CITIC 1616 HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability) Stock Code: 1883

Connecting the World
with Quality Services

Interim Report 2010

Contents

Financial Highlights

in HK$ million	Six months ended 30 June 2010	2009	Increase/ (decrease) (%)
Turnover			
Voice Services	**790.1**	842.6	(6.2%)
SMS Services	**151.4**	137.8	9.9%
Mobile VAS	**65.8**	56.3	16.9%
Data Services	**283.9**	296.8	(4.3%)
	1,291.2	1,333.5	(3.2%)
Profit attributable to equity holders of the Company	**180.1**	177.8	1.3%

in HK$ million	At 30 June 2010	At 31 December 2009	Increase/ (decrease) (%)
Total assets	**3,513.1**	2,470.3	42.2%
Shareholders' fund	**2,756.2**	1,716.9	60.5%
Cash and bank deposits	**306.9**	686.2	(55.3%)

in HK cents	Six months ended 30 June 2010	2009	Increase/ (decrease) (%)
Earnings per share			
Basic	**8.6**	9.0	(4.4%)
Diluted	**8.5**	9.0	(5.6%)
Dividends per share			
Interim dividend	**2.4**	2.4	–

Chairman's Statement

I am pleased to present the operating and financial results of the Group for the six months ended 30 June 2010. As the pace of global economic recovery has remained subdued in the first half of 2010, the global telecoms markets have experienced a very complicated and unsettled situation. Declining prices in the global voice market have posed challenges to our business. Facing such a difficult environment, the Group implemented a series of business and operational enhancement initiatives in pursuing market expansion opportunities, reducing costs as well as improving efficiency, thereby sustaining the stable development of our business.

I. FINANCIAL RESULTS

For the first half of 2010, the Group recorded a total revenue of HK$1,291.2 million, representing a decrease of 3.2% as compared to the corresponding period of the previous year. Including the profit contribution of Companhia de Telecomunicacoes de Macau, S.A.R.L. ("CTM"), net profit of the Group was HK$180.1 million, representing an increase of 1.3% as compared to the same period of last year.

Basic earnings per share for the six months ended 30 June 2010 amounted to HK8.6 cents, representing a decrease of 4.4% as compared to the corresponding period of the previous year.

The Board has declared an interim dividend of HK2.4 cents per share for 2010, the same as the corresponding period of the previous year.

II. BUSINESS DEVELOPMENT

In the face of the slowdown in global economic growth during the first half of 2010, our business, to a certain extent, has been dragged down by a falloff in business of telecoms operators at home and abroad. As such, the Group has been taking cost control measures in the first half of the year to offset the drop in the volume of voice business.

To sustain growth in our business, the Group was, subject to the market situation, on the lookout for suitable acquisition opportunities that would benefit our business development strategy. During the period, we acquired from our parent company a 20% interest in CTM. This acquisition has enabled us to expand our geographical reach and product portfolio, leveraging CTM's comprehensive range of international and domestic telephone services, mobile services, value-added services and internet and data network services, while realizing synergies with our existing business as well as creating additional value. Furthermore, we fully recognized the urgency to implement cost reduction, efficiency enhancement and revenue expansion measures. By integrating resources effectively, providing our customers integrated products and controlling cost stringently, the Group has achieved solid results. Closer ties have been developed with the PRC and international telecoms operators and corporate customers for mutually beneficial relationships with emphasis on strategic markets. The number of telecoms operators serviced by the Group increased from 477 at the end of last year to 527 at the end of June this year, as our customer base continued to expand.

In addition to the completion of our global IP international network, the Group deployed a central management system to integrate the billing and switch routing system of our overseas group companies, including Hong Kong, Los Angeles, London, New York etc. Such moves enabled us to enhance the operating efficiency of overseas businesses and the quality of our network as well as reduce our operating costs.

In the first half of the year, revenue generated from voice services amounted to HK$790.1 million, representing a decrease of 6.2% compared to the corresponding period of the previous year. A total of 4.91 billion voice traffic minutes were recorded, representing a drop of 2.8% compared to the same period of last year. Revenue generated from SMS services increased 9.9% to HK$151.4 million compared with the corresponding period of last year. The volume of SMS carried was 889.0 million messages, an increase of 11.7% compared to the corresponding period of the previous year. Revenue from our Mobile Value-added Services (VAS) business amounted to HK$65.8 million, representing an increase of 16.9% compared with the corresponding period of last year. Revenue from virtual private networks (VPN) amounted to HK$215.1 million, representing an increase of 3.1% as compared with the same period of the previous year. Revenue from other data services amounted to HK$68.8 million, representing a drop of 22.0% as compared with the same period of the previous year.

1. **Stronger cooperation with the three major telecoms operators in the PRC by adopting a proactive and positive approach**

   All the telecoms operators in China had carried out substantial preparation works on communication assurance for Expo 2010 Shanghai China, and as one of their key telecoms service partners, the Group took initiatives to comply with higher standards and requirements responsively. Through improving our network operating centre, enhancing our monitoring system and strengthening the 7x24 shift duty and the quality of our frontline customer service officers, the Group effectively safeguarded the smooth operation of our telecoms hubs for Expo 2010 Shanghai China. Our quality services as well as our proactive and positive attitude towards initiatives aiming at quality improvement have won the trust and recognition of the three major operators in the PRC, thereby preparing us for our further business growth in the future.

2. **Stable and faster growth in SMS services maintained by adopting a series of effective measures**

   With increasing competition in the global SMS market, after thoroughly assessing the needs of our customers, the Group has implemented effective marketing strategies. By improving our customer relations management, conducting effective marketing campaigns, expanding our SMS coverage for our existing customers and diversifying our customer base targeting corporate customers in particular, we have increased the volume of SMS carried. Furthermore, completion of the improvement program for our SMS global routing backup and the disaster backup program for our SMS Hubbing Services platform have enhanced the quality of our SMS network and connectivity effectively. To cope with the operational requirements of telecoms operators in the PRC, we have expanded the capacity of our SMS platform and established a new high speed packet access with the operators. As a result, stable and faster growth in SMS services has been maintained.

3. **Rapid growth in Mobile VAS contributing to substantial increase in operating efficiency**

   While initiating a new business direction for our signaling service, prepaid roaming service, single IMSI multiple number service (SIMN) and mobile roaming call back service for our existing customers, the Group has been actively prospecting for new overseas customers. As such, our Mobile VAS has grown rapidly while our operating efficiency has increased substantially. In addition to the establishment of a backup data base for our SIMN, the platform software for our SIMN has been upgraded to the latest version, which has strengthened the platform security. During the period, the Group has signed up a key customer on C2C and C2G roaming services in Indonesia, representing a meaningful breakthrough for our roaming business and would expedite our business development into the international C2C and C2G roaming market.

4. **Maintain stable revenue from our voice services by further building up overseas operations**

   Business integration of the Group's overseas companies has been one of our focuses of growth in our business, aiming at maximizing our capability to effectively explore opportunities in the global market and manage market risks, thus bolstering our competitiveness. In the first half of the year, progress has been achieved in the systematic integration and guidance of the business of our overseas companies. The improved coordination and cooperation between business and engineering operations was evidenced by successful safeguarding of our market share in the global voice services market. With active customer development in new markets, such as South America and Africa, through our overseas group companies, substantial growth in operating results for the first half of this year has been achieved compared with the same period of the previous year.

5. **Maintain stable development of our data business by adopting effective marketing plans**

   In view of negative impact of the financial tsunami on the overseas development of multinational corporations last year, CPCNet has designed a series of marketing promotions, including price reduction programmes for IP VPN users to retain existing customers and attract new customers. While the retention programs were successful, the operating returns of our data business for the first half of the year has been adversely affected by the lingering effect of price cutting.

   In addition to extension of the aggressive marketing plans into overseas markets and the bundled incentive promotions offered to meet the need of our customers with quality services, CPCNet has exercised stringent control over operating costs and enhanced operating efficiency while launching new products. As demand for higher bandwidth services, co-location services and information security have been boosted by our effective marketing campaigns; faster growth in our internet services, international private leased circuit (IPLC) services and information security services has been achieved.

6. **Management system and training programmes for employees reinforced to lay a better foundation for long-term growth in our business**

The Group has been continuously strengthening our internal management and operation systems to ensure healthy development of each of our businesses. Regular meetings have been set for routing management, network quality, overseas business development and technology and innovation to further promote communication and cooperation among all departments. Direction and coordination to the Group's overseas companies have also been enhanced. As a result of all these efforts, the operating efficiency of the Group and management of each business have been improved considerably. Enhanced training programs have been provided by external trainers and our internal training department on personal qualities and business skills for our employees. The management system and training programs have achieved remarkable success strengthening the road towards long-term expansion of our business.

III. PROSPECTS

In the second half of the year, the global economic climate appears unpredictable, but it is with certainty that the PRC telecoms market is reaching a relatively mature stage. Growth in the international business of operators is evidently slowing down and much uncertainty is lingering over the global telecoms services market. We will rationalize our market analyses, proactively respond to market dynamics and reinforce marketing programmes to sustain our business development. While trying our best to stem the decline of our voice services, the Group seeks to step up our efforts in expanding our SMS and Mobile VAS business. To ensure solid growth in our VPN and data services segments, emphasis is to be accorded to R&D and applications on new products. Meanwhile, we would continue to enhance our internal management systems and exercise stringent control over operating costs. In the second half of the year, profit from CTM is to be fully recognized which would be a relatively important source of contribution to the Group.

In the first half of the year, the efforts that our team has made in overcoming challenges posed to our voice services business should not be ignored. I would like to express my sincere gratitude on behalf of the Board, for the dedication and contributions of our management and all members of our staff.

Xin Yue Jiang
Chairman

Hong Kong, 11 August 2010

Financial Review

INTRODUCTION

This Financial Review is designed to assist the reader in understanding the statutory information by discussing the performance, and the financial position of the Group as a whole.

Pages 15 to 19 of the Interim Report contain the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement. Following these financial information, on pages 20 to 35 of the interim Report, are Notes that further explain certain figures presented in the report.

On page 36 is the report of CITIC 1616's auditor – KPMG – of their independent review of the Group's interim accounts.

BASIS OF ACCOUNTING

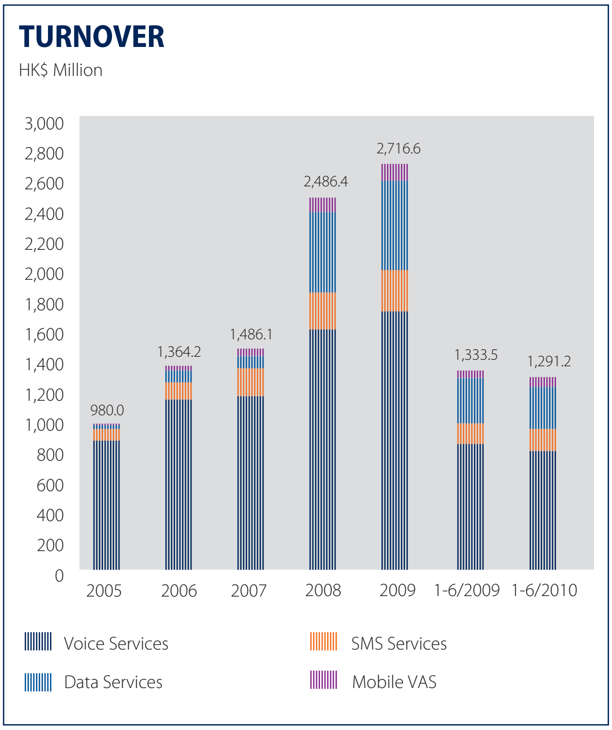
The Group prepares its financial report in accordance with generally accepted accounting standards issued by the Hong Kong Institute of Certified Public Accountants which have been converged with International Financial Reporting Standards.

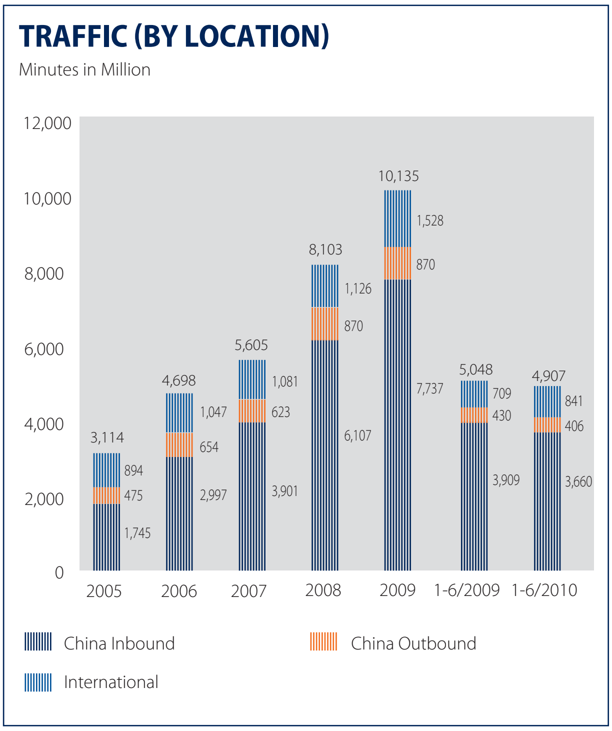
REVIEW OF FINANCIAL PERFORMANCE

Turnover

The Group's turnover for the six months ended 30 June 2010 was HK$1,291.2 million, a decrease of 3.2%, compared with HK$1,333.5 million for the same period of 2009.

Voice Services turnover decreased by HK$52.5 million or 6.2% to HK$790.1 million for the six months ended 30 June 2010. Total traffic carried by the Group for the first six months of 2010 decreased by 0.14 billion minutes or 2.8% to 4.91 billion minutes. In particular, China inbound traffic and China outbound traffic reduced by 6.4% and 5.6% to 3.66 billion minutes and 0.41 billion minutes respectively in the first half of 2010. According to June 2010 statistics published by the Ministry of Industry and Information Technology (MII) of the PRC, the China outbound traffic for fixed line and IP Telephone for the first 6 months had decreased by 8% as compared to 2009. The Group's position was in line with the market. On the other hand, despite of the unfavorable China market, the Group had handled 0.84 billion minutes International traffic, an increase of 18.6% as compared to 2009.





SMS Services turnover increased by HK$13.6 million to HK$151.4 million for the six months ended 30 June 2010, representing a 9.9% increase as compared to 2009. The Group handled 889.0 million messages for the first half of 2010, representing an increase of 11.7% as compared to 2009. During the period, the Group's continued expansion in international network coverage had successfully enabled us to secure additional traffics from existing customers to new destinations. For Hong Kong market, the Group continued to adopt flexible but effective pricing strategy to secure additional traffic. The Group's enterprise SMS product had also received good feedback from multinational companies in the region.

Mobile Value-added Services (VAS) turnover for the six months ended 30 June 2010 amounted to HK$65.8 million, representing an increase of 16.9% compared with HK$56.3 million for the same period of 2009. During the period, the Group continued to promote our MVAS products to our customers and was well received. In addition, the Group was actively promoting new products under CDMA technology and had secured our first CDMA customer in Indonesia.

Data Services comprise managed VPN services and other services such as resale of lease lines. During the period, turnover decreased by 4.3% to HK$283.9 million as compared with HK$296.8 million for 2009. The decrease was mainly due to the decrease in lease line resale revenue. VPN services turnover increased by 3.1% as compared to 2009 to HK$215.1 million. As most of the Group's VPN customers are multinational companies, in order to offset the adverse impact of the global financial crisis in Europe and North America, the Group has stepped up its marketing and sales effort in the Asia Pacific Region.

Other revenue

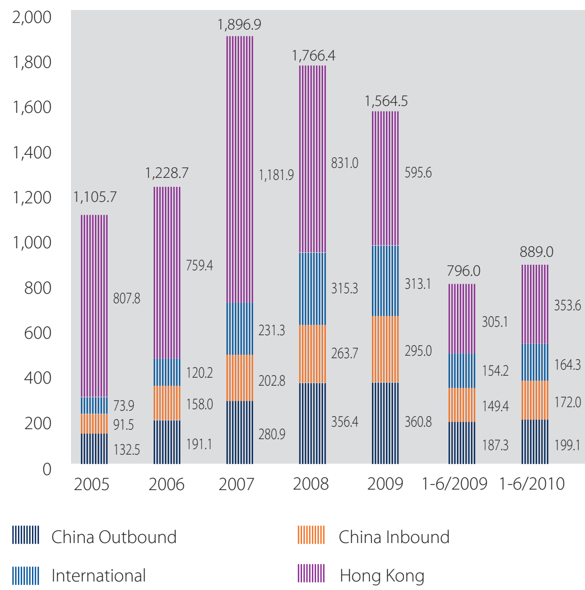
The Group's other revenue for the first half of 2010 amounted to HK$2.4 million, a decrease of HK$1.7 million as compared to the same period of 2009. The decrease was mainly due to the decline in bank interest income as a result of the decrease in bank balance and the average deposit interest rate during the review period.

Net foreign exchange loss

During the interim period, the Group's major trading currencies were the United States dollar, Hong Kong dollar and EURO. Net foreign exchange loss arose mainly from the normal trading business, funding arrangements and overseas business operations of the Group. The Group has not entered into any foreign currency hedging arrangement during the review period.

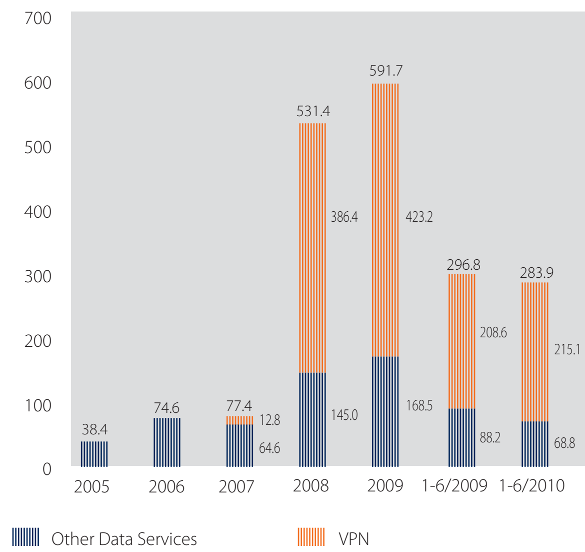
NUMBER OF SMS

Messages in Million



DATA SERVICES TURNOVER

HK$ Million



Network, operations and support expenses

In the first half of 2010, network, operations and support expenses amounted to HK$851.2 million, representing a decrease of 5.7% as compared with the same period of 2009. The decrease was in line with the decrease in turnover. In addition, the Group had further strengthened the control over its operation cost during the review period. This was evidenced by the fact that the percentage of network, operations and support expenses over turnover decreased from 67.7% for the first half of 2009 to 65.9% for the first half of 2010, representing an improvement of 1.8%.

Staff costs

Staff costs for the first six months of 2010 amounted to HK$111.1 million, representing an increase of 8.1% as compared with HK$102.8 million for the same period of 2009. The increase was mainly due to share option expense amounted to HK$8.4 million incurred in the first half of 2010. If the share option expense was excluded, the staff costs for 2010 were the same as 2009.

Other operating expenses

Other operating expenses for the first half of 2010 amounted to HK$83.6 million, representing an increase of 27.8% compared with HK$65.4 million for the corresponding period of last year. The increase was mainly due to the first time inclusion of the companies, such as ComNet (USA) LLC and ComNet Communications (Singapore) Pte. Ltd. (formerly known as Macquarie Telecom Pte. Ltd.) which were acquired in the second quarter and third quarter of 2009 respectively.

Share of profit of an associate

The amount of HK$21.7 million represented the Group's 20% share of the profit of Companhia de Telecomunicacoes de Macau, S.A.R.L. ("CTM") after the acquisition of 20% interest in CTM on 5 May 2010.

Income tax

The Group's income tax expenses decreased 20.3% from HK$36.4 million to HK$29.0 million for 2010. Effective tax rate has decreased from 17.0% in 2009 to 13.9% in 2010. If the effect of the share of profit of an associate was excluded, the effective tax rate would be 15.5% in 2010. During the period, the Group had reviewed the overall tax position and steps were taken to enable a more tax efficient model among the Group's subsidiaries.

Profit attributable to equity holders of the Company

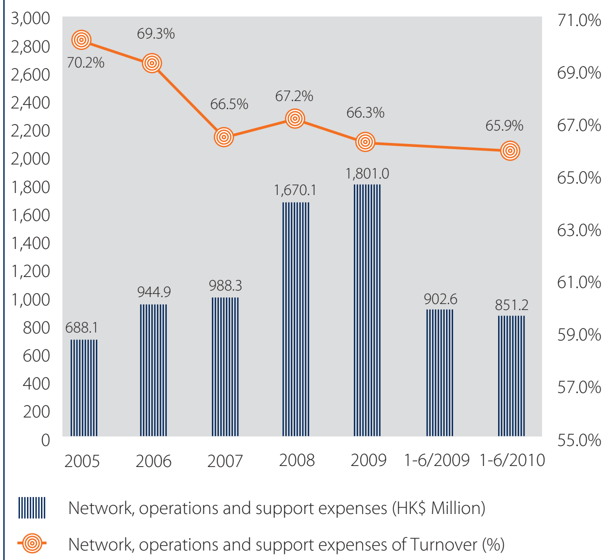
The Group recorded a net profit of HK$180.1 million for the first half of 2010, an increase of 1.3% as compared to the same period of 2009. The increase was mainly due to the first time inclusion of the contribution from CTM, which was partly offset by the share option expense.

Earnings per share ("EPS")

Basic EPS and Diluted EPS were HK8.6 cents and HK8.5 cents respectively for the first half of 2010, a decrease of 4.4% and 5.6% as compared with the same period of 2009. The decrease was mainly due to the dilution effect of the issuance of 405.8 million new shares for the acquisition of 20% interest in CTM in May 2010.

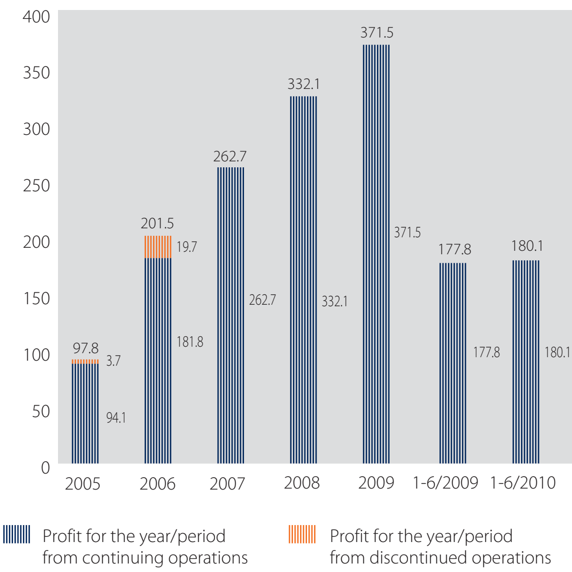
NETWORK, OPERATIONS AND SUPPORT EXPENSES

HK$ Million



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

HK$ Million

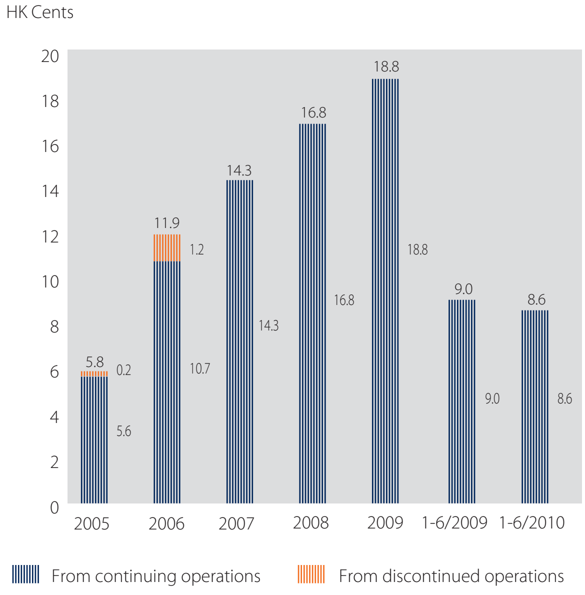


Dividend per share
An interim dividend of HK2.4 cents per share is proposed for the first half of 2010.

Capital expenditure
Capital expenditure was HK$45.9 million for the first six months of 2010, an increase of 71.3% as compared with HK$26.8 million for the same period of the previous year. The expenditure was mainly for upgrading the Group's international network system.

Acquisition of an associate
The Group has acquired 20% interest in CTM from CITIC Pacific Limited for a total consideration of HK$1,396.4 million on 5 May 2010. The total consideration includes HK$406.2 million cash consideration and HK$990.2 million payable in new shares at fair value.

BASIC EARNINGS PER SHARE



TREASURY POLICY AND RISK MANAGEMENT

General
The Group's Treasury function has primary responsibility for managing financial risks to which the Group is exposed. Financing and cash management activities are centralised to maintain a high degree of financial control and enhance risk management. The surplus fund was held as bank deposits.

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

Credit risk
Credit evaluations are performed on all customers with credit level over a certain amount. Trade receivables are due within 7 to 180 days from the date of billing. Debtors with balances over 1 year are requested to settle all outstanding balances before any further credit is granted.

The Group has a certain concentration of credit risk of the trade receivables due from the Group's five largest customers who accounted for approximately 43% and 44% of the Group's total trade receivables at 30 June 2010 and 31 December 2009 respectively. The credit risk exposure to trade receivables balance has been and will be monitored by the Group on an ongoing basis and the impairment loss on bad and doubtful debts has been within management's expectations.

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 period, the Group paid HK$410.1 million cash for the CTM acquisition and HK$49.9 million for fixed assets. In addition, the Group paid the 2009 final dividends of HK$140.4 million during the interim period for returning the profits to its shareholders. Operating cash inflow of HK$221.8 million was recorded for the first half of 2010. The Group's cash and cash equivalents has decreased by HK$379.3 million to HK$305.1 million at 30 June 2010 compared to HK$684.4 million at 31 December 2009.

Currency Portfolio

The original denomination of the Group's cash and bank deposits by currencies at 30 June 2010 is summarised as follows:

		Denomination			
HK$ million equivalent	HK$	US$	EURO	Others	Total
Cash and bank deposits	141.6	133.9	8.2	23.2	306.9
Percentage of total amount	46.1%	43.6%	2.7%	7.6%	100.0%

The Group maintained currencies other than Hong Kong dollar and United States dollar at the balance sheet date to meet the business needs in different regions.

Borrowings

At 30 June 2010, the Group had no outstanding borrowing.

Banking facilities

At 30 June 2010, the Group had banking facilities amounting to SG$0.6 million, US$3.85 million and HK$100.0 million (equivalent to a total of HK$133.3 million). About HK$3.3 million of these facilities was required to be secured by pledged deposits.

Of the total banking facilities, approximately HK$11.2 million was utilized as guarantees for the Group's purchases from telecoms operators, performance to customers, and rental deposits.

Securities and guarantees

At 30 June 2010, the Group pledged SG$85,000 and US$170,000 (equivalent to a total of HK$1.8 million) of fixed deposits to secure its banking facilities. The Group had not created any other security over its assets and had not provided any corporate guarantee.

Contingent liabilities

At 30 June 2010, the Group did not have any contingent liability.

Capital commitments

At 30 June 2010, the Group had outstanding capital commitments of HK$51.5 million, mainly for the acquisition of network equipment which had yet to be delivered to the Group and the new office renovation cost, of which HK$48.2 million were outstanding contractual capital commitments and HK$3.3 million were capital commitments authorized but for which contracts had yet to be entered into.

FORWARD LOOKING STATEMENTS

This Interim Report 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.

Forward looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward looking statement.

Human Resources

As at the end of June 2010, the Group employed 499 staff in its headquarters of Hong Kong and its subsidiaries. The distribution of the employees will be: Hong Kong 406, Mainland China 11, Taiwan 18, Singapore 32, Japan 5, USA 17, Canada 9 and UK 1.

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

To ensure that overall compensation 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 of 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 recognized by the Group as an important contributor to the well being of employees and their work efficiency. The Group has implemented the 5-day work. The Group held the staff activity for helping employee relax. It would enhance mutual communication and maintain positive atmosphere.

The Group actively promotes a culture of open communication. Through employee team meetings with Corporate Management and employee suggestion box, employees could directly express ideas and concerns to the management.

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

Financial Statements

INTERIM RESULTS

The board of directors (the "Board") of CITIC 1616 Holdings Limited (the "Company") present herewith the unaudited consolidated income statement, unaudited consolidated statement of comprehensive income, unaudited consolidated statement of changes in equity and unaudited consolidated cash flow statement of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2010 and the unaudited consolidated balance sheet of the Group at 30 June 2010, together with the comparative figures for the six months ended 30 June 2009 and at 31 December 2009 respectively.

Consolidated Income Statement

for the six months ended 30 June 2010
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2010 (Unaudited) $'000	2009 (Unaudited) $'000
Turnover	*4*	**1,291,209**	1,333,541
Other revenue	*5*	**2,421**	4,122
Other net (loss)/gain	*6*	**(1,944)**	778
		1,291,686	1,338,441
Network, operations and support expenses	*7(b)*	**(851,191)**	(902,586)
Depreciation and amortisation		**(58,396)**	(52,148)
Staff costs	*7(a)*	**(111,065)**	(102,796)
Other operating expenses		**(83,613)**	(65,420)
Profit from operations		**187,421**	215,491
Share of profit/(loss) of associates	*11*	**21,694**	(1,323)
Profit before taxation	*7*	**209,115**	214,168
Income tax	*8*	**(28,992)**	(36,386)
Profit attributable to equity holders of the Company for the period		**180,123**	177,782
Earnings per share (HK cents)	*9*		
Basic		**8.6**	9.0
Diluted		**8.5**	9.0

The notes on pages 20 to 35 form part of this interim financial report. Details of dividends payable to equity holders of the Company are set out in note 15(a).

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2010
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	$'000	$'000
Profit for the period	**180,123**	177,782
Other comprehensive income for the period (after tax)		
Exchange differences on translation of financial statements of overseas subsidiaries	**1,043**	(2,093)
Total comprehensive income for the period attributable to equity holders of the Company	**181,166**	175,689

The notes on pages 20 to 35 form part of this interim financial report.

Consolidated Balance Sheet

at 30 June 2010

(Expressed in Hong Kong dollars)

	Note	30 June 2010 (Unaudited) $'000	31 December 2009 (Audited) $'000
Non-current assets			
Property, plant and equipment	*10*	**533,211**	541,691
Intangible assets		**51,190**	55,232
Goodwill		**277,747**	277,419
Interest in an associate	*11*	**1,421,962**	–
Non-current other receivables	*12*	**16,853**	21,481
Deferred tax assets		**11,360**	14,284
		2,312,323	910,107
Current assets			
Trade and other receivables	*12*	**890,487**	871,297
Current tax recoverable		**3,348**	2,704
Cash and bank deposits	*13(a)*	**306,930**	686,190
		1,200,765	1,560,191
Current liabilities			
Trade and other payables	*14*	**674,071**	676,673
Current tax payable		**46,983**	38,396
		721,054	715,069
Net current assets		**479,711**	845,122
Total assets less current liabilities		**2,792,034**	1,755,229
Non-current liabilities			
Deferred tax liabilities		**35,811**	38,289
		35,811	38,289
NET ASSETS		**2,756,223**	1,716,940
CAPITAL AND RESERVES			
Share capital	*15(b)*	**238,356**	197,773
Reserves		**2,517,867**	1,519,167
TOTAL EQUITY		**2,756,223**	1,716,940

The notes on pages 20 to 35 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2010
(Expressed in Hong Kong dollars)

		Attributable to equity holders of the Company						
	Note	**Share capital** (Unaudited) $'000	**Share premium** *(Note 15(c))* (Unaudited) $'000	**Capital reserve** (Unaudited) $'000	**Capital redemption reserve** *(Note 15(c))* (Unaudited) $'000	**Exchange reserve** (Unaudited) $'000	**Retained profits** (Unaudited) $'000	**Total** (Unaudited) $'000
Balance at 1 January 2009		197,773	629,517	10,464	2,034	(866)	678,788	1,517,710
Changes in equity for the six months ended 30 June 2009:								
Total comprehensive income for the period		–	–	–	–	(2,093)	177,782	175,689
Dividends approved in respect of the previous financial year	*15(a)(ii)*	–	–	–	–	–	(126,574)	(126,574)
Balance at 30 June 2009 and 1 July 2009		197,773	629,517	10,464	2,034	(2,959)	729,996	1,566,825
Changes in equity for the six months ended 31 December 2009:								
Equity-settled share-based transactions		–	–	4,872	–	–	–	4,872
Release upon lapse of share options		–	–	(207)	–	–	207	–
Total comprehensive income for the period		–	–	–	–	(1,036)	193,745	192,709
Dividends declared and paid in respect of the current year	*15(a)(i)*	–	–	–	–	–	(47,466)	(47,466)
Balance at 31 December 2009		197,773	629,517	15,129	2,034	(3,995)	876,482	1,716,940
Balance at 1 January 2010		**197,773**	**629,517**	**15,129**	**2,034**	**(3,995)**	**876,482**	**1,716,940**
Changes in equity for the six months ended 30 June 2010:								
Shares issued for acquisition of an associate	*15(b)(ii)*	**40,583**	**949,603**	**–**	**–**	**–**	**–**	**990,186**
Equity-settled share-based transactions		**–**	**–**	**8,350**	**–**	**–**	**–**	**8,350**
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**1,043**	**180,123**	**181,166**
Dividends approved in respect of the previous financial year	*15(a)(ii)*	**–**	**–**	**–**	**–**	**–**	**(140,419)**	**(140,419)**
Balance at 30 June 2010		**238,356**	**1,579,120**	**23,479**	**2,034**	**(2,952)**	**916,186**	**2,756,223**

The notes on pages 20 to 35 form part of this interim financial report.

Consolidated Cash Flow Statement

for the six months ended 30 June 2010
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2010 (Unaudited) $'000	2009 (Unaudited) $'000
Operating activities			
Cash generated from operations	*13(b)*	**242,349**	248,305
Hong Kong Profits Tax paid		**(17,842)**	(10,011)
Overseas Tax paid		**(2,849)**	(1,307)
Overseas Tax refunded		**150**	–
Net cash generated from operating activities		**221,808**	236,987
Investing activities			
Payment for the purchase of property, plant and equipment		**(49,891)**	(42,848)
Payment for acquisition of an associate	*11*	**(410,082)**	–
Payment for acquisition of a subsidiary (net of cash and cash equivalents acquired)	*17*	**–**	(25,519)
Interest received		**745**	4,571
Increase in bank deposits with original maturities of over three months		**–**	(55,704)
Net cash used in investing activities		**(459,228)**	(119,500)
Financing activities			
Dividends paid to equity holders of the Company		**(140,419)**	(126,574)
Net cash used in financing activities		**(140,419)**	(126,574)
Net decrease in cash and cash equivalents		**(377,839)**	(9,087)
Cash and cash equivalents at 1 January		**684,397**	794,988
Effect of foreign exchange rate changes		**(1,424)**	(143)
Cash and cash equivalents at 30 June	*13(a)*	**305,134**	785,758

The notes on pages 20 to 35 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

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"). It was authorised for issue on 11 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in the accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009 annual financial statements. The consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company and by the auditors, 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. KPMG's independent review report to the Board is included on page 36.

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2009 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 11 February 2010.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 3 (revised 2008), *Business combinations*
- Amendments to HKAS 27, *Consolidated and separate financial statements*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The above developments resulted in changes in accounting policies but none of these changes in policies have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3 and HKAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination) and there is no requirement to restate the amounts recorded in respect of previous such transactions.
- The impact of the amendments to HKFRS 3 (in respect of recognition of an acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

  – Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

  – In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

  In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

- As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

  – If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity holders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transaction. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity holders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transaction. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

  In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in the current or future periods and therefore previous periods have not been restated.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

- In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28, *Investments in associates*, the following policies are applied as from 1 January 2010:

  – If the Group holds interests in the acquiree immediately prior to obtaining significant influence, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – If the Group loses significant influence, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if re-acquired. Previously such transactions were treated as partial disposals.

  Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in the current or future periods and therefore previous periods have not been restated.

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

- As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

3 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.

(a) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets and current assets with the exception of interest in an associate, 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.

Revenue and expenses are allocated to the reportable segments 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.

Revenue generated from the telecommunications segment includes the fees derived from the provision of voice services; provision of short message services; and provision of other telecommunications services. Revenue from the provision of these services to state-controlled 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 $509,649,000 for the six months ended 30 June 2010 (2009: $581,373,000).

3 SEGMENT REPORTING (Continued)

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	$'000	$'000
Profit		
Reportable segment profit	**188,396**	213,991
Share of profit/(loss) of associates	**21,694**	(1,323)
Unallocated other revenue	**2,421**	4,122
Unallocated head office and corporate expenses	**(3,396)**	(2,622)
Consolidated profit before tax	**209,115**	214,168

	30 June	31 December
	2010	2009
	(Unaudited)	(Audited)
	$'000	$'000
Assets		
Reportable segment assets	**2,076,418**	2,453,310
Interest in an associate	**1,421,962**	–
Current tax recoverable	**3,348**	2,704
Deferred tax assets	**11,360**	14,284
Consolidated total assets	**3,513,088**	2,470,298

	30 June	31 December
	2010	2009
	(Unaudited)	(Audited)
	$'000	$'000
Liabilities		
Reportable segment liabilities	**674,071**	676,673
Current tax payable	**46,983**	38,396
Deferred tax liabilities	**35,811**	38,289
Consolidated total liabilities	**756,865**	753,358

4 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:

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	$'000	$'000
Fees from the provision of voice services	**790,091**	842,615
Fees from the provision of short message services	**151,353**	137,781
Fees from the provision of other telecommunications services	**349,765**	353,145
	1,291,209	1,333,541

5 OTHER REVENUE

	Six months ended 30 June 2010 (Unaudited) $'000	2009 (Unaudited) $'000
Bank interest income	**405**	3,891
Other interest income	**337**	231
Total interest income	**742**	4,122
Rental receivable from operating leases	**1,679**	–
	2,421	4,122

6 OTHER NET (LOSS)/GAIN

	Six months ended 30 June 2010 (Unaudited) $'000	2009 (Unaudited) $'000
Loss on disposal of property, plant and equipment	**(69)**	(228)
Net foreign exchange (loss)/gain	**(1,875)**	1,006
	(1,944)	778

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June 2010 (Unaudited) $'000	2009 (Unaudited) $'000
(a) Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	**98,948**	99,640
Contributions to defined contribution retirement plans	**3,767**	3,156
Equity settled share-based payment expenses	**8,350**	–
	111,065	102,796
(b) Other items:		
Network, operations and support expenses, including:	**851,191**	902,586
– carrier costs	**657,710**	716,243
– operating leases – leased circuits	**97,354**	81,798
– other telecommunications service costs	**96,127**	104,545
Depreciation	**54,209**	49,298
Amortisation	**4,187**	2,850
Impairment losses on trade and other receivables	**5,490**	2,363
Operating lease charges in respect of land and buildings	**24,290**	24,506

Notes to the Unaudited Interim Financial Report
(Expressed in Hong Kong dollars)

8 INCOME TAX

	Six months ended 30 June 2010 (Unaudited) $'000	2009 (Unaudited) $'000
Current tax – Hong Kong Profits Tax		
Provision for the period	**26,930**	31,638
Under-provision in respect of prior years	**–**	145
	26,930	31,783
Current tax – Overseas		
Provision for the period	**1,793**	2,433
Over-provision in respect of prior years	**(150)**	–
	1,643	2,433
Deferred tax		
Origination and reversal of temporary differences	**419**	2,170
	419	2,170
	28,992	36,386

The provision for Hong Kong Profits Tax for the six months ended 30 June 2010 is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the period.

Taxation for overseas subsidiaries is calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

9 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 2010 of $180,123,000 (six months ended 30 June 2009: $177,782,000) and the weighted average number of 2,105,533,000 ordinary shares (2009: 1,977,731,000 shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity holders of the Company of $180,123,000 and the weighted average number of ordinary shares of 2,107,371,000, after adjusting for the deemed issue of shares under the Company's share option plan.

There were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2009.

10 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2010, the Group acquired items of property, plant and equipment with total costs of $45,855,000 (six months ended 30 June 2009: $36,506,000, including $9,697,000 through acquisition of a subsidiary). Items of property, plant and equipment with net book value of $69,000 were disposed of during the six months ended 30 June 2010 (six months ended 30 June 2009: $5,030,000), resulting in a loss on disposal of $69,000 (six months ended 30 June 2009: $228,000).

11 INTEREST IN AN ASSOCIATE

	30 June 2010 (Unaudited) $'000	31 December 2009 (Audited) $'000
Share of net assets (including share of profit of an associate)	570,524	–
Goodwill	851,438	–
	1,421,962	–

On 5 May 2010, the Group acquired 20% equity interest in Companhia de Telecomunicacoes de Macau, S.A.R.L. ("CTM") from its intermediate holding company, CITIC Pacific Limited, for a consideration of $1,396,354,000. The consideration was satisfied by $406,138,000 in cash and $990,216,000 by the issue of the Company's shares.

The fair values assigned to CTM's identifiable assets, liabilities and contingent liabilities were determined provisionally to be $548,830,000 as of the date of acquisition. However, due to the short period that has elapsed since that date, as of the interim reporting date the process of obtaining the information necessary to identify and measure the fair values of the identifiable assets, liabilities and contingent liabilities as of the acquisition date is not yet complete and therefore these fair values may be subject to further adjustment. Management expects to complete this exercise before 31 December 2010.

Set out below are the particulars of the associate:

			Proportion of ownership interest		
Name of associate	Place of incorporation/ operation	Issued and fully paid up capital	Group's effective interest	Held by the Company	Principal activity
Companhia de Telecomunicacoes de Macau, S.A.R.L.	Macau	150,000 shares of MOP1,000 each	20%	20%	Provision of telecommunications services

Summary of financial information on the associate:

	At 30 June 2010			For the period from 5 May 2010 (Date of acquisition of CTM) to 30 June 2010	
	Assets (Unaudited) $'000	Liabilities (Unaudited) $'000	Equity (Unaudited) $'000	Revenue (Unaudited) $'000	Profit/ (loss) (Unaudited) $'000
100 per cent	3,726,496	873,876	2,852,620	444,964	108,469
Group's effective interest	745,299	174,775	570,524	88,993	21,694

Share of loss of an associate for the six months ended 30 June 2009 represented the Group's 49% share of the loss of ComNet (USA) LLC, which became a subsidiary in May 2009.

12 TRADE AND OTHER RECEIVABLES

	30 June 2010 (Unaudited) $'000	31 December 2009 (Audited) $'000
Trade debtors	**831,575**	817,848
Less: allowance for doubtful debts	**(30,526)**	(25,203)
	801,049	792,645
Other receivables	**106,291**	100,133
	907,340	892,778
Represented by:		
Non-current portion	**16,853**	21,481
Current portion	**890,487**	871,297
	907,340	892,778

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

	30 June 2010 (Unaudited) $'000	31 December 2009 (Audited) $'000
Within 1 year	**732,272**	675,631
Over 1 year	**99,303**	142,217
	831,575	817,848

Credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 7 to 180 days from the date of billing. Debtors with balances over 1 year are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

13 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	30 June 2010 (Unaudited) $'000	31 December 2009 (Audited) $'000
Cash at bank and in hand	**152,789**	185,725
Deposits with banks	**154,141**	500,465
Cash and bank deposits	**306,930**	686,190
Less: pledged deposits *	**(1,796)**	(1,793)
Cash and cash equivalents	**305,134**	684,397

Included in cash and cash equivalents are $25,000,000 (31 December 2009: $25,000,000) which were placed in a financial institution in The People's Republic of China ("the PRC") and the remittance of these funds out of Mainland China is subject to exchange restrictions imposed by the PRC government.

* At 30 June 2010 and 31 December 2009, certain bank deposits were pledged to secure general banking facilities provided to the Group.

(b) Reconciliation of profit before taxation to cash generated from operations:

	Six months ended 30 June	
	2010 (Unaudited) $'000	2009 (Unaudited) $'000
Profit before taxation	**209,115**	214,168
Adjustments for:		
– Depreciation and amortisation	**58,396**	52,148
– Loss on disposal of property, plant and equipment	**69**	228
– Share of (profit)/loss of associates	**(21,694)**	1,323
– Interest income	**(742)**	(4,122)
– Equity-settled share-based payment expenses	**8,350**	–
– Foreign exchange loss /(gain)	**1,986**	(1,903)
Changes in working capital:	**255,480**	261,842
(Increase)/decrease in trade and other receivables	**(14,565)**	31,390
Increase/(decrease) in trade and other payables	**1,434**	(41,763)
Decrease in amount due from an associate	**–**	73
Decrease in amount due to an associate	**–**	(3,237)
Cash generated from operations	**242,349**	248,305

14 TRADE AND OTHER PAYABLES

	30 June 2010 (Unaudited) $'000	31 December 2009 (Audited) $'000
Trade creditors	**543,110**	531,778
Other payables and accruals	**130,961**	144,895
	674,071	676,673

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

	30 June 2010 (Unaudited) $'000	31 December 2009 (Audited) $'000
Within 1 year	**405,762**	385,045
Over 1 year	**137,348**	146,733
	543,110	531,778

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	Six months ended 30 June	
	2010 (Unaudited) $'000	2009 (Unaudited) $'000
Interim dividend declared and paid after the interim period, of 2.4 cents per share (2009: 2.4 cents per share)	**57,205**	47,466

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

15 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(a) Dividends (Continued)

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

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of 7.1 cents per share (six months ended 30 June 2009: 6.4 cents per share)	**140,419**	126,574

(b) Share capital

	Note	2010 No. of shares	2010 Amount $'000	2009 No. of shares	2009 Amount $'000
Authorised:					
Ordinary shares of $0.1 each		**5,000,000,000**	**500,000**	5,000,000,000	500,000
Issued and fully paid:					
At 1 January	*(i)*	**1,977,731,283**	**197,773**	1,977,731,283	197,773
Allotment	*(ii)*	**405,826,087**	**40,583**	–	–
At 30 June/31 December	*(i)*	**2,383,557,370**	**238,356**	1,977,731,283	197,773

Notes:

(i) Holders of ordinary shares are entitled to receive dividends as declared from time to time and every member shall have one vote per share on a poll at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Pursuant to an agreement dated 11 February 2010, the Company agreed to acquire a 20% equity interest in CTM and as part of the consideration, the Company allotted 405,826,087 shares of the Company to the vendor. At the completion date on 5 May 2010, the fair value of the Company's share was $2.44 per share. The difference between the fair value (after deduction of share issue expenses) and the par value of the issued shares of $949,603,000 was included in share premium.

15 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share premium and capital redemption reserve

The application of the share premium account and the capital redemption reserve is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

Capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the distributable reserve of the Company.

(d) Equity settled share-based transactions

Since adoption of the Company's share option plan ("CITIC 1616 Plan"), the Company has granted two lots of share options on 23 May 2007 and 17 September 2009 respectively.

On 23 May 2007, options to subscribe for a total of 18,720,000 shares ("the First Lot") were granted to employees, directors and non-executive directors of the Company or any subsidiary under the CITIC 1616 Plan. A sum of $1 was payable by the grantee to the Company on acceptance of the offer of the option. Each option gives the holder the right to subscribe for one ordinary share of $0.1 each of the Company. These share options vested on 23 May 2007 and then will be exercisable until 22 May 2012. The exercise price is $3.26 per share, being the closing price of the Company's ordinary shares on the date of grant of the First Lot.

On 17 September 2009, options to subscribe for a total of 35,825,000 shares ("the Second Lot") were granted to employees, directors and non-executive directors of the Company or any subsidiary under the CITIC 1616 Plan. A sum of $1 was payable by the grantee to the Company on acceptance of the offer of the option. Each option gives the holder the right to subscribe for one ordinary share of $0.1 each of the Company. The first 50% of the Second Lot is exercisable from 17 September 2010 to 16 September 2015 and the remaining 50% of the Second Lot is exercisable from 17 September 2011 to 16 September 2016. The exercise price is $2.10 per share, being the closing price of the Company's ordinary shares on the date of grant of the Second Lot.

No options were exercised during the six months ended 30 June 2010 (2009: Nil). During the six months ended 30 June 2010, options for 1,155,000 shares have lapsed (2009: Nil).

16 CAPITAL COMMITMENTS OF THE GROUP OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	30 June 2010 (Unaudited) $'000	31 December 2009 (Audited) $'000
Contracted for	**48,193**	28,706
Authorised but not contracted for	**3,349**	9,766

17 ACQUISITION OF A SUBSIDIARY

In May 2009, the Group acquired the remaining 51% equity interest in CM Tel (USA) LLC (renamed as ComNet (USA) LLC in July 2009) ("CN USA") at a consideration of $26,009,000 and CN USA became a wholly owned subsidiary of the Group. The transaction resulted in CN USA ceasing to be an associate and becoming a subsidiary of the Group in May 2009.

CN USA is engaged in providing wholesale and retail international direct dialing (IDD) services. The fair value of net assets recognised at the acquisition date was $3,998,000. The acquired company contributed an aggregate revenue of $28,556,000 and aggregate net loss of $1,380,000 to the Group's profit for that period since acquisition. The effect on the revenue and net loss of the acquired entity as if the acquisition had occurred at the beginning of that period to the Group were an increase in revenue and net loss of $78,830,000 and $2,685,000 respectively.

The acquisition had the following effect on the Group's assets and liabilities:

	Acquiree's carrying amount before combination $'000	**Fair value adjustments** $'000	**Fair value** $'000
Property, plant and equipment *(note 10)*	9,697	–	9,697
Intangible assets	–	8,560	8,560
Trade and other receivables	52,049	–	52,049
Current tax recoverable	3,003	–	3,003
Cash and bank deposits	490	–	490
Trade and other payables	(62,366)	–	(62,366)
Deferred tax liabilities	–	(3,595)	(3,595)
Net identifiable assets and liabilities	2,873	4,965	7,838
Share of net assets immediately prior to the acquisition			(3,840)
			3,998
Goodwill on acquisition *(note)*			22,011
			26,009

	$'000
Satisfied by:	
Cash paid	26,009
Cash and cash equivalents acquired	490
Cash consideration paid	(26,009)
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(25,519)

Note: Goodwill has arisen on the acquisition of the wholesale and retail international direct dial (IDD) business, which has established a service network with coverage across the United States of America, and the synergies expected to be achieved from integrating the subsidiaries into the Group's existing businesses.

18 RELATED PARTY TRANSACTIONS

(a) Transactions with the intermediate holding company, CITIC Pacific Limited, and its affiliates and an associate of the Group

(i) Recurring transactions

	Note	Six months ended 30 June **2010** **(Unaudited)** **$'000**	 2009 (Unaudited) $'000
Telecommunications services and related income from:			
– CTM	*(1)*	**4,377**	5,583
– ComNet (USA) LLC	*(2)*	**–**	24,364
Telecommunications service expenses to:			
– CTM		**1,629**	1,901
– ComNet (USA) LLC		**–**	19,014
Professional fee payable to CITIC Pacific Limited	*(3)*	**1,250**	950
Operating lease charges and building management fee, air conditioning charges and car parking space rental arrangement with Goldon Investment Limited	*(4)*	**12,834**	12,804
Building management fee and air conditioning charges payable to Broadway Centre Property Management Company Limited	*(5)*	**879**	–
Management fee paid to a wholly-owned subsidiary of the minority shareholder		**500**	500

Notes:

(1) CTM is an associate of the Group (previously was an associate of CITIC Pacific Limited).

(2) ComNet (USA) LLC (formerly known as CM Tel (USA) LLC) was an associate of the Group previously and became a wholly-owned subsidiary of the Group since May 2009.

(3) Professional fee was paid/payable to CITIC Pacific Limited for the provision of internal audit and company secretarial services.

(4) Goldon Investment Limited (an associate of CITIC Pacific Limited) leases certain properties in Hong Kong to the Group under an operating lease. The amount represents the lease charges, building management fees, air conditioning charges and car parking spaces rental paid to Goldon Investment Limited.

(5) Broadway Centre Property Management Company Limited (a wholly-owned subsidiary of CITIC Pacific Limited) provides building management services to the Group. The amount represents the building management fees and air conditioning charges paid to Broadway Centre Property Management Company Limited.

(ii) Non-recurring transactions

	Six months ended 30 June **2010** **(Unaudited)** **$'000**	 2009 (Unaudited) $'000
Acquisition of 20% equity interest in CTM from CITIC Pacific Limited	**1,396,354**	–

18 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with the intermediate holding company, CITIC Pacific Limited, and its affiliates and an associate of the Group (Continued)

(iii) Trade and other receivables/(trade and other payables)

	30 June 2010 (Unaudited) $'000	31 December 2009 (Audited) $'000
Amount due from/(to) CTM included in		
– Trade and other receivables	**3,130**	14,580
– Trade and other payables	**(1,686)**	(6,153)
	1,444	8,427

(b) Transactions with other state-controlled entities in the PRC

Other than those transactions with CITIC Pacific Limited and its affiliates and the associate of the Group as disclosed above, the Group conducts certain business activities with other state-controlled entities which include but are not limited to the following:

– Sales and purchase of goods and ancillary materials;

– Rendering and receiving services;

– Ancillary and social services;

– Purchase of property, plant and equipment; and

– Financial services arrangements.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are state-controlled entities or not.

Having considered the potential for transactions to be impacted by related party relationships, the Group's buying, pricing strategy and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions with other state-controlled entities require disclosure:

(i) Transactions with other state-controlled entities including state-controlled banks in the PRC

	Six months ended 30 June	
	2010 (Unaudited) $'000	2009 (Unaudited) $'000
Interest income	**185**	3,024
Fees from provision of telecommunications services	**505,272**	551,426
Fees for network, operations and support services	**(320,968)**	(298,714)

18 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with other state-controlled entities in the PRC (Continued)

(ii) Balances with other state-controlled entities, including state-controlled banks in the PRC

	30 June 2010 (Unaudited) $'000	31 December 2009 (Audited) $'000
Bank deposits	**66,138**	251,282
Trade debtors	**409,472**	342,838
Trade creditors	**(206,289)**	(162,307)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors are as follows:

	Six months ended 30 June	
	2010 (Unaudited) $'000	2009 (Unaudited) $'000
Short-term employee benefits	**5,870**	5,791
Equity settled share-based payment expenses	**1,569**	–
Post-employment benefits	**173**	169
	7,612	5,960

19 NON-ADJUSTING POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the directors proposed an interim dividend. Further details are disclosed in note 15(a) (i).

20 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 30 JUNE 2010

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 30 June 2010 and which have not been adopted in this interim financial report.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the following developments are expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

		Effective for accounting periods beginning on or after
Revised HKAS 24	Related party disclosures	1 January 2011
Consequential amendment to HKFRS 8	Operating segments	1 January 2011

Independent Review Report

Independent review report to the board of directors of
CITIC 1616 Holdings Limited
(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 15 to 35 which comprise the consolidated balance sheet of CITIC 1616 Holdings Limited (the "Company") as of 30 June 2010 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2010 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

11 August 2010

Statutory Disclosure

DIVIDEND AND CLOSURE OF REGISTER

The Directors have declared an interim dividend of HK2.4 cents (2009: HK2.4 cents) per share for the year ending 31 December 2010 payable on Wednesday, 8 September 2010 to shareholders whose names appear on the Register of Members of the Company on Friday, 3 September 2010. The Register of Members of the Company will be closed from Monday, 30 August 2010 to Friday, 3 September 2010, 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, 27 August 2010.

SHARE OPTION PLAN

Under the share option plan of the Company ("the Plan") adopted on 17 May 2007, the Board may offer to grant an option over the Company's shares to any person employed by the Company or any subsidiary and any person who is an officer or director (whether executive or non-executive) of the Company or any subsidiary as the Board may in its absolute discretion select. HK$1.00 is payable by the grantee to the Company on acceptance of the offer of the option. The subscription price determined by the Board will not be less than the higher of (i) the closing price of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares. The maximum number of shares over which options may be granted under the Plan must not exceed 10% of (i) the shares of the Company in issue from time to time; or (ii) the shares of the Company in issue as at the date of adopting the Plan, whichever is the lower.

Since the adoption of the Plan, the Company has granted two lots of share options:

Date of grant	Number of share options	Exercise period	Exercise price HK$
23 May 2007	18,720,000	23 May 2007 to 22 May 2012	3.26
17 September 2009	17,912,500	17 September 2010 to 16 September 2015	2.10
17 September 2009	17,912,500	17 September 2011 to 16 September 2016	2.10

All options granted were accepted except for options for 115,000 shares granted on 17 September 2009. None of the share options granted under the Plan were exercised or cancelled but options for 1,155,000 shares have lapsed during the six months ended 30 June 2010. No further options were granted during the six months ended 30 June 2010.

Statutory Disclosure

SHARE OPTION PLAN (Continued)

A summary of the movements of the share options during the six months ended 30 June 2010 is as follows:

A. Directors of the Company

Name of director	Date of grant	Exercise price HK$	Exercise period	Number of Share Options: Balance as at 1.1.2010	Number of Share Options: Balance as at 30.6.2010	Percentage to the issued share capital %
Xin Yue Jiang	17.9.2009	2.10	17.9.2010 – 16.9.2015	900,000	900,000	0.076
	17.9.2009	2.10	17.9.2011 – 16.9.2016	900,000	900,000	
					1,800,000	
Yuen Kee Tong	23.5.2007	3.26	23.5.2007 – 22.5.2012	2,500,000	2,500,000	0.172
	17.9.2009	2.10	17.9.2010 – 16.9.2015	800,000	800,000	
	17.9.2009	2.10	17.9.2011 – 16.9.2016	800,000	800,000	
					4,100,000	
David Chan Tin Wai	23.5.2007	3.26	23.5.2007 – 22.5.2012	1,845,000	1,845,000	0.136
	17.9.2009	2.10	17.9.2010 – 16.9.2015	700,000	700,000	
	17.9.2009	2.10	17.9.2011 – 16.9.2016	700,000	700,000	
					3,245,000	
Kwok Man Leung	17.9.2009	2.10	17.9.2010 – 16.9.2015	150,000	150,000	0.013
	17.9.2009	2.10	17.9.2011 – 16.9.2016	150,000	150,000	
					300,000	
Yang Xianzu	23.5.2007	3.26	23.5.2007 – 22.5.2012	300,000	300,000	0.025
	17.9.2009	2.10	17.9.2010 – 16.9.2015	150,000	150,000	
	17.9.2009	2.10	17.9.2011 – 16.9.2016	150,000	150,000	
					600,000	
Liu Li Qing	23.5.2007	3.26	23.5.2007 – 22.5.2012	300,000	300,000	0.025
	17.9.2009	2.10	17.9.2010 – 16.9.2015	150,000	150,000	
	17.9.2009	2.10	17.9.2011 – 16.9.2016	150,000	150,000	
					600,000	
Gordon Kwong Che Keung	23.5.2007	3.26	23.5.2007 – 22.5.2012	300,000	300,000	0.025
	17.9.2009	2.10	17.9.2010 – 16.9.2015	150,000	150,000	
	17.9.2009	2.10	17.9.2011 – 16.9.2016	150,000	150,000	
					600,000	

SHARE OPTION PLAN (Continued)

B. Employees of the Company working under continuous contracts (as defined in the Employment Ordinance), other than the Directors

		Number of Share Options		
Date of grant	Exercise price HK$	Balance as at 1.1.2010	Exercised/cancelled/ lapsed during the 6 months ended 30.6.2010	Balance as at 30.6.2010
23.5.2007	3.26	9,620,000	–	9,620,000
17.9.2009	2.10	29,410,000	1,155,000 *(Note 1)*	28,255,000

Note 1: These are in respect of options granted to former employees under continuous contracts, who had resigned in 2009 and 2010. The options had lapsed during the six months ended 30 June 2010.

DIRECTORS' INTERESTS IN SECURITIES

The interests of the Directors in shares of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as at 30 June 2010 as recorded in the register required to be kept under section 352 of the SFO were as follows:

1. Shares in the Company and Associated Corporation

	Number of Shares	
	Personal interests unless otherwise stated	Percentage to the issued share capital %
CITIC 1616 Holdings Limited		
Yuen Kee Tong	500,000	0.0210
David Chan Tin Wai	2,000	0.0001
CITIC Pacific Limited ("CITIC Pacific"), an associated corporation		
Yuen Kee Tong	1,033,000	0.0283
David Chan Tin Wai	40,000	0.0011
Yang Xianzu	20,000	0.0005
Gordon Kwong Che Keung	70,000 *(Note 1)*	0.0019
Dah Chong Hong Holdings Limited, an associated corporation		
Yuen Kee Tong	20,000	0.0011
David Chan Tin Wai	5,279	0.0003
China CITIC Bank Corporation Limited (H shares), an associated corporation		
David Chan Tin Wai	3,000 *(Note 2)*	0.00002

Notes:

1. 20,000 shares are in respect of personal interests and 50,000 shares are in respect of corporate interests.

2. These 3,000 shares are in respect of family interests.

Statutory Disclosure

DIRECTORS' INTERESTS IN SECURITIES (Continued)

2. **Share Options in the Company**

   The interests of the Directors in the share options (being regarded as unlisted physically settled equity derivatives) of the Company are stated in detail in the preceding section of "Share Option Plan".

3. **Share options in an associated corporation, CITIC Pacific**

Name of director	Date of grant	Exercise period	Exercise price per share HK$	Number of share options as at 30.6.2010	Percentage to the issued share capital %
Kwok Man Leung	16.10.2007	16.10.2007 – 15.10.2012	47.32	600,000	0.016
	19.11.2009	19.11.2009 – 18.11.2014	22.00	500,000	0.014
Fei Yiping	19.11.2009	19.11.2009 – 18.11.2014	22.00	300,000	0.008

Save as disclosed above, as at 30 June 2010, none of the Directors of the Company had nor were they taken to or deemed to have, under Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, the interests of the substantial shareholders, other than the Directors of the Company or their respective associate(s), in the shares of the Company as recorded in the register of interests in shares and short positions required to be kept under section 336 of the SFO were as follows:

Name	Number of shares of the Company	Percentage to the issued share capital %
CITIC Group	1,445,584,370	60.648
CITIC Pacific	1,445,584,370	60.648
Crown Base International Limited	1,445,584,370	60.648
Effectual Holdings Corp.	1,445,584,370	60.648
CITIC Pacific Communications Limited ("CPC")	1,445,584,370	60.648
Douro Holdings Inc.	1,445,584,370	60.648
Ferretti Holdings Corp.	941,692,000	39.508
Ease Action Investments Corp.	941,692,000	39.508
Onway Assets Holdings Ltd.	405,826,087	17.026
Silver Log Holdings Ltd.	405,826,087	17.026
Penta Investment Advisers Limited	164,961,000	6.921
Penta Management (BVI) Ltd.	164,961,000	6.921
Old Peak Ltd.	164,961,000	6.921

Statutory Disclosure

SUBSTANTIAL SHAREHOLDERS (Continued)

CITIC Group is the ultimate holding company of CITIC Pacific and CITIC Pacific is the direct holding company of Crown Base International Limited, which is the direct holding company of Effectual Holdings Corp.. Effectual Holdings Corp. in turn holds CPC, which is then the direct holding company of Douro Holdings Inc.. Douro Holdings Inc. is the direct holding company of Ferretti Holdings Corp. and Onway Assets Holdings Ltd.. Ferretti Holdings Corp. is the direct holding company of Ease Action Investments Corp. and Onway Assets Holdings Ltd. is the direct holding company of Silver Log Holdings Ltd.. Accordingly, the interests of CITIC Group in the Company and the interests in the Company of all its direct and indirect subsidiary companies as described above duplicate each other.

Penta Investment Advisers Limited is the controlling shareholder of Penta Management (BVI) Ltd., which in turn is the controlling shareholder of Old Peak Ltd.. Accordingly, the interests of Penta Investment Advisers Limited in the Company and the interests in the Company of all its direct and indirect controlled corporations as described above duplicate each other.

SHARE CAPITAL

Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's shares during the six months ended 30 June 2010 and the Company has not redeemed any of its shares during the period ended 30 June 2010.

CORPORATE GOVERNANCE

CITIC 1616 is committed to maintaining high standards of corporate governance. The Board believes that good corporate governance practices are important to maintain and promote investor confidence. The Board will continue to review its corporate governance practices to meet the latest local and international standards. Details of our corporate governance practices can be found on page 34 of the 2009 annual report and the Company's website www.citic1616.com.

Throughout the six months ended 30 June 2010, CITIC 1616 has complied with all code provisions in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

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.

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 auditors KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants.

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2010.

UPDATE ON DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Mr Yang Xianzu, an independent non-executive director of the Company, has resigned as an external director of Baosteel Group Corporation and China Electronics Corporation.

Mr Gordon Kwong Che Keung, an independent non-executive director of the Company, has resigned as an independent non-executive director of Tianjin Development Holdings Limited and China Oilfield Services Limited (both companies are listed on the Stock Exchange).

Corporate Information

HEADQUARTERS AND REGISTERED OFFICE

8th Floor, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
Telephone: 2377 8888
Fax: 2376 2063

WEBSITE

www.citic1616.com contains a description of CITIC 1616's business, copies of the reports to shareholders, announcements, press releases and other information.

STOCK CODES

The Stock Exchange of Hong Kong:	01883
Bloomberg:	1883 HK
Reuters:	1883.HK

SHARE REGISTRARS

Shareholders should contact our Registrars, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong on 2980 1333, or by fax: 2810 8185, on matters such as transfer of shares, change of name or address, or loss of share certificates.

ANNUAL AND INTERIM REPORTS

Shareholders may obtain printed copies of annual and interim reports from the Registrars. Others should contact the Company Secretary on 2377 8888 or fax: 2376 2063 or at contact@citic1616.com for a printed report.

FINANCIAL CALENDAR

Closure of Register:	30 August 2010 to 3 September 2010
Interim Dividend payable:	8 September 2010

The Interim Report is also available on our website at www.citic1616.com. Shareholders may choose to receive the Interim Report in printed form or by electronic means. Shareholders who have chosen to receive the Interim Report using electronic means and who for any reason have difficulty in receiving or gaining access to the Interim Report will, promptly upon request to the Company's Share Registrars, be sent a printed copy free of charge.

Shareholders may at any time change their choice of means of receipt of the Interim Report by notice in writing to the Company's Share Registrars.

Non-shareholders who wish to receive a copy of the Interim Report are requested to write to the Company Secretary, CITIC 1616 Holdings Limited, 8th Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong, or by fax: 2376 2063 or by email: contact@citic1616.com.