

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

### **CHAIRMAN'S STATEMENT**

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

### **I. FINANCIAL RESULTS**

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

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

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

### **II. BUSINESS DEVELOPMENT**

During the first half of the year, the Group seized opportunities for development and continued to sustain growth in its core businesses and operating results as it prudently advanced

its key operations and carried out pro-active marketing with the benefit of innovative ideas and refined strategic measures, in accordance with the strategy of “building foundation in the Mainland market while accelerating expansion in and geographic coverage of international markets via Hong Kong and Macau as bases and connections”.

In connection with its mobile business, the Group placed a strong emphasis on improving the quality of its 4G network. Following the commissioning of its 4G+ mobile network during the final quarter of last year as the first of its kind in Macau, Companhia de Telecomunicações de Macau, S.A.R.L. (“CTM”) rolled out its 4G network expansion and upgrade of network, striving to provide better services to its customers. To meet the requirements arising from the increasing interaction and closer economic and trade cooperation among the Mainland, Hong Kong and Macau, CTM launched a Mainland-Hong Kong-Macau data and WiFi sharing plan in partnership with the Mainland and Hong Kong telecommunications carriers, and has become the first carrier in Macau to provide such service. Through this plan, CTM’s data and WiFi services were extended to the Mainland and Hong Kong, where CTM customers could securely access local data services as well as over 4 million WiFi hotspots in the Mainland and Hong Kong as if they were in Macau. WiFi roaming was also made available to mobile service customers from the Mainland and Hong Kong visiting Macau. Moreover, the Group added more than 50 overseas network providers to its list of roaming service partners offering concessions, most of which relating to data roaming. During the first half of the year, reciprocal incoming / outgoing visitor services commenced with 27 4G network providers covering 23 countries / regions. CTM successfully completed VoLTE and ViLTE technical tests in cooperation with Samsung and Apple and became the first operator to launch 4G VoLTE voice and ViLTE video-communication services in Macau, offering customers the experience of higher-quality voice and video communication. During the first half of the year, CTM reported rapid growth in its 4G customer base and was ranked first in Macau in terms of market share. “DataMall自由行”, a global data flow volume trading platform launched by the Group, provided services to the major mobile telecommunications carriers in China. It was marketed on a number of third-party vendor platforms and both of its user base and usage volume have been rapidly expanding.

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

In connection with enterprise solutions business, CTM reported sound growth in the local lease line and international lease line operations under its fixed-line data business, as it acquired multiple work contracts from a number of enterprises in Macau. There were also new breakthroughs in the Group’s business in enterprise solutions. To address the increasing demand

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

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

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

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

The Group placed a strong emphasis on corporate social responsibility, and has actively involved in community welfare campaigns organised by the government and other social groups. Leveraging its technical and other resources, the Group worked with different public charity groups to help people in need through different social welfare programmes, in an effort to promote community welfare and charity. In this regard, the Group and its subsidiaries received a

number of honours in the first half of 2016, as they were highly commended by relevant social groups, government authorities and fellow industry players.

### **III. OUTLOOK**

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

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

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

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

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

**Xin Yue Jiang**

*Chairman*

Hong Kong, 16 August 2016

**CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

*(Expressed in Hong Kong dollars)*

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

Details of dividends payable to equity shareholders of the Company for the period are set out in note 7(a).

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

*(Expressed in Hong Kong dollars)*

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

*(Expressed in Hong Kong dollars)*

	<i>Note</i>	<i>30 June 2016 (Unaudited) \$'000</i>	<i>31 December 2015 (Audited) \$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		2,324,939	2,404,952
Intangible assets		1,918,408	2,005,221
Goodwill		9,269,702	9,276,511
Equity-accounted investees		29,952	5,541
Non-current other receivables and deposits	9	168,175	163,862
Deferred tax assets		32,944	33,227
		13,744,120	13,889,314
<b>Current assets</b>			
Inventories		160,886	174,163
Trade and other receivables and deposits	9	1,606,235	1,689,517
Current tax recoverable		6,888	6,497
Cash and bank deposits		1,158,397	1,222,979
		2,932,406	3,093,156
<b>Current liabilities</b>			
Trade and other payables	10	1,600,899	1,767,454
Bank loans		-	100,000
Current tax payable		323,369	242,206
		1,924,268	2,109,660
<b>Net current assets</b>		1,008,138	983,496
<b>Total assets less current liabilities</b>		14,752,258	14,872,810

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 30 JUNE 2016 (CONTINUED)**

*(Expressed in Hong Kong dollars)*

	<i>Note</i>	<i>30 June 2016 (Unaudited) \$'000</i>	<i>31 December 2015 (Audited) \$'000</i>
<b>Non-current liabilities</b>			
Interest-bearing borrowings		7,172,845	7,372,492
Non-current other payables	10	61,964	65,656
Net defined benefit retirement obligation		119,884	117,307
Deferred tax liabilities		247,787	260,297
		<u>7,602,480</u>	<u>7,815,752</u>
<b>NET ASSETS</b>		<u>7,149,778</u>	<u>7,057,058</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		3,865,844	3,848,565
Reserves		<u>3,261,476</u>	<u>3,180,822</u>
<b>Total equity attributable to equity shareholders of the Company</b>		7,127,320	7,029,387
<b>Non-controlling interests</b>		<u>22,458</u>	<u>27,671</u>
<b>TOTAL EQUITY</b>		<u>7,149,778</u>	<u>7,057,058</u>



## Notes

*(Expressed in Hong Kong dollars unless otherwise indicated)*

### 1 Basis of preparation

The unaudited condensed consolidated interim financial statements have 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 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2015, except for the adoption of all relevant new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) that are effective for accounting periods beginning on or after 1 January 2016.

Adoption of the new and revised HKFRSs that are first effective for the current accounting period does not result in a significant impact on the Group’s results of operations and financial position for the current or comparative periods. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company and the independent auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA, whose unmodified review report is included in the interim report to be sent to shareholders.

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

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

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

## 2 Turnover and segment reporting

### (a) Turnover

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

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

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

### (b) Segment reporting

The Group manages its businesses by business operations. The financial results of the Group are reported to the Group's most senior executive management as one operating segment for the purposes of resource allocation and performance assessment.

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

## 2 Turnover and segment reporting (continued)

### (b) Segment reporting (continued)

#### *Reconciliation of reportable segment profit*

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

### (c) Seasonality of operations

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

## 3 Other revenue

	<i>Six months ended 30 June</i>	
	<i>2016</i>	<i>2015</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>\$'000</i>	<i>\$'000</i>
Interest income from bank deposits	3,863	3,777
Other interest income	<u>24</u>	<u>62</u>
	<b><u>3,887</u></b>	<b><u>3,839</u></b>

#### 4 Other net (loss)/gain

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

#### 5 Profit before taxation

Profit before taxation is arrived at after charging:

	<i>Six months ended 30 June</i>	
	<i>2016</i>	<i>2015</i>
	(Unaudited)	(Unaudited)
	\$'000	\$'000
<b>(a) Finance costs</b>		
Interest on bank and other borrowings	143,036	155,388
Other finance charges	30,622	11,978
Other interest expense	1,605	1,692
	<u>175,263</u>	<u>169,058</u>
<b>(b) Staff costs (including directors' remuneration)</b>		
Contributions to defined contribution retirement plans	21,525	19,616
Expenses recognised in respect of defined benefits retirement plan	5,143	5,006
	<u>26,668</u>	<u>24,622</u>
Total retirement costs	26,668	24,622
Equity-settled share-based payment expenses	11,464	9,772
Salaries, wages and other benefits	365,111	355,181
	<u>403,243</u>	<u>389,575</u>

## 5 Profit before taxation (continued)

Profit before taxation is arrived at after charging: (continued)

	<i>Six months ended 30 June</i>	
	<i>2016</i>	<i>2015</i>
	(Unaudited)	(Unaudited)
	\$'000	\$'000
<b>(c) Other items</b>		
Depreciation	249,055	237,386
Amortisation	84,859	88,650
	333,914	326,036
Net impairment losses for trade debtors	7,322	5,113

## 6 Income tax

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

## 6 Income tax (continued)

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

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

## 7 Dividends

### (a) *Dividends payable to equity shareholders of the Company attributable to the interim period*

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

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

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

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

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

## 8 Earnings per share

	<i>Six months ended 30 June</i>	
	<i>2016</i>	<i>2015</i>
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Profit attributable to equity shareholders of the Company	<u>410,008</u>	<u>397,152</u>

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

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

## 9 Trade and other receivables and deposits

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

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

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

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



**10 Trade and other payables**

	<i>30 June</i> 2016 (Unaudited) \$'000	<i>31 December</i> 2015 (Audited) \$'000
Trade creditors	770,892	768,978
Other payables and accruals	891,971	1,064,132
	<u>1,662,863</u>	<u>1,833,110</u>

**Represented by:**

Non-current portion	61,964	65,656
Current portion	1,600,899	1,767,454
	<u>1,662,863</u>	<u>1,833,110</u>

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

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

## **11 Non-adjusting events after the reporting period**

- (a) After the end of the reporting period, the directors proposed an interim dividend. Further details are disclosed in note 7(a).
- (b) On 16 August 2016, the Company as the purchaser entered into an acquisition agreement (the “Acquisition Agreement”) with Talisgold Limited as the vendor, a fellow subsidiary of the Company, to acquire the entire share capital of Neostar Investment Limited, a fellow subsidiary of the Company, and all outstanding loan owing by Neostar Investment Limited to Eltonford Limited, a fellow subsidiary of the Company, at the date of completion of the aforesaid acquisition at the consideration of \$850,000,000 (the consideration is subject to adjustment) (the “Acquisition”), approximately \$425,000,000 out of the consideration shall be paid by the Company (and/or its nominee) to Talisgold Limited (or such nominee as it may direct) in cash and approximately \$425,000,000 out of the consideration shall be satisfied by the issue of the shares of the Company to Talisgold Limited (or its nominee). Neostar Investment Limited is principally engaged in property investment, which jointly-owned the CITIC Telecom Tower with the Group. The Acquisition constitutes a discloseable and connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is subject to the Company’s independent shareholders’ approval, and fulfilment of certain conditions pursuant to the Acquisition Agreement.

# FINANCIAL REVIEW

## OVERVIEW

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

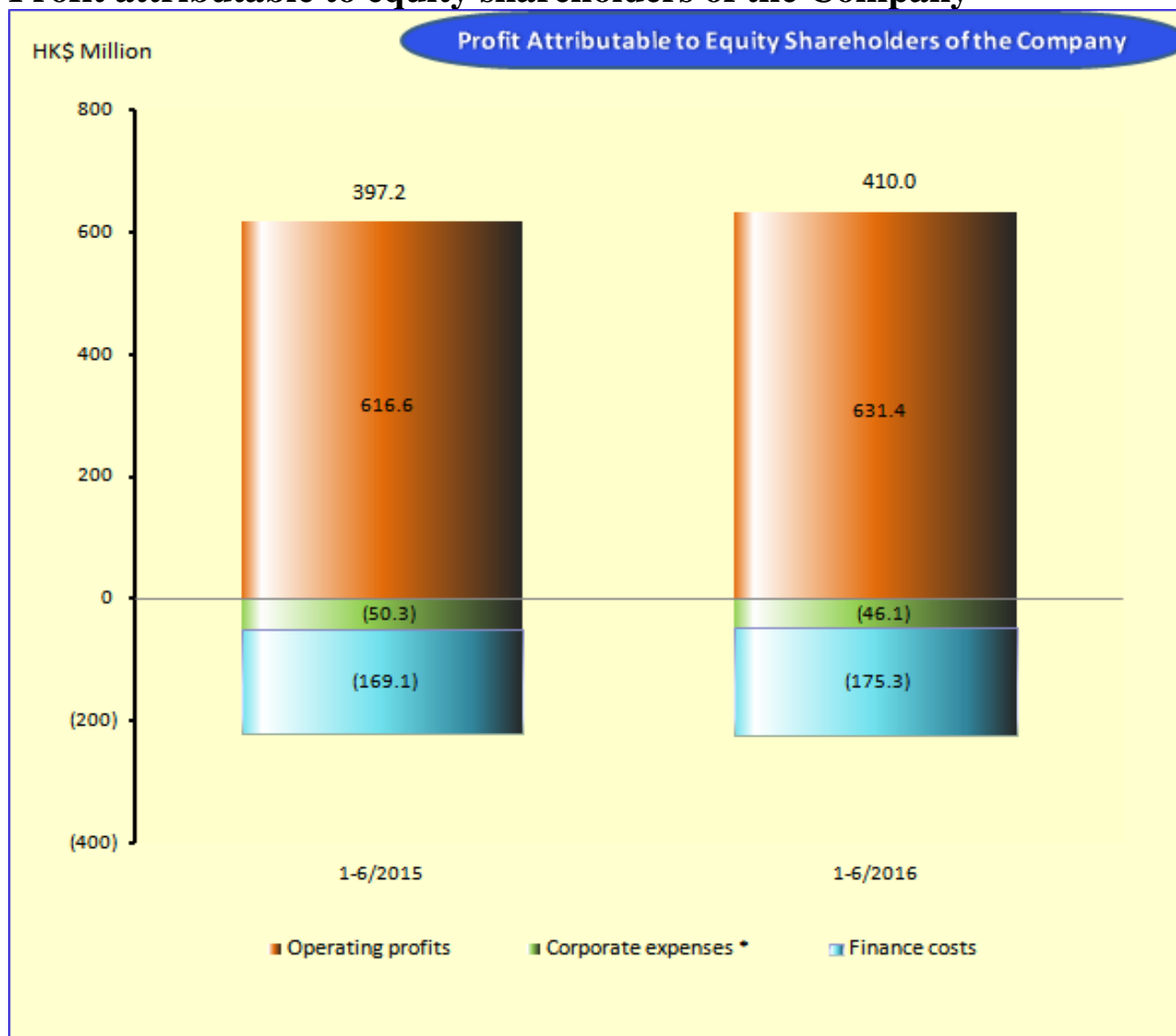
Profit attributable to equity shareholders and basic EPS amounted to HK\$410.0 million and HK12.1 cents respectively which represented a corresponding increase of 3.2% and 2.5% when compared with the same period of 2015.

### Summary of Financial Results

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

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

## Profit attributable to equity shareholders of the Company



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

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

## **Turnover by Services**

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

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

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

### ***Mobile sales & services***

Mobile sales & services revenue includes the revenue from equipment and mobile handsets sales, mobile roaming services, and other mobile value-added services. Total mobile sales & services revenue amounted to HK\$1,460.0 million for the first six months of 2016, a decrease of 25.2% when compared to the corresponding period of 2015. The decrease was mainly due to the drop in mobile handsets sales.

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

### ***Internet services***

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

### ***International telecommunications services***

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

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

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

### ***Enterprise solutions***

Enterprise solutions revenue increased by 9.9% from HK\$1,003.9 million in the first half of 2015 to HK\$1,103.0 million in the first half of 2016. The increase was contributed by the growth of professional service projects from the government and corporate customers, continuing popularity of VPN services, steady growth in cloud computing services and information security services, as well as the higher demand for leased lines from the carriers and corporate customers. In the first six months of 2016 and 2015, around 50% and 40% of the enterprise solutions revenue were derived in Mainland China and in Macau respectively.

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

### ***Fixed line services***

Fixed line services revenue was HK\$160.5 million for the first six months in 2016 which represented a decrease of 11.7% when compared to the corresponding period in 2015. The decrease was in-line with the worldwide trends of declining fixed IDD traffic volumes and the decrease in fixed residential lines, which are gradually being replaced by the mobile services.

## **Profit for the period**

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

### ***Turnover***

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

### ***Cost of sales and services***

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

### ***Staff costs***

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

### ***Depreciation and amortisation***

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

### ***Other operating expenses***

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

### ***Finance costs***

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

## Income tax

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

## Earnings per share (“EPS”)

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

## Dividends per Share

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

## Cash flows

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

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

Profit before taxation amounted to HK\$492.6 million for the six months ended 30 June 2016. The Group maintained a strong cash position, where HK\$1,019.8 million cash inflow was generated from operations, an increase of HK\$43.5 million or 4.5% when compared with the first half of 2015. The use of cash mainly comprised of capital expenditure, payment for acquisition of equity-accounted



investee, loan repayments, dividends distribution to equity shareholders and non-controlling interests and various other payments. In total, the Group recorded a net cash outflow of HK\$88.6 million for the six months ended 30 June 2016 as the Group utilised its excess cash to early settle some of its outstanding loans during the period.

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

## **Capital expenditure**

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

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

## **Capital commitments**

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

## **Potential acquisition of subsidiaries**

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

# TREASURY POLICY AND FINANCIAL RISK MANAGEMENT

## General

Managing financial risks to which the Group exposed is one of the primary responsibilities of the Group's treasury function. To balance the high degree of financial control and cash management efficiency, each business unit within the Group is responsible for its own cash management which is closely monitored by the headquarter. In addition, the decision of financing activities is centralised at head office level.

### 1. Debt and leverage

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

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

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

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

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

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

The maturity profile of the Group's bank and other borrowings in principal amount at 30 June 2016 was as follows:

<i>In HK\$ million</i>	Within 1 year	After 1 year but within 2 years	After 2 years but within 3 years	After 3 years but within 4 years	After 4 years but within 5 years	After 5 years	Total
Bank borrowings	-	300.0	312.0	-	3,118.0	-	3,730.0
US\$450 million 6.1% guaranteed bonds	-	-	-	-	-	3,510.0	3,510.0
	<u>-</u>	<u>300.0</u>	<u>312.0</u>	<u>-</u>	<u>3,118.0</u>	<u>3,510.0</u>	<u>7,240.0</u>

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

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

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

### ***Available sources of financing***

The Group aims to maintain the cash balance and undrawn banking facilities at a reasonable level to meet the debt repayments and capital expenditure requirement in the coming twelve months.

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

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

At 30 June 2016, the type of facilities of the Group was summarised as follows:

<i>In HK\$ million</i>	<b>Total available facilities</b>	<b>Amount utilised</b>	<b>Amount unutilised</b>
<b>Committed facilities:</b>			
Term loans	3,730.0	3,730.0	-
US\$450 million 6.1% guaranteed bonds	<u>3,510.0</u>	<u>3,510.0</u>	<u>-</u>
	<u>7,240.0</u>	<u>7,240.0</u>	<u>-</u>
<b>Uncommitted facilities:</b>			
Short-term facilities	300.0	-	300.0
Trade facilities	<u>600.5</u>	<u>297.9</u>	<u>302.6</u>
	<u>900.5</u>	<u>297.9</u>	<u>602.6</u>
<b>Total</b>	<b><u>8,140.5</u></b>	<b><u>7,537.9</u></b>	<b><u>602.6</u></b>

## 2. Liquidity risk management

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

To minimise refinancing risk, the Group arranged long-term borrowings from the capital market, and the term loan with repayment by instalment to meet the funding needs. This ensures that the Group can apply a prudent liquidity risk management approach.

Cash flow is well-planned and reviewed regularly by the management of the Group, so that the Group can meet its funding needs. The strong cash flow from the Group's operating activities can meet its liquidity requirements in the short and longer term.

### 3. Loan covenants

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

### 4. Contingent liabilities

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

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

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

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

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

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

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

## 6. Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group manages its interest rate risk exposures in accordance with defined policies and regular review to achieve a balance between minimising the Group's overall cost of fund and managing large interest rate movements, as well as having regard to the floating/fixed rate mix appropriate to its current business portfolio.

Interest rate risk is managed by borrowing fixed rate or through use of interest rate swap, if necessary. At 30 June 2016, approximately 51.5% of the Group's borrowings in principal were linked to floating interest rates. During the period, the Group did not enter into any interest rate swap arrangement.

### *Average borrowing costs*

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

## 7. Foreign currency risk

The major places of operating companies within the Group are located in Hong Kong and Macau, whose functional currency is Hong Kong dollar or Macau Pataca. The Group is exposed to currency risk primarily from currencies other than the functional currency of the operations to which the transactions relate.

A substantial portion of the Group's turnover and cost of sales and services are denominated in United States dollars, Macau Patacas and Hong Kong dollars. The majority of the Group's assets, liabilities and transactions are denominated in United States dollars, Macau Patacas and Hong Kong dollars. As the Hong Kong dollar is linked to the United States dollar and the Macau Pataca is pegged to the Hong Kong dollar, it will not pose significant foreign currency risk to the Group. However, the exchange linkages between these currencies are subject to potential changes due to, among other things, changes in governmental policies and international economic and political developments. Although management considers that the Group's exposure to foreign currency risk is not material, it will continue to monitor closely all possible exchange rate risks and implement the necessary hedging arrangement to mitigate risk from any significant fluctuation in foreign exchange rates.

## 8. Credit risk

The Group's credit risk is primarily attributable to trade debtors. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are due within 7 to 180 days from the date of billing. Impairment losses are recorded for those overdue balances where there is objective evidence of impairment.

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

## 9. Counterparty risk

At 30 June 2016, the Group had a significant balance of cash at various financial institutions. To minimise the risk of non-recovery of cash deposits, the Group mainly deals with financial institutions which have good credit ratings with prestigious credit ratings companies (such as Moody's Investors Service, Standard & Poor and Fitch Group), or the note issuing banks in Hong Kong, Macau and Mainland China, or group companies. At 30 June 2016, the Group has approximately HK\$1,128.1 million cash balance in the above-mentioned financial institutions, representing approximately 97.4% of the total cash and bank deposits of the Group. Management does not expect any losses from non-recovery from our financial counterparties.

## **HUMAN RESOURCES**

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

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

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

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

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

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

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

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

## **CORPORATE GOVERNANCE**

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



Save as disclosed below, the Company has fully complied with the applicable code provisions in the Corporate Governance Code (the “Code”) set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the six months ended 30 June 2016. In respect of the code provision A.6.7 of the Code, Messrs Luo Ning, Liu Li Qing and Zuo Xunsheng were unable to attend the annual general meeting of the Company held on 16 May 2016 as they had other engagements.

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

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

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

## **DIVIDEND AND CLOSURE OF REGISTER**

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

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

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

## 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 current expectations, beliefs, assumptions or projections concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

## INTERIM REPORT AND FURTHER INFORMATION

A copy of the announcement will be posted on the Company's website ([www.citictel.com](http://www.citictel.com)) and the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). The full interim report will be made available on the website of the Company and the Stock Exchange around 5 September 2016.

By Order of the Board

**Xin Yue Jiang**

*Chairman*

Hong Kong, 16 August 2016

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

*Executive Directors:*

Xin Yue Jiang (Chairman)

Lin Zhenhui

Luo Ning

Chan Tin Wai, David

*Non-executive Directors:*

Liu Jifu

Fei Yiping

*Independent Non-executive Directors:*

Liu Li Qing

Kwong Che Keung, Gordon

Zuo Xunsheng