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CITIC 1616 HOLDINGS LIMITED

中信1616集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 01883)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

CHAIRMAN'S STATEMENT

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

I. FINANCIAL RESULTS

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

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

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

II. BUSINESS DEVELOPMENT

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

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

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

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

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

All the telecoms operators in China had carried out substantial preparation works on communication assurance for Expo 2010 Shanghai China, and as one of their key

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

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

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

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

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

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

Business integration of the Group's overseas companies has been one of our focuses of growth in our business, aiming at maximizing our capability to effectively explore opportunities in the global market and manage market risks, thus bolstering our competitiveness. In the first half of the year, progress has been achieved in the systematic integration and guidance of the business of our overseas companies. The improved coordination and cooperation between business and engineering operations was evidenced by successful safeguarding of our market share in the global voice

services market. With active customer development in new markets, such as South America and Africa, through our overseas group companies, substantial growth in operating results for the first half of this year has been achieved compared with the same period of the previous year.

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

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

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

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

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

III. PROSPECTS

In the second half of the year, the global economic climate appears unpredictable, but it is with certainty that the PRC telecoms market is reaching a relatively mature stage. Growth in the international business of operators is evidently slowing down and much uncertainty is lingering over the global telecoms services market. We will rationalize our market analyses, proactively respond to market dynamics and reinforce marketing programmes to sustain our business development. While trying our best to stem the decline of our voice services, the Group seeks to step up our efforts in expanding our SMS and Mobile VAS business. To ensure solid growth in our VPN and data services

segments, emphasis is to be accorded to R&D and applications on new products. Meanwhile, we would continue to enhance our internal management systems and exercise stringent control over operating costs. In the second half of the year, profit from CTM is to be fully recognized which would be a relatively important source of contribution to the Group.

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

Xin Yue Jiang

Chairman

Hong Kong, 11 August 2010

**CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

		<i>Six months ended 30 June</i>	
	<i>Note</i>	<i>2010</i>	<i>2009</i>
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Turnover	4	1,291,209	1,333,541
Other revenue	5	2,421	4,122
Other net (loss)/gain	6	<u>(1,944)</u>	<u>778</u>
		1,291,686	1,338,441
Network, operations and support expenses	7	(851,191)	(902,586)
Depreciation and amortisation		(58,396)	(52,148)
Staff costs		(111,065)	(102,796)
Other operating expenses		<u>(83,613)</u>	<u>(65,420)</u>
Profit from operations		187,421	215,491
Share of profit/(loss) of associates		<u>21,694</u>	<u>(1,323)</u>
Profit before taxation	7	209,115	214,168
Income tax	8	<u>(28,992)</u>	<u>(36,386)</u>
Profit attributable to equity holders of the Company for the period		180,123	177,782
		=====	=====
Earnings per share (HK cents)	10		
Basic		8.6	9.0
Diluted		8.5	9.0
		=====	=====

Details of dividends payable to equity holders of the Company are set out in note 9.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

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

**CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2010**

	<i>Note</i>	<i>30 June 2010</i> (Unaudited) HK\$'000	<i>31 December 2009</i> (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		533,211	541,691
Intangible assets		51,190	55,232
Goodwill		277,747	277,419
Interest in an associate		1,421,962	-
Non-current other receivables	11	16,853	21,481
Deferred tax assets		<u>11,360</u>	<u>14,284</u>
		2,312,323	910,107
		-----	-----
Current assets			
Trade and other receivables	11	890,487	871,297
Current tax recoverable		3,348	2,704
Cash and bank deposits		<u>306,930</u>	<u>686,190</u>
		1,200,765	1,560,191
		-----	-----
Current liabilities			
Trade and other payables	12	674,071	676,673
Current tax payable		<u>46,983</u>	<u>38,396</u>
		721,054	715,069
		-----	-----
Net current assets		<u>479,711</u>	<u>845,122</u>
		-----	-----
Total assets less current liabilities		2,792,034	1,755,229
		-----	-----
Non-current liabilities			
Deferred tax liabilities		<u>35,811</u>	<u>38,289</u>
		35,811	38,289
		-----	-----
NET ASSETS		<u>2,756,223</u>	<u>1,716,940</u>
		=====	=====

CONSOLIDATED BALANCE SHEET (CONTINUED)
AT 30 JUNE 2010

	<i>Note</i>	<i>30 June</i> 2010 (Unaudited) HK\$'000	<i>31 December</i> 2009 (Audited) HK\$'000
CAPITAL AND RESERVES			
Share capital		238,356	197,773
Reserves		<u>2,517,867</u>	<u>1,519,167</u>
TOTAL EQUITY		<u>2,756,223</u>	<u>1,716,940</u>

Notes to the accounts

1 Basis of preparation

The 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, and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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

The interim financial report for the period ended 30 June 2010 is unaudited, but has been reviewed by the 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, whose unmodified review report is included in the interim report sent to shareholders.

2 Changes in accounting policies

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

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

The adoption of these developments has no material impact on the Group’s operating results.

3 Segment reporting

The Group manages its businesses by business operations and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has only identified one business segment, i.e. telecommunications operations. Further, the Group's business participates primarily in only one geographical location classified by the location of assets, i.e. Hong Kong. The Group's overseas operation constitutes an insignificant portion of the Group's business.

(a) *Segment results, assets and liabilities*

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

Segment assets include all tangible, intangible assets and current assets with the exception of interest in an associate, deferred tax assets, current tax recoverable, and other corporate assets. Segment liabilities include trade and other payables attributable to the operating activities of the segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by the segment and the expenses incurred by the segment or which otherwise arise from the depreciation or amortisation of assets attributable to the segment.

Revenue generated from the telecommunications segment includes the fees derived from the provision of voice services; provision of short message services; and provision of other telecommunications services. Revenue from the provision of these services to state-controlled entities in the People's Republic of China ("PRC") represents more than 10% of the Group's total revenue. The revenue received from these customers amounted to HK\$509,649,000 for the six months ended 30 June 2010 (2009: HK\$581,373,000).

3 Segment reporting (continued)

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

	<i>Six months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit		
Reportable segment profit	188,396	213,991
Share of profit/(loss) of associates	21,694	(1,323)
Unallocated other revenue	2,421	4,122
Unallocated head office and corporate expenses	<u>(3,396)</u>	<u>(2,622)</u>
Consolidated profit before tax	<u>209,115</u>	<u>214,168</u>
	=====	=====
	<i>30 June</i>	<i>31 December</i>
	<i>2010</i>	<i>2009</i>
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Assets		
Reportable segment assets	2,076,418	2,453,310
Interest in an associate	1,421,962	-
Current tax recoverable	3,348	2,704
Deferred tax assets	<u>11,360</u>	<u>14,284</u>
Consolidated total assets	<u>3,513,088</u>	<u>2,470,298</u>
	=====	=====
	<i>30 June</i>	<i>31 December</i>
	<i>2010</i>	<i>2009</i>
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Liabilities		
Reportable segment liabilities	674,071	676,673
Current tax payable	46,983	38,396
Deferred tax liabilities	<u>35,811</u>	<u>38,289</u>
Consolidated total liabilities	<u>756,865</u>	<u>753,358</u>
	=====	=====

4 Turnover

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

Turnover recognised during the period may be analysed as follows:

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

5 Other revenue

	<i>Six months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	405	3,891
Other interest income	<u>337</u>	<u>231</u>
Total interest income	742	4,122
Rental receivable from operating leases	<u>1,679</u>	<u>-</u>
	2,421	4,122
	=====	=====

6 Other net (loss)/gain

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

7 Profit before taxation

Profit before taxation is arrived at after charging:

	<i>Six months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Network, operations and support expenses, including:	851,191	902,586
- carrier costs	657,710	716,243
- operating leases - leased circuits	97,354	81,798
- other telecommunications service costs	96,127	104,545
Depreciation	54,209	49,298
Amortisation	4,187	2,850
Impairment losses on trade and other receivables	5,490	2,363
	=====	=====

8 Income tax

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

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

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

9 Dividends

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

	<i>Six months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend declared and paid after the interim period, of HK2.4 cents per share (2009: HK2.4 cents per share)	57,205	47,466
	=====	=====

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

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

	<i>Six months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK7.1 cents per share (six months ended 30 June 2009: HK6.4 cents per share)	140,419	126,574
	=====	=====

10 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the six months ended 30 June 2010 of HK\$180,123,000 (six months ended 30 June 2009: HK\$177,782,000) and the weighted average number of 2,105,533,000 ordinary shares (2009: 1,977,731,000 shares) in issue during the interim period.

(b) Diluted earnings per share

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

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

11 Trade and other receivables

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

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

	<i>30 June</i> 2010 (Unaudited) HK\$'000	<i>31 December</i> 2009 (Audited) HK\$'000
Within 1 year	732,272	675,631
Over 1 year	<u>99,303</u>	<u>142,217</u>
	831,575	817,848
	=====	=====

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

12 Trade and other payables

	<i>30 June</i> 2010 (Unaudited) HK\$'000	<i>31 December</i> 2009 (Audited) HK\$'000
Trade creditors	543,110	531,778
Other payables and accruals	<u>130,961</u>	<u>144,895</u>
	674,071 =====	676,673 =====

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

	<i>30 June</i> 2010 (Unaudited) HK\$'000	<i>31 December</i> 2009 (Audited) HK\$'000
Within 1 year	405,762	385,045
Over 1 year	<u>137,348</u>	<u>146,733</u>
	543,110 =====	531,778 =====

FINANCIAL REVIEW AND ANALYSIS

REVIEW OF OVERALL PERFORMANCE

Turnover

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

Profit attributable to equity holders of the Company

The Group recorded a net profit of HK\$180.1 million for the first half of 2010, an increase of 1.3% as compared to the same period of 2009. The increase was mainly due to the first time inclusion of the contribution from Companhia de Telecomunicacoes de Macau, S.A.R.L. ("CTM") which was partly offset by the share option expense.

Acquisition of an associate

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

Group liquidity and capital resources

The Group manages its exposure to liquidity risk by reviewing the cash resources required to meet its business objectives.

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

Borrowings

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

Banking facilities

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

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

Securities and guarantees

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

Contingent liabilities

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

Capital commitments

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

Exchange rate risk

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

Credit risk

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

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

HUMAN RESOURCES

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

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

To ensure that overall compensation is internally equitable, in line with local norms, and in support of the business strategy, the Group conducts regular review on the cash remuneration and benefits package of its employees. No major amendment was made to the human resources management policy or procedures in the last six months.

The need for a proper balance between work and life is well recognized by the Group as an important contributor to the well being of employees and their work efficiency. The Group has implemented the 5-day work. The Group held the staff activity for helping employee relax. It would enhance mutual communication and maintain positive atmosphere.

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

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

CORPORATE GOVERNANCE

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

Throughout the six months ended 30 June 2010, CITIC 1616 has complied with all code provisions in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange").

The Audit Committee has reviewed the Interim Report with management and the Company's internal and external auditors and recommended its adoption by the Board. The Committee consists of three independent non-executive directors.

The interim financial report, which is prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting", has been reviewed by the Company's independent auditors KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants.

DIVIDEND AND CLOSURE OF REGISTER

The Directors have declared an interim dividend of HK2.4 cents (2009: HK2.4 cents) per share for the year ending 31 December 2010 payable on Wednesday, 8 September 2010 to shareholders whose names appear on the Register of Members of the Company on Friday, 3 September 2010. The Register of Members of the Company will be closed from Monday, 30 August 2010 to Friday, 3 September 2010, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 27 August 2010.

SHARE CAPITAL

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

FORWARD LOOKING STATEMENTS

This announcement 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.

INTERIM REPORT AND FURTHER INFORMATION

A copy of the announcement will be found on the Company's website (www.citic1616.com) and the website of the Stock Exchange (www.hkex.com.hk). The full Interim Report will be made available on the website of the Company and the Stock Exchange around 30 August 2010.

By Order of the Board

Xin Yue Jiang

Chairman

Hong Kong, 11 August 2010

As at the date of this announcement, the following persons are directors of the Company:

Executive Directors:

Xin Yue Jiang (Chairman)

Yuen Kee Tong

Chan Tin Wai, David

Non-executive Directors:

Kwok Man Leung

Fei Yiping

Independent Non-executive Directors:

Yang Xianzu

Liu Li Qing

Kwong Che Keung, Gordon