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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 2014

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of CITIC Telecom International Holdings Limited (the "Group") for 2014.

There was intense competition in the international telecommunications market in 2014. Against the backdrop of rapid market changes, the management stepped up with efforts to expand the Group's presence in the international market according to its development strategy, upon the foundation built in the Mainland China market and via Hong Kong and Macau as bases and connections. Extensive efforts made in exploring new thinking, developing new products and businesses, tapping new markets and growing the base of new customers have driven rapid development of the Group's business as a whole.

I. Financial Results

The Group reported total revenue of HK\$8,183.6 million for 2014, representing an increase of 36.0% over the previous year. Profit attributable to equity shareholders of the Company was HK\$723.7 million, decreasing by 32.2% compared to the corresponding period of the previous year. Excluding the one-off gain in the first half of 2013 reflecting primarily the gain arising from the revaluation of the 20% Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") shares previously held by the Group in connection with the acquisition of CTM and after deduction of exceptional items, there was a 29.9% growth in profit attributable to equity shareholders of the Company over the previous year.

Basic earnings per share amounted to HK21.7 cents, which was 40.5% lower than that of the previous year. Excluding the one-off gain in the first half of 2013 reflecting primarily the gain arising from the revaluation of the 20% CTM shares previously held by the Group in connection with the acquisition of CTM and after deduction of exceptional items, basic earnings per share for 2013 amounted to HK19.1 cents. Basic earnings per

share for 2014 represented a 13.6% growth compared to the corresponding period of the previous year.

The Board recommended a final dividend of HK8.6 cents per share for 2014. Together with the 2014 interim dividend of HK2.7 cents per share, total dividends per share for 2014 amounted to HK11.3 cents, representing a 13.0% growth over the previous year.

II. Review of 2014

CTM reported stable business performance in 2014, maintaining a mobile user base of approximately 810,000 users that represented a market share of 44%. Turnover from its mobile sales & services and internet services increased by approximately 2.1% compared to the previous year, reflecting growth in revenues from CTM broadband service monthly fees and local mobile phone services for Macau. Revenue from enterprise solutions increased by 18.2%, while revenue from fixed line voice communication decreased slightly by 3.5%, as compared to the previous year.

The Group's VPN, Internet service, cloud computing and information security businesses reported solid development, underpinned by a 9.1% growth in revenue over the previous year.

The Group's traditional business of international telecommunications hubbing faced new market challenges as the traditional telecommunications industry was confronted with challenges arising from increasingly popular new communication technologies. Revenue from our voice business decreased by 13.5%, while revenue from our SMS business and mobile business increased by 2.4% and 11.6%, respectively, over the previous year.

1. Customers' experience a priority for CTM as service quality has been further enhanced following ongoing improvement efforts.

CTM has always regarded improving customers' experience as a matter of top priority. In response to the trend of diversification in telecommunications services, we have made investments to build a brand new "Convergent Rating and Billing System" to provide customers with a consolidated telecommunications services bill that covers multiple service items, allowing customers to check the status of their telecommunications services and other real-time usage information in a more effective and comprehensive manner. Moreover, the new system will bring greater flexibility to CTM that would enhance its capability to offer diversified telecommunications services. To facilitate the first-stage consolidation of the system, CTM had launched its mobile phone prepaid card billing system in mid-2014 and it has been well received by customers. CTM conducts market surveys on a regular basis to enhance its services and improve its services quality continuously, as it appreciates the importance of understanding customers' views and requirements for its telecommunications services. As such, it has been able to maintain its superior market position amid intense competition.

2. CTM actively engaged in the development of fourth-generation mobile communication services and smart city-related projects to make new contributions to Macau.

CTM was actively involved in the preparations for fourth-generation mobile communication (LTE) in 2014 and confirmed the LTE equipment model selection process through stringent assessment of plans. In November 2014, CTM submitted a tender to the Macau SAR Government for the LTE communication service licence. With a strong emphasis on planning for and engaging in the building of Macau into a smart city leveraging its network strengths, CTM started strategic discussions with certain Macau partners in electronic payments, to make further investigations in a number of subjects, such as e-payment services, strategic cooperation for payments using mobile near field technologies, bill payment and prepaid card reloading services and payment functions for self-help vendor machines, leveraging the technological strengths and resources of CTM and its relevant partners. Meanwhile, CTM has also entered into cooperation with local secondary schools in Macau to devise working objectives for e-teaching and experimental teaching activities for e-classroom, with the aim of improving the quality of teaching with the application of information technologies. Through participation in LTE mobile communication services and smart city building, CTM has continued to make new contributions to the social development of Macau.

3. Enhancing the development of data centres and networks to maintain rapid growth of VPN, Internet service, cloud computing and information security businesses.

The data centre in Ap Lei Chau, Hong Kong Island (“Ap Lei Chau Data Centre”) was completed and commenced operation as scheduled in 2014, as the Group continued to enhance data centre and network development. The commissioning of Ap Lei Chau Data Centre has bolstered the Group’s ability to develop the data business on Hong Kong Island. Elsewhere, CITIC Telecom International CPC Limited (“CPC”) has successfully established a data centre in Shanghai, which was completed in January 2015, in a bid to increase the development potential of its Mainland China business. CTM has also commenced the expansion work for Macau’s local data centre, in order to provide database disaster recovery and backup services in response to market requirements. The first phase of CTM’s additional data centre will commence operation in the first quarter of 2015. The Group built new POPs in Hanoi of Vietnam, Manila of The Philippines and Mainland China, as it continued to construct international POPs to strengthen interconnection among regions and meet the service requirements of various locations. By enhancing our data centre and network development, we have assured swift development of our VPN, Internet service, cloud computing and information security businesses.

4. Seizing market opportunities with the development of new products and technologies to create new niches for profit growth.

The Group seized market opportunities presented by the new emerging mobile virtual operators in Mainland China whose customers required overseas roaming services and actively entered into business cooperation with these mobile virtual operators as well as corporate clients to facilitate the development of new businesses, leveraging its vastly extensive international telecommunications networks. To support the development of

corporate SMS business, the Group commenced the establishment of the A2P corporate SMS routing administration system for the administration of A2P corporate SMS routing. The system has improved the operating efficiency of and provided a powerful impetus for the Group's corporate SMS business. The Group has also developed the IPX customer management software that provides IPX connection to carriers in Hong Kong, The Philippines and Macau, thereby enlarging the coverage of its IPX business.

5. Promoting cloud computing services to a broader range of enterprises.

The Group has developed and launched a range of solutions integrating VPN and other services, which include: cloud video conference service, cloud computing end-point data backup service, corporate security solution (integrating VPN with information security service), corporate computing resource solution (integrating VPN with cloud computing service) and corporate office synergy solution (integrating VPN with cloud video service). Such solutions can add value for customers and stimulate demand, thereby driving sales of cloud video and information security service. Featuring the integration of previously developed cloud computing products with new cloud service centres, the aforesaid new cloud computing products have enriched the variety of the Group's cloud computing products and improved its service standards, putting it in a superior position in the cloud computing market to further strengthen its competitive position amid the trend of new technologies.

III. Outlook for 2015

Looking to 2015, ongoing improvements in the global economy is expected, while a range of changing trends will emerge in the Chinese economy, which will also take on a new normality featuring more effective, judicious and complete development under the government's macro-economic policy of stabilising growth and adjusting economic structures. The understanding of this new normality, in other words the normative pattern for economic transformation and upgrade, forms an important basis for devising the Group's development strategies.

In line with its stated objective, the Group will continue to expedite its overseas development upon the foundation built in the Mainland China market by providing quality services to Chinese enterprises who seek access to the international market, while also procuring solid infrastructure that facilitates Hong Kong and Macau as connections to international locations, so as to expand the Group's presence both in China and the international market. We will ensure stable, healthy and rapid business growth through efforts in exploring new thinking, developing new products and businesses, tapping new markets and growing the base of new customers. The Group will continue to strengthen treasury management and exercise stringent risk control, while increasing the scale of corporate development and enhancing its ability to innovate corporate technologies and services. We will fully leverage our strengths in network infrastructure facilities, marketing channels, products and services and telecommunications hubbing technologies by procuring proper internal coordination, which comprise coordination among Group subsidiaries such as CPC and CTM, as well as synergies among various businesses operated by subsidiaries of CITIC Group, in an extensive effort to embark on new developments.

1. To maintain CTM's leading market position with the building of fourth-generation mobile communication (LTE) networks.

As the principal telecommunications service provider in Macau, CTM enjoys a sound reputation in the city. Following the submission of a LTE network tender to the Macau SAR Government, CTM will start network construction as soon as practicable pending the grant of LTE network licence by the Macau Government, striving to commence LTE services with premium quality in 2015. CTM has already completed its LTE network planning and has started preparations for construction, which will be meticulously organized, subject to stringent cost control and completed according to planned schedules. CTM will continue to maintain a strong emphasis on staff training and marketing, seizing LTE business opportunities on the back of its existing marketing channels. It will make thorough preparations for swift entry into the market and the launch of a premium LTE network communication services by further leveraging its superior market position and improving the standard of its communication services.

2. To bolster CTM's market competitiveness by further enhancing its service quality.

CTM will continue to strengthen its quality management. Ongoing improvements will be made to the services of CTM's retail outlets with the introduction of new service benchmarks with a view to enhancing customer satisfaction. CTM will continue to emphasise the ability to safeguard its network with engineering technologies and ensure that ongoing improvements to such technologies are being made, so as to strengthen the overall stability of its network. The quality management evaluation system will be further optimised and analyses on quality hazards in various business segments will be conducted on a regular basis to enable proactive implementation of preventive measures, in a bid to ensure the high quality and standards of its services. We will endeavour to drive the development of Macau into a smart city and seek progress in areas such as e-money, e-education, e-shopping platform and public transportation, etc.

3. To expand the scope of international business cooperation by exploring new thinking, developing new businesses and products, tapping new markets and growing the base of new customers.

We will strive to leverage the position of Hong Kong and Macau as operational bases and connections, as we seize opportunities arising in the development of the mobile Internet. On the back of the solid foundation and strengths afforded by the Group's worldwide marketing regime and telecommunications networks, we will conduct analyses of customer demands around the world and continue to explore new areas for cooperation in Mainland China as well as international markets by devising effective marketing measures. We will continue to create synergies among the Group's traditional telecommunications hubbing business, the CTM business, VPN, Internet service, cloud computing business and information security business, while seeking in-depth understanding of what Chinese and international carriers and multi-national corporations need in their business development, so that we can enter into cooperation with them in a proactive and efficient manner, with a strong commitment to delivering win-win results.

4. To sustain stable development of our VPN, data centre, information security and cloud computing services by providing services of ever-improving quality to Chinese and international carriers and fulfilling the requirements of multi-national corporations and Chinese enterprises seeking overseas development.

The Group will continue to work in close tandem with the pace of the country's economic development and the need of Chinese enterprises to access the international market by providing VPN, Internet, cloud computing and information security services, etc to multi-national corporations entering into China and Chinese enterprises seeking overseas development. CPC will continue to focus on VPN services, while offering data centre, information security and cloud computing services as strategic products. By fulfilling customers' requirements for information and communication technologies on all fronts, we will provide services of ever-improving quality to Chinese and international carriers, as well as for multi-national corporations and Chinese enterprises seeking overseas expansion. In turn, we will assure stable development of our VPN, data centre, information security and cloud computing services.

5. To sustain stable development of the Group's traditional telecommunications hubbing business by constantly improving our services and enhancing customer relations management.

In response to changes in the traditional voice, SMS and mobile sectors in the international telecommunications market, we need to adjust our way of thinking and deliver innovative products, so that we could transform the challenges in driving force and provide customers with products and services that better fulfill their practical needs by resorting to scientific management strategies. With the launch of IPX/LTE roaming services, MVNO, private small PBX and new mobile services, the Group will continue to broaden the scope of its products and services and enhance the standard of services provided to target customers, so that it can increase its appeal to new customers and expand its customer base, in an effort to sustain the stable development of the Group's telecommunications hubbing business.

6. To further expand our data centre business.

This year, the Group will commence data centre services in Shanghai and Macau so that our data centre services will be further expanded from Hong Kong into Macau and Mainland China. The Group will further optimise the planning and setup of data centres, and will utilise the data centre service business as the entry point into the Internet business, and nourish it as the Group's future growth in revenue.

With effect from 1 January 2015, Mr. Yuen Kee Tong has resigned as Executive Director and Chief Executive Officer of the Group upon his retirement, and Dr. Lin Zhenhui has been appointed Executive Director and Chief Executive Officer of the Group. On behalf of the board of directors, I would like to express sincere gratitude to Mr. Yuen for his immense contributions to the Group's development over the years, as well as extend my warmest welcome to Dr. Lin who has joined us as Executive Director and Chief Executive Officer of the Group. Dr. Lin has extensive experience in the Chinese and international telecommunications markets and profound knowledge in the telecommunications industry. Moreover, he also has solid expertise in corporate

management and technological innovation both in theory and in practice. I believe the appointment of Dr. Lin as Executive Director and Chief Executive Officer of the Group will open a new chapter in the Group's development and bring fresh impetus. Last but not least, I would like to express sincere appreciation for the shareholders' support and the contributions and dedication of the Group's management and employees during the past year.

Xin Yue Jiang

Chairman

Hong Kong, 13 February 2015

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>2014</i> \$'000	<i>2013</i> \$'000
Turnover	3	8,183,607	6,018,543
Other revenue	4	4,157	9,361
Other net gain	5	9,216	1,136,185
		<u>8,196,980</u>	<u>7,164,089</u>
Cost of sales and services		(4,879,929)	(3,935,560)
Depreciation and amortisation	6(c)	(682,619)	(416,972)
Staff costs	6(b)	(722,378)	(589,747)
Other operating expenses		<u>(663,763)</u>	<u>(656,349)</u>
		1,248,291	1,565,461
Finance costs	6(a)	(334,350)	(444,457)
Share of profit of an associate		-	80,569
Share of profit/(loss) of a joint venture		<u>353</u>	<u>(448)</u>
Profit before taxation	6	914,294	1,201,125
Income tax	7	<u>(179,339)</u>	<u>(130,826)</u>
Profit for the year		<u><u>734,955</u></u>	<u><u>1,070,299</u></u>
Attributable to:			
Equity shareholders of the Company		723,734	1,067,506
Non-controlling interests		<u>11,221</u>	<u>2,793</u>
Profit for the year		<u><u>734,955</u></u>	<u><u>1,070,299</u></u>
Earnings per share (HK cents)	9		
Basic		<u>21.7</u>	<u>36.5</u>
Diluted		<u>21.5</u>	<u>36.2</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 2014

(Expressed in Hong Kong dollars)

	2014 \$'000	2013 \$'000
Profit for the year	734,955	1,070,299
Other comprehensive income for the year (after tax and reclassification adjustments)		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of net defined benefit obligation:		
- actuarial (loss)/gain	(33,914)	16,208
- deferred tax recognised on the actuarial (loss)/gain	4,130	(1,897)
	(29,784)	14,311
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation adjustments:		
- exchange differences on translation of financial statements of operations outside Hong Kong, net of \$nil tax	(10,270)	857
- release of exchange reserve upon deemed disposal of equity interest in an associate, net of \$nil tax	-	(11,136)
	(10,270)	(10,279)
Other comprehensive income for the year	(40,054)	4,032
Total comprehensive income for the year	694,901	1,074,331
Attributable to:		
Equity shareholders of the Company	683,954	1,071,590
Non-controlling interests	10,947	2,741
Total comprehensive income for the year	694,901	1,074,331

CONSOLIDATED BALANCE SHEET **AT 31 DECEMBER 2014**

(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>2014</i> \$'000	<i>2013</i> \$'000
Non-current assets			
Property, plant and equipment		2,105,909	1,884,339
Intangible assets		2,167,628	2,342,878
Goodwill		9,281,625	9,283,688
Interest in a joint venture		6,265	6,264
Non-current other receivables and deposits	10	215,612	164,974
Deferred tax assets		33,141	33,011
		<u>13,810,180</u>	<u>13,715,154</u>
Current assets			
Inventories		198,931	127,130
Trade and other receivables and deposits	10	1,906,539	1,727,741
Current tax recoverable		28,005	15,553
Cash and bank deposits		1,396,892	856,076
		<u>3,530,367</u>	<u>2,726,500</u>
Current liabilities			
Trade and other payables	11	2,088,566	1,871,540
Bank loans		100,000	100,000
Current tax payable		232,132	202,013
		<u>2,420,698</u>	<u>2,173,553</u>
Net current assets		<u>1,109,669</u>	<u>552,947</u>
Total assets less current liabilities		<u>14,919,849</u>	<u>14,268,101</u>

**CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2014 (CONTINUED)**

(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>2014</i> \$'000	<i>2013</i> \$'000
Non-current liabilities			
Interest-bearing borrowings		7,867,586	7,616,565
Non-current other payables	11	73,040	80,424
Net defined benefit retirement obligation		103,729	72,302
Deferred tax liabilities		281,218	310,859
		<u>8,325,573</u>	<u>8,080,150</u>
NET ASSETS		<u>6,594,276</u>	<u>6,187,951</u>
CAPITAL AND RESERVES			
Share capital: nominal value		-	332,324
Other statutory capital reserves		-	3,365,314
Share capital and other statutory capital reserves	12	3,780,941	3,697,638
Other reserves		2,787,417	2,465,633
Total equity attributable to equity shareholders of the Company		6,568,358	6,163,271
Non-controlling interests		25,918	24,680
TOTAL EQUITY		<u>6,594,276</u>	<u>6,187,951</u>

Notes

(Expressed in Hong Kong dollars)

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”) and accounting principles generally accepted in Hong Kong. The financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that 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 2013 except for the adoption of all new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2014 (see note 2).

2 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the Group. The adoption of such amendments and interpretation does not have significant impact on the financial position and financial results of the Group for the years presented.

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 2014, 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 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 year is as follows:

	2014 \$'000	2013 \$'000
Fees from the provision of telecommunications services	6,202,009	4,936,704
Sale of equipment and mobile handsets	<u>1,981,598</u>	<u>1,081,839</u>
	<u>8,183,607</u>	<u>6,018,543</u>

(b) *Segment reporting*

The Group manages its businesses by business operations. Starting from the year ended 31 December 2014, 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. Following a change in the composition of the Group's operating segments that in turn results in a change in the reportable segments, the segment information for the year ended 31 December 2013 and at 31 December 2013 has been restated.

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.

3 Turnover and segment reporting (continued)

(b) *Segment reporting (continued)*

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources, the Group's senior executive management monitors the results, assets and liabilities attributable to the reportable segment on the following bases:

- Segment assets include all tangible and intangible assets and other current and non-current assets with the exception of interest in a joint venture, deferred tax assets, current tax recoverable, and other corporate assets. Segment liabilities include trade and other payables and net defined benefit retirement obligation attributable to the operating activities of the segment.
- 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 profit

	2014 \$'000	2013 \$'000
Profit		
Reportable segment profit	2,012,075	1,115,043
Net gain/(loss) on disposal of property, plant and equipment	272	(128)
Depreciation and amortisation	(682,619)	(416,972)
Impairment loss on interest in a joint venture	-	(37,811)
Goodwill written-off upon disposal of an operation outside Hong Kong	-	(10,404)
Finance costs	(334,350)	(444,457)
Share of profit of an associate	-	80,569
Share of profit/(loss) of a joint venture	353	(448)
Gain on deemed disposal of equity interest in an associate	-	1,116,298
Interest income	4,157	9,361
Unallocated head office and corporate expenses	(85,594)	(209,926)
Consolidated profit before taxation	<u>914,294</u>	<u>1,201,125</u>

3 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(iii) Reconciliation of reportable segment assets and liabilities

	2014 \$'000	2013 \$'000
Assets		
Reportable segment assets	17,194,560	16,307,985
Interest in a joint venture	6,265	6,264
Deferred tax assets	33,141	33,011
Current tax recoverable	28,005	15,553
Unallocated head office and corporate assets	78,576	78,841
Consolidated total assets	<u>17,340,547</u>	<u>16,441,654</u>
Liabilities		
Reportable segment liabilities	2,222,259	1,994,109
Bank loans	100,000	100,000
Current tax payable	232,132	202,013
Non-current interest-bearing borrowings	7,867,586	7,616,565
Deferred tax liabilities	281,218	310,859
Unallocated head office and corporate liabilities	43,076	30,157
Consolidated total liabilities	<u>10,746,271</u>	<u>10,253,703</u>

3 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(iv) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's property, plant and equipment, intangible assets, goodwill and interest in a joint venture ("specified non-current assets"). The geographical location of revenue is based on the physical location of assets through which the services were provided or the location at which the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interest in a joint venture.

	<i>Revenue from external customers</i>		<i>Specified non-current assets</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	\$'000	\$'000	\$'000	\$'000
Hong Kong (place of domicile)	2,765,912	2,845,220	1,063,574	1,039,451
Macau	4,708,046	2,463,670	12,206,892	12,196,025
Others	709,649	709,653	290,961	281,693
	<u>8,183,607</u>	<u>6,018,543</u>	<u>13,561,427</u>	<u>13,517,169</u>

4 Other revenue

	<i>2014</i>	<i>2013</i>
	\$'000	\$'000
Interest income from bank deposits	3,945	9,088
Other interest income	212	273
	<u>4,157</u>	<u>9,361</u>

5 Other net gain

	2014 \$'000	2013 \$'000
Gain on deemed disposal of equity interest in an associate	-	1,116,298
Net gain/(loss) on disposal of property, plant and equipment	272	(128)
Net foreign exchange gain	8,944	20,015
	<u>9,216</u>	<u>1,136,185</u>

6 Profit before taxation

Profit before taxation is arrived at after charging:

	2014 \$'000	2013 \$'000
(a) Finance costs		
Interest on bank and other borrowings		
– wholly repayable within five years	93,867	79,658
– not wholly repayable within five years	214,110	175,451
	<u>307,977</u>	<u>255,109</u>
Other finance charges	23,441	187,889
Other interest expense	2,932	1,459
	<u>334,350</u>	<u>444,457</u>
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plans	36,660	30,226
Expenses recognised in respect of defined benefits retirement plan	8,523	4,528
	<u>45,183</u>	<u>34,754</u>
Total retirement costs	45,183	34,754
Equity-settled share-based payment expenses	-	50,229
Salaries, wages and other benefits	677,195	504,764
	<u>722,378</u>	<u>589,747</u>

6 Profit before taxation (continued)

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

	2014 \$'000	2013 \$'000
(c) Other items		
Operating lease charges		
– leased circuits	723,659	674,279
– land and buildings	94,509	73,274
Depreciation	507,028	311,110
Amortisation	175,591	105,862
	682,619	416,972
Impairment losses		
– trade debtors, net	26,798	77,558
– interest in a joint venture	-	37,811
Goodwill written-off upon disposal of an operation outside Hong Kong	-	10,404
Auditors' remuneration		
– audit services	5,554	5,218
– non-audit services	1,332	6,747*
Transaction costs for the acquisitions of subsidiaries	-	111,395

* Auditors' remuneration for non-audit services of \$1,650,000 was offset against the proceeds from the corresponding bonds and rights issue during the year ended 31 December 2013.

7 Income tax

	2014 \$'000	2013 \$'000
Current tax		
Hong Kong Profits Tax		
– Provision for the year	50,949	45,626
– (Over)/under-provision in respect of prior year	(896)	984
	<u>50,053</u>	<u>46,610</u>
Jurisdictions outside Hong Kong		
– Provision for the year	155,295	114,611
– Over-provision in respect of prior year	(358)	(1,576)
	<u>154,937</u>	<u>113,035</u>
Deferred tax		
Origination and reversal of temporary differences	(25,651)	(28,819)
	<u>179,339</u>	<u>130,826</u>

The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year.

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

8 Dividends

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

	2014 \$'000	2013 \$'000
Interim dividend declared and paid of 2.7 cents (2013: 2.4 cents) per share	90,363	79,544
Final dividend proposed after the balance sheet date of 8.6 cents (2013: 7.6 cents) per share	<u>288,588</u>	<u>252,566</u>
	<u>378,951</u>	<u>332,110</u>

For the interim dividend in respect of the period ended 30 June 2014, there was a difference of \$247,000 between the interim dividend disclosed in 2014 interim report and the amount paid during the year ended 31 December 2014, which represented dividends attributable to shares issued upon exercise of share options before the closing date of register of members.

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*

	2014 \$'000	2013 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 7.6 cents (2013: 7.2 cents) per share	<u>253,474</u>	<u>173,448</u>

For the final dividend in respect of the year ended 31 December 2013, there was a difference of \$908,000 between the final dividend disclosed in the 2013 annual report and the amount paid during the year ended 31 December 2014, which represented dividends attributable to shares issued upon exercise of share options before the closing date of the register of members.

9 Earnings per share

	<i>2014</i> \$'000	<i>2013</i> \$'000
Profit attributable to equity shareholders of the Company	<u>723,734</u>	<u>1,067,506</u>

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

	<i>Number of shares</i>	
	<i>2014</i> '000	<i>2013</i> '000
Issued ordinary shares at 1 January	3,323,242	2,386,675
Effect of rights issue	-	514,998
Effect of share options exercised	<u>15,742</u>	<u>21,793</u>
Weighted average number of ordinary shares at 31 December	3,338,984	2,923,466
Effect of deemed issue of shares under the Company's share option plan	<u>32,848</u>	<u>21,779</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u>3,371,832</u>	<u>2,945,245</u>
Basic earnings per share (HK cents)	<u>21.7</u>	<u>36.5</u>
Diluted earnings per share (HK cents)	<u>21.5</u>	<u>36.2</u>

10 Trade and other receivables and deposits

	<i>2014</i> \$'000	<i>2013</i> \$'000
Trade debtors	1,608,801	1,503,486
Less: allowance for doubtful debts	(113,347)	(93,186)
	<hr/>	<hr/>
	1,495,454	1,410,300
Other receivables and deposits	626,697	482,415
	<hr/>	<hr/>
	<u>2,122,151</u>	<u>1,892,715</u>
Represented by:		
Non-current portion	215,612	164,974
Current portion	1,906,539	1,727,741
	<hr/>	<hr/>
	<u>2,122,151</u>	<u>1,892,715</u>

At the balance sheet date, 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>2014</i> \$'000	<i>2013</i> \$'000
Within 1 year	1,267,839	1,326,944
Over 1 year	340,962	176,542
	<hr/>	<hr/>
	<u>1,608,801</u>	<u>1,503,486</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.

11 Trade and other payables

	2014 \$'000	2013 \$'000
Trade creditors	1,082,228	985,111
Other payables and accruals	1,079,378	966,853
	<u>2,161,606</u>	<u>1,951,964</u>
Represented by:		
Non-current portion	73,040	80,424
Current portion	2,088,566	1,871,540
	<u>2,161,606</u>	<u>1,951,964</u>

All current trade and other payables are expected to be settled or recognised as income within one year.

At the balance sheet date, the ageing analysis of trade creditors (which are included in trade and other payables) based on the invoice date is as follows:

	2014 \$'000	2013 \$'000
Within 1 year	643,509	689,707
Over 1 year	438,719	295,404
	<u>1,082,228</u>	<u>985,111</u>

12 Share capital

At 31 December 2013, 5,000,000,000 ordinary shares, with par value of \$0.10 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concepts of “authorised share capital” and “par value” no longer exist. As part of the transition to the no-par value regime, the amounts standing to the credit of the share premium account and the capital redemption reserve on 3 March 2014 have become part of the Company’s share capital, under the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.

FINANCIAL REVIEW

OVERVIEW

The Group's turnover achieved a year on year increase of 36.0% from HK\$6,018.5 million to HK\$8,183.6 million for the year ended 31 December 2014. The increase was mainly due to the first time inclusion of Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM")'s full year results (2013: included 6.3 months' results) and growth in the Group's enterprise solutions revenue.

Profit attributable to equity shareholders and EPS amounted to HK\$723.7 million and HK21.7 cents which had decreased by 32.2% and 40.5% respectively as compared to 2013. The reason for the decrease was mainly due to the one-off exceptional items which arose in 2013. Excluding the impact of one-off exceptional items of HK\$790.3 million and HK\$510.3 million in relation to EBITDA and profit attributable to equity shareholders respectively, EBITDA is up 52.6% to HK\$1,926.8 million, recurring operating profit of the Group increased by 29.9% while EPS is up 13.6% for the year.

Summary of Financial Results

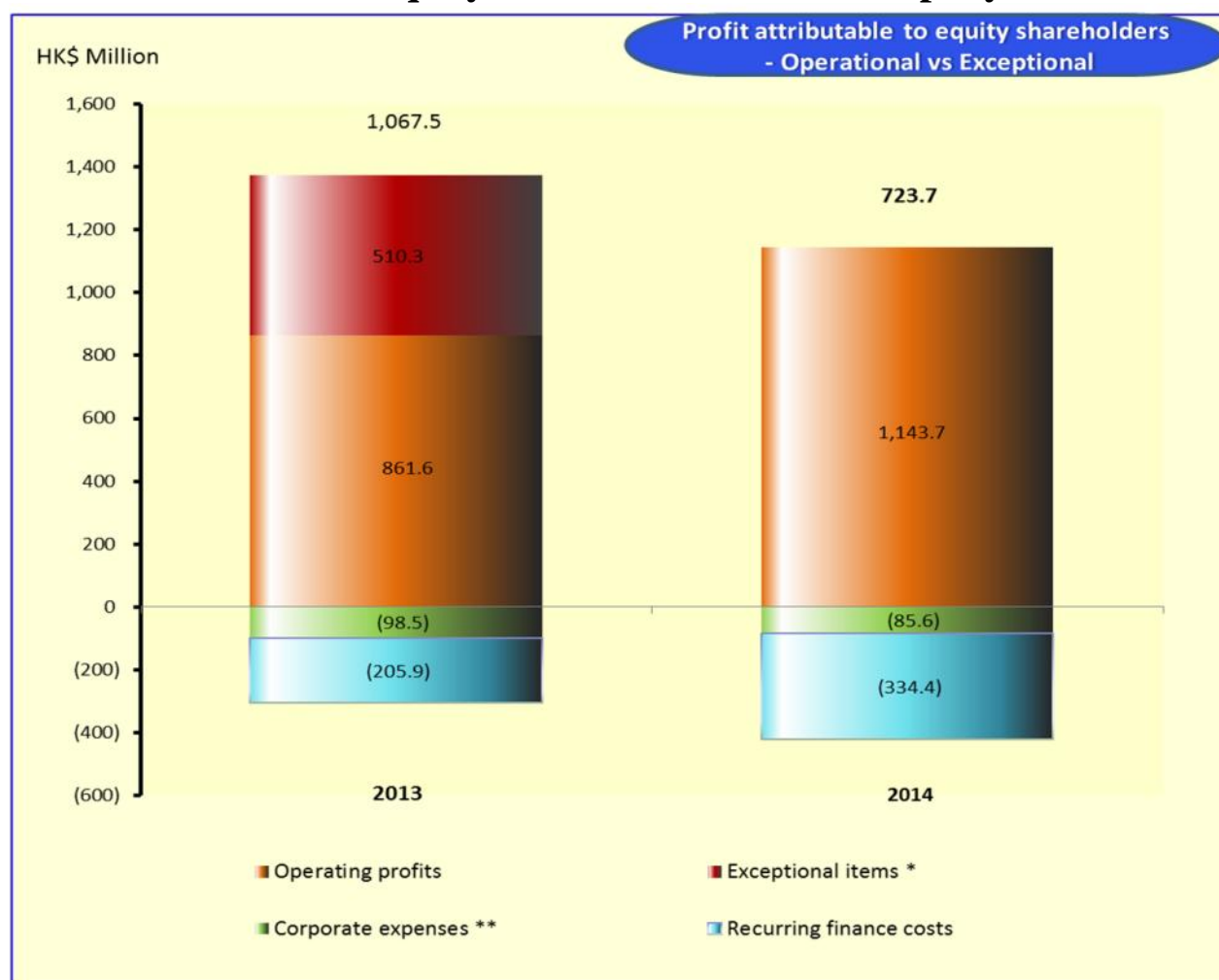
In HK\$ Million	Year ended 31 December		Increase/(Decrease)	
	2014	2013		
Turnover	8,183.6	6,018.5	2,165.1	36.0%
Other revenue and net gain	13.4	1,145.5	(1,132.1)	(98.8%)
Cost of sales and services	(4,879.9)	(3,935.5)	944.4	24.0%
Depreciation and amortisation	(682.6)	(417.0)	265.6	63.7%
Staff costs	(722.4)	(589.7)	132.7	22.5%
Other operating expenses	(663.9)	(656.3)	7.6	1.2%
Profit from consolidated activities	1,248.2	1,565.5	(317.3)	(20.3%)
Share of joint venture / associate results	0.4	80.1	(79.7)	(99.5%)
Finance costs	(334.4)	(444.5)	(110.1)	(24.8%)
Income tax	(179.3)	(130.8)	48.5	37.1%
Profit for the year	734.9	1,070.3	(335.4)	(31.3%)
Less: Non-controlling interests	(11.2)	(2.8)	8.4	300.0%
Profit attributable to equity shareholders of the Company	723.7	1,067.5	(343.8)	(32.2%)
EBITDA *	1,926.8	2,053.3	(126.5)	(6.2%)

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

Following the Group's completion of its acquisition of the controlling equity interest in CTM increasing the Group's equity shareholding in CTM from 20% to 99% on 20 June 2013 ("the Acquisition"), the Group had, for the first time, consolidated full year results (2013: included 6.3 months' results) of the Group's 99% stake of CTM in our 2014 financial results.

With the acquisition of CTM, the Group has expanded its service offerings. The Group's businesses currently cover five major categories: mobile sales & services, Internet services, international telecommunications services, enterprise solutions and fixed line services.

Profit attributable to equity shareholders of the Company



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

** Corporate expenses included staff cost for corporate function, equity-settled share-based payment expenses, listing fee, advisory fees for potential acquisitions and others.

Note: Comparative figures for exceptional items and corporate expenses were restated to conform to the current year's presentation.

Profit attributable to equity shareholders of the Company for the year ended 31 December 2014 amounted to HK\$723.7 million, a decrease of HK\$343.8 million when compared with 2013. If the one-off exceptional items were excluded, profit attributable to equity shareholders of the Company had increased by 29.9%. The increase was mainly due to the first time inclusion of 99% interest in CTM since the Acquisition and the steady growth in the Group's international enterprise solutions.

Turnover by Services

The Group's turnover achieved a year on year increase of 36.0% from HK\$6,018.5 million to HK\$8,183.6 million for the year ended 31 December 2014. The turnover from mobile sales & services, Internet services and fixed line services are mainly contributed by CTM and the significant increase compared with last year was due to the first time inclusion of CTM's full year results for 2014 (2013: included 6.3 months' results).

The Group's successful efforts in capitalising on enterprise solutions opportunities has resulted in an increase of HK\$434.9 million or 30.7% in enterprise solutions revenue for the year. In respect of international telecommunications services, the Group has recorded a growth in the corporate SMS business and product customisation, which has largely offset the adverse impact of the continuing decrease in global IDD wholesale traffic, mounting pressures on tariffs, and emerging Internet operations from OTT players.

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\$3,301.6 million in 2014, an increase of 78.3% when compared with 2013. The increase was mainly due to the first time inclusion of CTM's full year results (2013: included 6.3 months' results), CTM contributed HK\$3,038.8 million and HK\$1,616.0 million to mobile sales & services revenue for 2014 and 2013 respectively. The growth in mobile data usage and customisation of products to better satisfy the needs of customers were other factors contributing to the increase in mobile sales & services revenue.

On a year to year comparison, postpaid ARPU (excluding inbound roaming) increased by 12% to HK\$212 in 2014 mainly due to increase in mobile data usage. Prepaid ARPU decreased by 13% to HK\$17 in 2014 mainly due to drop in voice revenue, which offset the growth in prepaid data revenue. The overall number of subscribers in 2014 increased by 3% as compared to 2013 to 814,000 subscribers, and mobile market share accounted for around 44% as at 31 December 2014.

Internet services

Internet services revenue including the Group's data centre revenue amounted to HK\$752.9 million in 2014 which represented an increase of HK\$315.3 million or 72.1% when compared to 2013. If we exclude the impact of the first time full year inclusion of CTM's results, Internet services revenue would have increased by HK\$95.7 million. The increase was mainly due to higher revenue from the good uptake of fibre broadband service. Overall broadband ARPU increased by 10% to HK\$301 in 2014 and the total number of broadband subscribers increased by 6% (net) from 2013 to 161,500 subscribers. Broadband market penetration rate in Macau was around 83% in 2014 (2013: 82%).

The Group's new data centre in Ap Lei Chau was commissioned at the end of March 2014. In view of the increasing demand in data centre services and encouraging feedback from customers, the Group is confident that the new data centre in Ap Lei Chau can gain more businesses. During the year, a subsidiary of the Group, China Enterprise ICT Solutions Limited ("CEC"), secured the cross-regional value-added telecoms services Internet Data Centre / Internet Content Provider (IDC/ICP) operating licence from the Ministry of Industry and Information Technology of the People's Republic of China ("PRC"), making way for the Group to capture greater market opportunities in IDC, hosting and cloud computing services. CEC also signed a cooperation agreement with 上海科技網絡通信有限公司 (Shanghai Science and Technology Network Communication Co., Ltd.) to set up a cloud computing data centre in Baoshan, Shanghai which was commissioned in January 2015. According to the cooperation agreement, Phase I of the data centre under the two parties' cooperation shall provide approximately 500 standard racks. The Group will continue to seize opportunities to further its Internet services including data centre business in China, Hong Kong and Macau.

International telecommunications services

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

Voice services revenue decreased by HK\$225.5 million or 13.5% to HK\$1,450.8 million for the year ended 31 December 2014 over the same period in 2013, owing to the challenging global voice wholesales market where tariffs and traffic volume are on a decreasing trend. Total traffic of 6.1 billion minutes was handled by the Group, representing a 13% reduction compared with last year. Total China inbound and outbound traffic for the year has decreased by 10% and total international traffic dropped by 21% when compared to 2013. 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 overall revenue per minute stable at HK\$0.24 which was the same as last year.

SMS services recorded stable performance during the year ended 31 December 2014 with turnover at HK\$426.4 million similar to 2013. Despite that the Group has been impacted by the increasing popularity of social networking applications, the number of Hong Kong domestic and International SMS has increased by 2% and 3% during the year respectively. The Group has continued its efforts in accelerating the development of corporate SMS which have countered the substitution impact brought by emerging Internet applications during the year. The number of messages handled by the Group was stable at 1.7 billion messages which were similar to last year, and the average revenue per SMS kept stable at HK\$0.25.

Enterprise solutions

The turnover from enterprise solutions increased by 30.7% to HK\$1,851.3 million in 2014. 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 (“ISP”), as well as the higher demand for leased lines from the carriers and corporate customers.

The Group continued to expand its Points-of-Presence (“PoPs”) for VPN services. Global coverage increased to over 100 PoPs, included new PoPs in Hanoi of Vietnam; Manila of the Philippines; Zhengzhou, Changsha, Changzhou, Yantai, Harbin and Changchun in Mainland China.

Fixed line services

Fixed line services revenue was HK\$400.6 million in 2014 which represented an increase of 81.9% when compared to 2013. If the impact of the first time full year inclusion of CTM’s results was excluded, fixed line services revenue would have decreased by 5.4% when compared to 2013. 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. The decrease was partly offset by the increase in business fixed lines as a result of increase in demand during the year.

Profit for the year

The Group achieved HK\$734.9 million in profits for the year, a decrease of HK\$335.4 million when compared with 2013. The decrease was mainly due to the combined impact of the following factors:

Turnover

Turnover for the year increased by HK\$2,165.1 million or 36.0% when compared with last year, largely due to the first time inclusion of CTM's full year revenue (2013: included 6.3 months' revenue). The increase in mobile sales & services, Internet services and enterprise solutions revenue was also contributing factors.

Gain on deemed disposal of equity interest in an associate

Included in other net gain for the year ended 31 December 2013 was an amount of HK\$1,116.3 million recognised in respect of the one-off gain on deemed disposal of equity interest in an associate. This was an extraordinary gain which was not derived from the ordinary course of business and the Group had no such extraordinary gain derived in 2014.

Cost of sales and services

Cost of sales and services includes costs of goods sold, and network and operations and support expenses. Cost of sales and services amounted to HK\$4,879.9 million in 2014, an increase of 24.0% as compared with 2013. The increase in turnover was higher than the increase in cost of sales and services as CTM's businesses had a comparatively higher profit margin than the Group's other businesses.

Staff costs

Staff costs for the year increased by 22.5% to HK\$722.4 million compared with 2013. The increase was mainly due to the first time inclusion of CTM's full year staff costs (2013: included 6.3 months' staff costs) which was partly offset by the equity-settled share-based payment expenses of HK\$50.2 million recognised in 2013. There were no share options granted by the Company during the year.

Depreciation and amortisation

Depreciation and amortisation expenses increased by 63.7% to HK\$682.6 million as compared with 2013. The increase was mainly due to the first time full year inclusion of CTM's depreciation and amortisation expenses (2013: included 6.3 months' depreciation and amortisation expenses) and the commissioning of the new data centre and network system upgrades during the year.

Other operating expenses

Other operating expenses for the year ended 31 December 2014 amounted to HK\$663.9 million, an increase of 1.2% when compared with 2013. The other operating expenses for 2013 included certain exceptional items which mainly represented the transaction costs in relation to the Acquisition, impairment of certain disputed debtor balances and interest in a joint venture. If the exceptional items were excluded, other operating expenses have increased by 57.4% or HK\$242.1 million when compared with 2013, mainly due to the inclusion of CTM's full year (2013: included 6.3 months) other operating expenses together with higher utilities charges in relation to the Group's new data centre and an increase in repair and maintenance expenses during the year which were consistent with the Group's operational expansion.

Share of profit of an associate

The Group's 20% share of the profit of CTM for the year ended 31 December 2013 prior to the Acquisition amounted to HK\$80.6 million.

Finance costs

Finance costs decreased from HK\$444.5 million in 2013 to HK\$334.4 million in 2014. If all one-off funding costs in connection with the Acquisition were excluded, the recurring finance costs increased from HK\$205.9 million for 2013 to HK\$334.4 million for 2014 as a result of the Group's increased borrowings to finance the Acquisition in June 2013.

Income tax

The Group's income tax expense for the year ended 31 December 2014 increased by 37.1% to HK\$179.3 million compared to last year. If non-taxable / non-deductible items including the gain on deemed disposal of equity interest in an associate, transaction costs related to the Acquisition, finance costs and the profit contribution from an associate were excluded, the effective tax rate for the year ended 31 December 2014 and 2013 would be approximately 14.0% and 11.7% respectively.

Earnings per share (“EPS”)

Basic EPS and diluted EPS decreased by 40.5% and 40.6% to HK21.7 cents and HK21.5 cents respectively for the year ended 31 December 2014 as compared with last year. The decrease was mainly due to the absence of the extraordinary gain from deemed disposal of 20% equity interest in CTM which was partially offset by certain exceptional items such as the transaction costs and one-off finance costs in relation to the Acquisition. If the above exceptional items were excluded, basic EPS and diluted EPS would increase by 13.6% and 13.8% respectively.

Dividends per share

Final dividend of HK8.6 cents per share is proposed for 2014. Total dividends per share will amount to HK11.3 cents for the year.

Cash flows

In HK\$ Million	Year ended 31December		Increase/(Decrease)	
	2014	2013		
<i>Source of cash:</i>				
Cash inflows from business operations	1,627.9	1,072.7	555.2	51.8%
Rights issue net of transaction costs	-	1,794.5	(1,794.5)	N/A
Net cash inflows from borrowings	-	7,246.8	(7,246.8)	N/A
Other cash inflows	70.2	256.9	(186.7)	(72.7%)
Sub-total	1,698.1	10,370.9	(8,672.8)	(83.6%)
<i>Use of cash:</i>				
Capital expenditure*	(719.1)	(470.9)	248.2	52.7%
Dividends paid to equity shareholders and non-controlling interests	(353.5)	(253.0)	100.5	39.7%
Acquisition of subsidiaries	(1.2)	(8,979.5)	(8,978.3)	(100.0%)
Net cash outflows from borrowings	(79.7)	-	79.7	N/A
Other cash outflows	(2.1)	(162.8)	(160.7)	(98.7%)
Sub-total	(1,155.6)	(9,866.2)	(8,710.6)	(88.3%)
Net increase in cash	542.5	504.7	37.8	7.5%

* Included in the amounts are payment for purchase of property, plant and equipment in respect of both current year additions and prior year unsettled purchases.

Profit before taxation amounted to HK\$914.2 million for 2014. After accounting for the net changes in working capital and adding back the non-cash items like depreciation and amortisation, impairment losses and the gain on deemed disposal of equity interest in an associate, the cash inflows from business operations amounted to HK\$1,627.9 million which was approximately 1.5 times that of 2013 largely due to the strong financial position of CTM. The use of cash comprised capital expenditure, dividends distribution to equity shareholders and non-controlling interests, acquisition of subsidiaries and various other payments. In total, the Group generated net cash inflow of HK\$542.5 million for 2014.

Capital expenditure

With the growing customer demand for data centre services, the Group has continued to expand its data centres whereby HK\$104.4 million of fitting-out costs were incurred during 2014.

Capital expenditure for the Group amounted to HK\$730.9 million for 2014. Excluding the capital expenditure on the data centres, the capital expenditure for the year amounted to HK\$626.5 million, an increase of 46.5% compared to 2013. The increase for the year was mainly due to the first time inclusion of CTM's full year's capital expenditure (2013: included 6.3 months' capital expenditure).

TREASURY POLICY AND RISK MANAGEMENT

General

Managing financial risks to which the Group is exposed is one of the primary responsibilities of the Group's treasury function. 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 headquarter. In addition, the decision of financing activities is centralised at head office level.

Net debt and liquidity risk management

Debt and leverage

At 31 December 2014, net gearing ratio decreased to 50%, from 53% at 31 December 2013, when the net debt decreased to HK\$6,570.7 million.

At 31 December 2014, total bank and other borrowings and net debt of the Group were as follows:

	Denomination					
<i>In HK\$ million equivalents</i>	HKD	USD	MOP	RMB	Others	Total
Total bank and other borrowings	329.5	7,638.1	-	-	-	7,967.6
Less: Cash and bank deposits	(653.0)	(279.1)	(353.9)	(61.7)	(49.2)	(1,396.9)
Net debt/(cash)	(323.5)	7,359.0	(353.9)	(61.7)	(49.2)	6,570.7

At 31 December 2014, the Group's net gearing ratio was as follows:

<i>In HK\$ million</i>	31 December 2014	31 December 2013
Total bank and other borrowings	7,967.6	7,716.6
Less: Cash and bank deposits	(1,396.9)	(856.1)
Net debt	6,570.7	6,860.5
Total equity attributable to equity shareholders of the Company	6,568.4	6,163.3
Total capital	13,139.1	13,023.8
Net gearing ratio	50%	53%

At 31 December 2014, the principal of total outstanding bank and other borrowings amounted to HK\$8,052.0 million, of which HK\$100.0 million will mature in the coming year, against cash and bank deposits of HK\$1,396.9 million.

The maturity profile of the Group's bank and other borrowings in principal amount at 31 December 2014 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	100.0	1,914.8	505.4	2,021.8	-	-	4,542.0
US\$450 million 6.1% guaranteed bonds	-	-	-	-	-	3,510.0	3,510.0
	<u>100.0</u>	<u>1,914.8</u>	<u>505.4</u>	<u>2,021.8</u>	<u>-</u>	<u>3,510.0</u>	<u>8,052.0</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.

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 after the Acquisition, the Group arranged long-term borrowing from capital market, and the term loan with repayment by instalment. 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.

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 year.

At 31 December 2014, the Group's cash and bank deposits and undrawn committed banking facilities were HK\$1,396.9 million and HK\$270.0 million respectively. The Group's cash balance together with the undrawn committed banking facilities at 31 December 2014 are more than sufficient to cover the repayments of principal amount of bank loan of HK\$100.0 million in the coming year and contractual capital commitments of HK\$348.6 million at 31 December 2014.

At 31 December 2014, the Group had available trade facilities of approximately HK\$282.2 million. Approximately HK\$67.9 million and HK\$3.2 million were utilised as guarantees for performance to customers / the Macau Government and costs payable to telecoms operators and others respectively. Around HK\$3.2 million of these utilised facilities were required to be secured by pledged deposits.

At 31 December 2014, the type of facilities of the Group was summarised as follows:

<i>In HK\$ million</i>	Total available facilities	Amount utilised	Amount unutilised
Committed facilities:			
Term loans	4,712.0	4,442.0	270.0
US\$450 million 6.1% guaranteed bonds	<u>3,510.0</u>	<u>3,510.0</u>	<u>-</u>
	<u>8,222.0</u>	<u>7,952.0</u>	<u>270.0</u>
Uncommitted facilities:			
Short-term facilities	300.0	100.0	200.0
Trade facilities	<u>282.2</u>	<u>71.1</u>	<u>211.1</u>
	<u>582.2</u>	<u>171.1</u>	<u>411.1</u>
Total	<u>8,804.2</u>	<u>8,123.1</u>	<u>681.1</u>

Guarantees and pledged assets

CITIC Telecom International Finance Limited, a wholly-owned subsidiary of the Company, issued US\$450 million 6.1% guaranteed bonds due 2025 on 5 March 2013. The bonds were unconditionally and irrevocably guaranteed by the Company.

At 31 December 2014, the Group pledged approximately HK\$3.4 million of bank deposits to secure parts of the trade facilities.

At 31 December 2014, the Company has provided guarantee to its subsidiary in an amount of HK\$34.4 million to support its performance under a construction contract.

Certain property, plant and equipment of CTM 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.

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 31 December 2014, the Group was in compliance with the relevant requirements.

Capital commitments

At 31 December 2014, the Group had outstanding capital commitments of HK\$625.0 million, mainly for the acquisition of telecommunications equipment which had yet to be delivered to the Group and fitting out costs of the data centres. Of these commitments, HK\$348.6 million were outstanding contractual capital commitments and HK\$276.4 million were capital commitments authorised but for which contracts had yet to be entered into.

Contingent liabilities

At 31 December 2014, the Group had no significant contingent liabilities.

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.

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 31 December 2014, approximately 56.4% of the Group's borrowings in principal were linked to floating interest rates. During the year, the Group did not enter any interest rate swap arrangement.

Average borrowing costs

At 31 December 2014, the average borrowing costs, which is after the inclusion of amortisation of transaction costs, was approximately 4.1%.

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 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 48.1% and 46.2% of the Group's total trade debtors at 31 December 2014 and 2013 respectively. The credit risk exposure to trade debtors balance has been and will continue to be monitored by the Group on an ongoing basis.

Counterparty risk

At 31 December 2014, 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 the PRC. At 31 December 2014, the Group has approximately HK\$1,370.6 million cash balance in the above-mentioned financial institutions, representing approximately 98.1% of the total cash and bank deposits of the Group. Management does not expect any losses from non-recovery from our financial counterparties.

SUSTAINABILITY REPORT

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 continued to emphasis on staff development and mental health of its staff. The Group also concerns on community involvement and environmental protection. CSR on all these aspects has always been an integral part of the Group’s corporate business strategy and philosophy.

As at the end of December 2014, the Group employed a total of 2,110 employees (2013 : 2,016) for its headquarters in Hong Kong and its principal subsidiaries. The number of employees was increased in line with business need of this year.

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’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.

The Group upholds a high standard of business ethics and personal conduct of its employees. There are a series of mechanism to govern our employee to ensure them strictly complying with the Code of Conduct and related policy. The mechanism includes report on compliance of Code of Conduct, Whistle-blowing policy and Declaration of Interest, etc.

As a responsible entity to fulfill CSR, the Group has been active in supporting volunteer services and making our effort to promote education and environmental protection. The Group encourages its staff to support voluntary services and community activities through various means. In 2014, the Group made charitable donations over HK\$680,000. The volunteer service of the Group was over 850 hours. The Group was honored the award of “Caring Company”, “Award for Volunteer Service Commitment” and “Corporate Citizenship”. Our subsidiary was awarded “Partner Employer Award” and “Happy Company”. These are in recognition of our commitment and contribution through caring for the community, employees and environment.

The Group always takes into account of the environmental protection. The Group is committed to conduct business in an environmentally responsible manner. The Group has continued its effort to support the reduction of greenhouse gas emissions to maintain a sustainable environment.

The Group strives to ensure that our staff enjoy a healthy, safe and positive environment in which to work and interact with others. The Group supports and organises various kinds of outdoor sports activities and ball games competitions to enhance communication and to promote the importance of physical exercise.

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 2014, the Group provided training to employees over 43,000 hours.

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

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The board of directors of the Company (the “Board”) believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. At CITIC Telecom, 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 2014 annual report.

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 on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the year 2014. In respect of the code provision A.6.7 of the Code, Mr. Luo Ning was unable to attend the annual general meeting of the Company held on 25 April 2014 as he had other engagements.

The Audit Committee of the Board, consisting of three independent non-executive directors, has reviewed the 2014 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 HK8.6 cents (2013: HK7.6 cents) per share, which together with the interim dividend of HK2.7 cents (2013: HK2.4 cents) per share already paid makes a total dividend of HK11.3 cents (2013: HK10.0 cents) per share for the year ended 31 December 2014. The total dividend of HK11.3 cents per share will amount to HK\$378,951,000 (2013: HK\$333,018,000) of the Company’s profit for the year ended 31 December 2014.

The proposed final dividend of HK8.6 cents per share, the payment of which is subject to approval of the shareholders at the forthcoming annual general meeting (the “AGM”) of the Company to be held on Tuesday, 21 April 2015, is to be payable on Monday, 11 May 2015 to shareholders whose names appear on the Register of Members of the Company on 29 April 2015.

The Register of Members of the Company will be closed from Friday, 17 April 2015 to Tuesday, 21 April 2015 (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 Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 16 April 2015. In addition, the Register of Members of the Company will be closed from Monday, 27 April 2015 to Wednesday, 29 April 2015 (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 transfer documents, 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 Friday, 24 April 2015. During such periods, no share transfer will be effected.

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 year ended 31 December 2014 and the Company has not redeemed any of its shares during the year ended 31 December 2014.

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 10 March 2015.

By Order of the Board
Xin Yue Jiang
Chairman

Hong Kong, 13 February 2015

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

<i>Executive Directors:</i>	<i>Non-executive Director:</i>	<i>Independent Non-executive Directors:</i>
Xin Yue Jiang (Chairman)	Liu Jifu	Liu Li Qing
Lin Zhenhui		Kwong Che Keung, Gordon
Luo Ning		Zuo Xun Sheng
Chan Tin Wai, David		