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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

CHAIRMAN'S STATEMENT

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

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

A. Financial Performance

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

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

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

B. Business Development

The Group recorded a stable growth in its Voice, Short Message Services ("SMS"), Mobile Value-Added Services ("VAS") and Data businesses during the first half of the year. Facing persistent market changes, the Group has responded by actively strengthening its China business and expanding overseas markets, thus achieving solid growth in both the traffic volume and revenue of

international Voice services. The Group has completed the integration of CITIC Telecom International CPC Limited (“CITIC Telecom International CPC”) and China Enterprise Netcom Corporation Limited (“CEC”) with satisfactory results.

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

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

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

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

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

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

The business integration of CITIC Telecom International CPC with CEC has been completed and has generated significant synergies, most notably a broader marketing network and coverage as well

as a significant increase in the number of users, thus contributing to a rapid growth in the Group's Data business including VPN and Internet access services.

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

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

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

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

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

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

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

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

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

C. Outlook

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

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

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

Xin Yue Jiang

Chairman

Hong Kong, 15 August 2012

**CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

	<i>Note</i>	<i>Six months ended 30 June</i>	
		<i>2012</i>	<i>2011</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2(a)	1,743,967	1,491,550
Other revenue	3	240	987
Other net loss	4	(1,425)	(10)
		<u>1,742,782</u>	<u>1,492,527</u>
Network, operations and support expenses		(1,233,749)	(1,025,230)
Depreciation and amortisation		(74,547)	(58,484)
Staff costs		(140,777)	(136,247)
Other operating expenses		(96,670)	(82,272)
Profit from operations		197,039	190,294
Finance costs	5(a)	(738)	(141)
Share of profit of an associate		75,249	76,998
Share of profit of a jointly controlled entity		1,113	-
Profit before taxation	5	272,663	267,151
Income tax	6	(33,863)	(33,315)
Profit attributable to equity holders of the Company for the period		<u>238,800</u>	<u>233,836</u>
Earnings per share (HK cents)	8		
Basic		10.0	9.8
Diluted		<u>10.0</u>	<u>9.8</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

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

**CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2012**

	<i>Note</i>	<i>30 June 2012</i> (Unaudited) HK\$'000	<i>31 December 2011</i> (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		652,998	668,521
Intangible assets		82,524	89,888
Goodwill		364,537	363,549
Interest in an associate		1,370,507	1,472,414
Interest in a jointly controlled entity		44,289	43,176
Non-current other receivables and deposits	9	156,947	109,347
Deferred tax assets		18,696	19,902
		<u>2,690,498</u>	<u>2,766,797</u>
Current assets			
Trade receivables, other receivables and deposits	9	1,364,834	1,308,036
Current tax recoverable		3,323	5,630
Cash and bank deposits		270,618	257,023
		<u>1,638,775</u>	<u>1,570,689</u>
Current liabilities			
Trade and other payables	10	775,163	852,196
Bank loans		100,000	-
Loan from an associate		-	123,328
Current tax payable		42,733	26,006
		<u>917,896</u>	<u>1,001,530</u>
Net current assets		<u>720,879</u>	<u>569,159</u>
Total assets less current liabilities		<u>3,411,377</u>	<u>3,335,956</u>

**CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2012 (CONTINUED)**

	<i>Note</i>	<i>30 June 2012</i> (Unaudited) HK\$'000	<i>31 December 2011</i> (Audited) HK\$'000
Non-current liabilities			
Non-current other payables	10	91,500	95,192
Deferred tax liabilities		<u>61,318</u>	<u>61,638</u>
		<u>152,818</u>	<u>156,830</u>
NET ASSETS		<u><u>3,258,559</u></u>	<u><u>3,179,126</u></u>
CAPITAL AND RESERVES			
Share capital		238,599	238,599
Reserves		<u>3,019,960</u>	<u>2,940,527</u>
TOTAL EQUITY		<u><u>3,258,559</u></u>	<u><u>3,179,126</u></u>

Notes to the Accounts

1 Basis of preparation

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

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

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

2 Turnover and segment reporting

(a) Turnover

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

Turnover recognised during the period may be analysed as follows:

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

2 Turnover and segment reporting (continued)

(a) Turnover (continued)

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

(b) Segment reporting

The Group manages its businesses by business operations and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has only identified one business segment, i.e. telecommunications operations. Further, the Group's business participates primarily in only one geographical location classified by the location of assets, i.e. Hong Kong. The Group's overseas operation constitutes an insignificant portion of the Group's business.

(i) Reconciliation of reportable segment profit

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

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

2 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(ii) Reconciliation of reportable segment assets and liabilities

	<i>30 June</i> 2012 (Unaudited) HK\$'000	<i>31 December</i> 2011 (Audited) HK\$'000
Assets		
Reportable segment assets	2,892,458	2,796,364
Interest in an associate	1,370,507	1,472,414
Interest in a jointly controlled entity	44,289	43,176
Deferred tax assets	18,696	19,902
Current tax recoverable	3,323	5,630
	<hr/>	<hr/>
Consolidated total assets	4,329,273	4,337,486
	<hr/> <hr/>	<hr/> <hr/>
	<i>30 June</i> 2012 (Unaudited) HK\$'000	<i>31 December</i> 2011 (Audited) HK\$'000
Liabilities		
Reportable segment liabilities	863,873	944,112
Current tax payable	42,733	26,006
Deferred tax liabilities	61,318	61,638
Bank loans	100,000	-
Loan from an associate	-	123,328
Unallocated corporate liabilities	2,790	3,276
	<hr/>	<hr/>
Consolidated total liabilities	1,070,714	1,158,360
	<hr/> <hr/>	<hr/> <hr/>

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

2 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(iii) Geographic information

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

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

3 Other revenue

	<i>Six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	99	65
Other interest income	141	472
	<hr/>	<hr/>
Total interest income	240	537
Rental income from operating leases	-	450
	<hr/>	<hr/>
	240	987
	<hr/>	<hr/>

4 Other net loss

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

5 Profit before taxation

Profit before taxation is arrived at after charging:

	<i>Six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(a) Finance costs		
Interest on bank and other loans wholly repayable within 5 years	<u>738</u>	<u>141</u>
(b) Other items		
Network, operations and support expenses		
- operating leases - leased circuits	126,078	120,164
Depreciation	66,873	54,139
Amortisation	7,674	4,345
Impairment loss on trade debtors	1,595	3,653
Operating lease charges in respect of land and buildings	<u>23,504</u>	<u>21,875</u>

6 Income tax

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

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

7 Dividends

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

	<i>Six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend declared and paid after the interim period of HK2.4 cents per share (six months ended 30 June 2011: HK2.4 cents per share)	57,264	57,264

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

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

	<i>Six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period of HK7.2 cents per share (six months ended 30 June 2011: HK7.1 cents per share)	171,791	169,405

8 Earnings per share

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

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

9 Trade receivables, other receivables and deposits

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

9 Trade receivables, other receivables and deposits (continued)

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

	<i>30 June</i> 2012 (Unaudited) HK\$'000	<i>31 December</i> 2011 (Audited) HK\$'000
Within 1 year	1,073,049	1,044,958
Over 1 year	76,445	53,606
	<u>1,149,494</u>	<u>1,098,564</u>

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

10 Trade and other payables

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

10 Trade and other payables (continued)

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

	<i>30 June</i> 2012 (Unaudited) HK\$'000	<i>31 December</i> 2011 (Audited) HK\$'000
Within 1 year	417,024	554,576
Over 1 year	<u>138,407</u>	<u>88,024</u>
	<u>555,431</u>	<u>642,600</u>

FINANCIAL REVIEW AND ANALYSIS

Review of overall performance

Turnover

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

Profit attributable to equity holders of the Company

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

Group liquidity and capital resources

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

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

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

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

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

Banking facilities and borrowings

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

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

Securities and guarantees

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

Capital commitments

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

Other commitments

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

- (i) 40.77% equity interest in CEC from CE-SCM;
- (ii) 8.23% equity interest in CEC from CITIC Group Corporation together with a purchase right (the “Purchase Right”) to acquire the remaining 45.09% equity interest in CEC held by CITIC Group Corporation, in which the Purchase Right shall be exercisable by CPC when CPC is permitted to hold more equity interest in CEC under the then prevailing PRC laws and regulations; and
- (iii) all the issued shares of China Enterprise Netcom Corporation Limited (“CEC-HK”) held by China Enterprise Communications Technology (Holding) Limited (“CEC-HK Holding”), a wholly-owned subsidiary of CEC.

The aggregate consideration payable by the Group is approximately HK\$283.7 million comprising:

- (i) Renminbi (“RMB”) 93.3 million (approximately HK\$113.9 million) payable to CE-SCM by instalments;
- (ii) RMB80.8 million (approximately HK\$98.6 million) payable to CITIC Group Corporation at completion, out of which RMB62.0 million (approximately HK\$75.7 million) is to be paid as advance payment for the acquisition of the remaining 45.09% equity interest in CEC held by CITIC Group Corporation upon CPC exercising the Purchase Right;

- (iii) HK\$0.4 million as consideration for the entire equity interest in CEC-HK; and
- (iv) the assumption of debts in amount of United States dollar 9.1 million (approximately HK\$70.8 million) owed by CEC-HK to a subsidiary of CITIC Group Corporation.

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

On 29 July 2011, the Group completed the acquisition of CEC-HK pursuant to the Framework Agreement. At 30 June 2012, included in non-current other receivables and deposits was an amount HK\$53.6 million (31 December 2011: HK\$Nil), being a deposit paid for the acquisition of subsidiaries and included in other payables was HK\$48.2 million (31 December 2011: HK\$48.2 million), being the unpaid portion of the acquisition cost in CEC-HK. The Group has a remaining sum of approximately RMB75.2 million (approximately HK\$91.8 million), being the unpaid portion of the aggregate consideration, which shall be payable at completion after the Framework Agreement becoming unconditional.

Exchange rate risks

A substantial portion of the Group's sales revenue and cost of sales are denominated in the United States dollar, to which the Hong Kong dollar is pegged. In addition, the Group's financial assets, financial liabilities and transactions are mainly denominated either in Hong Kong dollars or United States dollars. Management considers that the Group's exposure to foreign currency risk is not material and continues to monitor closely all possible exchange rate risks and implement the necessary hedging arrangement to mitigate risk from any significant fluctuation in foreign exchange rates.

Credit risk

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

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

HUMAN RESOURCES

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

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

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

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

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

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

CORPORATE GOVERNANCE

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

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

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

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

DIVIDEND AND CLOSURE OF REGISTER

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

SHARE CAPITAL

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30 June 2012 and the Company has not redeemed any of its shares during the period ended 30 June 2012.

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.

INTERIM REPORT AND FURTHER INFORMATION

A copy of the announcement will be posted on the Company's website (www.citictel.com) and the website of the Stock Exchange (www.hkex.com.hk). Additional information including a full financial analysis will be posted on the Company's website as soon as possible and the full interim report will be made available on the website of the Company and the Stock Exchange around 3 September 2012.

By Order of the Board

Xin Yue Jiang

Chairman

Hong Kong, 15 August 2012

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

Executive Directors:

Xin Yue Jiang (Chairman)

Yuen Kee Tong

Chan Tin Wai, David

Non-executive Directors:

Liu Jifu

Fei Yiping

Independent Non-executive Directors:

Yang Xianzu

Liu Li Qing

Kwong Che Keung, Gordon