

【For Immediate Release】

CITIC 1616 Announces 2010 Interim Results

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Financial Highlights

For the six months ended 30 June

	<u>2010</u>	<u>2009</u>	<u>Change (%)</u>
Turnover (HK\$ million)	1,291.2	1,333.5	- 3.2
Net profit (HK\$ million)	180.1	177.8	+ 1.3
Basic earnings per share (HK cents)	8.6	9.0	- 4.4
Interim dividend per share (HK cents)	2.4	2.4	

(Hong Kong, 11 August 2010) CITIC 1616 Holdings Limited (“CITIC 1616” or “the Group”; stock code: 1883), a leading telecoms services provider in Asia, announced today its interim results for the six months ended 30 June 2010. Total revenue amounting to HK\$1,291.2 million, down by 3.2%, net profit of HK\$180.1 million notched an 1.3% increase against the same period last year. Basic earnings per share was HK8.6 cents, representing a decrease of 4.4% as compared with the same period of 2009.

The Board has declared payment of an interim dividend of HK2.4 cents per share for 2010, in line with same amount last year.

Mr. Xin Yue Jiang, Chairman of CITIC 1616, said, “As the pace of global economic recovery has remained subdued, the global telecoms markets have faced a very complicated situation. Declining prices in the global voice market has posed challenges to our business. Despite the difficult environment, the Group took comprehensive measures, pursuing expansion opportunities and reducing costs as well as improving efficiencies, thereby sustaining the stable growth of our business. A noteworthy development is the acquisition of a 20% interest in Companhia de Telecomunicacoes de Macau, S.A.R.L. from our parent company. In the latter half of the year, profit from CTM is to be fully recognised, a relatively important source of revenue.”

During the period under review, the Group continued to strengthen the mutually beneficial relationship with telecoms operators and corporate customers both in the PRC and internationally. The number of telecoms operator customers serviced by the Group increased from 477 at the end of 2009 to 527 at the end of June this year. Another highlight was the completion of the initial construction of the global IP international network which integrated the billing and switch routing system of the Group’s overseas companies. This consolidation is substantially enhancing the operating efficiency and quality of its network all while reducing its operating costs, laying a solid foundation for the Group to provide better quality service to all telecoms operators.

The Group maintains a healthy financial position. As at 30 June 2010, it had cash and bank deposits amounted to approximately HK\$306.9 million and no borrowings.

Business Review

Revenue from **Voice services** amounted to HK\$790.1 million, representing a drop of 6.2% when compared with the same period of 2009 and accounting for 61.2% of the Group's total revenue. Total voice traffic carried by the Group decreased by 0.14 billion minutes or 2.8% to 4.91 billion minutes. In particular, China inbound traffic and China outbound traffic was reduced by 6.4% and 5.6% to 3.66 billion minutes and 0.41 billion minutes respectively in the first half of 2010. The Group's performance here was in line with the market. According to June 2010 statistics published by the Ministry of Industry and Information Technology (MIIT) of the PRC, China outbound traffic for fixed line and IP Telephone for the first six months had decreased by 8% when compared to 2009. On the other hand, the Group handled 0.84 billion minutes of international traffic, an increase of 18.6% when compared to 2009.

Revenue from **SMS services** reached HK\$151.4 million, a 9.9% increase compared to the same period of 2009, accounting for 11.7% of the Group's total revenue. The Group handled 889.0 million messages for the first half of 2010, an increase of 11.7% compared to the same period of 2009. The Group's continued expansion of its international network coverage enabled it to successfully secure additional traffic from current customers to new destinations. In Hong Kong, the Group adopted a flexible but effective pricing strategy to secure additional traffic. The Group's enterprise SMS products have also received favourable feedback from multinational companies in Hong Kong.

Revenue generated from **Mobile VAS business** amounted to HK\$65.8 million, an increase of 16.9% as compared with the same period of 2009, accounting for 5.1% of the Group's total revenue. The Group continued to promote its Mobile VAS products to its customers, which have been well received. The Group has also actively promoted its new CDMA technology products and secured its first CDMA customer in Indonesia.

Data services comprise managed virtual private network (VPN) services and other services such as the resale of leased lines, and accounted for 22.0% of the Group's total revenue. During the period, turnover declined by 4.3% to HK\$283.9 million compared with the same period of 2009 mainly due to the drop in leased line resale revenue. VPN services turnover rose by 3.1% as compared to the last corresponding period to HK\$215.1 million. As most of the Group's VPN customers are multinational companies, in order to offset the adverse impact of the global financial crisis in Europe and North America, the Group has stepped up its marketing and sales efforts in the Asia Pacific Region.

In the latter half of the year, the global economic climate appears unpredictable, but the PRC telecoms market is reaching a mature stage. Growth in the international business of operators is evidently slowing down and much uncertainty is lingering over the global telecoms services market.

Mr. Xin Yue Jiang, Chairman of CITIC 1616, said, "With market conditions in flux, rational analysis, proactive response and reinforced marketing programmes are essential to sustain the Group's business development. While maintaining a stable commitment to our voice service business, the Group seeks to step up its efforts in expanding our SMS and Mobile VAS businesses. To ensure solid growth in our VPN and data services segments, we must stress R&D efforts and applications for new products. Meanwhile, we intend to implement enhanced internal management procedures and stringent control over operating costs.」

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About CITIC 1616 Holdings Limited

CITIC 1616 is Asia's leading telecoms services provider, specialising in hub-based services. In addition to serving its key markets in China and Hong Kong, the Company is actively expanding its services to international telecom operators. The Group has 4 main business segments, namely Voice Services, SMS Services, Mobile VAS and Data Business. Its independent hub connects over 527 telecom operators in 60 countries or areas. Additional news and information about the company is available at www.citic1616.com

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