

## DIRECTORS' REPORT

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2010.

### Principal Place of Business

CITIC Telecom International Holdings Limited (“the Company”) is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 25/F, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong.

### Principal Activities

The principal activity of the Company is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 16 to the financial statements.

### Dividends

The directors declared an interim dividend of HK2.4 cents (2009: HK2.4 cents) per share in respect of the year ended 31 December 2010 which were paid on 8 September 2010. The directors recommended, subject to the approval of the shareholders at the forthcoming Annual General Meeting, the payment of a final dividend of HK7.1 cents (2009: HK7.1 cents) per share in respect of the year ended 31 December 2010 payable on 28 April 2011 to shareholders on the Register of Members at the close of business on 21 April 2011.

### Major Customers and Suppliers

The information in respect of the Group’s sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group’s total	
	Sales	Purchases
The largest customer	15.4%	
Five largest customers in aggregate	40.0%	
The largest supplier		19.8%
Five largest suppliers in aggregate		41.9%

At no time during the year have the directors of the Company, their associates or any shareholder of the Company (which to the knowledge of the directors of the Company own more than 5% of the Company’s share capital) had any interest in these major customers and suppliers.

### Financial Statements

The profit of the Group for the year ended 31 December 2010 and the state of the Company’s and the Group’s affairs as at the date are set out in the financial statements on pages 62 to 122.

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### Transfer to Reserves

Profits attributable to equity holders of the Company, before dividends, of HK\$401,288,000 (2009: HK\$371,527,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

### Change of the Company's Name

By a special resolution passed on 17 November 2010 and by a Certificate of Change of Name issued by the Registrar of Companies on 23 November 2010, the name of the Company was changed from CITIC 1616 Holdings Limited (中信1616集團有限公司) to CITIC Telecom International Holdings Limited (中信國際電訊集團有限公司).

### Charitable Donations

Charitable donations made by the Group during the year amounted to approximately HK\$251,000 (2009: HK\$352,000).

### Property, Plant and Equipment

During the year, there were additions of property, plant and equipment amounted to HK\$158,765,000. Details of these additions and other movements in property, plant and equipment are set out in note 13 to the financial statements.

### Directors

The directors of the Company in office during the financial year ended 31 December 2010 were:

Mr Xin Yue Jiang  
Mr Yuen Kee Tong  
Dr David Chan Tin Wai  
Mr Liu Jifu (appointed with effect from 18 November 2010)  
Mr Kwok Man Leung (resigned with effect from 18 November 2010)  
Mr Fei Yiping  
Mr Yang Xianzu  
Mr Liu Li Qing  
Mr Gordon Kwong Che Keung

Mr Liu Jifu was appointed as non-executive director of the Company with effect from 18 November 2010. Thus, in accordance with Article 95 of the New Articles of Association of the Company, he shall hold office only until the forthcoming Annual General Meeting and is then eligible for re-election. In addition, pursuant to Article 104(A) of the New Articles of Association of the Company, Messrs Xin Yue Jiang and Yuen Kee Tong shall retire by rotation in the forthcoming Annual General Meeting and all, being eligible, offer themselves for re-election.

### Directors Service Contracts

As at 31 December 2010, there were no service contracts which were not determinable by the employer within one year without payment of compensation (other than statutory compensation) between any company in the Group and any director of the Company proposed for re-election at the forthcoming Annual General Meeting.

## Directors' Interests in Contracts

No contract of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

## Competing Interests

Save as disclosed below, none of the directors of the Company and their respective associates had any direct or indirect interest in a business which competes or may compete with the business of the Group:

Mr Kwok Man Leung, a former non-executive director of the Company who resigned on 18 November 2010, and Mr Fei Yiping, a non-executive director of the Company, are directors of CITIC Guoan Co., Ltd. ("CITIC Guoan"). CITIC Guoan's primary business is its 41.42% interest in CITIC Guoan Information Industry Co. Ltd. ("Guoan Information"), a company listed on the Shenzhen Stock Exchange. Guoan Information's major activities include investment and construction of cable television networks, the provision of value-added telecommunications services in communications services sector, network system integration, software development, development of salt lake resources, the development and manufacture of new materials, as well as the development and management of properties.

## Connected Transactions and Continuing Connected Transactions

Connected transactions disclosed in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") are as follows:

1. On 11 February 2010, the Company and CITIC Pacific Limited ("CITIC Pacific") entered into a sale and purchase agreement, pursuant to which the Company conditionally agreed to acquire from CITIC Pacific a 20% interest in the share capital of Companhia de Telecomunicacoes de Macau, S.A.R.L. ("CTM"), representing the entire interest in CTM held by CITIC Pacific, for a consideration of HK\$1,400.40 million to be satisfied by the Company as to HK\$467.00 million in cash and as to HK\$933.40 million by the issue of 405,826,087 new shares of the Company to CITIC Pacific (or its nominees) at the issue price of HK\$2.30 per share. CTM is engaged in the provision of fixed telephone services, telegram services, fixed telex services, fixed services for data transmission (except internet) and leased circuit services in Macau under a franchise with exclusive rights until 2011. CTM is also granted licences by the Macau Government to provide mobile services in competition with other operators in Macau. The licence for GSM 2G mobile services is up to 8 July 2012 and the licence for WCDMA 3G mobile services is up to 28 May 2015 and CTM is licensed to operate internet services on competitive basis up to 22 April 2013. CITIC Pacific is the controlling shareholder of the Company, and therefore is a connected person of the Company. The transaction was completed on 5 May 2010.
2. On 15 July 2010, ComNet Investment Limited ("ComNet Investment"), a wholly-owned subsidiary of the Company, as owner of the 16th, 17th and 18th floors, the roof and the upper roof of CITIC Telecom Tower (formerly named as Broadway Centre), 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong ("the Property"), confirmed, by way of a letter of acceptance after an open tender, the appointment of Dah Chong Hong (Engineering) Limited ("DCHEL") as the nominated subcontractor to provide the mechanical ventilation and air-conditioning installation works ("MVAC Works") for the Property at the total contract sums of HK\$18,130,000. DCHEL shall enter into subcontract(s) for the MVAC Works with the main contractor employed by ComNet Investment. DCHEL is a wholly-owned subsidiary of CITIC Pacific, and therefore is a connected person of the Company.

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3. On 2 September 2010, the Company, CITIC Telecom International CPC Limited (“CPCNet”, formerly CPCNet Hong Kong Limited), being a wholly-owned subsidiary of the Company, CITIC Group, 北京中經迅通網絡技術有限公司 (CE-SCM Network Technology Co., Ltd.) (“CE-SCM”), 國務院國有資產監督管理委員會信息中心 (Information Centre of State-owned Assets Supervision & Administration Commission of the State Council) and 中企網絡通信技術有限公司 (China Enterprise Communications Ltd.) (“CEC”) entered into a framework agreement, pursuant to which the Company will (through CPCNet) acquire at completion (“the Acquisition”):
  - (i) 8.23% equity interest in CEC from CITIC Group and a right to require CITIC Group to sell to CPCNet the remaining 45.09% equity interest, which is exercisable by CPCNet after completion of the Acquisition and when CPCNet is permitted to hold more equity interest in CEC under the then prevailing laws, regulations and policies in the PRC relating to foreign investments in the telecommunications sector in the PRC, at a total consideration of RMB80,818,000 (approximately HK\$92,702,455);
  - (ii) 40.77% equity interest in CEC from CE-SCM, at a consideration of RMB82,395,048 (approximately HK\$94,511,411) (subject to audit adjustments); and
  - (iii) the entire issued share capital of China Enterprise Netcom Corporation Limited (“CEC-HK”), which currently is a subsidiary of CEC, at a consideration of HK\$400,000.

CPCNet, CEC and CEC-HK will also, before completion, enter into certain arrangements, including but not limited to the transactions contemplated under the Exclusive Service Agreement (as defined below).

The aggregate amount payable by the Group is approximately HK\$258,383,266 comprising (a) the aforesaid consideration for the Acquisition in the total sum of approximately RMB163,561,768 (approximately HK\$187,613,866), subject to audit adjustments; and (b) the assumption of debts in the amount of US\$9,073,000 (approximately HK\$70,769,400) owed by CEC-HK to a subsidiary of CITIC Group. CEC is one of the leading virtual private network (“VPN”) service providers in the PRC and is a unique independent VPN service provider which was granted a nationwide internet protocol virtual private network (“IP-VPN”) license by the Ministry of Industry and Information Technology of the PRC, which allows CEC to provide domestic IP-VPN services throughout China. CITIC Group is the controlling shareholder of CITIC Pacific, and therefore is a connected person of the Company. The Acquisition had not yet completed as at 31 December 2010.

Continuing connected transactions disclosed in accordance with the Listing Rules are as follows:

1. On 18 August 2004, the Company entered into a shareholders' agreement (“the Shareholders' Agreement”) with, inter alia, HKIX Hong Kong Ltd. (“HKIX Co.”) (which operates an exchange point (“HKIX”) providing mainly interconnection amongst internet access providers in Hong Kong) and The Chinese University of Hong Kong Foundation Limited in relation to the joint venture company, Asia Pacific Internet Exchange Limited (“APIX”), for operating a secondary site (“HKIX2”) to HKIX on a non-profit basis. Pursuant to the Shareholders' Agreement, APIX will, inter alia, provide various financial and operational support to HKIX Co. which includes an annual payment of HK\$1.00 million to a wholly-owned subsidiary of HKIX Co.. Such annual payment is for an initial period of six years until 17 August 2010 (which, subject to annual review by APIX, may be renewed on a yearly basis for no more than four years). The benefit to the Company is the prestige of involving in the provision of HKIX2, the mirror site of a crucial internet exchange point in Hong Kong. As HKIX is unique and crucial in maintaining the internet connection and provide community services to the Hong Kong public at large, the Company sees the entering into of the Shareholders' Agreement as a good opportunity whereby it can participate and provide community services to the public. As APIX is a subsidiary of the Company and HKIX Co. is a substantial shareholder of APIX, HKIX Co. and its subsidiaries are connected persons of the Company.

2. On 4 November 2009, the Company and Goldon Investment Limited (“Goldon”) entered into two lease agreements (“the Lease Agreements”) for the purpose of renewing the lease agreements which expired on 15 November 2009. Pursuant to the first renewed lease agreement, the Company leased from Goldon the premises located at 8th Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong for a term of three years commencing from 16 November 2009. The monthly rental is approximately HK\$1,120,400 (exclusive of government rent, rates and service charge). The service charge is approximately HK\$119,300 per month, plus any additional air-conditioning charges for supply after normal office hours (including chilled water charges) which are based on actual usage. Pursuant to the second renewed lease agreement, the Company leased from Goldon the premises located at portion of 9th Floor, CITIC Tower for a term of one year commencing from 16 November 2009. The monthly rental is approximately HK\$680,000 (exclusive of government rent, rates and service charge). The service charge is approximately HK\$72,400 per month, plus any additional air-conditioning charges for supply after normal office hours which are based on actual usage. Under the Lease Agreements, the Company may rent car parking spaces in CITIC Tower from Goldon as required from time to time at the same rates payable by independent third parties to Goldon. The aggregate monthly rentals, service charges and monthly rentals for the car parking spaces in CITIC Tower under the Lease Agreements for each of the 12-month period ending 15 November 2012 will not exceed HK\$26.00 million. As CITIC Pacific has a 40% interest in Goldon, Goldon is an associate of CITIC Pacific, and therefore a connected person of the Company.

For the year ended 31 December 2010, the aggregate amount paid by the Company in respect of the Lease Agreements was HK\$24.41 million.

3. On 30 December 2009, ComNet Investment entered into a management services agreement (as supplemented by a supplemental deed dated 28 November 2010 in respect of the change of the building name from Broadway Centre to CITIC Telecom Tower) with Broadway Centre Property Management Company Limited (“the Manager”), a wholly-owned subsidiary of CITIC Pacific, pursuant to which the Manager will provide property management services, chilled water supply and air-conditioning supply in respect of the property comprising portions of ground, 1st, 2nd and 3rd floors, the whole of 5th, 16th, 17th, 18th, 23rd, 25th and 26th floors, portion of the roof and ancillary areas of CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong to ComNet Investment for a period of two years commencing from 30 December 2009. The current general management fee is approximately HK\$176,300 per month. The chilled water charges are based on the actual volume of chilled water used. The air-conditioning charges for supply during normal office hours are approximately HK\$80,200 per month and the air-conditioning charges for supply after normal office hours are based on the actual usage. The aggregate of the general management fees, chilled water charges and air-conditioning charges payable to the Manager for each of the 12-month period as from 30 December 2009 will not exceed HK\$6,800,000. The Manager is a wholly-owned subsidiary of CITIC Pacific, and therefore is a connected person of the Company.

The aggregate of the general management fees, chilled water charges and air-conditioning charges paid to the Manager for the year ended 31 December 2010 was approximately HK\$2.27 million.

4. On 24 November 2010, CEC, CEC-HK and CPCNet entered into an exclusive service agreement (“the Exclusive Service Agreement”), pursuant to which CEC shall provide technical and support services to the customers of CEC-HK and CPCNet in the PRC for a term of 3 years to facilitate the provision of value-added telecom services to these customers. CEC will be responsible for arranging, operating and maintaining all necessary technical and support services exclusively in the PRC to service the customers of CEC-HK and CPCNet in the PRC. A service fee shall be payable to CEC monthly with reference to CEC’s costs in servicing such customers provided that CEC-HK and CPCNet shall be entitled to retain the first 30% of the corresponding sales proceeds from customers such that the service fee shall not in any event exceed 70% of the relevant sales proceeds. If CEC’s costs shall be less than 70% of the corresponding sales proceeds, CEC on one hand and CEC-HK and CPCNet on the other shall be entitled to share the surplus equally. Assuming that the Exclusive Service Agreement will be for a term from 1 November 2010 to 31 October 2013, the annual caps for the transactions under the Exclusive Service Agreement for the two months ended 31 December 2010, the two years ending 31 December 2012 and the ten months ending 31 October 2013 are estimated to be US\$3,000,000 (approximately HK\$23,400,000), US\$40,000,000 (approximately HK\$312,000,000), US\$55,000,000 (approximately HK\$429,000,000) and US\$60,000,000 (approximately HK\$468,000,000) respectively. In accordance with the Listing Rules, CEC is an associate of CITIC Group, and therefore is a connected person of the Company.

No services were provided by CEC to the customers of CEC-HK and CPCNet under the Exclusive Service Agreement for the year ended 31 December 2010. Accordingly there were no continuing connected transactions under the Exclusive Service Agreement for the year ended 31 December 2010.

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### Review of the Continuing Connected Transactions:

The independent non-executive directors of the Company have reviewed the aforesaid continuing transactions made for the year ended 31 December 2010 and confirmed that the transactions had been entered into

- in the ordinary and usual course of business of the Group;
- on normal commercial terms; and
- in accordance with the relevant agreements on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Group in pages 52 to 53 of the annual report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited ("Stock Exchange").

### Related Party Transactions:

Details of the significant related party transactions undertaken in the normal course of business are provided under note 12 to the financial statements. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules, except for those described in the section of "Connected Transactions and Continuing Connected Transactions", in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

## Share Option Plan

The Company adopted a share option plan ("the Plan") on 17 May 2007. The major terms of the Plan are as follows:

1. The purpose of the Plan is to attract and retain the best quality personnel for the development of the Company's businesses; to provide additional incentives to Employees (as defined herebelow); and to promote the long term financial success of the Company by aligning the interests of grantees to shareholders.
2. The grantees of the Plan are any person employed by the Company or any of its subsidiaries and any person who is an officer or director (whether executive or non-executive) of the Company or any of its subsidiaries ("the Employees") as the Board may, in its absolute discretion, select.
3. 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. As at 25 February 2011, the maximum number of shares available for issue under the Plan is 139,305,000, representing approximately 5.84% of the issued share capital.
4. The total number of shares of the Company ("the Shares") issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each grantee must not exceed 1% of the Shares in issue. Where any further grant of options to a grantee would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be subject to separate approval by the shareholders of the Company in general meeting.
5. The exercise period of any option granted under the Plan must not be more than ten years commencing on the date of grant.
6. The acceptance of an offer of the grant of the options must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee.
7. 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 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.
8. The Plan shall be valid and effective till 16 May 2017.

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. Options for 1,644,500 shares were exercised, options for 1,672,500 shares have lapsed and no options were cancelled during the year ended 31 December 2010.

A summary of the movements of the share options during the year ended 31 December 2010 is as follows:

A. Directors of the Company

**Number of Share Options**

Name of director	Date of grant	Exercise price HK\$	Exercise period	Balance as at 1.1.2010	Granted during the year ended 31.12.2010	Exercised during the year ended 31.12.2010	Balance as at 31.12.2010	Percentage to the issued share capital
								%
Xin Yue Jiang	17.9.2009	2.10	17.9.2010 – 16.9.2015	900,000	–	–	900,000	
	17.9.2009	2.10	17.9.2011 – 16.9.2016	900,000	–	–	900,000	
							1,800,000	0.075
Yuen Kee Tong	23.5.2007	3.26	23.5.2007 – 22.5.2012	2,500,000	–	–	2,500,000	
	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	0.172
David Chan Tin Wai	23.5.2007	3.26	23.5.2007 – 22.5.2012	1,845,000	–	–	1,845,000	
	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	0.136

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## Number of Share Options

Name of director	Date of grant	Exercise price HK\$	Exercise period	Balance as at 1.1.2010	Granted during the year ended 31.12.2010	Exercised during the year ended 31.12.2010	Balance as at 31.12.2010	Percentage to the issued share capital
								%
Kwok Man Leung	17.9.2009	2.10	17.9.2010 – 16.9.2015	150,000	–	–	N/A (Note 1)	N/A
	17.9.2009	2.10	17.9.2011 – 16.9.2016	150,000	–	–		
Yang Xianzu	23.5.2007	3.26	23.5.2007 – 22.5.2012	300,000	–	–	300,000	
	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	0.025
Liu Li Qing	23.5.2007	3.26	23.5.2007 – 22.5.2012	300,000	–	–	300,000	
	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	0.025
Gordon Kwong Che Keung	23.5.2007	3.26	23.5.2007 – 22.5.2012	300,000	–	–	300,000	
	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	0.025

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

## Number of Share Options

Date of grant	Exercise price HK\$	Balance as at 1.1.2010	Granted during the year ended 31.12.2010	Exercised during the year ended 31.12.2010 (Note 2)	Lapsed during the year ended 31.12.2010	Balance as at 31.12.2010
23.5.2007	3.26	9,620,000	–	–	–	9,620,000
17.9.2009	2.10	29,410,000	–	1,644,500	1,372,500 (Note 3)	26,393,000



*Notes:*

1. Mr Kwok Man Leung resigned as director of the Company on 18 November 2010. During the period from 1 January 2010 to 18 November 2010, Mr Kwok has not exercised any of his share options.
2. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$2.76.
3. These are in respect of options granted to former employees under continuous contracts who have resigned. Such options have lapsed during the year ended 31 December 2010. Apart from this, options for 300,000 shares granted to a former director of the Company have lapsed during the year ended 31 December 2010.

## Directors' Interests in Securities

The interests of the directors of the Company in shares of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as at 31 December 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 Corporations

	<b>Number of Shares</b>	
	Personal interests unless otherwise stated	Percentage to the issued share capital  %
<b>CITIC Telecom International Holdings Limited</b>		
Yuen Kee Tong	500,000	0.0210
David Chan Tin Wai	2,000	0.0001
<b>CITIC Pacific, an associated corporation</b>		
Yuen Kee Tong	1,033,000	0.0283
David Chan Tin Wai	40,000	0.0011
Liu Jifu	840,000	0.0230
Yang Xianzu	20,000	0.0005
Gordon Kwong Che Keung	70,000 ( <i>Note 1</i> )	0.0019
<b>Dah Chong Hong Holdings Limited, an associated corporation</b>		
Yuen Kee Tong	20,000	0.0011
David Chan Tin Wai	5,279	0.0003
<b>China CITIC Bank Corporation Limited (H shares), an associated corporation</b>		
David Chan Tin Wai	3,000 ( <i>Note 2</i> )	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.
- ### 2. Share Options in the Company

The interests of the directors of the Company 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”.

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### 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 31.12.2010	Percentage to the issued share capital %
Liu Jifu	20.06.2006	20.06.2006 – 19.06.2011	22.10	700,000	0.019
	16.10.2007	16.10.2007 – 15.10.2012	47.32	700,000	0.019
	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 31 December 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 in the Listing Rules.

Save as disclosed above, at no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party or parties to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### Substantial Shareholders





As at 31 December 2010, the interests of the substantial shareholders, other than the directors of the Company or their respective associates, 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	60.606
CITIC Pacific	1,445,584,370	60.606
Crown Base International Limited	1,445,584,370	60.606
Effectual Holdings Corp.	1,445,584,370	60.606
CITIC Pacific Communications Limited (“CPC”)	1,445,584,370	60.606
Douro Holdings Inc.	1,445,584,370	60.606
Ferretti Holdings Corp.	941,692,000	39.481
Ease Action Investments Corp.	941,692,000	39.481
Onway Assets Holdings Ltd.	405,826,087	17.014
Silver Log Holdings Ltd.	405,826,087	17.014
Matthews International Capital Management, LLC	120,383,000	5.047

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 subsidiaries as described above duplicate each other.

## Contracts of Significance with Controlling Shareholders

The Company and the controlling shareholders of the Company have entered into the following contracts of significance which were subsisting during the financial year ended 31 December 2010:

1. Administrative services agreement dated 21 March 2007 (“the Administrative Services Agreement”) entered into between the Company and CITIC Pacific, a controlling shareholder of the Company, pursuant to which CITIC Pacific and the Company will share the company secretarial services and the internal audit services with effect from 1 January 2007. The amount payable by the Company to CITIC Pacific for the services received shall be determined on costs basis with payment terms to be agreed between the parties from time to time. The Administrative Services Agreement may be terminated if CITIC Pacific shall hold less than 30% of the shares of the Company and is terminable by giving a six months’ prior notice in writing by either party. Mr Liu Jifu, an executive director of CITIC Pacific, Mr Kwok Man Leung, an executive director of CITIC Pacific, who has resigned as a non-executive director of the Company with effect from 18 November 2010, and Mr Fei Yiping, Group Financial Controller of CITIC Pacific have indirect interests in the Administrative Services Agreement. A copy of the Administrative Services Agreement will be available for inspection at the Annual General Meeting of the Company to be held on 21 April 2011.
2. Deed of non-competition dated 21 March 2007 executed by CITIC Pacific in favour of the Company, mainly to the effect that at any time during which the shares of the Company are listed on the Stock Exchange and CITIC Pacific and/or its associates are regarded as a controlling shareholder of the Company under the Listing Rules, (i) CITIC Pacific will not engage and will procure its subsidiaries (excluding the Group) not to engage in the provisions of telecommunications hub-based service (“Restricted Activity”) globally or in any other business that may compete with the Restricted Activity, and (ii) in the event that any opportunity is made available to CITIC Pacific to invest in any independent third party’s business engaging in the Restricted Activity, CITIC Pacific will use its best efforts to procure that such investment opportunity is offered to the Group and the Group shall have a first right of refusal.
3. Deed of Indemnity dated 21 March 2007 given by CITIC Pacific in favour of the Company (and its subsidiaries), pursuant to which CITIC Pacific will keep the Company and its subsidiaries indemnified against any taxation falling on it resulting from or by reference to any revenue, income, profits or gains granted, earned, accrued, received or made on the listing date of the Company or any event, transaction, act or omission occurring or deemed to occur on or before the listing date of the Company.
4. Trademark licence agreement dated 21 March 2007 entered into between the Company and CITIC Pacific, pursuant to which CITIC Pacific agreed to licence, on a non-exclusive basis and for nil consideration, the trademark “” for use in connection with the Group’s business. The term of the agreement is from 21 March 2007 until the expiration of the current trademark registration on 26 July 2014. However, the Company has ceased to use the trademark “” since the Company changed its name from “CITIC 1616 Holdings Limited” to “CITIC Telecom International Holdings Limited”, which took effect from 23 November 2010, whereupon the Company has adopted “” as its new logo.
5. Trademark licence agreement dated 23 November 2010 entered into between the Company, CITIC Group, a controlling shareholder of the Company, and CITIC Pacific, pursuant to which CITIC Group agreed to licence, on a non-exclusive basis, the trademarks “中信”, “CITIC” and “” for use by the Company. The agreement is for a term of 3 years up till 16 November 2013, and may be renewed thereafter. No consideration is payable by the Company to CITIC Group for the use of the aforesaid trademarks.

Apart from the above and the transactions as mentioned in the section of “Connected Transactions” and in items 2 to 4 of the section of “Continuing Connected Transactions”, none of the Company or any of its subsidiaries has entered into any other contract of significance with the Company’s controlling shareholders or their subsidiaries which were subsisting during the financial year ended 31 December 2010.

## Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this report, the Company has maintained the amount of public float as required under the Listing Rules.

## DIRECTORS' REPORT

### Borrowings

At 31 December 2010, the Group had HK\$96.35 million short-term loan from an associate. The loan bears interest at the prevailing market rate. It is unsecured and repayable on 31 March 2011.

At 31 December 2010, the Group had no outstanding bank borrowings.

### Share Capital

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31 December 2010 and the Company has not redeemed any of its shares during the year ended 31 December 2010.

### Confirmation of Independence

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to the independence guidelines under the Listing Rules and that the Company still considers such directors to be independent.

### Disclosure Pursuant to Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, set out below are the changes in monthly salaries for the following directors of the Company with effect from 1 January 2011:

Name of director	Previous monthly salary	Monthly salary (with effect from 1 January 2011)
Xin Yue Jiang	HK\$180,000	HK\$249,600
Yuen Kee Tong	HK\$240,000	HK\$249,600
David Chan Tin Wai	HK\$160,000	HK\$166,400

*Note:* For information in relation to the 2010 full year emoluments of the directors of the Company, please refer to note 9 to the financial statements.

In addition, an ordinary resolution will be put forth to the shareholders in the annual general meeting to be held on 21 April 2011, proposing that with effect from the financial year ending 31 December 2011:

- the director's fee for all directors of the Company (other than the executive directors and directors with employment with CITIC Pacific) be fixed at HK\$150,000 per annum;
- additional remuneration payable to each of the directors (other than the executive directors and directors with employment with CITIC Pacific) who serves on the Audit Committee and the Remuneration Committee shall remain unchanged; and
- the executive directors and directors who are employed by CITIC Pacific will not receive any directors' fee for serving on the Board and the Board Committees of the Company.

### Five Year Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 32 to 33 of the annual report.

### Retirement Scheme

The Group operates a Mandatory Provident Fund Scheme. Particulars of the retirement scheme is set out in note 29 to the financial statements.

### Auditor

KPMG retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board  
**Xin Yue Jiang**  
 Chairman  
 Hong Kong, 25 February 2011