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中信國際電訊集團有限公司
CITIC TELECOM INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 01883)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of CITIC Telecom International Holdings Limited (the "Group") for 2012.

During 2012, the adverse sentiment from the European debt crisis continued to affect the world economy, and the emerging economies around the globe registered only mild growth. As for the telecommunications market, competition remained intense with increasing new challenges. Facing such a complicated and fast-changing market, the Group has proactively taken measures to bolster its capability in addressing multiple challenges. Through allocating more internal resource to expand market coverage, the Group has strived to mitigate the negative effect of unfavourable forces and has achieved stable growth in the overall business. Total revenue of the Group for 2012 amounted to HK\$3,609.8 million, an increase of 12.9% compared with the previous year. Profit attributable to equity shareholders of the Company grew 0.7% year-on-year to HK\$461.3 million. Basic earnings per share were HK19.3 cents, 0.5% higher than 2011.

The traditional voice business has continued to experience downward pressure. The Group has taken effective measures and managed to overcome the difficulties, resulting in an increase of 7.2% in revenue from the voice services over the previous year. While the total volume of China inbound and outbound voice traffic decreased, the gross profit of China outbound voice traffic has maintained stable growth. The Group has expanded its international voice business with international-to-international voice traffic recording a comparatively higher increase than last year. Revenue generated from the SMS business rose 8.2% over the previous year, while that of Mobile Value-added Services ("VAS") surged 15.0%.

Data businesses, including virtual private networks (“VPN”) and Internet access services, rose by 29.7% over the previous year. The increase was partly contributed by the completion of the Group’s acquisition of 49% of the issued capital of China Enterprise Communications Ltd. (“CEC-BJ”) on 6 September 2012. Companhia de Telecomunicacoes de Macau, S.A.R.L. (“CTM”) continued to record stable growth and profit contribution to the Group from CTM increased by 6.4% year-on-year.

The Group’s strategy to maintain its market position in China and to expand its overseas markets enabled the Group to achieve an increase in total revenue. The Group’s efforts to integrate the operation of CEC-BJ began to bear fruit. The Group also allocated more resources to integrate the Group’s overseas business to achieve better operational efficiency. Ongoing staff training programmes were implemented to further enhance professional capabilities and operating efficiency. Strict control measures on expenses were maintained in order to improve the Group’s cost efficiency. During the year, Phase I of the Data Centre at CITIC Telecom Tower was fully let and the construction of Phase II commenced. All of these initiatives further strengthened the Group’s foundation and were in line with targets set by the Board.

On 13 January 2013, the Group has signed sale and purchase agreements with the wholly owned subsidiaries of Cable & Wireless Communications Plc and Portugal Telecom, SGPS, S.A., PT Participações SGPS, S.A. and PT Comunicações, S.A. respectively to acquire their entire combined 79% interests in CTM. The acquisitions are to be completed upon the approval of our shareholders, the Macau Government and relevant PRC governmental and regulatory authorities. Increasing the stake in CTM should help to facilitate the Group’s business diversification and long-term business development, and the Group should realise significant synergies through business integration. Through this acquisition, the Group is able to extend its quality telecom services to Macau’s people and contribute to the development of the IT industry there.

The Board recommended a final dividend of HK7.2 cents per share for 2012. Together with the interim dividend of HK2.4 cents per share, the total dividend per share for 2012 amounted to HK9.6 cents, the same as for 2011. The dividend payout ratio for the year was 50%.

I. Review of 2012

Further strengthened partnerships with telecom operators and strived to achieve stable development of its China voice business

In response to the mounting pressure on China traffic in the first half of 2012, the Group has further strengthened collaboration with operators and improved the quality of services. The Group has coordinated with overseas operators in managing their China inbound traffic, in order to maintain the market share of China inbound voice business. On the other hand, the Group has strived to stabilise the market selling price to stabilise the overall gross profit margin of its China voice business. The Group also has managed to lower the termination cost through sourcing less expensive overseas routing services. By implementing these measures, the Group has ensured a stable China voice business and retained its advantageous market position in China’s voice traffic market.

Stronger efforts to expand overseas markets boost revenue from international voice business

During 2012, the Group has made considerable progress in increasing contributions from overseas markets through focusing on expanding its business in Europe, India, Middle East, Africa and South America. This was evidenced by a notable increase in international voice traffic and revenue. Besides, the Group continued to acquire more direct end-users in overseas retail markets, thereby securing primary voice traffic and complementing the wholesale business. CITIC Telecom has leveraged the Group's competitive edge in its wholesale voice business by launching Voice over Internet Protocol ("VoIP") products for smartphones under the brand "HIPPI", intensifying the development efforts in end-user markets outside the Greater China Region.

Maintained stable growth in Mobile VAS and SMS businesses through enhanced marketing efforts

The Group has achieved a breakthrough in its 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. During the year, the Group has continued to promote its Mobile VAS products to other mobile operators by leveraging its extensive network connections and quality service. The increasing take-up of international roaming by mobile users has led to a continuous surge in the Group's Mobile VAS business, providing a good contribution to the Group's performance. To increase operating efficiency and to leverage multi-product capability, the Group reorganised its sales teams structure from a product focus to become geographically oriented. The restructure had enhanced each regional sales team to promote bundled services comprising Voice, SMS and Mobile VAS, thus boosting the Group's competitiveness of the Group's Mobile VAS and SMS businesses.

Optimised product range of data businesses such as VPN and Internet access services and development of cloud computing centres

The Group's wholly-owned subsidiary CITIC Telecom International CPC Limited ("CPC") has continuously offered new products to the market, thereby keeping pace with market needs and developments. In 2012, its cloud computing solution has been well received by the market and has optimised the product range of its data businesses such as VPN and Internet access services. A highlight of this new line is a back-up, replication and recovery service, the "SmartCLOUD BRR" service, which slashes back-up and recovery time. This function prevents any loss of customer information while backing up and also quickly recovers information. Another major product is the "SmartCLOUD VC" video conferencing service, a cloud technology-based regional video conferencing management solution. "SmartCLOUD VC" extends the meeting place from the conference room to various personal devices such as desktop computers, conferencing systems or notebook computers, tablets and smartphones. Users can arrange multi-point video conferencing with telepresence quality anytime, anywhere.

In March 2012, CPC opened its first Asia Pacific SmartCLOUD cloud computing services centre in Taiwan and was quickly followed by a second one in Singapore in June 2012. These

two centres, together with four SmartCLOUD cloud computing services centres in China and Hong Kong opened since 2011, have optimised the development of our cloud computing business across the region. The new cloud computing offerings have complemented the Group's existing cloud computing products and have helped to enrich the variety of its cloud computing solutions. These offerings had reinforced the Group's competitiveness in the rapidly expanding market.

Enhance development of new products, laying a firm foundation for the Group's future development

The Group has responded to the market development and needs by exerting continuous efforts in developing of new products. One of our initiatives was the improvement and optimisation of functions of "HIPPI", a smartphone-based VoIP voice business product. The Group has been preparing for the latest 4G development and has completed installation of LTE/IPX equipment. The Group is now collaborating with several operators for joint testing. While reviewing the mobile certification technology, the Group has also held discussions on the application of mobile certification technology in areas such as mobile banking, internet banking and ATM services. The Group is actively evaluating potential technology solutions with financial institutions in Mainland China to be deployed in business cooperation.

Improved overall service standards through better quality management of engineering and stronger back-office support

The Group has continued to improve quality management of its services offering and enhanced back-office support capability. Quality supervision and management and routing quality management meetings were held on a regular basis to discuss quality management issues and suggest relevant solutions. In response to changing market requirements, the Group has continued to expand its network capacity, upgrade its network equipment, optimise its global IP network and strengthen the transmission capacity of its international network.

Data centre business strengthened with completion of Data Centre Phase II and the commencement of construction of the Ap Lei Chau Data Centre

The Group started the construction of Phase II of the Data Centre in January 2012. Through comprehensive arrangement and meticulous planning, the Group has ensured the construction complies with quality standards and realised capital efficiency by completion within the budget.

The Group continued to evaluate the construction of new data centre on an all-round basis and has adhered to the principle of "spend less and do more". The Group has completed the planning and preparation of related documents of the Ap Lei Chau Data Centre and confirmed the initial layout design and technological standards. The Group expects the construction of the new Data Centre to be completed on schedule which will further strengthen the Group's competitiveness in the data centre business.

II. Outlook for 2013

Global economic condition remains uncertain for 2013 which will definitely affect the telecommunications market. The operating environment for the Group's traditional business remains challenging. Management will continue to increase its effort to explore the emerging market and to launch new product offerings so as to strengthen its competitiveness and to improve room for growth. With the continued support from shareholders and dedication of the team, management is confident that the Group can overcome these challenges, as it has during the past few years.

The Group's strategy is to maintain the stable growth of its voice, SMS and Mobile VAS businesses, and to allocate more resource in order to develop the established data business in cloud computing VPN and Internet access services. The Group continues to proactively procure the smooth completion of the acquisition of 79% equity interest in CTM and maintain that enterprise's growth. The Group will leverage on each of its overseas subsidiaries to penetrate the local telecommunications market. To summarise, through enhancing operational efficiencies, and more effective control of costs, the Group is confident it can achieve stable profit growth in 2013.

Fortify partnerships with telecom operators and maintain stable business growth

The Group will continue to deploy more resources to the development of new products. Through constant improvement of our quality of service, we will enhance our collaboration with the operators and strive to maintain stable business growth. CPC will also provide VPN and other telecommunications services to domestic SMEs engaged in overseas expansion in close alignment with China's economic development.

Secure new customers, expand market coverage and broaden the scope of business cooperation with third-world nations

Leveraging on its global marketing reach and telecommunications network, the Group will continue to conduct timely analysis on market changes and customer demands of emerging markets such as Africa, Central Asia, the Middle East and South America. The Group plans to engage business partners along these new frontiers through the formulation and execution of effective marketing initiatives.

The Group will continue to collaborate with China's telecommunications operators to identify new opportunities for cooperation within new market situations and geographies. The overseas operations experience of the Group place it in an advantageous position to proactively and effectively engage in mutually beneficial business ventures with Chinese operators in developing countries.

Enhance management and competitive advantages of overseas offices in their local markets

The Group will continue to deploy more resources to expand the operation of our overseas offices. Through bolstering the business capability of our overseas offices, the Group will aim to

create new growth drivers through enhancing the management of overseas offices and boosting their competitive advantages within their respective markets.

Strengthen development of new businesses such as VoIP, cloud computing and LTE, enabling fast time-to-market for new products

We will continue to develop and deploy new technologies and applications to meet market demand and trends. In particular, we will enhance our efforts in the application of VoIP services, cloud computing services, mobile roaming certification payments services and LTE technology with the intention to launch new products in a timely manner. Emphasis would be on LTE technology applications so that we could provide customers with top quality next-generation LTE solutions.

Construction and marketing of data centres to enhance their business development potential

The construction of Phase II of the Data Centre located at CITIC Telecom Tower in Hong Kong is in progress and will commence service soon. Detailed planning is also underway for the construction of the data centre in Ap Lei Chau to ensure the quality of its implementation. The construction of the data centre in Ap Lei Chau would further strengthen the development of the Group's data centre business, and becomes a new growth driver in the Group's operation.

Expedite the completion of the acquisition of CTM

The acquisition of CTM is subject to approvals from shareholders at the shareholders' meeting, and authorities of the Macau Government and PRC Government. If the acquisition is completed, the Group will hold 99% equity interest in CTM. This is a major milestone in the development of the Group. After completion of the acquisition, the Group will continuously improve the network quality of CTM and enhance the ability of CTM to provide higher quality services to Macau residents. The Group will apply new technologies, explore new businesses and make new contributions to the development of the telecommunications industry in Macau.

To summarise, thanks to the dedication and hard work of our entire staff and the support from our shareholders and business partners, the Group has been able to maintain a stable performance for 2012. On behalf of the entire Group, I would like to express our sincere gratitude and appreciation to them for their efforts.

Xin Yue Jiang

Chairman

Hong Kong, 6 February 2013

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

	<i>Note</i>	<i>2012</i> HK\$'000	<i>2011</i> HK\$'000
Turnover	3	3,609,810	3,196,753
Other revenue	4	545	1,485
Other net (loss)/gain	5	<u>(6,432)</u>	<u>213</u>
		3,603,923	3,198,451
Network, operations and support expenses	6(b)	(2,527,843)	(2,214,373)
Depreciation and amortisation	6(b)	(154,282)	(127,062)
Staff costs		(353,003)	(300,150)
Other operating expenses		<u>(219,985)</u>	<u>(181,389)</u>
Profit from operations		348,810	375,477
Finance costs	6(a)	(3,063)	(974)
Share of profit of an associate		158,295	148,770
Share of profit of a jointly controlled entity		<u>1,179</u>	<u>410</u>
Profit before taxation	6	505,221	523,683
Income tax	7	<u>(40,232)</u>	<u>(65,437)</u>
Profit for the year		<u>464,989</u>	<u>458,246</u>
Attributable to:			
Equity shareholders of the Company		461,283	458,246
Non-controlling interests		<u>3,706</u>	<u>-</u>
Profit for the year		<u>464,989</u>	<u>458,246</u>
Earnings per share (HK cents)	9		
Basic		19.3	19.2
Diluted		<u>19.3</u>	<u>19.2</u>

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 8(a).

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012**

	<i>2012</i> HK\$'000	<i>2011</i> HK\$'000
Profit for the year	464,989	458,246
Other comprehensive income for the year (after tax)		
Exchange differences on translation of financial statements of operations outside Hong Kong, net of \$nil tax	<u>8,867</u>	<u>298</u>
Total comprehensive income for the year	<u><u>473,856</u></u>	<u><u>458,544</u></u>
Attributable to:		
Equity shareholders of the Company	469,956	458,544
Non-controlling interests	<u>3,900</u>	<u>-</u>
Total comprehensive income for the year	<u><u>473,856</u></u>	<u><u>458,544</u></u>

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2012

	<i>Note</i>	<i>2012</i> HK\$'000	<i>2011</i> HK\$'000
Non-current assets			
Property, plant and equipment		742,376	668,521
Intangible assets		105,825	89,888
Goodwill		402,456	363,549
Interest in an associate		1,449,938	1,472,414
Interest in a jointly controlled entity		45,950	43,176
Non-current other receivables and deposits	10	174,352	109,347
Deferred tax assets		37,451	19,902
		2,958,348	2,766,797
Current assets			
Trade receivables, other receivables and deposits	10	1,363,583	1,308,036
Current tax recoverable		3,611	5,630
Cash and bank deposits		354,816	257,023
		1,722,010	1,570,689
Current liabilities			
Trade and other payables	11	801,248	852,196
Bank loans		100,000	-
Loans from an associate		161,868	123,328
Current tax payable		43,169	26,006
		1,106,285	1,001,530
Net current assets		615,725	569,159
Total assets less current liabilities		3,574,073	3,335,956

**CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2012 (continued)**

	<i>Note</i>	<i>2012</i> HK\$'000	<i>2011</i> HK\$'000
Non-current liabilities			
Non-current other payables	11	87,808	95,192
Deferred tax liabilities		<u>65,241</u>	<u>61,638</u>
		<u>153,049</u>	<u>156,830</u>
NET ASSETS		<u>3,421,024</u>	<u>3,179,126</u>
Capital and reserves			
Share capital		238,668	238,599
Reserves		<u>3,194,035</u>	<u>2,940,527</u>
Total equity attributable to equity shareholders of the Company		3,432,703	3,179,126
Non-controlling interests		<u>(11,679)</u>	<u>-</u>
TOTAL EQUITY		<u>3,421,024</u>	<u>3,179,126</u>

Notes to the Accounts

1 Significant accounting policies

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“SEHK”). The accounting policies used in the preparation of the financial statements are consistent with those adopted in the financial statements for the year ended 31 December 2011 except for the adoption of certain amendments to HKFRSs which became effective during the year ended 31 December 2012 (see note 2).

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. The adoption of such amendments did not result in significant changes to the Group’s accounting policies and has no significant effect on the results reported for the year ended 31 December 2012.

The Group has not early adopted any new and revised standards, amendments and new interpretations issued by the HKICPA that are not yet effective for the year ended 31 December 2012, and is in the process of assessing their impact on future accounting periods.

3 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 year represents fees from the provision of the following services:

	<i>2012</i> HK\$'000	<i>2011</i> HK\$'000
Voice services	2,079,557	1,939,124
Short message services	375,517	347,240
Other telecommunications services	1,154,736	910,389
	<u>3,609,810</u>	<u>3,196,753</u>

Revenue from the provision of 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 HK\$1,364,897,000 (2011: HK\$1,295,567,000) for the year ended 31 December 2012.

3 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 identified only 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

	2012 HK\$'000	2011 HK\$'000
Profit		
Reportable segment profit	356,742	379,834
Share of profit of an associate	158,295	148,770
Share of profit of a jointly controlled entity	1,179	410
Unallocated other revenue	545	1,485
Unallocated head office and corporate expenses	(11,540)	(6,816)
Consolidated profit before taxation	<u>505,221</u>	<u>523,683</u>

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

3 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(ii) Reconciliation of reportable segment assets and liabilities

	2012 HK\$'000	2011 HK\$'000
Assets		
Reportable segment assets	3,066,346	2,796,364
Interest in an associate	1,449,938	1,472,414
Interest in a jointly controlled entity	45,950	43,176
Current tax recoverable	3,611	5,630
Deferred tax assets	37,451	19,902
Unallocated corporate assets	77,062	-
	<hr/>	<hr/>
Consolidated total assets	4,680,358	4,337,486
	<hr/> <hr/>	<hr/> <hr/>
Liabilities		
Reportable segment liabilities	883,556	944,112
Current tax payable	43,169	26,006
Deferred tax liabilities	65,241	61,638
Bank loans	100,000	-
Loans from an associate	161,868	123,328
Unallocated corporate liabilities	5,500	3,276
	<hr/>	<hr/>
Consolidated total liabilities	1,259,334	1,158,360
	<hr/> <hr/>	<hr/> <hr/>

Segment assets include all tangible, intangible assets and 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.

3 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(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.

	<i>2012</i> HK\$'000	<i>2011</i> HK\$'000
Hong Kong (place of domicile)	3,144,538	2,837,265
Mainland China	82,070	1,712
United States of America	125,359	133,713
Singapore	117,648	115,748
Other countries	140,195	108,315
	<u>3,609,810</u>	<u>3,196,753</u>

4 Other revenue

	<i>2012</i> HK\$'000	<i>2011</i> HK\$'000
Interest income from bank deposits	279	180
Other interest income	266	705
	<u>545</u>	<u>885</u>
Total interest income	545	885
Rental income from operating leases	-	600
	<u>545</u>	<u>1,485</u>

5 Other net (loss)/gain

	2012 HK\$'000	2011 HK\$'000
Net (loss)/gain on disposal of property, plant and equipment	(4,654)	160
Net foreign exchange (loss)/gain	(1,778)	53
	<u>(6,432)</u>	<u>213</u>

6 Profit before taxation

Profit before taxation is arrived at after charging:

	2012 HK\$'000	2011 HK\$'000
(a) Finance costs		
Interest on bank and other borrowings wholly repayable within 5 years	2,530	974
Other finance charges	533	-
	<u>3,063</u>	<u>974</u>
(b) Other items		
Network, operations and support expenses	2,527,843	2,214,373
- including operating leases charges in respect of leased circuits	325,564	252,903
Depreciation	137,391	115,602
Amortisation	16,891	11,460
Net impairment loss on trade debtors	5,594	7,286
Transaction costs for acquisition of subsidiaries	2,361	172

7 Income tax

Income tax in the consolidated income statement represents:

	2012 HK\$'000	2011 HK\$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	55,042	44,590
(Over)/under-provision in respect of prior year	(201)	80
	<u>54,841</u>	<u>44,670</u>
Current tax - Overseas		
Provision for the year	1,768	4,118
Under-provision in respect of prior year	33	491
	<u>1,801</u>	<u>4,609</u>
Deferred tax		
Recognition of tax losses not recognised in prior years	(15,806)	-
Origination and reversal of temporary differences	(604)	16,158
	<u>(16,410)</u>	<u>16,158</u>
	<u><u>40,232</u></u>	<u><u>65,437</u></u>

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

8 Dividends

(a) *Dividends payable to equity shareholders of the Company attributable to the year*

	2012 HK\$'000	2011 HK\$'000
Interim dividend declared and paid of HK2.4 cents (2011: HK2.4 cents) per share	57,264	57,264
Final dividend proposed after the end of the balance sheet date of HK7.2 cents (2011: HK7.2 cents) per share	171,841	171,791
	<u>229,105</u>	<u>229,055</u>

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

(b) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year*

	2012 HK\$'000	2011 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK7.2 cents (2011: HK7.1 cents) per share	<u>171,791</u>	<u>169,405</u>

9 Earnings per share

	2012 HK\$'000	2011 HK\$'000
Profit attributable to equity shareholders of the Company	461,283	458,246

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

	<i>Number of shares</i>	
	2012 '000	2011 '000
Issued ordinary shares at 1 January	2,385,993	2,385,202
Effect of share options exercised	20	739
Weighted average number of ordinary shares at 31 December	2,386,013	2,385,941
Effect of deemed issue of shares under the Company's share option plan	818	-
Weighted average number of ordinary shares (diluted) at 31 December	2,386,831	2,385,941
Basic earnings per share (HK cents)	19.3	19.2
Diluted earnings per share (HK cents)	19.3	19.2

The diluted earnings per share for the year ended 31 December 2011 was the same as the basic earnings per share as the potential ordinary shares outstanding during the year ended 31 December 2011 were anti-dilutive.

10 Trade receivables, other receivables and deposits

	<i>2012</i> HK \$'000	<i>2011</i> HK \$'000
Trade debtors	1,282,678	1,098,564
Less: allowance for doubtful debts	(40,898)	(28,635)
	<hr/>	<hr/>
Other receivables and deposits	1,241,780	1,069,929
Amount due from a fellow subsidiary	296,155	260,916
	-	86,538
	<hr/>	<hr/>
	1,537,935	1,417,383
	<hr/> <hr/>	<hr/> <hr/>
Represented by:		
Non-current portion	174,352	109,347
Current portion	1,363,583	1,308,036
	<hr/>	<hr/>
	1,537,935	1,417,383
	<hr/> <hr/>	<hr/> <hr/>

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:

	<i>2012</i> HK\$'000	<i>2011</i> HK\$'000
Within 1 year	1,164,022	1,044,958
Over 1 year	118,656	53,606
	<hr/>	<hr/>
	1,282,678	1,098,564
	<hr/> <hr/>	<hr/> <hr/>

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. 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. Normally, the Group does not obtain collateral from customers.

11 Trade and other payables

	<i>2012</i> HK\$'000	<i>2011</i> HK\$'000
Trade creditors	605,168	642,600
Other payables and accruals	283,888	304,788
	<u>889,056</u>	<u>947,388</u>
Represented by:		
Non-current portion	87,808	95,192
Current portion	801,248	852,196
	<u>889,056</u>	<u>947,388</u>

All current trade and other payables are expected to be settled within one year.

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

	<i>2012</i> HK\$'000	<i>2011</i> HK\$'000
Within 1 year	462,358	554,576
Over 1 year	142,810	88,024
	<u>605,168</u>	<u>642,600</u>

FINANCIAL REVIEW AND ANALYSIS

REVIEW OF OVERALL PERFORMANCE

Turnover

The Group's turnover increased by 12.9% to HK\$3,609.8 million for the year ended 31 December 2012, up from HK\$3,196.8 million in 2011.

Profit attributable to equity shareholders of the Company

The Group recorded a profit attributable to the Company's equity shareholders of HK\$461.3 million for the year ended 31 December 2012, an increase of 0.7% when compared with 2011. The change was the result of business growth and an increase in the share of an associate's profits, but was partly offset by the rise in depreciation and amortisation expenses and other operating expenses.

Acquisition of a subsidiary

In line with the Group's strategy to strengthen its market position and to extend its international market out-reach, it has completed the acquisition of China Enterprise Communications Ltd. ("CEC-BJ") on 6 September 2012 for a consideration of RMB17.1 million (approximately HK\$20.8 million). CEC-BJ is engaged in the provision of value-added telecommunications services in China.

On 13 January 2013, the Company entered into two sale and purchase agreements with Sable Holding Limited (a wholly-owned subsidiary of Cable & Wireless Communications Plc) and Portugal Telecom, SGPS, S.A., PT Participações SGPS, S.A. and PT Comunicações, S.A. respectively to acquire their entire interests in Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") (being a total of 79% interest), for a total cash consideration of USD1,161.3 million (approximately HK\$9,058.1 million), subject to adjustments as set out in the relevant sale and purchase agreements (together referred to as the "Acquisitions"). Upon completion of the Acquisitions, the Company will hold a 99% interest in CTM, which will then become a subsidiary of the Company. The completion of the Acquisitions will be subject to the terms and conditions as set out in the relevant sales and purchase agreements. Please refer to pages 24 to 27 for the historical financial information on CTM.

Group liquidity and capital resources

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

At 31 December 2012, the Group's cash and cash equivalents was at HK\$351.0 million (31 December 2011: HK\$253.3 million).

The Group had net operating cash inflow plus dividend received from an associate totalling HK\$471.9 million for the year ended 31 December 2012, a decrease of HK\$35.2 million when compared with 2011. The decrease was mainly due to a brief delay in settlement of trade receivables by certain customers in December 2012.

The Group raised loans of HK\$100.0 million to complete its acquisition of CEC-BJ upon obtaining approval from the PRC government. In addition, the Group received HK\$180.7 million in dividend from an associate and the Group paid dividends of HK\$229.1 million for return of profit to its shareholders during the year ended 31 December 2012. The loan from its associate in 2011, which amounted to HK\$124.1 million, was fully settled during the year. At 31 December 2012, the loan due to its associate amounted to HK\$161.9 million.

At 31 December 2012 and 2011, the Group had a net cash balance of HK\$254.8 million and HK\$257.0 million respectively.

Banking facilities and borrowings

At 31 December 2012, the Group had available banking facilities of approximately HK\$337.0 million. A total of HK\$100.0 million was drawn as uncommitted revolving loans that were unsecured and bore interest at prevailing market rates. Approximately HK\$13.0 million was utilised as guarantees for the Group's procurement of services from telecoms operators, performance to customers and rental deposits. Around HK\$7.0 million of these facilities were required to be secured by pledged deposits.

Securities and guarantees

At 31 December 2012, the Group pledged approximately HK\$3.8 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 to third parties.

Contingent liabilities

At 31 December 2012, the Group did not have any contingent liability.

Capital commitments

At 31 December 2012, the Group had outstanding capital commitments (excluding investment in subsidiary) of HK\$56.4 million, mainly for the acquisition of telecommunications equipment which had yet to be delivered to the Group, and fitting out costs associated with the new data centre in Ap Lei Chau, Hong Kong. Of these commitments, HK\$21.0 million were outstanding contractual capital commitments and HK\$35.4 million were capital commitments authorised but for which contracts had yet to be entered into.

At 31 December 2012, the Group has no significant capital commitment in investment in subsidiary.

Exchange rate risks

A substantial portion of the Group's sales revenue and cost of sales are denominated in the United States dollars, to which the Hong Kong dollars are pegged. In addition, the Group's financial assets, financial liabilities and transactions are mainly denominated either in Hong Kong dollars or United States dollars. Although the management considers the Group's exposure to foreign currency risk is not material, it will continue to monitor closely all possible exchange rate risks and implement hedging arrangement when necessary.

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 also assigns an officer who is responsible for devising a settlement plan with those debtors who have balances due over one year so as to reduce the outstanding balances within a reasonable period of time.

The Group has certain concentration risk in respect of trade receivables due from its five largest customers who account for approximately 57% and 54% of the Group's total trade receivables at 31 December 2012 and 2011 respectively. Credit risk exposure to trade receivables balance has been and will continue to be monitored by the Group on an ongoing basis. Impairment loss on doubtful debts remains within management's expectations.

Financial information on Companhia de Telecomunicacoes de Macau, S.A.R.L.

Extracts of Financial Statements of CTM

The financial information demoniated in MOP set out below is extracted from the audited consolidated financial statements of CTM, which were prepared in accordance with International Financial Reporting Standards, for the years ended 31 December 2010, 31 December 2011 and 31 December 2012. The auditor of CTM has expressed an unqualified opinion on the consolidated financial statements of CTM for each of the three years presented. For presentation purposes, the conversion of MOP into HKD for the financial information is based on the exchange rate of MOP1 to HK\$0.9635.

Companhia de Telecomunicacoes de Macau, S.A.R.L.

Consolidated Income Statement

	Year ended 31 December			Year ended 31 December		
	2012 MOP'000	2011 MOP'000	2010 MOP'000 <i>(note)</i>	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000 <i>(note)</i>
Turnover	4,922,192	3,981,932	2,760,153	4,742,532	3,836,591	2,659,407
Other net income	481	375	363	463	361	350
Operating costs and expenses	(3,833,607)	(2,930,782)	(1,836,387)	(3,693,680)	(2,823,808)	(1,769,359)
Profits from operations	1,089,066	1,051,525	924,129	1,049,315	1,013,144	890,398
Interest income	12,035	5,850	1,436	11,596	5,637	1,384
Profit before taxation	1,101,101	1,057,375	925,565	1,060,911	1,018,781	891,782
Income tax	(131,838)	(125,148)	(112,087)	(127,026)	(120,580)	(107,996)
Profit for the year	969,263	932,227	813,478	933,885	898,201	783,786

Companhia de Telecomunicacoes de Macau, S.A.R.L.

Consolidated Statement of Financial Position

	31 December			2012 HK\$'000	31 December	
	2012 MOP'000	2011 MOP'000	2010 MOP'000 <i>(note)</i>		2011 HK\$'000	2010 HK\$'000 <i>(note)</i>
Non-current assets						
Property, plant and equipment	896,286	827,187	806,689	863,572	796,995	777,245
Intangible assets	6,275	6,872	3,148	6,046	6,621	3,033
Other non-current assets	750	750	750	723	723	723
Deferred tax assets	10,790	10,321	4,262	10,395	9,944	4,106
	<u>914,101</u>	<u>845,130</u>	<u>814,849</u>	<u>880,736</u>	<u>814,283</u>	<u>785,107</u>
Current assets						
Inventories	124,505	128,745	102,463	119,961	124,046	98,723
Trade and other receivables	399,476	390,336	350,431	384,895	376,089	337,640
Loans to related parties	831,600	633,600	495,000	801,247	610,474	476,933
Cash and cash equivalents	561,574	738,678	627,342	541,076	711,715	604,444
	<u>1,917,155</u>	<u>1,891,359</u>	<u>1,575,236</u>	<u>1,847,179</u>	<u>1,822,324</u>	<u>1,517,740</u>
Current liabilities						
Trade and other payables	831,090	776,258	566,236	800,755	747,925	545,568
Current taxation	135,403	130,546	116,807	130,461	125,780	112,544
	<u>966,493</u>	<u>906,804</u>	<u>683,043</u>	<u>931,216</u>	<u>873,705</u>	<u>658,112</u>
Net current assets	<u>950,662</u>	<u>984,555</u>	<u>892,193</u>	<u>915,963</u>	<u>948,619</u>	<u>859,628</u>

Companhia de Telecomunicacoes de Macau, S.A.R.L.

Consolidated Statement of Financial Position (continued)

	31 December			31 December		
	2012 MOP'000	2011 MOP'000	2010 MOP'000 (note)	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000 (note)
Non-current liabilities						
Net defined benefit retirement obligations	84,761	80,847	30,352	81,667	77,897	29,244
NET ASSETS	<u>1,780,002</u>	<u>1,748,838</u>	<u>1,676,690</u>	<u>1,715,032</u>	<u>1,685,005</u>	<u>1,615,491</u>
Capital and reserves						
Share capital	150,000	150,000	150,000	144,525	144,525	144,525
Reserves	1,630,002	1,598,838	1,526,690	1,570,507	1,540,480	1,470,966
TOTAL EQUITY	<u>1,780,002</u>	<u>1,748,838</u>	<u>1,676,690</u>	<u>1,715,032</u>	<u>1,685,005</u>	<u>1,615,491</u>

Note: The financial information represented the operating results of CTM for the year ended 31 December 2010 while the Group acquired a 20% equity interest in CTM from its intermediate holding company, CITIC Pacific Limited on 5 May 2010 and equity accounted for the associate thereafter.

CORPORATE SOCIAL RESPONSIBILITY

CITIC Telecom International Group (“the Group”) has a strong sense of commitment in fulfilling corporate social responsibility (“CSR”) and ensuring that it is part of our core corporate value in our daily operation. The Group has a team of committed and competent employees who possess the variety of skills and experience required to support its operations and sustainable development.

Fairness and Integrity

The Group is an equal opportunity employer and adheres to non-discriminatory employment practices and procedures in recognising and respecting individuals’ rights. The Group promotes equal opportunities to applicants and existing employees, determining staff promotion and development in accordance with individual performance and job requirements. Discrimination is prohibited in the daily operation.

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

Concertedly Building the “CITIC Team”

As at the end of December 2012, the Group employed a total of 900 employees (2011 : 554) for its headquarters in Hong Kong and its principal subsidiaries. The increase in number of employees was mainly due to acquisition projects completed during the year.

The Group strives to ensure that our staff enjoy a healthy, safe and positive environment in which to work and interact with others. The comprehensive benefits will be provided to our staff.

The Group supports and organises various kinds of outdoor sports activities and ball games competitions. The Group has also built the indoor sports centre and multi-functional recreation centre in our headquarter.

The Group’s compensation strategy is to cultivate a pay-for-performance culture to incentivise and reward employee performance that will lead to long-term enhancement of the overall calibre of the Group.

Caring for the Community

The Group has set up the community services team since 2009 and has been active in fulfilling its social responsibility and encouraging its staff to support voluntary services and community activities through various means.

Community Support

The Group together with mobile operators in Hong Kong have provided full support to the 50222 Hiker SMS Tracking Service.

The Group also continues to sponsor the projects of the Hong Kong Internet eXchange (HKIX) and Hong Kong Internet eXchange 2 (HKIX2), both of which are non-profit organisations.

The Group has been awarded as “Caring Company” and “Award for Volunteer Service Commitment 2012” in recognition of our commitment to community services.

Training and Development

Our staff is our greatest asset. The Group continues its effort in staff training and development to support the needs of its business and staff. In 2012, the Group provided training to employees over 20,000 hours.

The Group contributes to the society by providing various working and internship opportunities, including “ICT Elite Incubation Program” and young technical talents exchange program.

All board directors also participate in continuous professional training to develop and refresh their knowledge and skills.

Caring for the Environment

The Group is committed to conduct business in an environmentally responsible manner. In 2012, we became the “Carbon Audit • Green Partner” of Environmental Protection Department.

The Singapore office of the Group was succeeded in obtaining re-certification as an Eco-office for another two years. The Singapore subsidiary started “CITIC Telecom Scholarship” at Singapore Polytechnic in this year to help students pursuing the related courses concerning the preservation of the environment.

SHARE OPTIONS PLAN

Under the share option plan (the “Plan”) adopted by the Company on 17 May 2007, the Board may in its absolute discretion invite 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 to subscribe for options over the Company’s shares.

Since the adoption of the Plan, the Company has granted three lots of 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. The remaining options granted and accepted under the Plan can be exercised in whole or in part within 5 years from the date of commencement of the exercise period.

During the year ended 31 December 2012, none of the options granted was cancelled, but options for 682,500 shares were exercised and options for 16,255,500 shares have lapsed.

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. At CITIC Telecom International, we attach importance to our people, our code of conduct, and our corporate policies and standards, which together form the basis of our corporate governance practices. We respect the laws, rules and regulations of each country and area in which we operate, and we strive to ensure for our people a healthy and safe working environment which is our paramount concern. We endeavour to contribute to the sustainable development of the Company, with particular focus on our accountability to shareholders and stakeholders. A full description of the Company's corporate governance will be set out in the section of Corporate Governance contained in the 2012 annual report.

Save as disclosed below, the Company has fully complied throughout the year 2012 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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 of the Board, consisting of three independent non-executive directors and a non-executive director, has reviewed the 2012 financial statements with management and the Company's internal and external auditors and recommended its adoption by the Board.

DIVIDEND AND CLOSURE OF REGISTER

The Directors have resolved to recommend to shareholders the payment of a final dividend of HK7.2 cents (2011: HK7.2 cents) per share, which together with the interim dividend of HK2.4 cents (2011: HK2.4 cents) per share already paid makes a total dividend of HK9.6 cents (2011: HK9.6 cents) per share for the year ended 31 December 2012. The total dividend of HK9.6 cents per share will amount to HK\$229,105,000 (2011: HK\$229,055,000) of the Company's profit for the year ended 31 December 2012.

The proposed final dividend of HK7.2 cents per share, the payment of which is subject to approval of the shareholders at the forthcoming annual general meeting ("AGM") of the Company to be held on Friday, 12 April 2013, is to be payable on Tuesday, 30 April 2013 to shareholders whose names appear on the Register of Members of the Company on 22 April 2013.

The Register of Members of the Company will be closed from Wednesday, 10 April 2013 to Friday, 12 April 2013 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents, 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 Tuesday, 9 April 2013. In addition, the Register of Members of the Company will be closed from Thursday, 18 April 2013 to Monday, 22 April 2013 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Wednesday, 17 April 2013. During such periods, no share transfer will be effected.

SHARE CAPITAL

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31 December 2012 and the Company has not redeemed any of its shares during the year ended 31 December 2012.

FORWARD LOOKING STATEMENTS

This announcement 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.

ANNUAL REPORT AND FURTHER INFORMATION

A copy of the announcement will be found on the Company's website (www.citictel.com) and the website of the Stock Exchange (www.hkex.com.hk). The full Annual Report will be made available on the website of the Company and the Stock Exchange around 17 February 2013.

By Order of the Board

Xin Yue Jiang

Chairman

Hong Kong, 6 February 2013

As at the date of this announcement, the following persons are directors of the Company:

Executive Directors:

Xin Yue Jiang (Chairman)
Yuen Kee Tong
Chan Tin Wai, David

Non-executive Directors:

Liu Jifu
Fei Yiping

Independent Non-executive Directors:

Yang Xianzu
Liu Li Qing
Kwong Che Keung, Gordon