALENTS (Continued)

(a) Cash and cash equivalents comprise: (Continued)

Included in cash and bank deposits were $19,100,000 (31 December 2011: $21,312,000) placed in financial institutions in the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

Note: At 30 June 2012 and 31 December 2011, certain bank deposits were pledged to secure the general banking facilities provided to the Group.

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	$'000	$'000
Profit before taxation	**272,663**	267,151
Adjustments for:		
Depreciation and amortisation	**74,547**	58,484
Net (gain)/loss on disposal of property, plant and equipment	**(2)**	26
Share of profit of an associate	**(75,249)**	(76,998)
Share of profit of a jointly controlled entity	**(1,113)**	–
Finance costs	**738**	141
Interest income	**(240)**	(537)
Equity-settled share-based payment expenses	**7,891**	3,021
Foreign exchange gain	**(904)**	(19)
	278,331	251,269
Changes in working capital:		
(Increase)/decrease in trade receivables, other receivables and deposits	**(46,478)**	137,086
Decrease in trade and other payables	**(76,788)**	(178,062)
Cash generated from operations	**155,065**	210,293

12 TRADE AND OTHER PAYABLES

	30 June 2012	31 December 2011
	(Unaudited)	(Audited)
	$'000	$'000
Trade creditors	**555,431**	642,600
Other payables and accruals	**311,232**	304,788
	866,663	947,388
Represented by:		
Non-current portion	**91,500**	95,192
Current portion	**775,163**	852,196
	866,663	947,388

12 TRADE AND OTHER PAYABLES (Continued)

Included in trade and other payables are trade creditors with the following ageing analysis at the balance sheet date:

	30 June 2012 (Unaudited) $'000	31 December 2011 (Audited) $'000
Within 1 year	**417,024**	554,576
Over 1 year	**138,407**	88,024
	555,431	642,600

13 BANK LOANS

The loans are uncommitted revolving loans repayable within one year, which are unsecured and bear interest at prevailing market rates.

14 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	Six months ended 30 June	
	2012 (Unaudited) $'000	2011 (Unaudited) $'000
Interim dividend declared and paid after the interim period of 2.4 cents per share (six months ended 30 June 2011: 2.4 cents per share)	**57,264**	57,264

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

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

	Six months ended 30 June	
	2012 (Unaudited) $'000	2011 (Unaudited) $'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period of 7.2 cents per share (six months ended 30 June 2011: 7.1 cents per share)	**171,791**	169,405

14 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Share capital

		2012 (Unaudited)		2011 (Audited)	
	Note	No. of shares	Amount $'000	No. of shares	Amount $'000
Authorised:					
Ordinary shares of $0.10 each		5,000,000,000	500,000	5,000,000,000	500,000
Issued and fully paid:					
At 1 January	*(i)*	2,385,992,870	238,599	2,385,201,870	238,520
Shares issued under share option plan	*(ii)*	–	–	791,000	79
At 30 June/ 31 December	*(i)*	2,385,992,870	238,599	2,385,992,870	238,599

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 2012 and 31 December 2011, no ordinary shares were issued under the Company's share option plan. During the six months ended 30 June 2011, 791,000 ordinary shares were issued at a weighted average exercise price of $2.10 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.

(c) Share premium and capital redemption reserve

The application of the share premium account and the capital redemption reserve is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

Capital redemption reserve represents the nominal value of the shares repurchased which was paid out of the distributable reserves of the Company.

(d) Equity-settled share-based transactions

Since the adoption of the Company's share option plan ("CITIC Telecom International Plan") on 17 May 2007, the Company has granted three lots of share options on 23 May 2007, 17 September 2009 and 19 August 2011 respectively.

On 23 May 2007, options to subscribe for a total of 18,720,000 shares ("the First Lot") were granted to employees, directors and non-executive directors of the Company and its subsidiaries under the CITIC Telecom International Plan. Each option gives the holder the right to subscribe for one ordinary share of $0.10 each of the Company. These share options vested on 23 May 2007 and were exercisable until 22 May 2012. The exercise price was $3.26 per share, being the closing price of the Company's ordinary shares on the date of grant of the First Lot. The First Lot expired at the close of business on 22 May 2012.

On 17 September 2009, options to subscribe for a total of 35,825,000 shares ("the Second Lot") were granted to employees, directors and non-executive directors of the Company and its subsidiaries under the CITIC Telecom International Plan. Each option gives the holder the right to subscribe for one ordinary share of $0.10 each of the Company. The first 50% of the Second Lot is exercisable from 17 September 2010 to 16 September 2015 and the remaining 50% of the Second Lot is exercisable from 17 September 2011 to 16 September 2016. The exercise price is $2.10 per share, being the closing price of the Company's ordinary shares on the date of grant of the Second Lot.

On 19 August 2011, options to subscribe for a total of 48,455,000 shares ("the Third Lot") were granted to employees, directors and non-executive directors of the Company and its subsidiaries under the CITIC Telecom International Plan. Each option gives the holder the right to subscribe for one ordinary share of $0.10 each of the Company. The first 50% of the Third Lot is exercisable from 19 August 2012 to 18 August 2017 and the remaining 50% of the Third Lot is exercisable from 19 August 2013 to 18 August 2018. The exercise price is $1.54 per share. The closing price of the Company's ordinary shares on the date of grant of the Third Lot was $1.48 per share.

14 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Equity-settled share-based transactions (Continued)

During the six months ended 30 June 2012 and 31 December 2011, no options were exercised. During the six months ended 30 June 2011, options for 791,000 shares were exercised.

During the six months ended 30 June 2012 and 30 June 2011, no options were cancelled. During the six months ended 31 December 2011, options for 200,000 shares have been cancelled.

During the six months ended 30 June 2012, options for 14,745,000 shares (six months ended 30 June 2011: 1,480,500 shares; six months ended 31 December 2011: 797,500 shares) have lapsed. The value of vested options lapsed during the six months ended 30 June 2012 was $9,953,000 (six months ended 30 June 2011: $549,000; six months ended 31 December 2011: $465,000) and was released directly to retained profits.

15 COMMITMENTS

(a) Capital commitments

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

	30 June 2012 (Unaudited) $'000	31 December 2011 (Audited) $'000
Contracted for	**71,047**	43,776
Authorised but not contracted for	**8,157**	66,414

(b) Other commitments

On 2 September 2010, the Group entered into a framework agreement (the "Framework Agreement") with CITIC Group Corporation, CE-SCM Network Technology Co., Ltd. ("CE-SCM"), Information Centre of State-owned Assets Supervision & Administration Commission of the State Council ("SASAC") and China Enterprise Communications Ltd. ("CEC"), pursuant to which the Group, through CITIC Telecom International CPC Limited ("CPC"), a wholly-owned subsidiary of the Company, will, upon satisfaction of certain conditions set out therein, acquire:

(i) 40.77% equity interest in CEC from CE-SCM;

(ii) 8.23% equity interest in CEC from CITIC Group Corporation together with a purchase right (the "Purchase Right") to acquire the remaining 45.09% equity interest in CEC held by CITIC Group Corporation, in which the Purchase Right shall be exercisable by CPC when CPC is permitted to hold more equity interest in CEC under the then prevailing PRC laws and regulations; and

(iii) all the issued shares of China Enterprise Netcom Corporation Limited ("CEC-HK") held by China Enterprise Communications Technology (Holding) Limited ("CEC-HK Holding"), a wholly-owned subsidiary of CEC.

15 COMMITMENTS (Continued)

(b) Other commitments (Continued)

The aggregate consideration payable by the Group is approximately $283,680,000 comprising:

(i) Renminbi ("RMB") 93,286,000 (approximately $113,865,000) payable to CE-SCM by instalments;

(ii) RMB80,818,000 (approximately $98,646,000) payable to CITIC Group Corporation at completion, out of which RMB61,987,000 (approximately $75,661,000) is to be paid as advance payment for the acquisition of the remaining 45.09% equity interest in CEC held by CITIC Group Corporation upon CPC exercising the Purchase Right;

(iii) $400,000 as consideration for the entire equity interest in CEC-HK; and

(iv) the assumption of debts in amount of United States dollar ("USD") 9,073,000 (approximately $70,769,000) owed by CEC-HK to a subsidiary of CITIC Group Corporation.

Details of the Framework Agreement are set out in the Company's circular to shareholders dated 22 October 2010.

On 29 July 2011, the Group completed the acquisition of CEC-HK pursuant to the Framework Agreement. At 30 June 2012, included in non-current other receivables and deposits was an amount $53,621,000 (31 December 2011: $Nil), being a deposit paid for the acquisition of subsidiaries and included in other payables was $48,172,000 (31 December 2011: $48,172,000), being the unpaid portion of the acquisition cost in CEC-HK. The Group has a remaining sum of approximately RMB75,168,000 (approximately $91,750,000), being the unpaid portion of the aggregate consideration, which shall be payable at completion after the Framework Agreement becoming unconditional.

16 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with an intermediate holding company, CITIC Pacific Limited, and its affiliates and the affiliates of the Group

(i) Recurring transactions

		Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Note	**$'000**	$'000
Telecommunications services and related income received/ receivable from an associate		**6,953**	8,396
Telecommunications services and related expenses paid/ payable to an associate		**3,054**	3,523
Professional fees paid/payable to an intermediate holding company	*(1)*	**1,600**	1,450
Operating lease charges, building management fees and air conditioning charges paid/payable to an affiliated company	*(2)*	**8,300**	8,028
Building management fees and air conditioning charges paid/ payable to a fellow subsidiary	*(3)*	**2,478**	1,908
Operating lease charges, building management fees, air conditioning charges and car parking spaces rental paid/ payable to a fellow subsidiary	*(4)*	**882**	–

16 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with an intermediate holding company, CITIC Pacific Limited, and its affiliates and the affiliates of the Group (Continued)

(i) Recurring transactions (Continued)

Notes:

(1) Professional fees were paid/payable to an intermediate holding company for the provision of internal audit and company secretarial services.

(2) An affiliated company leases certain properties in Hong Kong to the Group under an operating lease. The amounts represent the lease charges, building management fees and air conditioning charges paid/payable to the affiliated company.

(3) A fellow subsidiary provides building management services to the Group. The amounts represent the building management fees and air conditioning charges paid/payable to the fellow subsidiary.

(4) A fellow subsidiary leases certain properties in Hong Kong to the Group under an operating lease. The amounts represent the lease charges, building management fees, air conditioning charges and car parking spaces rental paid/payable to the fellow subsidiary.

(ii) Non-recurring transactions

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	$'000	$'000
Interest paid/payable for loan from an associate	**559**	141
Mechanical ventilation and air-conditioning installation works provided by a fellow subsidiary	**2,421**	5,380

(iii) Trade receivables, other receivables and deposits/(trade and other payables)

	30 June 2012	31 December 2011
	(Unaudited)	(Audited)
	$'000	$'000
Amount due from/(to) an associate included in		
— Trade receivables, other receivables and deposits	**4,348**	4,525
— Trade and other payables	**(2,399)**	(2,947)
	1,949	1,578
Amount due to a fellow subsidiary included in		
— Trade and other payables	**1,812**	1,002

16 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with an intermediate holding company, CITIC Pacific Limited, and its affiliates and the affiliates of the Group (Continued)

(iv) Loan from an associate

	30 June 2012 (Unaudited) $'000	31 December 2011 (Audited) $'000
Loan from an associate	–	123,328

(v) Capital commitment to a fellow subsidiary

Capital commitment to a fellow subsidiary of the Group outstanding at the balance sheet date not provided for in the interim financial report is as follows:

	30 June 2012 (Unaudited) $'000	31 December 2011 (Audited) $'000
Contracted for	**5,686**	–
Authorised but not contracted for	–	8,108

(b) Transactions with a fellow subsidiary, CEC

(i) Recurring transactions

	Six months ended 30 June	
	2012 (Unaudited) $'000	2011 (Unaudited) $'000
Telecommunications services and related expenses paid/payable to CEC	**105,000**	39,835

(ii) Non-recurring transactions

During the year ended 31 December 2011, the Group completed the acquisition of the entire equity interest of CEC-HK held by CEC-HK Holding. Please refer to note 15(b) for details.

(iii) Trade receivables, other receivables and deposits

	30 June 2012 (Unaudited) $'000	31 December 2011 (Audited) $'000
Amount due from CEC included in trade receivables, other receivables and deposits	**92,573**	86,538

16 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) 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 CITIC Pacific Limited and its affiliates and the affiliates of the Group and transactions with CEC as disclosed above, the Group has collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

— Rendering and receiving services; and

— Financial services arrangements.

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

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

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	$'000	$'000
Interest income	**83**	3
Fees received/receivable from provision of telecommunications services	**713,000**	579,734
Fees (paid)/(payable) for network, operations and support services	**(433,609)**	(330,199)

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

	30 June	31 December
	2012	2011
	(Unaudited)	(Audited)
	$'000	$'000
Bank deposits	**30,355**	52,236
Trade debtors	**643,232**	608,226
Trade creditors	**(74,511)**	(178,781)

16 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(d) Key management personnel remuneration

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	$'000	$'000
Short-term employee benefits	**6,737**	6,336
Share-based payments	**1,759**	686
Post-employment benefits	**188**	179
	8,684	7,201

17 NON-ADJUSTING POST BALANCE SHEET EVENTS

Interim dividend

After the balance sheet date, the directors proposed an interim dividend. Further details are disclosed in note 14(a)(i).

18 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 30 JUNE 2012

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 30 June 2012 and which have not been adopted in this interim financial report. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 11, *Joint arrangements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKAS 28, *Investments in associates and joint ventures*	1 January 2013

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

Independent Review Report

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 15 to 35 which comprise the consolidated balance sheet of CITIC Telecom International Holdings Limited (the "Company") as at 30 June 2012 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 months 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 2012 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

15 August 2012

Statutory Disclosure

DIVIDEND AND CLOSURE OF REGISTER

The board of directors of the Company have declared an interim dividend of HK2.4 cents (2011: HK2.4 cents) per share for the year ending 31 December 2012 payable on Wednesday, 12 September 2012 to shareholders whose names appear on the Register of Members of the Company on Friday, 7 September 2012. The Register of Members of the Company will be closed from Monday, 3 September 2012 to Friday, 7 September 2012, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 31 August 2012.

SHARE OPTION PLAN

Under the share option plan of the Company (the "Plan") adopted on 17 May 2007, 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 quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares. The maximum number of shares over which options may be granted under the Plan must not exceed 10% of (i) the shares of the Company in issue from time to time; or (ii) the shares of the Company in issue as at the date of adopting the Plan, whichever is the lower.

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

All options granted were accepted except for options for 115,000 shares granted on 17 September 2009 and options for 200,000 shares granted on 19 August 2011. The share options granted on 23 May 2007 have expired at the close of business on 22 May 2012.

During the six months ended 30 June 2012, options for a total of 14,745,000 shares have lapsed and no options were exercised or cancelled.

SHARE OPTION PLAN (Continued)

A summary of the movements of the share options during the six months ended 30 June 2012 is as follows:

A. Directors of the Company

Name of director	Date of grant	Exercise price per share HK$	Exercise period	Balance as at 1.1.2012	Exercised during the 6 months ended 30.6.2012	Lapsed during the 6 months ended 30.6.2012	Balance as at 30.6.2012	Percentage to the issued share capital %
Xin Yue Jiang	17.9.2009	2.10	17.9.2010–16.9.2015	900,000	–	–	900,000	
	17.9.2009	2.10	17.9.2011–16.9.2016	900,000	–	–	900,000	
	19.8.2011	1.54	19.8.2012–18.8.2017	1,250,000	–	–	1,250,000	
	19.8.2011	1.54	19.8.2013–18.8.2018	1,250,000	–	–	1,250,000	
							4,300,000	0.180
Yuen Kee Tong	23.5.2007	3.26	23.5.2007–22.5.2012	2,500,000	–	2,500,000	–	
	17.9.2009	2.10	17.9.2010–16.9.2015	800,000	–	–	800,000	
	17.9.2009	2.10	17.9.2011–16.9.2016	800,000	–	–	800,000	
	19.8.2011	1.54	19.8.2012–18.8.2017	1,100,000	–	–	1,100,000	
	19.8.2011	1.54	19.8.2013–18.8.2018	1,100,000	–	–	1,100,000	
							3,800,000	0.159
David Chan Tin Wai	23.5.2007	3.26	23.5.2007–22.5.2012	1,845,000	–	1,845,000	–	
	17.9.2009	2.10	17.9.2010–16.9.2015	700,000	–	–	700,000	
	17.9.2009	2.10	17.9.2011–16.9.2016	700,000	–	–	700,000	
	19.8.2011	1.54	19.8.2012–18.8.2017	950,000	–	–	950,000	
	19.8.2011	1.54	19.8.2013–18.8.2018	950,000	–	–	950,000	
							3,300,000	0.138
Yang Xianzu	23.5.2007	3.26	23.5.2007–22.5.2012	300,000	–	300,000	–	
	17.9.2009	2.10	17.9.2010–16.9.2015	150,000	–	–	150,000	
	17.9.2009	2.10	17.9.2011–16.9.2016	150,000	–	–	150,000	
	19.8.2011	1.54	19.8.2012–18.8.2017	150,000	–	–	150,000	
	19.8.2011	1.54	19.8.2013–18.8.2018	150,000	–	–	150,000	
							600,000	0.025

SHARE OPTION PLAN (Continued)

A. Directors of the Company (Continued)

				Number of Share Options				
Name of director	Date of grant	Exercise price per share	Exercise period	Balance as at 1.1.2012	Exercised during the 6 months ended 30.6.2012	Lapsed during the 6 months ended 30.6.2012	Balance as at 30.6.2012	Percentage to the issued share capital
		HK$						%
Liu Li Qing	23.5.2007	3.26	23.5.2007–22.5.2012	300,000	–	300,000	–	
	17.9.2009	2.10	17.9.2010–16.9.2015	150,000	–	–	150,000	
	17.9.2009	2.10	17.9.2011–16.9.2016	150,000	–	–	150,000	
	19.8.2011	1.54	19.8.2012–18.8.2017	150,000	–	–	150,000	
	19.8.2011	1.54	19.8.2013–18.8.2018	150,000	–	–	150,000	
							600,000	0.025
Gordon Kwong Che Keung	23.5.2007	3.26	23.5.2007–22.5.2012	300,000	–	300,000	–	
	17.9.2009	2.10	17.9.2010–16.9.2015	150,000	–	–	150,000	
	17.9.2009	2.10	17.9.2011–16.9.2016	150,000	–	–	150,000	
	19.8.2011	1.54	19.8.2012–18.8.2017	150,000	–	–	150,000	
	19.8.2011	1.54	19.8.2013–18.8.2018	150,000	–	–	150,000	
							600,000	0.025

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

		Number of Share Options			
Date of grant	Exercise price per share	Balance as at 1.1.2012	Exercised during the 6 months ended 30.6.2012	Lapsed during the 6 months ended 30.6.2012	Balance as at 30.6.2012
	HK$				
23.5.2007	3.26	8,860,000	–	8,860,000	–
17.9.2009	2.10	24,384,000	–	300,000 *(Note 1)*	24,084,000
19.8.2011	1.54	40,755,000	–	340,000 *(Note 1)*	40,415,000

Note:

1. These are in respect of options granted to some employees under continuous contracts but such employees have resigned subsequently. Such options have lapsed during the six months ended 30 June 2012.

DIRECTORS' INTERESTS IN SECURITIES

The interests of the directors of the Company (the "Directors") 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 2012 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 Corporation

	Number of Shares	
	Personal interests unless otherwise stated	**Percentage to the issued share capital** %
CITIC Telecom International Holdings Limited		
Yuen Kee Tong	500,000	0.0210
David Chan Tin Wai	2,000	0.0001
CITIC Pacific Limited ("CITIC Pacific"), an associated corporation		
Yuen Kee Tong	1,033,000	0.0283
David Chan Tin Wai	40,000	0.0011
Liu Jifu	840,000	0.0230
Yang Xianzu	20,000	0.0005
Gordon Kwong Che Keung	70,000 *(Note 1)*	0.0019
Dah Chong Hong Holdings Limited, an associated corporation		
Yuen Kee Tong	20,000	0.0011
David Chan Tin Wai	5,279	0.0003
China CITIC Bank Corporation Limited (H shares), an associated corporation		
David Chan Tin Wai	3,000 *(Note 2)*	0.00002

DIRECTORS' INTERESTS IN SECURITIES (Continued)

2. Share Options of the Company

The interests of the Directors in the share options (being regarded as unlisted physically settled equity derivatives) of the Company are stated in detail in the preceding section of "Share Option Plan".

3. Share options in an associated corporation, CITIC Pacific

Name of director	Date of grant	Exercise period	Exercise price per share HK$	Number of share options as at 30.6.2012	Percentage to the issued share capital %
Liu Jifu	16.10.2007	16.10.2007–15.10.2012	47.32	700,000	
	19.11.2009	19.11.2009–18.11.2014	22.00	500,000	
				1,200,000	0.033
Fei Yiping	19.11.2009	19.11.2009–18.11.2014	22.00	300,000	0.008

Notes:

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

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

Save as disclosed above, as at 30 June 2012, none of the Directors had nor were they taken to or deemed to have, under Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, the interests of the substantial shareholders, other than the Directors or their respective associate(s), in the shares of the Company as recorded in the register of interests in shares and short positions required to be kept under section 336 of the SFO were as follows:

Name	Number of shares of the Company	Percentage to the issued share capital %
CITIC Group Corporation	1,445,584,370	60.586
CITIC Limited	1,445,584,370	60.586
CITIC Pacific	1,445,584,370	60.586
Crown Base International Limited	1,445,584,370	60.586
Effectual Holdings Corp.	1,445,584,370	60.586
CITIC Pacific Communications Limited ("CPC")	1,445,584,370	60.586
Douro Holdings Inc.	1,445,584,370	60.586
Ferretti Holdings Corp.	941,692,000	39.468
Ease Action Investments Corp.	941,692,000	39.468
Onway Assets Holdings Ltd.	405,826,087	17.009
Silver Log Holdings Ltd.	405,826,087	17.009
Matthews International Capital Management, LLC	143,933,000	6.032

CITIC Group Corporation is the ultimate holding company of CITIC Limited and CITIC Limited is an intermediate holding company of CITIC Pacific. CITIC Pacific is the direct holding company of Crown Base International Limited, which is the direct holding company of Effectual Holdings Corp.. Effectual Holdings Corp. in turn holds CPC, which is then the direct holding company of Douro Holdings Inc.. Douro Holdings Inc. is the direct holding company of Ferretti Holdings Corp. and Onway Assets Holdings Ltd.. Ferretti Holdings Corp. is the direct holding company of Ease Action Investments Corp. and Onway Assets Holdings Ltd. is the direct holding company of Silver Log Holdings Ltd.. 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.

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 2012 and the Company has not redeemed any of its shares during the period ended 30 June 2012.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The board of directors believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. Looking ahead, we will keep our corporate governance practices under continuous review to ensure their consistent application and will continue to improve our practices. Details of our corporate governance practices can be found on page 35 of the 2011 annual report and the Company's website www.citictel.com.

Throughout the six months ended 30 June 2012, saved as disclosed below, the Company has complied with the applicable code provisions in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (the "Code") (effective from 1 April 2012) set out in Appendix 14 of the Listing Rules. In respect of the code provision A.6.7 of the Code, Mr Fei Yiping, a non-executive director, Mr Yang Xianzu and Mr Liu Li Qing, both independent non-executive directors, were unable to attend the annual general meeting of the Company held on 27 April 2012 as they had other engagements in China.

The Audit Committee has reviewed the interim report with management and the Company's internal and external auditors and recommended its adoption by the board. The Committee consists of three independent non-executive directors 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 have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2012.

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

Mr Fei Yiping, a non-executive director of the Company, has been appointed as a committee member of the Audit Committee of the Company with effect from 3 April 2012. Mr Fei has also resigned as a director of CITIC Guoan Co., Ltd. with effect from 27 June 2012.

Mr Liu Li Qing, an independent non-executive director of the Company, has retired as the chairman of China Association of Communications Enterprises and has been elected as the honorary chairman of China Association of Communications Enterprises with effect from 5 June 2012.

Corporate Information

HEADQUARTERS AND REGISTERED OFFICE

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

WEBSITE

www.citictel.com contains a description of CITIC Telecom International's business, copies of the reports to shareholders, announcements, press releases and other information.

STOCK CODES

The Stock Exchange of Hong Kong:	01883
Bloomberg:	1883 HK
Reuters:	1883.HK

SHARE REGISTRARS

Shareholders should contact our Registrars, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong at 2980 1333, or by fax: 2810 8185, on matters such as transfer of shares, change of name or address, or loss of share certificates.

ANNUAL AND INTERIM REPORTS

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

FINANCIAL CALENDAR

Closure of Register:	3 September 2012 to 7 September 2012
Interim Dividend payable:	12 September 2012

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

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

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