Stock Code:1883

Interim Report 2008

CITIC 1616 HOLDINGS LIMITED
中信1616集團有限公司

(Incorporated in Hong Kong with limited liability)

Contents

Financial Highlights

in HK$ million	Six months ended 30 June 2008	2007	Increase (%)
Turnover			
Voice Hubbing Services	**731.0**	554.1	31.9%
SMS Hubbing Services	**116.9**	84.7	38.0%
Mobile VAS	**37.6**	24.4	54.1%
Virtual Private Network and others	**242.6**	29.0	736.6%
	1,128.1	692.20	63.0%
Profit attributable to equity holders of the Company	**151.1**	136.0	11.1%

	At 30 June 2008	At 31 December 2007	
Total assets	**2,016.7**	1,817.4	11.0%
Shareholders' funds	**1,376.6**	1,287.9	6.9%
Cash and cash equivalents	**875.3**	780.6	12.1%

in HK cents	Six months ended 30 June 2008	2007	
Earnings per share			
Basic and diluted	**7.6**	7.6	–
Dividends per share	**2.0**	1.0	100.0%

Chairman's Statement

I am pleased to present the operating and financial results of the Group for the six months ended 30 June 2008. The Group delivered outstanding financial performance during the period, sustaining rapid business growth with further expansion in the scale of its operations.

I. Financial Results

For the first six months of 2008, the Group recorded turnover of HK$1,128.1 million representing an increase of 63.0% as compared to the corresponding period of the previous year. Net profit of the Group was HK$151.1 million, representing an increase of 11.1% as compared to the corresponding period of 2007. Excluding the interest income derived from the process of initial public offering during the same period of the previous year, net profit would have increased by 58.2%.

Earnings per share for the first half of 2008 amounted to 7.6 cents, the same as the first half of 2007. Despite of significant growth in the Group's net profit, the lack of increment in earnings per share was mainly attributable to the increase in the total issued share capital of the Group by 16.9% to 1,977.73 million shares, as compared to 1,692.00 million shares prior to the listing of the Company on the Hong Kong Stock Exchange on 3 April 2007.

The Board has declared an interim dividend of 2 cents per share for 2008, a growth of 100% as compared to the corresponding period of the previous year.

II. Business Development

During the period under review, the Group continued to provide high quality interoperable connections for major telecoms operators around the world. Rapid growth in voice hubbing services, SMS hubbing services and mobile value-added services ("Mobile VAS") in China was reported and further market shares in China's international voice hubbing services were captured as we worked closely with China's major telecoms operators. There was also significant growth in the international voice hubbing and SMS hubbing services as the number of telecoms operators serviced by the Group increased from 261 at the end of the prior year to 304 at the end of June 2008 following active overseas marketing efforts. By further enhancing the functionalities of its telecom hubbing platform and upgrading its equipment capacities and technical standards, the Group effectively met demands arising from rapid business growth. Acquired by the Group towards the end of last year to tap the new businesses of internet virtual private network and internet services, CPCNet reported rapid business growth and significant year-on-year improvements in operating results on the back of vigorous marketing efforts. The Group's position as a superior provider of international telecoms hubbing services was further reinforced.

A total of 3.47 billion of voice traffic minutes were recorded during the first half of the year, representing a growth of 48.9% as compared to the same period of previous year. Turnover increased by 31.9% to HK$731.0 million. The volume of SMS carried was 986.6 million, an increase of 16.6% as compared to the corresponding period of 2007. Turnover generated by SMS hubbing services for the first half of 2008 increased 38.0% to HK$116.9 million when compared with the same period of 2007. Turnover from Mobile VAS was HK$37.6 million for the period under review, an increase of 54.1% when compared with the same period of the previous year. Regarding the result of CPCNet which had not been included in the same period of the previous year, turnover contributed by CPCNet amounted to HK$212.9 million. If we compared on a proforma basis an increase of 41.9% as compared to the same period of the previous year.

Chairman's Statement

1. Active Market Expansion to Secure Stable Growth in Voice Hubbing Business
   The Group actively responded to the lingering pressure for rate cuts during the period under review by adopting effective measures. We increased the business volume with existing customers through marketing efforts and the provision of quality services, while securing strong growth in our overseas voice hubbing business by tapping new overseas markets and customers. The Group has also been working proactively and closely with our major customers, in particular the telecoms operators in China, to understand their plans and needs. Our hubbing platforms have been carefully dimensioned in capacities and capabilities to meet the needs of our customers in a timely fashion. Our efforts resulted in a solid growth in our traffic and revenue of the voice hubbing services by 48.9% and 31.9%, respectively, as compared to the same period of 2007.

   The Group was actively involved in the research and development of technologies for CDMA telecoms hubs and the acquisition of relevant equipment in preparation for the provision of international roaming mobile voice hubbing services, SMS hubbing services and Mobile VAS to CDMA mobile users in China. Internationally, the Group actively invested in the development of overseas telecoms markets and a number of cooperative framework agreements with local telecoms operators in Vietnam and Indonesia were concluded during the period under review. We also started to move into the Japanese voice hubbing market by establishing a wholly-owned operating subsidiary in Japan.

2. Outstanding Performance of SMS Hubbing Services Driven by Rapid Growth
   The application of SMS among mobile phone users continued to increase as marketing measures adopted by mobile telecoms operators had enhanced the utilisation rate of SMS. During the period under review, the Group met the increased demand for SMS services by expanding its SMS hubbing capacity. We continued to expand into overseas market of mobile telecoms operators, providing international SMS services to mobile telecoms operators in 5 new markets including Italy and Greece. Revenue from SMS hubbing services increased by 38.0% as compared to the same period of 2007.

3. Enhanced Profit Contribution from Mobile VAS Following Rapid Growth
   The Group has been vigorously promoting its Mobile VAS products to additional mobile telecoms operators. The number of prepaid roaming card customers of mobile telecoms operators increased substantially with swift growth in our Single IMSI Multiple Number ("SIMN") and mobile roaming call back services as our international roaming network for prepaid customers hooked up with over 10 mobile telecoms operators in 10 countries and regions. With direct connections between its international mobile roaming signalling transit network and more than 80 mobile telecoms operators located in over 30 countries and regions around the world, the Group has positioned itself as one of the major international mobile roaming signalling transit services providers in Asia to lay a solid foundation for further development of its Mobile VAS. Profit contribution from Mobile VAS grew further as revenue from this business segment increased substantially by 54.1% as compared to the same period of 2007.

4. Strong Momentum Generated Through the Business of CPCNet
   Internet virtual private network and internet services provide an economic and effective means for internal communications and management of multi-national and trans-regional corporations. As a major internet virtual private network services provider which connects multi-national corporations to the Mainland China, CPCNet pro-actively expanded into overseas markets and adopted effective marketing strategies. During the period under review, CPCNet expanded its internet virtual private network (VPN) to cover all major cities in the PRC, with the number of VPN services sites increasing substantially from approximately 2,332 to 3,007, a growth of 28.9% as compared to the corresponding period of 2007. Revenue amounted to HK$212.9 million, an increase of 41.9% as compared to the same period of the prior year on a proforma basis. CPCNet's Internet services and international private lease lines services continued to grow at a stable pace, while market development for its information security services was further enhanced.

   The premium quality of CPCNet products has been widely recognised in the industry, as evidenced by the Asia-Pacific regional awards received during the period under review. Customers have also been assured of CPCNet's high standards in services quality with the awarding of the ISO9001 quality management certificate and ISO27001 information security management certificate.

The Group was starting to enjoy synergistic effects as it continued to integrate the assets and businesses of CPCNet and optimise resources. A portion of services originally provided by our Hong Kong customer services centres had been transferred to customer services centres under CPCNet, and satisfactory results were achieved in terms of resources sharing in data centres and networks.

5. Achievements in Corporate Governance
   The Group has established standardised reporting procedures to enhance implementation of company policies with a view to continuous improvement in corporate governance practices. With improved management efficiencies and execution capabilities, internal control and risk management has been further strengthened and investor relations further improved, as evidenced by the Group's first ranking in the "Best Mid-Cap" Award (China District) in the "Asia's Best Companies Poll" organised by FinanceAsia magazine, and top-three ranking in "Best Investor Relations" Award (China District).

III. Outlook

In the remainder of the year, the Group will carry on with our efforts to increase its global market shares for various businesses by rolling out a more extensive geographic coverage and further consolidating its position in the market for international telecoms hubbing services. We intend to beef up efforts in developing the international voice hubbing market, striving for fast growth in our international voice hubbing services to create positive synergies with our PRC operations that would contribute to the steady expansion of our voice hubbing services as a whole. Preparations will be made in anticipation of 3G business development, such as the research and development of new products as growth drivers for the SMS and Mobile VAS businesses. Efforts will also be dedicated to creating greater synergies by integrating the operations and assets of the Group and CPCNet.

Significant growth in China's international telecommunications is expected during the Beijing Olympic Games. In view of the potential growth opportunities associated with the Beijing Olympic Games, the Group has been fully geared up in terms of personnel deployment, equipment, network capacity and technical conditions, in a bid to provide the best telecoms hubbing service for international telecommunications needs at the Olympics.

Industry-wise, China's big-three telecoms operators will become full service telecoms operators upon the completion of the restructuring of the country's telecoms industry. We foresee that the 3G license will be issued after the completion of the restructuring. In this connection, we are now well prepared for the provision of international voice services, SMS, video conferencing and Mobile VAS to the 3G mobile phone users. This development will bring upon greater opportunities for the Group.

On the back of the Group's top-quality telecoms hubs, extensive network connections and comprehensive services and given our stated strategies, we expect sustained sound growth in business revenue and profit in the second half of the year for greater reward to shareholders.

Finally, I would like to express, on behalf of the Board, sincere gratitude to the management and staff of the Company for their loyalty and dedication.

Shi Cuiming
Chairman

Hong Kong, 31 July 2008

Financial Review

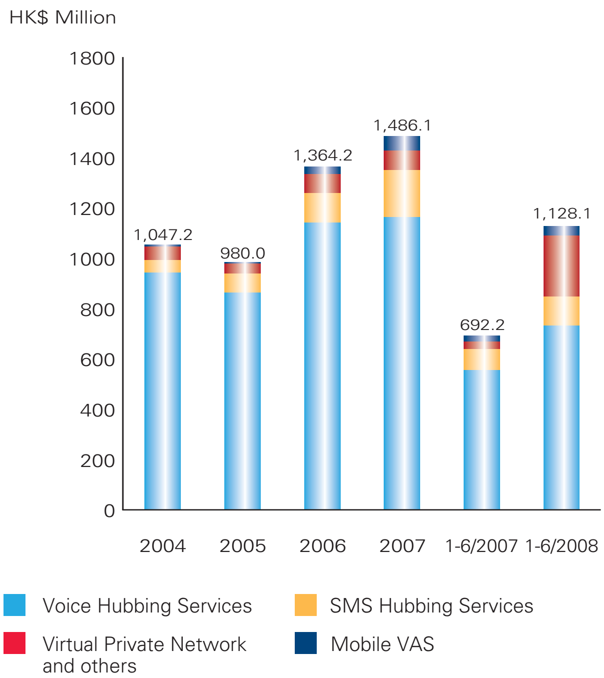
Introduction

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 14 to 18 of the Interim Report contain the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement. Following these financial information, on pages 19 to 28 of the Interim Report, are Notes that further explain certain figures presented in the report.

On page 29 is the report of CITIC 1616's auditor – KPMG – of their independent review of the Group's interim accounts.

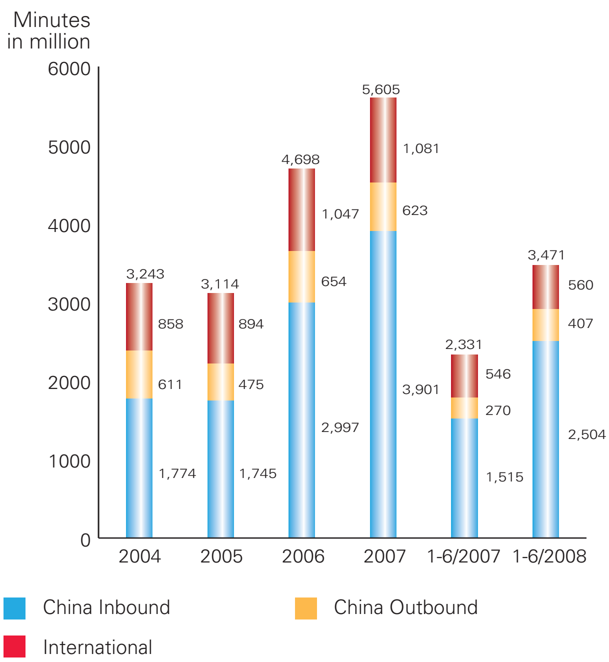
Turnover



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.

Traffic (By geographic)



Review of Financial Performance

Turnover

The Group's turnover for the six months ended 30 June 2008 was HK$1,128.1 million, an increase of 63.0%, compared with HK$692.2 million for the same period of 2007.

Voice Hubbing Services turnover increased from HK$554.1 million for the six months ended 30 June 2007 to HK$731.0 million for the six months ended 30 June 2008, representing a 31.9% increase. The traffic carried by the Group for the first six months of 2008 reached 3.47 billion minutes, an increase of 48.9% compared with 2.33 billion minutes for the corresponding period of previous year. The encouraging result was mainly due to the Group's marketing effort in increasing inbound traffic to China which in turn, resulted in increased traffic volume from the China operators to the rest of the world.

Financial Review

In respect of SMS Hubbing Services, the Group recorded a 38.0% growth in turnover, from HK$84.7 million to HK$116.9 million for the six months ended 30 June 2008. The Group handled 986.6 million messages for the first half of 2008 representing an increase of 16.6% over the same period of 2007. During the period under review, the Group continued to enhance the quality of our services while gradually reduced the discount plans offered to our SMS hubbing customers. This resulted in an increase in average revenue per SMS of 18.0% as compared to the corresponding period of last year.

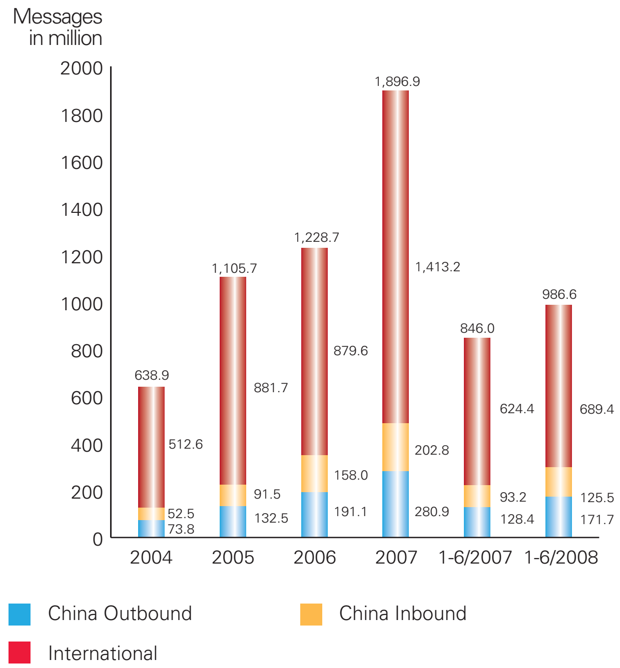
Mobile VAS turnover for the first six months of 2008 amounted to HK$37.6 million, representing an increase of 54.1% compared with HK$24.4 million for the same period of 2007. This remarkable result was achieved as a result of increasing demand from the China operators during the review period.

Virtual Private Network (VPN) and others turnover increased by 736.6% to HK$242.6 million compared with HK$29.0 million for the first half of 2007. The significant increase was mainly due to the first time inclusion of the turnover of CPCNet acquired in December 2007. During the review period, CPCNet achieved HK$212.9 million in turnover, an increase of 41.9% as compared with the same period of last year. The number of billable VPN sites had increased continuously and reached 3,007 sites at the end of June 2008, an increase of 28.9% as compared to June 2007.

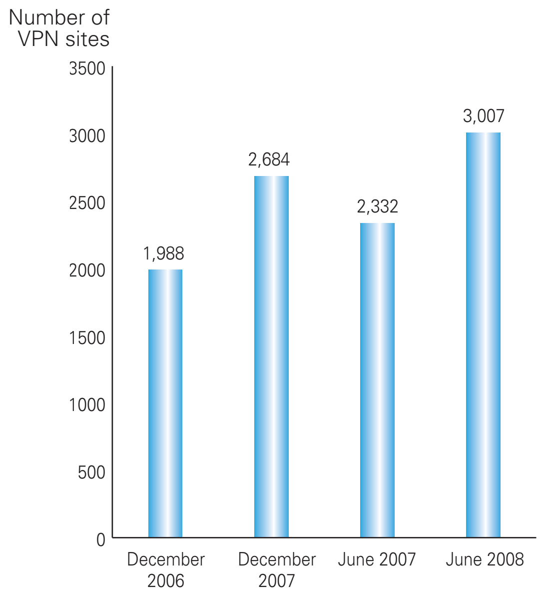
Other revenue

The Group's other revenue for the first half of 2008 amounted to HK$10.8 million representing a decrease of HK$36.4 million as compared with the same period of last year. In the first half of 2007, the Group had recorded a one-off HK$40.5 million interest income during the Group's Initial Public Offering ("IPO"), which was derived from proceeds obtained through oversubscription of shares. Excluding the one–off interest income, the Group recorded an increase in the interest income of HK$4.1 million for the period.

Number of SMS



Number of VPN sites



Financial Review

Network, operations and support expenses

In the first half of 2008, network, operations and support expenses amounted to HK$753.9 million, representing an increase of 64.5% as compared to the same period of 2007. The increase was mainly due to the first time inclusion of the result of CPCNet. If we exclude the impact of CPCNet, the expenses which amounted to HK$644.7 million represented an increase of HK$186.5 million or 40.7%. The increase in the expenses was in line with the increase in traffic volume.

In terms of percentage of turnover, network, operations and support expenses represented 66.8% for the first half of 2008 which was similar to the 66.2% for the first six months of 2007.

Staff costs

Staff costs for the first six months of 2008 amounted to HK$86.2 million, representing an increase of 63.3% compared with HK$52.8 million for the same period of 2007. The increase was mainly due to the first time inclusion of CPCNet. If CPCNet was excluded, the staff costs had decreased by HK$4.8 million or 9.1% mainly due to the inclusion of a share option charge of HK$12.9 million in the first half of 2007. The Group's total headcount was 355 staff at the end of June 2008, including 168 staff from CPCNet.

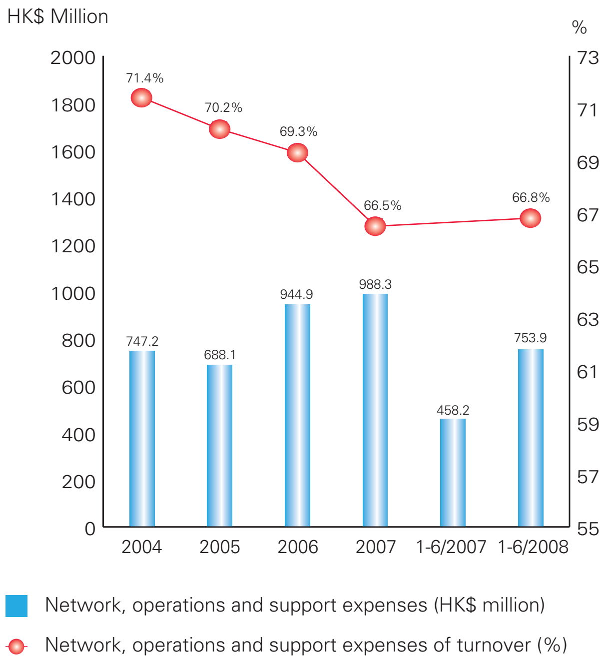
Other operating expenses

Other operating expenses for the first half of 2008 amounted to HK$61.7 million, representing an increase of 91.0% compared with HK$32.3 million for the corresponding period of last year. The increase was again due to first time inclusion of CPCNet. If the impact of CPCNet was excluded, an increase of 30.7% was recorded. The increase was in line with the increase in the growth of business.

Income tax

The Group's income tax expenses increased 39.3% from HK$21.4 million to HK$29.8 million for the six months ended 30 June 2008. This increase was mainly due to the increase in profit from operations.

Network, operations and support expenses



Financial Review

Profit attributable to equity holders of the Company

The Group recorded a profit of HK$151.1 million for the first half of 2008, an increase of 11.1% as compared to the same period of 2007. If the one-off interest income of HK$40.5 million derived during IPO was excluded in the first half of 2007, profit attributable to equity holders for the first half of 2008 increased by 58.2%. During the review period, contribution from CPCNet after deducting the amortisation of intangibles amounted to HK$20.2 million, representing an increase of 66.9% as compared to same period of 2007.

Earnings per share

Earnings per share was 7.6 cents for the first half of 2008, the same as the first half of 2007. As the Group has issued 188.0 million and 98.1 million new shares during the IPO and the acquisition of CPCNet respectively in 2007, a dilution impact was recorded in calculation of earnings per share which had off-set the profit growth for the first half of 2008.

Dividend per share

An interim dividend of 2 cents per share is proposed for the first half of 2008.

Capital expenditure

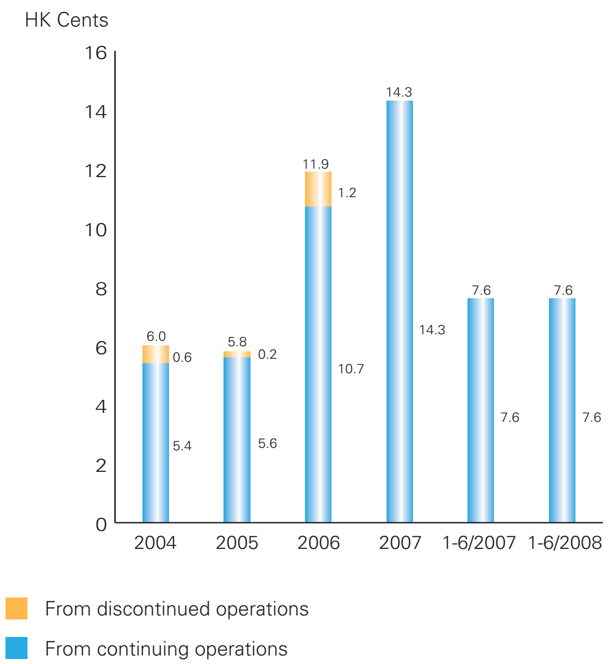
Capital expenditure was HK$51.6 million for the first six months of 2008 an increase of 41.4% as compared with HK$36.5 million for the same period of the previous year. This had included the capital expenditure of CPCNet which amounted to HK$12.1 million during the period. The expenditure mainly included HK$45.4 million for upgrading the Group's network system, and HK$2.3 million for enhancing the Group's application development capabilities.

Use of proceeds

The Company raised HK$461.0 million from IPO in 2007. At 30 June 2008, only HK$105.7 million has been utilised. Approximately HK$93.5 million and HK$12.2 million have been spent for upgrading the group's network activities and for enhancing the group's application development activities respectively. The usage was in accordance with the proposed use of proceeds set out in the prospectus. The remaining proceeds were held as bank deposits and will be utilised in the manner as disclosed in the prospectus in the future.

Profit attributable to equity holders of the Company

Earnings per share



Financial Review

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 deposit.

Exchange rate risk

A substantial portion of the Group's sales revenue and its cost of sales are denominated in US dollar, to which the Hong Kong dollar is pegged. The Group has not been exposed nor anticipates itself being exposed to material risks due to changes in exchange rates. The Group will continue to monitor closely all possible exchange rate risk and implement the necessary hedging arrangement to mitigate the possible foreign exchange risk.

Credit risk

Credit evaluations are performed on all customers with credit level over a certain amount. At 30 June 2008, the accounts receivable 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 receivable due from the Group's 5 largest customers and customers from China, with the 5 largest customers accounting for approximately 55% and 46% of the Group total trade receivable at 30 June 2008 and 31 December 2007, respectively. The credit risk exposure to these customers in China and the remaining trade receivable balance has been and will be monitored by the Group on an ongoing basis and the impairment losses on bad and doubtful debts have 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. At 30 June 2008, the Group had cash and cash equivalents of HK$875.3 million, an increase of HK$94.7 million as compared to the HK$780.6 million as at 31 December 2007. The increase was mainly due to the Group's net cash generated from operating activities.

Currency Portfolio

The original denomination of the Group's cash and cash equivalents by currencies at 30 June 2008 is summarised as follows:

	Denomination				
HK$ million equivalent	**HK$**	**US$**	**EUR**	**Other**	**Total**
Cash and cash equivalents	261.5	531.9	76.7	5.2	875.3
Percentage of total amount	29.9%	60.8%	8.7%	0.6%	100.0%

At 30 June 2008, the Group maintained EUR balance with HK$ equivalent 76.7 million in order to support the need of settlement in EUR for current outstanding payable and in the future. At 30 June 2008, the Group had an outstanding payable in EUR equivalent to HK$28.4 million which comprised capital expenditure and trade payable.

Borrowings

At 30 June 2008, the Group had no outstanding borrowings.

Banking facilities

At 30 June 2008, the Group had banking facilities amounting to US$3.85 million and HK$100.0 million (equivalent to a total of HK$130.0 million). Of the total banking facilities, US$10,000 (equivalent to HK$78,000) was utilised as guarantees for the Group's purchase from telecoms operators.

Securities and guarantees

At 30 June 2008, the Group had not made any pledge of or created any security over its assets and had not provided any corporate guarantee.

Contingent liabilities

At 30 June 2008, the Group did not have any contingent liability.

Capital commitments

At 30 June 2008, the Group had outstanding capital commitments of HK$32.2 million, mainly for the acquisition of network equipment which had yet to be delivered to the Group, of which HK$22.9 million were outstanding contractual capital commitments and HK$9.3 million were capital commitments authorised 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 2008, the Group employed 355 staff in its headquarter of Hong Kong and its subsidiaries. The employees of Hong Kong and Mainland China were respectively 326 and 8. The other 21 were employed in subsidiaries of Taiwan, Japan and Singapore.

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 6 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. Starting from January 2007, 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 opinion survey, employee suggestion box and tea break section with Corporate Management, employees could express ideas and concerns to the management. The Group shared the findings and the action plans after collecting the feedback.

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 be well equipped for the Group and employees for upcoming challenges.

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 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 2008 and the unaudited consolidated balance sheet of the Group at 30 June 2008, together with the comparative figures for the six months ended 30 June 2007 and at 31 December 2007 respectively.

Consolidated Income Statement

for the six months ended 30 June 2008
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2008 (Unaudited) $'000	2007 (Unaudited) $'000
Turnover	3	**1,128,068**	692,247
Other revenue	4	**10,820**	47,155
Other net gain/(loss)	5	**255**	(44)
		1,139,143	739,358
Network, operations and support expenses	6(b)	**(753,927)**	(458,162)
Depreciation and amortisation		**(56,494)**	(38,780)
Staff costs	6(a)	**(86,201)**	(52,757)
Other operating expenses		**(61,653)**	(32,278)
Profit from operations and before taxation	6	**180,868**	157,381
Income tax	7	**(29,758)**	(21,365)
Profit attributable to the equity holders of the Company for the period		**151,110**	136,016
Dividends payable to equity holders of the Company attributable to the interim period:			
Interim dividend declared after the balance sheet date	8	**39,555**	18,800
Basic and diluted earnings per share (HK cents)	9	**7.6**	7.6

The notes on pages 19 to 28 form part of this interim financial report.

Consolidated Balance Sheet

at 30 June 2008
(Expressed in Hong Kong dollars)

	Note	30 June 2008 (Unaudited) $'000	31 December 2007 (Audited) $'000
Non-current assets			
Property, plant and equipment	*10*	**327,360**	326,489
Intangible assets		**23,079**	28,717
Goodwill		**9,455**	9,455
Non-current other receivables	*11*	**32,348**	34,772
Deferred tax assets		**34,538**	42,096
		426,780	441,529
Current assets			
Trade and other receivables	*11*	**713,882**	594,243
Current tax recoverable		**747**	1,043
Cash and cash equivalents	*12*	**875,307**	780,621
		1,589,936	1,375,907
Current liabilities			
Trade and other payables	*13*	**572,162**	472,416
Current tax payable		**37,614**	22,045
		609,776	494,461
Net current assets		**980,160**	881,446
Total assets less current liabilities		**1,406,940**	1,322,975
Non-current liabilities			
Deferred tax liabilities		**30,348**	35,125
NET ASSETS		**1,376,592**	1,287,850
CAPITAL AND RESERVES			
Share capital	*14*	**197,773**	197,807
Reserves		**1,178,819**	1,090,043
TOTAL EQUITY		**1,376,592**	1,287,850

The notes on pages 19 to 28 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2008
(Expressed in Hong Kong dollars)

	Note	Attributable to equity holders of the Company						
		Share capital (Unaudited) $'000	Share premium (Unaudited) $'000	Capital reserve *(Note 14(g))* (Unaudited) $'000	Capital redemption reserve *(Note 14(f))* (Unaudited) $'000	Exchange reserve (Unaudited) $'000	Retained profits (Unaudited) $'000	Total (Unaudited) $'000
At 1 January 2007		1	–	–	2,000	–	370,916	372,917
Profit for the period		–	–	–	–	–	136,016	136,016
Capitalisation issue	*14(b)*	169,199	–	–	–	–	(169,199)	–
Shares issued under the placing and public offer	*14(c)*	18,800	466,240	–	–	–	–	485,040
Issuing expenses	*14(c)*	–	(24,030)	–	–	–	–	(24,030)
Equity-settled share-based transactions	*14(g)*	–	–	12,917	–	–	–	12,917
At 30 June 2007		188,000	442,210	12,917	2,000	–	337,733	982,860

	Note	Share capital (Unaudited) $'000	Share premium (Unaudited) $'000	Capital reserve *(Note 14(g))* (Unaudited) $'000	Capital redemption reserve *(Note 14(f))* (Unaudited) $'000	Exchange reserve (Unaudited) $'000	Retained profits (Unaudited) $'000	Total (Unaudited) $'000
At 1 July 2007		188,000	442,210	12,917	2,000	–	337,733	982,860
Translation difference of financial statements of subsidiaries outside Hong Kong		–	–	–	–	(7)	–	(7)
Profit for the period		–	–	–	–	–	126,683	126,683
Shares issued for acquisition of subsidiaries	*14(d)*	9,807	187,307	–	–	–	–	197,114
Dividends approved and paid during the period	*8*	–	–	–	–	–	(18,800)	(18,800)
At 31 December 2007		197,807	629,517	12,917	2,000	(7)	445,616	1,287,850

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2008
(Expressed in Hong Kong dollars)

		Attributable to equity holders of the Company						
	Note	Share capital (Unaudited) $'000	Share premium (Unaudited) $'000	Capital reserve *(Note 14(g))* (Unaudited) $'000	Capital redemption reserve *(Note 14(f))* (Unaudited) $'000	Exchange reserve (Unaudited) $'000	Retained profits (Unaudited) $'000	Total (Unaudited) $'000
At 1 January 2008		197,807	629,517	12,917	2,000	(7)	445,616	1,287,850
Dividends approved in respect of previous year	8	–	–	–	–	–	(61,310)	(61,310)
Purchase of own shares	14 (e)							
– par value paid		(34)	–	–	–	–	–	(34)
– premium paid		–	–	–	–	–	(510)	(510)
– transfer between reserves		–	–	–	34	–	(34)	–
Translation difference of financial statements of subsidiaries outside Hong Kong		–	–	–	–	(514)	–	(514)
Release upon lapse of share options	14 (g)	–	–	(1,687)	–	–	1,687	–
Profit for the period		–	–	–	–	–	151,110	151,110
At 30 June 2008		197,773	629,517	11,230	2,034	(521)	536,559	1,376,592

The notes on pages 19 to 28 form part of this interim financial report.

Consolidated Cash Flow Statement

for the six months ended 30 June 2008
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2008 (Unaudited) $'000	2007 (Unaudited) $'000
Operating activities		
Profit before taxation	**180,868**	157,381
Adjustments for:		
– Depreciation and amortisation	**56,494**	38,780
– (Profit)/loss on disposal of property, plant and equipment	**(132)**	6
– Equity-settled share-based payment expenses	**–**	12,917
– Interest income	**(10,820)**	(47,155)
Operating profit before changes in working capital	**226,410**	161,929
Increase in trade and other receivables	**(115,847)**	(43,002)
Increase/(decrease) in trade and other payables	**93,535**	(3,065)
Cash generated from operations	**204,098**	115,862
Tax paid		
Hong Kong Profits Tax paid	**(10,718)**	(6,375)
Overseas tax paid	**(394)**	–
Net cash generated from operating activities	**192,986**	109,487
Investing activities		
Interest received	**9,452**	46,903
Payment for the purchase of property, plant and equipment	**(43,798)**	(28,932)
Proceeds from disposal of property, plant and equipment	**135**	110
Net cash (used in)/generated from investing activities	**(34,211)**	18,081
Financing activities		
Decrease in amount due to ultimate holding company	**(1,600)**	(2,237)
Payment for repurchase of shares	**(544)**	–
Proceeds from issuance of shares under the placing and public offer	**–**	485,040
Issuing expenses	**–**	(24,030)
Dividends paid to equity holders of the Company	**(61,310)**	–
Net cash (used in)/generated from financing activities	**(63,454)**	458,773
Net increase in cash and cash equivalents	**95,321**	586,341
Cash and cash equivalents at 1 January	**780,621**	43,432
Effect of foreign exchange rate changes	**(635)**	–
Cash and cash equivalents at 30 June	**875,307**	629,773

The notes on pages 19 to 28 form part of this interim financial report.

Notes on 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 issuance on 31 July 2008.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements.

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 condensed 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 2007 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a 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 of directors is included on page 29.

The financial information relating to the financial year ended 31 December 2007 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 2007 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 11 March 2008.

2 Segment reporting

As all of the Group's total turnover and profits were derived from telecommunications operations, accordingly no separate business segment analysis is presented for the Group. Further, the Group's business participates primarily in one geographical location classified by the location of assets, i.e. Hong Kong, and accordingly, no geographic segmental analysis is provided.

3 Turnover

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

Turnover recognised during the period may be analysed as follows:

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	$'000	$'000
Fees from the provision of voice hubbing services	**731,038**	554,167
Fees from the provision of short message services	**116,930**	84,664
Fees from the provision of other telecommunications services	**280,100**	53,416
	1,128,068	692,247

4 Other revenue

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	$'000	$'000
Bank interest income	**10,561**	46,869
Other interest income	**259**	286
Total interest income on financial assets not at fair value through profit or loss	**10,820**	47,155

5 Other net gain/(loss)

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	$'000	$'000
Net profit/(loss) on disposal of property, plant and equipment	**132**	(6)
Net foreign exchange gain/(loss)	**123**	(38)
	255	(44)

6 Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2008 (Unaudited) $'000	2007 (Unaudited) $'000
(a) Staff costs:		
Salaries, wages and other benefits	**83,845**	38,690
Contributions to defined contribution retirement plans	**2,356**	1,150
Equity-settled share-based payment expenses	**–**	12,917
	86,201	52,757
(b) Other items:		
Network, operations and support expenses, including:	**753,927**	458,162
– carrier costs	**613,279**	428,202
– operating leases – international leased circuits	**48,566**	22,394
– other telecommunications service costs	**92,082**	7,566
Depreciation	**50,856**	38,780
Amortisation	**5,638**	–
Operating lease charges in respect of land and buildings	**17,692**	11,456

7 Income tax in the consolidated income statement

Income tax in the consolidated income statement represents:

	Six months ended 30 June	
	2008 (Unaudited) $'000	2007 (Unaudited) $'000
Current tax – Hong Kong Profits Tax		
Provision for the period	**25,684**	20,793
Overprovision in respect of prior years	**–**	(24)
	25,684	20,769
Current tax – Overseas		
Provision for the period	**1,304**	706
Deferred tax		
Origination and reversal of temporary differences	**2,363**	(110)
Effect of decrease in tax rate on deferred tax balances at 1 January	**407**	–
	2,770	(110)
	29,758	21,365

The provision for Hong Kong Profits Tax for the six months ended 30 June 2008 is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the period.

Overseas taxation has been calculated on the estimated assessable profit during the period at the appropriate current rates of taxation prevailing in the relevant countries in which the Group operates.

8 Dividends

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

	2008 (Unaudited) $'000	2007 (Unaudited) $'000
Interim dividend declared after the interim period, of 2 cents per share (2007: 1 cent per share)	**39,555**	18,800

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

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

	Six months ended 30 June	
	2008 (Unaudited) $'000	2007 (Unaudited) $'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of 3.1 cents per share (year ended 31 December 2006: Nil)	**61,310**	–

9 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity holders of the Company for the six months ended 30 June 2008 of $151,110,000 (six months ended 30 June 2007: $136,016,000) and the weighted average number of 1,977,780,000 shares (2007: 1,784,442,000 shares) in issue during the six months ended 30 June 2008, calculated as follows:

Weighted average number of ordinary shares

	Number of shares	
	2008 '000	2007 '000
Issued ordinary shares at 1 January #	**1,978,066**	1,692,000
Effect of shares repurchased	**(286)**	–
Effect of shares issued pursuant to the placing and public offering	**–**	92,442
Weighted average number of ordinary shares	**1,977,780**	1,784,442

Issued share capital at 1 January 2007 represented shares of the Company in issue after the reorganisation (see note 14(b)), as if the shares had been outstanding since 1 January 2007.

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2008 and 2007 are not presented as the potential ordinary shares in respect of outstanding share options were anti-dilutive.

10 Property, plant and equipment

Acquisitions and disposals

During the six months ended 30 June 2008, the Group acquired items of property, plant and equipment with a cost of $51,609,000 (six months ended 30 June 2007: $36,508,000). Items of property, plant and equipment with a net book value of $3,000 were disposed of during the six months ended 30 June 2008 (six months ended 30 June 2007: $116,000), resulting in a profit/(loss) on disposal of $132,000 and $(6,000) for the six months ended 30 June 2008 and 2007 respectively.

11 Trade and other receivables

	30 June 2008 (Unaudited) $'000	31 December 2007 (Audited) $'000
Trade debtors, net of allowance for doubtful debts	**660,638**	540,503
Other receivables	**85,592**	88,512
	746,230	629,015
Represented by:		
Non-current portion	**32,348**	34,772
Current portion	**713,882**	594,243
	746,230	629,015

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

	30 June 2008 (Unaudited) $'000	31 December 2007 (Audited) $'000
Within 1 year	**643,616**	520,325
Over 1 year	**17,022**	20,178
	660,638	540,503

Credit evaluations are performed on all customers requiring credit over a certain amount. These debtors 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.

12 Cash and cash equivalents

	30 June 2008 (Unaudited) $'000	31 December 2007 (Audited) $'000
Cash at bank and in hand	**87,906**	54,440
Deposits with banks with maturity within 3 months	**787,401**	726,181
	875,307	780,621

13 Trade and other payables

	30 June 2008 (Unaudited) $'000	31 December 2007 (Audited) $'000
Trade creditors	**483,370**	396,261
Other payables and accruals	**88,792**	74,555
Amount due to ultimate holding company	**–**	1,600
	572,162	472,416

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

	30 June 2008 (Unaudited) $'000	31 December 2007 (Audited) $'000
Within 1 year	**418,686**	349,021
Over 1 year	**64,684**	47,240
	483,370	396,261

14 Capital and reserves

Share capital

	Note	30 June 2008 No. of shares	30 June 2008 Amount $'000	31 December 2007 No. of shares	31 December 2007 Amount $'000
Authorised:					
Ordinary shares of $0.1 each	*(a)*	**5,000,000,000**	**500,000**	5,000,000,000	500,000
Issued and fully paid:					
Ordinary shares of $0.1 each	*(a)*	**1,977,731,283**	**197,773**	1,978,066,283	197,807
At 1 January		**1,978,066,283**	**197,807**	1,000	1
Bonus issue	*(b)*	**–**	**–**	9,000	–
Capitalisation issue	*(b)*	**–**	**–**	1,691,990,000	169,199
Shares issued under the placing and public offering	*(c)*	**–**	**–**	188,000,000	18,800
Allotment	*(d)*	**–**	**–**	98,066,283	9,807
Repurchase of shares	*(e)*	**(335,000)**	**(34)**	–	–
At 30 June/31 December		**1,977,731,283**	**197,773**	1,978,066,283	197,807

Notes:

(a) Holders of ordinary shares are entitled to receive dividends as declared from time to time and every member present in person shall have one vote on a show of hands or 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.

(b) On 16 March 2007, a series of restructuring activities were undertaken to prepare for the initial public offering of the Company's shares on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). These are summarised as follows:

– the re-designation of all non-voting deferred shares to ordinary shares;

– share-split of 1 share of $1 each to 10 shares of $0.10 each;

– increase in authorised capital to $500,000,000 by the creation of 4,979,990,000 new ordinary shares of $0.10 each; and

– allotment of 1,691,990,000 shares to the immediate holding company through the capitalisation of the Company's retained profits in the amount of $169,199,000.

Upon the completion of the above exercise, the total issued capital of the Company was $169,200,000, comprising 1,692,000,000 ordinary shares of $0.10 each credited as fully paid.

(c) The Company's ordinary shares were successfully listed on the Main Board of the Stock Exchange on 3 April 2007. An aggregate of 188,000,000 ordinary shares of a nominal value of $0.10 each were issued on 3 April 2007 at a price of $2.58 per share. The net proceeds (after deduction of share issue expenses of $24,030,000) to the Company arising from the issue of new ordinary shares amounted to $461,010,000. The excess of the net proceeds over the nominal value of ordinary shares issued of $18,800,000, amounting to $442,210,000, has been credited to share premium. The application of the share premium account is governed by section 48B of the Hong Kong Companies Ordinance.

(d) Pursuant to an agreement dated 12 November 2007, the Company agreed to acquire the entire issued share capital of Silver Linkage Investments Inc. and as consideration, the Company allotted 98,066,283 new shares of $0.10 each to the vendor. At the completion date, 17 December 2007, the fair value of the Company's shares was $2.01 per share.

14 Capital and reserves (Continued)

Share capital (Continued)

Notes: (Continued)

(e) During the six months ended 30 June 2008, the Company repurchased a total of 335,000 of its own shares on the Stock Exchange, all of which have been cancelled, as follows :

Month/Year	Number of shares repurchased	Total purchase prices $	Purchase price per share Highest $	Purchase price per share Lowest $
January 2008	160,000	249,600	1.60	1.52
February 2008	175,000	293,900	1.70	1.66

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

(g) Equity settled share-based transactions
On 23 May 2007, options to subscribe for a total of 18,720,000 shares were granted to employees, directors and non-executive directors of the Company under the Company's share option 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 $0.10 each of the Company. These share options will vest on 23 May 2007 and then 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 share options.

No option was exercised during the six months ended 30 June 2008 and 2007.

The grant-date fair value of options granted during the six months ended 30 June 2007 was $12,917,000. The amount was recognised as share-based compensation expenses in profit or loss during the six months ended 30 June 2007, with a corresponding increase in capital reserve. During the six months ended 30 June 2008, options for 2,445,000 shares lapsed. The fair value of lapsed options was $1,687,000, and was released directly to retained profits.

15 Capital commitments

Capital commitments of the Group outstanding at 30 June 2008 not provided for in the financial report were as follows:

	30 June 2008 (Unaudited) $'000	31 December 2007 (Audited) $'000
Contracted for	**22,910**	7,896
Authorised but not contracted for	**9,251**	9,158

16 Related party transactions

In addition to the transactions and balances disclosed elsewhere in this report, the Group entered into the following material related party transactions:

	Note	Six months ended 30 June 2008 (Unaudited) $'000	Six months ended 30 June 2007 (Unaudited) $'000
Telecommunications services and related income from affiliated companies		**2,632**	2,885
Telecommunications service expenses to an affiliated company		**2,776**	1,454
Professional fee payable to ultimate holding company	*(i)*	**800**	300
Operating lease charges and building management fee payable to an affiliated company	*(ii)*	**11,952**	11,952
Management fee paid to a wholly-owned subsidiary of the minority shareholder		**500**	500

Notes:

(i) Professional fee was paid/payable to the ultimate holding company for the provision of internal audit and company secretarial services.

(ii) An affiliated company leases a property in Hong Kong to the Group under an operating lease. The amount represents the leases charges and building management fees paid to the affiliated company.

	30 June 2008 (Unaudited) $'000	31 December 2007 (Audited) $'000
Amount due to ultimate holding company	**–**	1,600
Amount due from/(to) an affiliated company included in		
– Trade debtors	**6,041**	3,848
– Trade creditors	**(3,769)**	(1,796)
	2,272	2,052

16 Related party transactions (Continued)

Key management personnel remuneration

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

	Six months ended 30 June	
	2008 (Unaudited) $'000	2007 (Unaudited) $'000
Short-term employee benefits	**7,458**	10,375
Equity-settled share-based payment expenses	**–**	9,508
Post-employment benefits	**179**	–
	7,637	19,883

17 Post balance sheet events

After the balance sheet date, the directors proposed an interim dividend. Further details are disclosed in note 8.

18 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ended 30 June 2008

Up to the date of issue of this interim financial report, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ended 30 June 2008.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new 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.

Of these developments, the following development may result in new or amended disclosure in the interim financial report:

		Effective for accounting periods beginning on or after
HKFRS 8	Operating segments	1 January 2009
HKAS 23 (revised)	Borrowing costs	1 January 2009

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 14 to 28 which comprise the balance sheet of CITIC 1616 Holdings Limited as of 30 June 2008 and the related statements of income, and changes in equity and 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 2008 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

31 July 2008

Statutory Disclosure

Dividend and closure of register

The Directors have declared an interim dividend of 2 cents (2007: 1 cent) per share for the year ending 31 December 2008 payable on Wednesday, 27 August 2008 to shareholders whose names appear on the Register of Members of the Company on Friday, 22 August 2008. The Register of Members of the Company will be closed from Monday, 18 August 2008 to Friday, 22 August 2008, 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, 15 August 2008.

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 prices 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.

On 23 May 2007, options to subscribe for a total of 18,720,000 shares in the Company, representing approximately 1% of the issued share capital, at the exercise price of HK$3.26 per share, were granted under the Plan. The closing price of the Company's share immediately before the date of grant was HK$3.14. All options granted and accepted can be exercised in whole or in part within 5 years from the date of grant. All were accepted, and none were exercised or cancelled but options for 2,445,000 shares have lapsed during the six months ended 30 June 2008. No further options were granted during the six months ended 30 June 2008.

A summary of the movements during the six months ended 30 June 2008 of the share options is as follows:

A. Directors of the Company

			Number of Share Options			
Name of director	**Date of grant**	**Exercise price** HK$	**Balance as at 1.1.08**	**Exercised during the 6 months ended 30.6.08**	**Balance as at 30.6.08**	**Percentage to the issued share capital** %
Shi Cuiming	23.5.07	3.26	2,900,000	–	2,900,000	0.15
Yuen Kee Tong	23.5.07	3.26	2,500,000	–	2,500,000	0.13
David Chan Tin Wai	23.5.07	3.26	1,845,000	–	1,845,000	0.09
Yang Xianzu	23.5.07	3.26	300,000	–	300,000	0.02
Liu Li Qing	23.5.07	3.26	300,000	–	300,000	0.02
Gordon Kwong Che Keung	23.5.07	3.26	300,000	–	300,000	0.02

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

Date of grant	Exercise price HK$	Number of Share Options: Balance as at 1.1.08	Exercised/lapsed during the 6 months ended 30.6.08	Balance as at 30.6.08
23.5.07	3.26	8,430,000	300,000 *(Note 1)*	8,130,000

Note 1: These are in respect of options granted to a former employee under continuous contract, who had resigned in 2007. The options had lapsed during the six months ended 30 June 2008.

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 2008 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		
David Chan Tin Wai	2,000	0.0001
Chau Chi Yin	26,750	0.0014
CITIC Pacific Limited ("CITIC Pacific"), an associated corporation		
Shi Cuiming	72,000	0.003
Yuen Kee Tong	1,033,000	0.047
David Chan Tin Wai	40,000	0.002
Chau Chi Yin	536,000	0.024
Yang Xianzu	20,000	0.001
Gordon Kwong Che Keung	70,000 *(Note 1)*	0.003
Dah Chong Hong Holdings Limited, an associated corporation		
Shi Cuiming	3,400	0.0002
Yuen Kee Tong	20,000	0.001
David Chan Tin Wai	5,279	0.0003
Chau Chi Yin	21,000	0.001

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

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	**Exercise period**	**Exercise price per share** HK$	**Number of share options as at 30.6.08**	**Percentage to the issued share capital** %
Chau Chi Yin	1.11.2004 – 31.10.2009	19.90	500,000	
	20.6.2006 – 19.6.2011	22.10	800,000	
	16.10.2007 – 15.10.2012	47.32	800,000	
			2,100,000	0.096
Kwok Man Leung	16.10.2007 – 15.10.2012	47.32	600,000	0.027

Save as disclosed above, as at 30 June 2008, 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 2008, 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 Pacific *(Note 1)*	1,039,758,283	52.573
Crown Base International Limited	1,039,758,283	52.573
Effectual Holdings Corp.	1,039,758,283	52.573
CITIC Pacific Communications Limited	1,039,758,283	52.573
Douro Holdings Inc.	1,039,758,283	52.573
Ferretti Holdings Corp.	941,692,000	47.615
Ease Action Investments Corp.	941,692,000	47.615
Government of Singapore Investment Corporation Pte Ltd.	158,041,000	7.991
Citigroup Inc. *(Notes 2 & 3)*	109,592,159	5.541

Notes:

1. *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 CITIC Pacific Communications Limited, which is then the direct holding company of Douro Holdings Inc. Douro Holdings Inc. is the direct holding company of Ferretti Holdings Corp. Ferretti Holdings Corp. is the direct holding company of Ease Action Investments Corp. Accordingly, the interests of CITIC Pacific in the Company duplicate the interests in the Company of all its direct and indirect subsidiary companies as described above.*

2. *Out of which 109,523,250 shares of the Company were reported as securities in a lending pool.*

3. *The shares in which Citigroup Inc. is deemed to be interested are held through various intermediate holding companies.*

4. *For the latest disclosure of interests filings for the Company's substantial shareholders, please refer to the "Disclosure of Interests" section on the website of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk).*

Statutory Disclosure

Share capital

During the six months ended 30 June 2008, the Company made the following repurchases of its own shares on the Stock Exchange for the purpose of enhancing its earnings per share :

Month/Year	Number of shares repurchased	Price Per Share Highest (HK$)	Price Per Share Lowest (HK$)	Aggregate price paid (HK$)
January 2008	160,000	1.60	1.52	249,600
February 2008	175,000	1.70	1.66	293,900

These repurchased shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was charged against retained profits. An amount equivalent to the nominal value of the shares cancelled of approximately HK$34,000 was transferred from retained profits to capital redemption reserve.

Save as disclosed above, 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 2008 and the Company has not redeemed any of its shares during the period ended 30 June 2008.

Corporate governance

CITIC 1616 is committed to ensuring high standards of corporate governance and first class business practices. The Board believes that good corporate governance practices are increasingly important for maintaining and promoting investor confidence. Details of our corporate governance practices can be found on page 32 of the 2007 annual report and the Company's website www.citic1616.com.

Throughout the six months ended 30 June 2008, 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 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 2008.

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 2820 2111 or fax: 2918 4838 or at contact@citic1616.com for a printed report.

Financial Calendar

Closure of Register:	18 August 2008 to 22 August 2008
Interim Dividend payable:	27 August 2008

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: 2918 4838 or by email: contact@citic1616.com.