Chairman's Statement

I AM PLEASED TO PRESENT THE ANNUAL RESULTS OF CITIC TELECOM INTERNATIONAL HOLDINGS LIMITED (THE "GROUP") FOR 2010.

FOR THE GROUP, 2010 HAS BEEN A YEAR OF STABLE BUSINESS DEVELOPMENT IN GENERAL DESPITE THE MORE SEVERE MARKET CONDITIONS.

Total revenue of the Group for 2010 amounted to HK$2,966.5 million, representing an increase of 9.2% compared with the previous year. Net profit amounted to HK$401.3 million, an 8.0% increase from the previous year. Basic earnings per share decreased by 4.8% to HK17.9 cents. The decline in basic earnings per share was primarily attributable to the issue of new shares to CITIC Pacific Limited, our parent company, in May 2010 as consideration for the acquisition of its equity interests in Companhia de Telecomunicacoes de Macau, S.A.R.L. ("CTM").

Through the strong support of CITIC Group, the controlling shareholder of CITIC Telecom International, the Group completed a number of important projects for its long-term development in 2010. These included the completion of the Group's acquisition of 20% interest in the share capital of CTM, the approval of the acquisition of 49% interest in China Enterprise Communications Ltd. ("CEC") at the Group's extraordinary general meeting (the remaining 45% and 6% interests are held by CITIC Group and Information Centre of State-owned Assets Supervision & Administration Commission of the State Council respectively), as well as the purchase of office space and data centre at Broadway Centre and changing the building's name to CITIC Telecom Tower. During the year the Group changed its name to "CITIC Telecom International Holdings Limited", entering into a new period of development.

Market competition for China inbound and outbound voice services intensified during the year. Despite diversion of China outbound voice traffic and slackened volume growth and declining rates of the international voice business of PRC operators, traffic volume of China outbound voice traffic via the Group's transit service was at a similar level compared with the previous year. China inbound voice services were subject to strong challenges in the market as the unit rate for China inbound voice services declined amid demand for quality improvements and competitive pricing from overseas customers. The Group's international voice services also reported a setback in profit despite increase in revenue and business volume, which was attributable to growing pressure on corporate international voice business caused by difficult market conditions. As a result of these factors combined, the Group reported a lower profit for its voice business as a whole compared with the previous year.

Revenue generated from our Mobile Value-added Services (VAS) business increased considerably by 25.5% compared with the previous year. Revenue generated from SMS Services increased by 10.4%. Other data businesses such as virtual private networks (VPN) and Internet access services maintained stable performances and reported slight improvement in revenue.

The Board recommended a final dividend of HK7.1 cents per share for 2010. Together with the interim dividend of HK2.4 cents for 2010, the total dividend per share for 2010 amounted to HK9.5 cents, which was the same as the previous year. The dividend payout ratio for the year is 53.1%.

I. Review for 2010

STABLE BUSINESS DEVELOPMENT ASSURED BY ONGOING ENHANCEMENT IN QUALITY OF SERVICE

The Group maintained stable development of its business in 2010 as it continued improving its services to telecoms operators. In terms of technology and products, coordination among internal departments of the Group was enhanced. Any product issues identified were looked into and resolved to provide customers with solutions as soon as possible. For customer service, appropriate services were provided to telecoms operators by the Group's customer service centre, offering timely solutions to any problems arising. In terms of business analyses, irregularities in businesses were identified and analysed in a timely manner and responsive measures were formulated to ensure stable business development.

Confronted with competition, the Group undertook relentless effort to study the needs of PRC operators and made adjustments to accommodate their upgrades and capacity expansion. Our work won approval from the big three operators in the PRC as we played a part in ensuring smooth communications during the Shanghai World Expo and the Guangzhou Asian Games. At the "International Partners' Conference" of China Unicom held in November 2010, the Group garnered "The Most Trusted Partner Award" from China Unicom. While assuring stable development of our voice, SMS and Mobile VAS businesses in the PRC, we were also taking active moves in new markets and business developments, extending our reach to Central Asia, the Middle East and South America while starting up Home Country Direct services for PRC operators in required countries.

STRENGTHENING MANAGEMENT AND SEEKING TO IMPROVE OPERATING RESULTS OF OVERSEAS GROUP COMPANIES

Centralised management over the Group's overseas companies was strengthened in 2010. With billing and switch routing systems of our overseas group companies centrally managed at the group level, various aspects of the administration of and business guidance for these overseas companies of the Group were enhanced and synergies were realised in terms of marketing and network resources. Control over the business of overseas group companies was bolstered through regular video conferences to review their business development and identify any issues, provide timely instructions and communicate working requirements. The operational efficiency of our overseas companies has been significantly improved as a result of our effective management over them.

EFFORTS TO IMPROVE MANAGEMENT STANDARDS UNDERPINNED BY INITIATIVES IN SIX KEY AREAS

In 2010, the Group's management called for sustainable development and improvements in corporate economic benefits based on its analysis of market conditions. Managers at all levels were asked to ensure and enhance effectiveness in six key areas: 1) management; 2) quality; 3) marketing; 4) scientific decision-making; 5) caliber of the team; and 6) leadership performance. We are aiming to increase shareholders' value by improving performance in these six areas.

Our staff responded actively to the management's call. Shortcomings in the six areas in relation to actual conditions in operations were identified and measures were introduced to ensure meaningful improvement in performance. Management standards have been improved as the work of all departments and subsidiaries have become more responsive, proactive and effective with the implementation of issue-specific measures.

CONSTRUCTION OF WORLDWIDE IP NETWORK SYSTEM IN PREPARATION OF TELECOMS OPERATORS' NETWORK UPGRADES

In view of the continuously changing market environment and new market demands driven by the widespread popularisation of IP network technologies, the Group has started to build a worldwide IP-based network since the previous year. IP network routing switches were acquired for network nodes in Hong Kong, Los Angeles, London, New York and Singapore and implemented in various stages in 2010. This marked our successful construction of a worldwide IP network system to accommodate operators' demand for IP-based telecoms transmissions and their upgrades from TDM to IP-based networks. These efforts demonstrated that our technologies in network routing switches were in close tandem with developments in new-generation communications technologies.

COMPLETION OF THE GROUP'S CENTRALISED ROUTING AND BILLING MANAGEMENT SYSTEM

A new routing management department was established to oversee routing management, which had previously been separately handled by our business departments and the Group's overseas companies. The routing management department adjusted routing allocation by re-classifying and optimising all routing, taking into account costing and quality issues. Efficiency has been improved while fulfilling customers' requirements.

The billing systems of our overseas companies were integrated and replaced by the Group's proprietary billing system, which is now in use for all billing and quotation purposes. The Group's billing operations have been substantially improved in terms of accuracy, timeliness and standardisation as a result, providing strong assurance for more effective business management.

SOLID STRIDE TOWARDS BECOMING AN OPERATING TELECOMS COMPANY WITH ACQUISITION OF 20% INTEREST IN CTM COMPLETED AND ACQUISITION OF 49% INTEREST IN CEC UNDERWAY

In May 2010, the Group completed the acquisition of 20% interest in CTM to secure a more diversified telecoms business and a more competitive business portfolio. This acquisition drives the development of the Group's voice, SMS and Mobile VAS businesses and would allow the exploration of overseas markets through the existing international telecoms marketing network. CTM has already made significant profit contributions to the Group's results.

The acquisition of 49% interest in CEC was approved at the Group's extraordinary general meeting in November 2010 and is currently undergoing approval procedures with relevant PRC Government authorities. Through this acquisition, the Group could enlarge its market share and domestic customer base by leveraging CEC's extensive coverage and distribution network in the PRC with enhanced ability to provide superior services to overseas multinational corporations. By consolidating the networks, marketing channels, customers, equipment and system resources such as logistics support of the two companies, synergies would be realised with benefits of operating cost reductions, higher customer service standards and stronger business development capabilities.

II. Prospects for 2011

Global economic recovery is expected to be difficult in 2011, with the European and U.S. economies struggling to resume growth. The overall business environment remains competitive, international voice service rates are likely to remain on the downside under intense market competition and the development of Internet IP voice technologies.

In view of the above challenges, the Group will endeavour to tap market potential by actively developing new markets and redefining existing markets into further sub-segments, devoting full effort to keep its business in the PRC stable while driving ongoing development of its overseas business. As a basic requirement, we will strive to achieve excellence in quality in all aspects of our work. By advancing business integration and fully utilising our existing economies of scale, we aim to achieve steady profit growth in 2011.

PROACTIVE MEASURES TO ADAPT POSITIONING AMID MARKET CHANGES IN RESPONSE TO COMPETITION

We will continue to engage in active international market development by fully leveraging the Group's existing overseas companies, procuring stable growth in our international business through gradual expansion of our international marketing channels and coverage. Capitalising on our advantage of the diversity of services, we will market our services to international operators in the form of premium bundled services to increase their attractiveness. Through in-depth analysis of the requirements of PRC operators, we will determine our Group's positioning in the new market environment and identify new niches for cooperation with PRC operators, so that we could enter into mutually beneficial ventures in specific areas. We will also vigorously develop our voice business in overseas markets.

Chairman's Statement

QUALITY ASSURANCE IS A PRIORITY UNDERPINNED BY GENERAL ENHANCEMENT IN QUALITY MANAGEMENT AND FURTHER IMPROVEMENTS IN SERVICE STANDARDS

Quality is the essence of a business. We achieved sound results in quality management in 2010 and we shall continue to raise our standards. The assurance of quality services should always be a priority for all tasks, while quality management should be generally enhanced and service standards further improved through proactive response to customers' requests, provision of solutions to customers' problems and timely fixing of any breakdowns.

IMPROVEMENTS IN NETWORK MANAGEMENT WITH THE CONSTRUCTION OF A NEW DATA CENTRE

The Group will focus on the construction of the new data centre at CITIC Telecom Tower, with a strong emphasis on the quality of deliverables based on sophisticated design and construction work. We will ensure that our investments in networks and equipment are justified by sound performance, with the proper relocation of wires and equipment. The construction of the new data centre will be completed and network relocation will be begun during the first half of 2011, with a view to further enhance our network management standards and bolstering our data business development.

MARKET ANALYSIS AND RESEARCH TO BE STRENGTHENED IN SUPPORT OF NEW MARKET DEVELOPMENT

The Group now claims a more diversified business portfolio on the back of the worldwide marketing regime and telecoms network formed following mergers and acquisitions in recent years. Further to our existing efforts, we need to conduct vigorous analyses of market changes and customers' requirements to devise effective marketing measures to retain old customers and attract new ones. We aim to gain access to new markets such as Central Asia, the Middle East, Africa and South America and develop new frontiers for cooperation. We intend to endeavour to track and fulfil customers' requirements in a timely manner to help assure stable business development for our customers.

CONSOLIDATION AMONG BUSINESSES TO BE ADVANCED FOR GREATER SYNERGIES

Further to the consolidation of our overseas companies in terms of global marketing, network management, equipment management, billing management, routing management and engineering technology management, we should next look to advance such consolidation through higher and more stringent standards, so that the synergies of consolidation will be more effectively realised.

INTERNAL MANAGEMENT TO BE REINFORCED WITH STRICT BUDGET IMPLEMENTATION AND COST CONTROL

We will adopt more effective measures to exercise strict control over significant capital expenditure and various cost and expense items, with particular emphasis on fixed assets investments. We will ensure that our budget is soundly prepared and executed, so that budget management will attain higher standards and function effectively as a guide for corporate development. We will also further improve the system that links staff incentives to profitability of the Group.

CONSOLIDATION OF CEC TO BE EFFECTIVELY EXECUTED WITH A VIEW TO RAPID DEVELOPMENT IN VPN

The acquisition of CEC was approved at the Group's extraordinary general meeting on 17 November 2010. The acquisition is conducive to pricing stability in the market as it eliminates competition between the Group and CEC. Moreover, direct customers that the two companies used to compete for may be placed under effective management, whether under new contracts or renewals. Sales efficiency will be improved as a result to provide a positive drive for business development. The Group is expediting business consolidation with CEC and stepping up new product development to provide customers with superb private network services and network security solutions. We intend to commit major efforts to the development of the domestic enterprise market to sustain rapid development of our Internet VPN business.

Mr. Kwok Man Leung resigned as a Non-Executive Director of the Group on 18 November 2010 and Mr. Liu Jifu was appointed as a Non-Executive Director of the Group. I, on behalf of the Board of the Group, would like to express our sincere gratitude to Mr. Kwok for his valuable contribution to the Group during his tenure as a Non-Executive Director and I would like to welcome Mr. Liu to the Group.

The Group's management and staff have done a great job during the past year. On behalf of the Board, I would like to express sincere gratitude to them for their loyalty and hard work.

With our staff driving forward in concerted efforts, I am confident that our Group will sustain stable business development and continue to deliver sound rewards to shareholders in 2011.

Xin Yue Jiang
Chairman

Hong Kong, 25 February 2011