

Business Review

SMS

US/MS

CONNECTING

BATCH SMS

400/110

PRS

MOBILE

ROAMING CALL

SHORT MESSAGE SERVICES

ISMS

CRM

CONNECTING

BATCH SMS

QUALITY SERVICES

DATA SERVICE

PRS

CRM

CRM

MOBILE VALUE



CITIC 1616 has successfully extended its global reach to dynamic markets in the US, Canada, Japan, Singapore, Taiwan, Vietnam and the UK through a series of strategic acquisitions and business consolidations.

Voice Services



LLI SERVICES INTERNET VPN SHORT MESSA

MOBILE MOBILE VALUE SERVICES

Connect over 440 Telecoms Operators in the World



Short Message Services

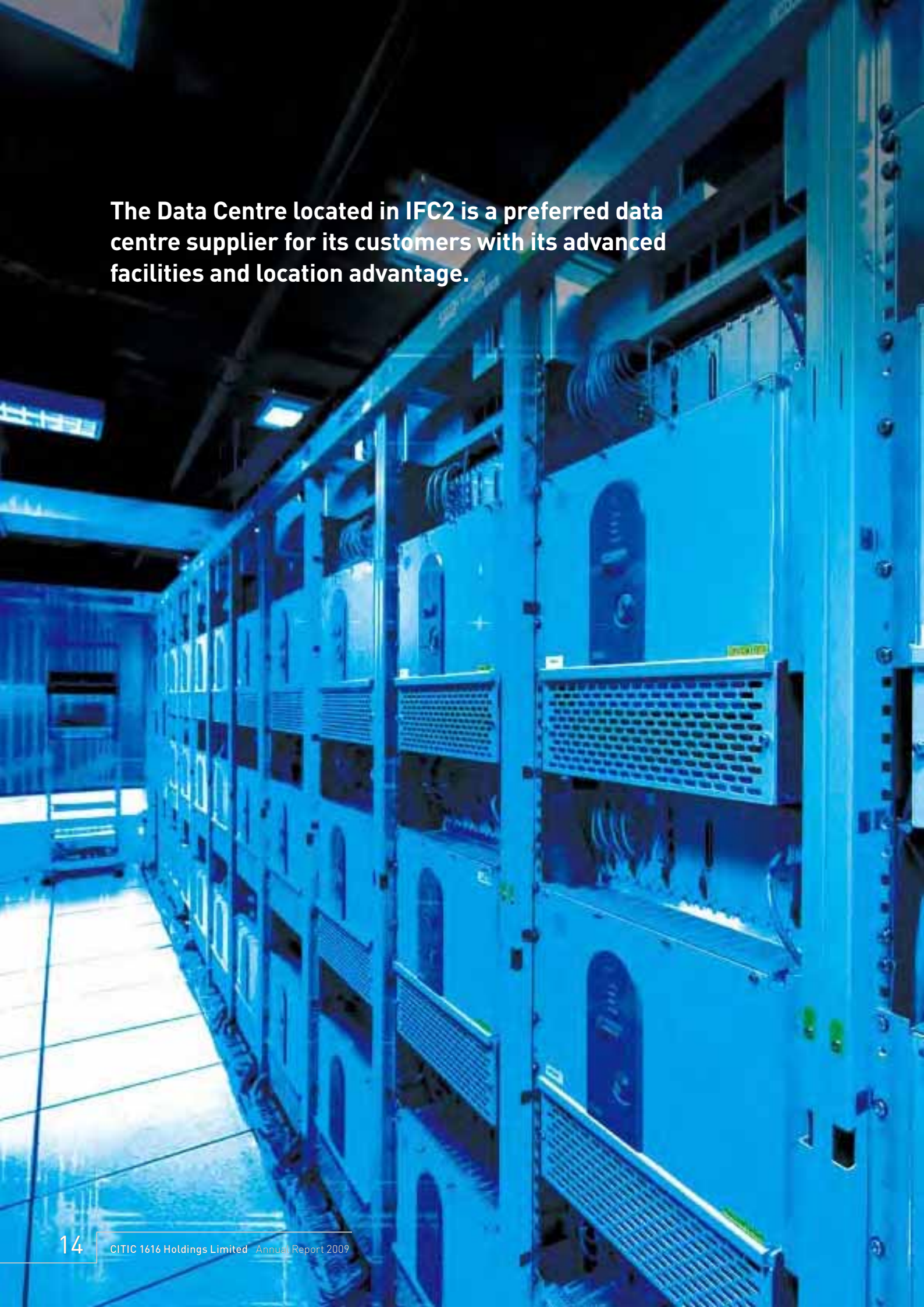
Mobile Value-Added Services

Data Services



TrueCONNECT™

The Data Centre located in IFC2 is a preferred data centre supplier for its customers with its advanced facilities and location advantage.



Voice Services

Despite the worldwide economic recession and competitive environment in the Voice market, the Group achieved solid growth in traffic volume and maintained stable growth in revenue in 2009. 10,135 million minutes were handled in 2009, representing an increase of 25.1% compared with 8,103 million minutes in 2008. Turnover increased by 7.0% as compared with 2008. During the year, inbound China Traffic increased to 7,737 million minutes from 6,107 million minutes in 2008, an increase of 26.7%. In addition, the Group also managed to increase its international minutes by 35.7%. For China outbound business, the Group carried similar volume of traffic as compared to 2008. According to recent statistics published by the Ministry of Industry and Information Technology of the PRC, the international IDD business (excluding Hong Kong and Macau) had decreased by 14.2% as compared to 2008. Therefore, despite our China outbound traffic volume remained similar as compared to 2008, our market share in fact, increased through our marketing effort and high service quality. These are satisfactory outcomes for the Group, particularly given the challenging economic environment in 2009.

The acquisition of Macquarie Telecom Pte. Ltd. (now known as ComNet Communications (Singapore) Pte. Ltd.) ("CN (Singapore)") brought a solid customer base and new revenue source as well as gave us a good foundation to provide telecoms services in Singapore. The Group successfully integrated the Singapore operations of ComNet Telecom (Singapore), CN (Singapore) and CPCNet Singapore during the year and the business and operational synergies were being realised. The businesses now share a common infrastructure to provide multi-services product for enterprises and operator customers in Singapore and the ASEAN countries.

In 2009, a total of 126 new customers were added. We now have 477 customers as compared to 351 customers at the end of 2008. We will continue to expand our market share by expanding our customer base in different geographic locations. The bilateral co-operations with new customers not only bring good contributions to the Group, but also provide more direct termination capacity at competitive costs. This will further enhance the Group's global presence and competitiveness.

The Group continuously focuses on strengthening the routing capability and enhancing the network efficiency. The total capacity for both TDM and IP has expanded by 37.5% to accommodate the growing business. After the integration of the ComNet Group, we now have 7 Points of Presence ("POPs") globally. This would enable the Group to have a better utilisation of bandwidth and contribute to the business growth.

The Group had successfully launched a regional 3G video telephony service for a major operator in China. This service is of strategic importance and is expected to bring growth in revenue for the Group. Due to rapid deployment of 3G in China, the demand for international roaming and video telephony in China is expected to grow substantially. The Group will continue to promote the 3G video telephony services to other operators in China as well as other Asia Pacific countries.

With headquarter in Hong Kong, we have offices providing sales coverage in China, Japan, Singapore, Taiwan, Vietnam, UK, Canada and USA. To cope with the globalised economy, the Group is planning to extend its sales force to the Middle East, Africa, and Latin America in 2010. We believe that global deregulations, combining with rapid technological advances would result in the emergence of new telecommunications service providers in various markets. The establishment of a global sales network will enable us to provide quality, timely and customised services to capture the emerging business opportunities.

The Group would propel its voice business in the coming year through strategic pricing, enhancing routing quality and efficiency, developing more valuable direct coverage and termination capacity, forming strategic partnerships and securing outsourcing opportunities.

SMS Services

SMS Services continued to grow stably during the year. Turnover has grown by 15.7% to HK\$286.0 million as compared with HK\$247.1 million for 2008.

It is the Group’s mission to provide high quality services to our customers. During this year, the Group had expanded the SMS Services platform to increase handling capacity and to enlarge the geographic coverage. The new connections were made with various mobile telecoms operators in France, Japan, USA, Hong Kong, Malaysia, Mongolia, Singapore, Luxembourg, Italy, UK and India. The Group had also expanded its enterprise SMS services to overseas customers. We believe that enterprise SMS services have good business potential and will become a significant profit contributor in the next few years.

Mobile VAS

The Mobile VAS offered by the Group include prepaid roaming service (“PRS”), single IMSI multiple number service (“SIMN”), mobile roaming call back service and roaming signalling service (“SCCP”). During the year, these Mobile VAS continued to be well received by mobile operators. Revenue contribution from Mobile VAS grew by 18.5% in comparison with 2008. During the year, the Group had started to offer C2C (CDMA operator to CDMA operator) signalling services to our customers through co-operation with Transaction Network Services Inc. (TNSI, formerly known as VeriSign) in USA. At the same time, we also launched our in-house developed “C2G”(CDMA operator to GSM operator) signalling services and roaming call back services on the CDMA platform. The Group signed its first CDMA/CDMA2000 customer in Indonesia providing both C2G inter-standard solution as well as C2C roaming solution in 2009. This marked the success of the Group’s capability to provide C2C roaming solutions for ANSI-41 networks to maximise their roaming revenues by offering seamless roaming services with the same feature sets similar to their home network environment. Going forward, the Group will continue to introduce VAS features such as PRS and SIMN currently offered to GSM operators to the CDMA world.

In order to extend the Mobile VAS offering from traditional mobile services arena, the Group has adopted the GRQ (Global Roaming Quality) initiative





CITIC 1616 strives to provide its customers with a state-of-the-art product mix complemented by a comprehensive service portfolio meeting the highest standards.

which was sponsored by GSMA (GSM Association). By offering bundle and intelligent platform services on roaming voice, data, SMS and signalling, the Group is able to complete roaming calls which would otherwise be lost due to deficient roaming service quality. The Group also plans to develop a new product "E-Roam (Essential Roaming)" in the coming year. E-Roam covers the essential elements of customer roaming activities and rides on the Group's next generation of MPLS global network infrastructure, allowing the convergence of traditional services to the IP (Internet Protocol) world. Together with the GSMA, the Group has performed successful trials with selected customers in the Asia Pacific. Several major Asia mobile alliances have already indicated strong interest for the E-Roam service because E-Roam allows operator customers to engage effectively on roaming quality assurance and improve profitability from roaming businesses.

The Group is very actively in discussions with the China operators to offer tailor-made solutions to them for the World EXPO to be held in Shanghai and Asian Games to be held in Guangzhou. While facilitating efficient access for roaming travellers to their home network and services, the Group would also benefit from the service income from these new initiatives.

PRS

PRS turnover had increased by 12.1% as compared to 2008. During the year, we have offered PRS services to 4 more operators covering Taiwan, Philippines, Thailand and Indonesia. The proven innovation of PRS supporting different prepaid protocols continued to attract the upcoming mobile operators to subscribe and to expand the service matrix to generate additional inbound and outbound roaming revenue. The Group is now expanding the service to outside of Asia by attracting new customers as well as hub to hub arrangements with other PRS service providers.

SIMN

SIMN turnover had increased by 19.3% as compared to 2008. Being a pioneer services provider of this solution on both postpaid and prepaid users without the need of changing existing SIM cards, this service continued to be well-received by customers. During the year, new contracts were signed with customers in USA. We have received service requests from a number of ASEAN and Latin American operators. The Group will market this service aggressively to countries with frequent cross-border travellers.



SCCP

SCCP revenue had increased by 27.9% as compared to 2008. The good growth was mainly due to both new customers as well as the organic growth of traffic from existing customers in this region. The Group offered services of superior quality and has gained significant recognition from the mobile industry. In addition, the Group put forth competitive commercial offerings coupled with service bundling with PRS and SIMN to enhance its market share in Asia. Customer Service Portal (CSP) functions has been enhanced to address a broader spectrum of roaming service quality management needs. The Group's SCCP service minimises the roaming revenue loss due to network faults and failed calls, thereby, enhances revenue assurance for our mobile operator customers. During the year, new contracts were signed with operators in Australia, Macau and Taiwan.

Data Services

The contribution from data services in 2009 increased by 11.3% as compared with 2008.

The Group's IFC2 Data Centre remains a preferred data centre supplier for its customers with its advanced facilities and location advantage. Hong Kong is still experiencing shortage of data centre space. The newly purchased Broadway Centre will provide data centre space for expansion to strengthen our supply in the longer term.

During the year, CPCNet launched a number of innovative value-added managed services, including VC², M@iCONNECT Plus, TrueCONNECT™ Accelerator and AlwaysCONNECT Plus. These services enriched our product mix and provide a more comprehensive services portfolio to our customers. Meanwhile, the Group further extended its MPLS Virtual Private Network

CITIC 1616 engaged into GRQ (Global Roaming Quality) initiative recommend from GSMA (GSM Association)



("VPN") coverage throughout Asia Pacific, by forging strategic partnerships with leading regional communications providers. In 2009, CPCNet signed partnerships with Vietnam Datacommunication Company (VDC) and Telekom Malaysia Berhad (TM) to establish POPs in Ho Chi Minh City and Kuala Lumpur, respectively. These POPs started operation in October 2009, while a new POP in Taoyuan, Taiwan started to serve customers in August 2009.

With the acquisition of CN (Singapore), it further strengthens our data business foundations in Singapore, as well as enables the Group to expand into South Asia.

Although the worldwide financial crisis has resulted in a slowdown in global economic growth, it is expected that enterprises will utilise more IP-virtual private network (IP-VPN) services and other managed solutions to reduce their IT operational cost and travelling expenses. This will provide new opportunities for the growth of our VPN business.

By the end of 2009, we expected the global slump to bottom out and the economy to begin showing signs of recovery. However, many businesses may need additional time to recover – if at all- to their pre-financial crisis condition, depending on the industry. As such, business environment in 2010 will remain challenging, particularly for international business in view that USA and European markets are likely to continue on a path of slack growth.

Accordingly, we employ a cautious while positive approach for our 2010 business growth. We will strive to build upon our 2009 business strategies, by boosting our IP-VPN business through effective marketing strategies and a rich product portfolio based on the development of a range of innovative value-added managed services and comprehensive series of information security solutions. Throughout 2010 and beyond, we will also seek new business acquisition opportunities and expand our business with prudence to overseas markets.

During the year, CPCNet, the Group's wholly owned subsidiary had won two international awards, testifying the recognition it enjoys worldwide for its innovative technology and excellent quality services. The two international awards were "World Communication Award (WCA) 2009 – Best Managed Service", by Total Telecom and "2009 Best Practices Award – Excellence in Growth", by Frost & Sullivan. The awards are an acknowledgement of the success of our customer service strategy – Striving for Service Excellence.

