CITIC 1616 HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability) Stock Code: 1883

CONNECTING THE WORLD
with Quality Services

INTERIM REPORT 2009

Contents

Financial Highlights

in HK$ million	Six months ended 30 June 2009	2008	Increase (%)
Turnover			
Voice Services	**842.6**	731.0	15.3%
SMS Services	**137.8**	116.9	17.9%
Mobile VAS	**56.3**	37.6	49.7%
Data Services	**296.8**	242.6	22.3%
	1,333.5	1,128.1	18.2%
Profit attributable to the equity holders of the Company	**177.8**	151.1	17.7%

	At 30 June 2009	At 31 December 2008	
Total assets	**2,409.7**	2,337.0	3.1%
Shareholders' fund	**1,566.8**	1,517.7	3.2%
Cash and cash equivalents	**841.5**	795.0	5.8%

in HK cents	Six months ended 30 June 2009	2008	
Earnings per share			
Basic and diluted	**9.0**	7.6	18.4%
Dividends per share			
Interim dividend	**2.4**	2.0	20.0%


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(BC)

Chairman's Statement

I am pleased to present the operating and financial results of the Group for the six months ended 30 June 2009. In response to changes in the market environment and increasing competitions, the Group implemented a series of improvement measures to enhance our performance. The integration of ChinaMotion NetCom Limited (CMN) was also successfully completed during the period under review. Thereby, the Group continued to maintain steady business growth and delivered satisfactory financial results for the first half of 2009.

I. FINANCIAL RESULTS

For the first half of 2009, the Group recorded total revenue of HK$1,333.5 million, representing an increase of 18.2% as compared to the corresponding period of the previous year. Net profit of the Group was HK$177.8 million, representing an increase of 17.7% as compared to the same period of last year.

Earnings per share for the first half of 2009 amounted to HK9.0 cents, representing an increase of 18.4% as compared to the corresponding period of the previous year.

The Board has declared an interim dividend of HK2.4 cents per share for 2009, a growth of 20.0% as compared to the same period of last year.

II. BUSINESS DEVELOPMENT

Growth of the telecoms market slowed down during the first half of the year as the impact of the international financial crisis lingered on while market competitions were intense. Against a challenging operating environment, the Group worked relentlessly to broaden and deepen the business and operational relationships with our key telecoms partners. By providing innovative products and high-quality services, the Group collaborated closely with our telecoms operators and corporate customers at home and abroad. With enhanced marketing efforts, closer ties were developed with telecoms operators and corporate customers for mutually beneficial relationships. The number of telecoms operators serviced by the Group increased from 351 at the end of last year to 453 at the end of June this year, laying a good foundation for the further business growth of the Group.

The Group's integration of ChinaMotion NetCom Limited was successfully completed and CMN reported significant business growth for the first half of 2009 as compared to the corresponding period of the previous year. The Group's Virtual Private Network (VPN) and other data business sustained rapid growth to become a key growth segment and source of profit for the Group. Following the PRC government's issuance of 3G licenses to the three major telecoms operators in China in January this year, which provided the PRC mobile telecoms market with added service varieties, the Group followed closely the 3G development and quickly introduced our new 3G transit and roaming services for the PRC operators covering the three prevailing 3G standards. The Group commenced the construction of our global IP international network to further expand our network capacity and coverage as well as improving the quality of the Group's network, laying a solid foundation for future growth.

In the first half of the year, revenue generated from voice services amounted to HK$842.6 million, representing an increase of 15.3% as compared to the corresponding period of the previous year. A total of 5.05 billion of voice traffic minutes were recorded, representing a growth of 45.5% as compared to the same period of last year. Revenue generated from SMS services increased 17.9% to HK$137.8 million when compared with the corresponding period of last year. The volume of SMS carried was 796.0 million messages, a decrease of 19.3% as compared to the corresponding period of the previous year. The growth in SMS revenue despite the decline in traffic was mainly attributable to the phasing out of discount plans offered to Hong Kong mobile operators, which resulted in higher average yield per SMS. Revenue from our Mobile Value-added Services (VAS) business amounted to HK$56.3 million, representing an increase of 49.7% as compared with the corresponding period of last year. Revenue from VPN and other services amounted to HK$296.8 million, representing an increase of 22.3% as compared with the same period of the previous year.

Chairman's Statement

1. **Sustaining growth in voice services by developing new overseas markets**
The Group has been expanding our retail voice services in targeted overseas markets. By streamlining the retail voice product development and enhancing the service platforms as well as building up of retail channels, we secured stable development for the retail phone card business overseas. The Group invested aggressively in the development and roll-out of new 3G products. In this connection, the initial works on video transit service hub in collaboration with telecoms operators in China and overseas telecoms operators had been completed. While enhancing business cooperation with its existing customers, the Group actively explored new overseas markets and customers, securing stable growth in China inbound voice traffic and increasing the operational efficiency of our voice services.

2. **Solid performance of SMS services driven by stable and faster growth**
The Group maintained a leading position in international SMS market. During the first half of the year, the Group commissioned our open connectivity SMS hub and transferred all international SMS to the new hubbing platform, resulting in faster provisioning of SMS services and improved stability of SMS transmission. This also enhanced our ability to meet the increasing and varying demand on SMS services from GSM and CDMA telecoms operators. We achieved good growth in corporate SMS services during the first half of the year as the Group conducted aggressive marketing campaigns on its SMS services in the United States of America, Russia, Middle East and Eastern Europe and entered into service agreements with an increasing number of corporate clients.

3. **Substantial increase in revenue attributing to expanded market coverage of mobile VAS**
The Group provided signaling transit service to most of the mobile operators in Pacific Asia regions to meet the quality demand on mobile roaming service from mobile operators. Leveraging our technology and operational edge in Mobile VAS business, the Group enhanced our efforts in the development of Mobile VAS business market and continuously improved the quality and functionality of our Mobile VAS applications. The virtual international access number service was launched in the period under review.

4. **Data business became one of our core businesses with better operating performances**
While IT spending dwindled as multinational corporations have slowed down their overseas development due to the financial tsunami, CPCNet continued to implement aggressive marketing plans to meet the need of our customers with quality services. A number of bundled incentive promotions were offered. In addition, effective cost control was adopted to ensure satisfactory return of its business. In view of the increasingly popular practice among multinational corporations to turn to video conference as a means to shave business travel expenses, CPCNet launched a new video conferencing solution, VC^2, in the first half of 2009 to carve out a new niche in the application of VPN. With solid development of the business of our VPN services as well as internet access services and information security services, we achieved substantial growth over the corresponding period of last year.

5. **Continue to strengthen corporate governance as well as promulgating our corporate culture and philosophy**
With the expansion of our business and the growing size of our team, the Group has put more emphasis on corporate governance and the building of our corporate culture. We seek to sustain healthy growth of our business by implementing scientific management in a rigorous manner, and we seek to procure staff solidarity by fostering a guiding corporate culture. We target to be first-rate in team building, management, and technology and business performance. By providing training and development activities to promote our corporate culture and philosophy across the Group as well as strengthening business training, we strive to upgrade the overall quality of our team as well as imparting dynamism and vitality into everything the Group does.

Chairman's Statement

III. PROSPECTS

While we remain subject to the pressures brought about by the slowdown in global economic growth and increasing market challenges, it is also clear that the PRC economy is sustaining fast as well as stable growth and moving towards the anticipated direction under the pro-active fiscal and monetary policies adopted by the State. This trend is critical to the Group's business development. The Group will continue to develop sound partnerships with domestic and international telecoms operators as well as corporate customers. On 31 July 2009, the Group completed the acquisition of Macquarie Telecom Pte. Ltd.. While further strengthening our business foundations in Singapore, the acquisition will also enable us to expand into the Middle East, Africa and South Asia. Moreover, the synergies achieved through the acquisition are expected to enhance profit contributions to the Group. The Group will also seek to step up with efforts in the development of global markets with a special emphasis on South America, aiming to increase global coverage and market share while sustaining stable growth in our voice services business. Meanwhile, we will endeavour to further grow our SMS and Mobile VAS businesses, as well as develop our VPN and data services into an important profit stream.

The Group is seeing increased opportunities in the Taiwan telecoms market as the cross-strait interactions have greatly enhanced. The Group will proactively expand its presence in the Taiwan telecoms market and leverage its existing business advantages to foster telecoms services between Mainland telecoms operators and their counterparts in Taiwan.

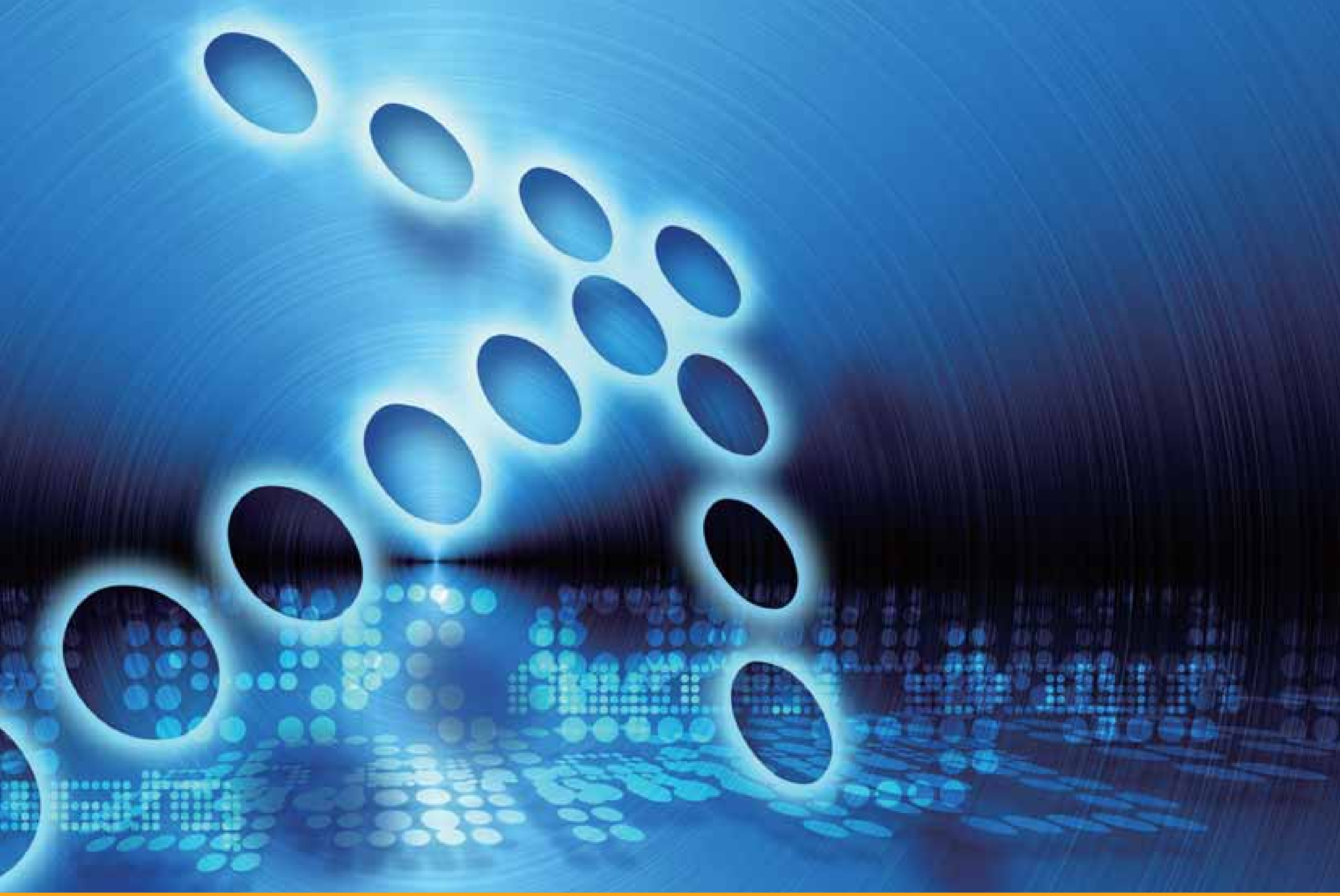
Furthermore, we will continue to work proactively with the 3G operators in China through the launching of new services, inter alia video phone transit services for 3G networks between PRC telecoms operators and overseas telecoms operators, the 3G international roaming among different standards and the single IMSI multiple number project.

Leveraging our network resource advantages, close working relationships with our customers, solid development strategies and technology, established telecoms hubs and operational experience, we will explore in a prudent manner business development and investment opportunities. To meet the need of long-term development, we plan to set up international telecoms hubs and regional data centres, with a view to expand coverage and improving operating efficiency to deliver greater return to our shareholders.

Last but not least, 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, 18 August 2009




Phase 3

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 16 to 20 of the Interim Report contain the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement. Following these financial information, on pages 21 to 34 of the Interim Report, are Notes that further explain certain figures presented in the report.

On page 35 is the report of CITIC 1616's auditor – KPMG – of their independent review of the Group's interim accounts.

BASIS OF ACCOUNTING

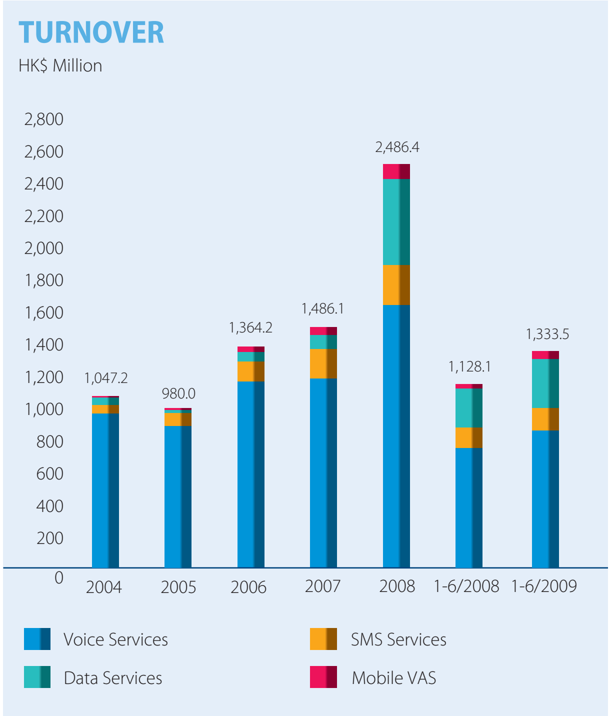
The Group prepares its financial report in accordance with generally accepted accounting standards issued by the Hong Kong Institute of Certified Public Accountants which have been converged with International Financial Reporting Standards.

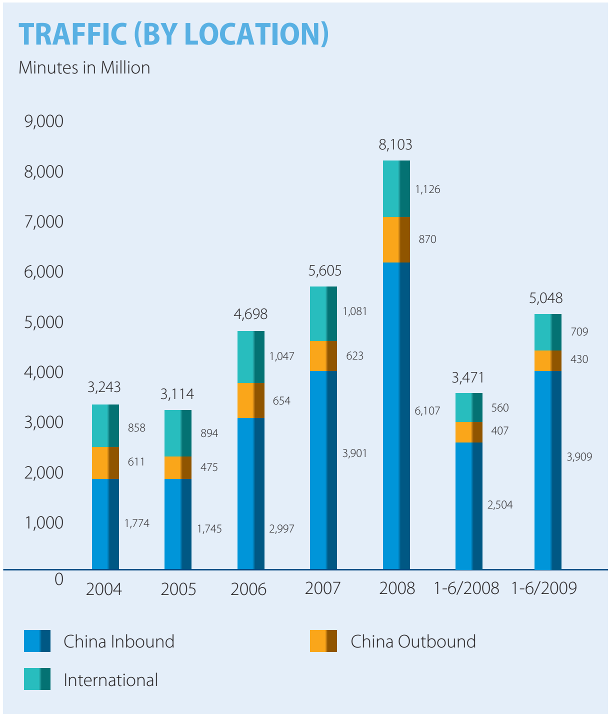
REVIEW OF FINANCIAL PERFORMANCE

Turnover

The Group's turnover for the six months ended 30 June 2009 was HK$1,333.5 million, an increase of 18.2%, compared with HK$1,128.1 million for the same period of 2008.

Voice Services turnover increased by HK$111.6 million or 15.3% to HK$842.6 million for the six months ended 30 June 2009. The traffic carried for the first six months of 2009 increased by 1.58 billion minutes or 45.5% to 5.05 billion minutes. The increase was mainly contributed by ComNet International Holdings Limited (formerly known as ChinaMotion NetCom Limited) and its subsidiaries which was acquired in September 2008, and ComNet (USA) LLC (formerly known as CM Tel (USA) LLC) (an associate of the Group since September 2008) which became a subsidiary of the Group in May 2009 ("CMN Group").





Financial Review

SMS Services turnover increased by HK$20.9 million or 17.9% to HK$137.8 million for the six months ended 30 June 2009. The Group handled 796.0 million messages for the first half of 2009 which was 19.3% below the same period of 2008. The decrease was mainly due to the reduction of traffic under our discount plan to mobile operators in Hong Kong. As a result of this change, the average revenue per SMS has increased by 46.1% as compared to the same period of 2008.

Mobile Value-added Services (VAS) turnover for the first six months of 2009 amounted to HK$56.3 million, representing an increase of 49.7% compared with HK$37.6 million for the same period of 2008. The increase was mainly due to increasing demand from existing customers and new customers signed up during the period.

Data Services turnover increased by 22.3% to HK$296.8 million compared with HK$242.6 million for the first half of 2008. During the review period, CPCNet achieved HK$249.9 million in turnover, an increase of 17.4% as compared with the same period of last year. The number of billable Virtual Private Network ("VPN") sites increased to 3,114 sites at the end of June 2009.

Other revenue

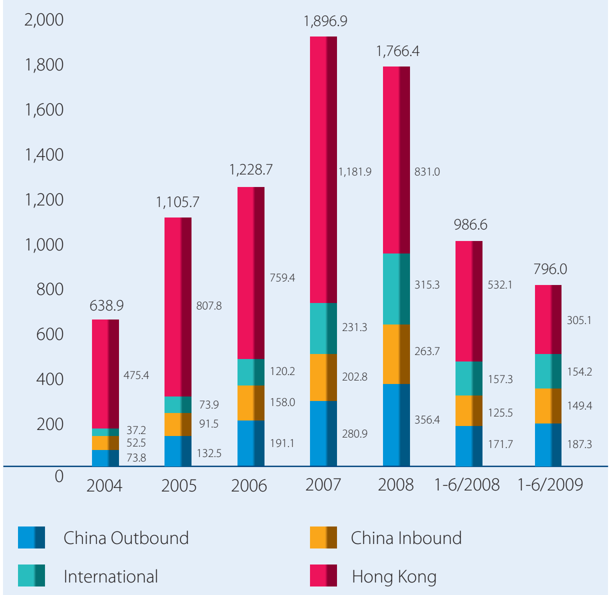
The Group's other revenue for the first half of 2009 amounted to HK$4.1 million, a decrease of HK$6.7 million as compared with the same period of last year. The decrease was mainly due to significant decrease of average deposit interest rate during the review period.

Net foreign exchange gain

During the interim period, most of the Group's trading currency was in the form of either United States dollar, Hong Kong dollar or EURO. Net exchange gain was due to the normal trading business, funding arrangement and the overseas operations of the Group. The Group has not entered into any foreign currency hedging arrangement during the review period.

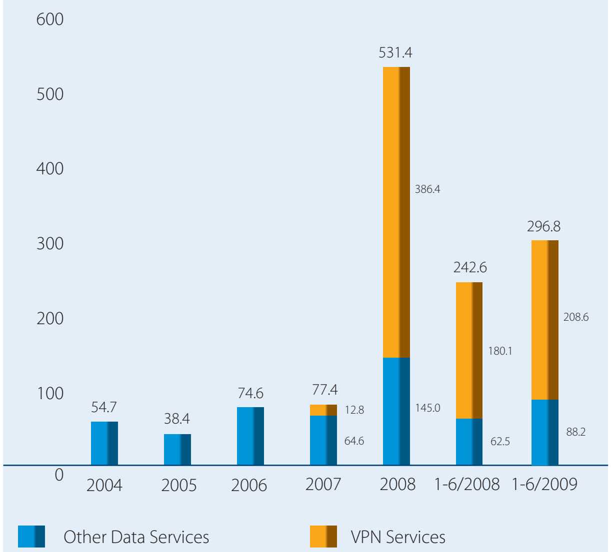
NUMBER OF SMS

Messages in Million



DATA SERVICES TURNOVER

HK$ Million



Financial Review

Network, operations and support expenses

In the first half of 2009, network, operations and support expenses amounted to HK$902.6 million, representing an increase of 19.7% as compared to the same period of 2008. The increase was in line with the turnover growth of the Group and had also included the result of CMN Group. If we exclude the impact of CMN Group, the expenses amounted to HK$723.3 million represented a decrease of HK$30.6 million or 4.1%.

In terms of percentage of turnover, network, operations and support expenses represented 67.7% for the first half of 2009 which was in line with the 66.8% for the first six months of 2008.

Staff costs

Staff costs for the first six months of 2009 amounted to HK$102.8 million, representing an increase of 19.3% compared with HK$86.2 million for the same period of 2008. The increase was mainly due to increase in headcount and the first time inclusion of CMN Group. If CMN Group was excluded, the staff costs would have increased by HK$6.1 million or 7.1%. Following the completion of the acquisition of ComNet (USA) LLC in May 2009, the Group's total headcount was 450 staff at the end of June 2009, an increase of 7.4% as compared to December 2008.

Other operating expenses

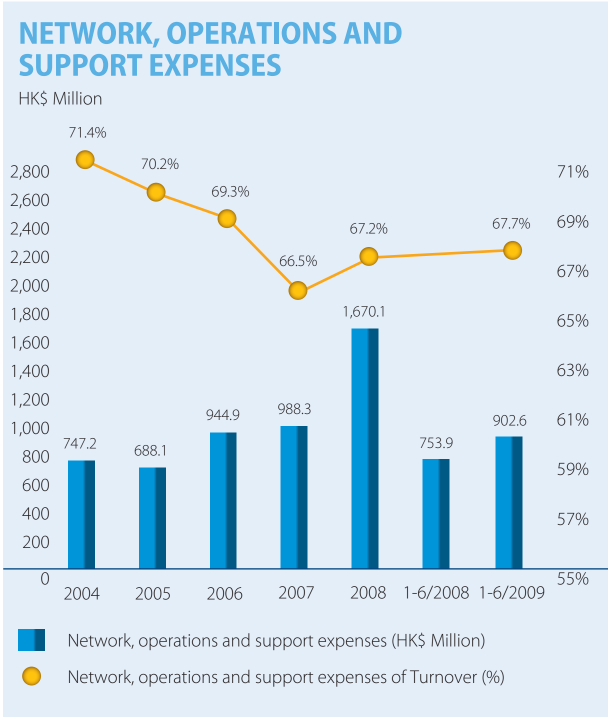
Other operating expenses for the first half of 2009 amounted to HK$65.4 million, representing an increase of 6.0% compared with HK$61.7 million for the corresponding period of last year. The increase was again due to first time inclusion of CMN Group. If the impact of CMN Group was excluded, a decrease of 7.9% would have been recorded.

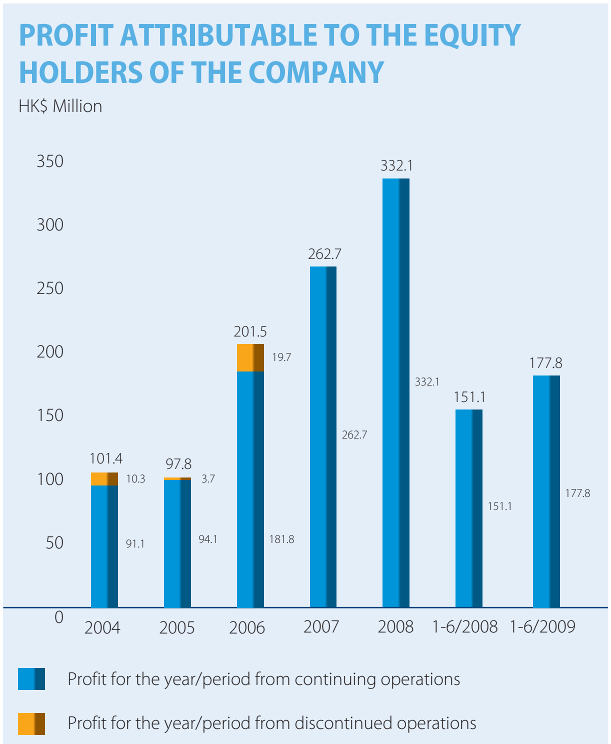
Income tax

The Group's income tax expenses increased 22.1% from HK$29.8 million to HK$36.4 million for the six months ended 30 June 2009. Effective tax rate has increased from 16.5% in 2008 to 17.0% in 2009. The reason for the increase was due to the decrease of non-taxable interest income for 2009.

Profit attributable to the equity holders of the Company

The Group recorded a profit of HK$177.8 million for the first half of 2009, an increase of 17.7% as compared to the same period of 2008. Despite the unfavorable impact of the global economic crisis, all our business recorded steady growth during the period.





Financial Review

Earnings per share ("EPS")

EPS was HK9.0 cents for the first half of 2009, an increase of 18.4% compared with the same period of 2008. EPS growth was in line with profit growth.

Dividends per share

An interim dividend of HK2.4 cents per share is proposed for the first half of 2009.

Capital expenditure

Capital expenditure was HK$26.8 million for the first six months of 2009, a decrease of 48.1% as compared with HK$51.6 million for the same period of the previous year. In addition, the Group had contracted for an amount of HK$33.2 million of capital expenditure. The expenditure was mainly for upgrading the Group's network system, and for enhancing the Group's application development capabilities.

Acquisition of subsidiaries

(a) Acquisition of 51% interest of ComNet (USA) LLC

In May 2009, the Group increased its interest in ComNet (USA) LLC from 49% to 100%. The additional 51% interest was transferred from ChinaMotion NetCom Holdings Limited (a wholly-owned subsidiary of China Motion Telecom International Limited) to Pacific Networks Corp.. The consideration paid for the acquisition of the additional 51% interest amounted to HK$26.0 million.

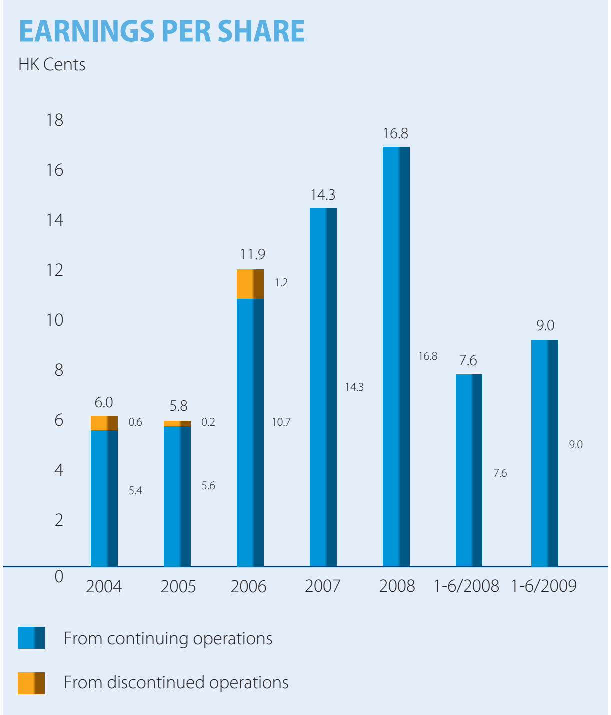
The transaction resulted in ComNet (USA) LLC, ceasing to be an associate and becoming a subsidiary of the Group effective from May 2009. ComNet (USA) LLC is engaged in providing wholesale and retail international direct dialing (IDD) services in North America.

(b) Acquisition of Macquarie Telecom Pte. Ltd.

On 30 July 2009, the Company entered into an agreement with Macquarie Telecom Group Limited in relation to the acquisition of its wholly-owned subsidiary Macquarie Telecom Pte. Ltd. for cash consideration of SGD10.5 million (subject to adjustment). Macquarie Telecom Pte. Ltd. is engaged in the provision of telecommunications services to corporate customers in Singapore. The said transaction was completed on 31 July 2009.

Use of proceeds

The Company raised HK$461.0 million from Initial Public Offering in 2007. At 30 June 2009, HK$335.7 million has been utilised. Approximately HK$217.8 million, HK$100 million and HK$17.9 million have been spent for the acquisition, 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.



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 deposits.

Exchange rate risk

A substantial portion of the Group's sales revenue and its 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 46% and 49% of the Group's total trade receivables at 30 June 2009 and 31 December 2008 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 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 2009, the Group had cash and cash equivalents in the consolidated balance sheet of HK$841.5 million, an increase of HK$46.5 million as compared to the HK$795.0 million at 31 December 2008. The increase was mainly due to the Group's net cash generated from operating activities amounted to HK$237.0 million, which was partially offset by the HK$126.6 million 2008 final dividend paid during the interim period.

Currency Portfolio

The original denomination of the Group's cash and cash equivalents by currencies at 30 June 2009 is summarised as follows:

	Denomination				
HK$ million equivalent	HK$	US$	EURO	Others	Total
Cash and cash equivalents	114.8	694.9	18.5	13.3	841.5
Percentage of total amount	13.6%	82.6%	2.2%	1.6%	100.0%

At 30 June 2009, the Group maintained EURO balance with Hong Kong dollar equivalent 18.5 million in order to support the need of settlement in EURO for current outstanding payable. At 30 June 2009, the Group had an outstanding trade payable in EURO equivalent to HK$19.5 million. The Group maintained other currencies at the balance sheet date to meet the business needs in different regions.

Borrowings

At 30 June 2009, the Group had no outstanding borrowings.

Banking facilities

At 30 June 2009, 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, approximately HK$1.1 million was utilised as guarantees for the Group's purchase from telecoms operators and approximately HK$2.0 million was utilised as guarantees for the Group's performance to the customers.

Financial Review

Securities and guarantees
At 30 June 2009, 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 2009, the Group did not have any contingent liability.

Capital commitments
At 30 June 2009, the Group had outstanding capital commitments of HK$43.1 million, mainly for the acquisition of network equipment which had yet to be delivered to the Group, of which HK$33.2 million were outstanding contractual capital commitments and HK$9.9 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 2009, the Group employed 450 staff in its headquarter of Hong Kong and its subsidiaries. The distribution of the employees will be : Hong Kong 378, Mainland China 9, Taiwan 17, Singapore 13, Japan 6, 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 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. 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 help employees to be well equipped for the future development of the Group.

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 comprehensive income, 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 2009 and the unaudited consolidated balance sheet of the Group at 30 June 2009, together with the comparative figures for the six months ended 30 June 2008 and at 31 December 2008 respectively.

Consolidated Income Statement

for the six months ended 30 June 2009
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June **2009** **(Unaudited)** **$'000**	2008 (Unaudited) $'000
Turnover	*4*	**1,333,541**	1,128,068
Other revenue	*5*	**4,122**	10,820
Other net gain	*6*	**778**	255
		1,338,441	1,139,143
Network, operations and support expenses	*7(b)*	**(902,586)**	(753,927)
Depreciation and amortisation		**(52,148)**	(56,494)
Staff costs	*7(a)*	**(102,796)**	(86,201)
Other operating expenses		**(65,420)**	(61,653)
Profit from operations		**215,491**	180,868
Share of loss of an associate		**(1,323)**	–
Profit before taxation	*7*	**214,168**	180,868
Income tax	*8*	**(36,386)**	(29,758)
Profit attributable to the equity holders of the Company for the period		**177,782**	151,110
Basic and diluted earnings per share (HK cents)	*9*	**9.0**	7.6

The notes on pages 21 to 34 form part of this interim financial report. Details of dividends payable to equity holders of the Company are set out in note 14(a).

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2009
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	$'000	$'000
Profit for the period	**177,782**	151,110
Other comprehensive income for the period (after tax):		
Exchange differences on translation of financial statements of overseas subsidiaries	**(2,093)**	(514)
Total comprehensive income for the period	**175,689**	150,596

The notes on pages 21 to 34 form part of this interim financial report.

Consolidated Balance Sheet

at 30 June 2009
(Expressed in Hong Kong dollars)

	Note	**30 June 2009 (Unaudited) $'000**	31 December 2008 (Audited) $'000
Non-current assets			
Property, plant and equipment	10	**345,185**	363,105
Intangible assets		**40,559**	34,849
Goodwill		**236,280**	214,269
Interest in an associate		**–**	5,163
Non-current other receivables	11	**26,093**	29,716
Deferred tax assets		**23,474**	29,907
		671,591	677,009
Current assets			
Trade and other receivables	11	**893,348**	864,786
Current tax recoverable		**3,277**	250
Cash and cash equivalents	12(a)	**841,462**	794,988
		1,738,087	1,660,024
Current liabilities			
Trade and other payables	13	**748,284**	746,957
Current tax payable		**59,042**	36,166
		807,326	783,123
Net current assets		**930,761**	876,901
Total assets less current liabilities		**1,602,352**	1,553,910
Non-current liabilities			
Deferred tax liabilities		**35,527**	36,200
		35,527	36,200
NET ASSETS		**1,566,825**	1,517,710
CAPITAL AND RESERVES			
Share capital	14(b)	**197,773**	197,773
Reserves		**1,369,052**	1,319,937
TOTAL EQUITY		**1,566,825**	1,517,710

The notes on pages 21 to 34 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2009

(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(d))* (Unaudited) $'000	Capital redemption reserve *(Note 14(c))* (Unaudited) $'000	Exchange reserve (Unaudited) $'000	Retained profits (Unaudited) $'000	Total (Unaudited) $'000
Balance at 1 January 2008		197,807	629,517	12,917	2,000	(7)	445,616	1,287,850
Changes in equity for the six months ended 30 June 2008:								
Dividends approved in respect of the previous year	*14(a)*	–	–	–	–	–	(61,310)	(61,310)
Purchase of own shares	*14(b)(ii)*							
– par value paid		(34)	–	–	–	–	–	(34)
– premium paid		–	–	–	–	–	(510)	(510)
– transfer between reserves		–	–	–	34	–	(34)	–
Release upon lapse of share options		–	–	(1,687)	–	–	1,687	–
Total comprehensive income for the period		–	–	–	–	(514)	151,110	150,596
Balance at 30 June 2008 and 1 July 2008		197,773	629,517	11,230	2,034	(521)	536,559	1,376,592
Changes in equity for the six months ended 31 December 2008:								
Release upon lapse of share options		–	–	(766)	–	–	766	–
Total comprehensive income for the period		–	–	–	–	(345)	181,018	180,673
Dividends declared in respect of the current year	*14(a)*	–	–	–	–	–	(39,555)	(39,555)
Balance at 31 December 2008		197,773	629,517	10,464	2,034	(866)	678,788	1,517,710
Balance at 1 January 2009		197,773	629,517	10,464	2,034	(866)	678,788	1,517,710
Changes in equity for the six months ended 30 June 2009:								
Dividends approved in respect of the previous year	*14(a)*	–	–	–	–	–	(126,574)	(126,574)
Total comprehensive income for the period		–	–	–	–	(2,093)	177,782	175,689
Balance at 30 June 2009		197,773	629,517	10,464	2,034	(2,959)	729,996	1,566,825

The notes on pages 21 to 34 form part of this interim financial report.

Consolidated Cash Flow Statement

for the six months ended 30 June 2009
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June **2009** **(Unaudited)** **$'000**	 2008 (Unaudited) $'000
Operating activities			
Cash generated from operations	12(b)	**248,305**	204,098
Hong Kong Profits Tax paid		**(10,011)**	(10,718)
Overseas Tax paid		**(1,307)**	(394)
Net cash generated from operating activities		**236,987**	192,986
Investing activities			
Interest received		**4,571**	9,452
Increase in bank deposits with original maturities of over three months		**(55,704)**	–
Payment for the purchase of property, plant and equipment		**(42,848)**	(43,798)
Proceeds from sales of property, plant and equipment		**–**	135
Payment for acquisition of a subsidiary (net of cash and cash equivalents acquired)	16	**(25,519)**	–
Net cash used in investing activities		**(119,500)**	(34,211)
Financing activities			
Decrease in amount due to ultimate holding company		**–**	(1,600)
Payment for repurchase of shares		**–**	(544)
Dividends paid to equity holders of the Company		**(126,574)**	(61,310)
Net cash used in financing activities		**(126,574)**	(63,454)
Net (decrease)/increase in cash and cash equivalents		**(9,087)**	95,321
Cash and cash equivalents at 1 January		**794,988**	780,621
Effect of foreign exchange rate changes		**(143)**	(635)
Cash and cash equivalents at 30 June	12(a)	**785,758**	875,307

The notes on pages 21 to 34 form part of this interim financial report.

Notes to 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 issue on 18 August 2009.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in the accounting policies are set out in note 2.

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 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 2008 annual financial statements. The consolidated interim financial statements and notes thereon do not include all of the information required for 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 is included on page 35.

The financial information relating to the financial year ended 31 December 2008 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 2008 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 18 March 2009.

2 CHANGES IN ACCOUNTING POLICIES

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

– HKFRS 8, *Operating segments*

– HKAS 1 (revised 2007), *Presentation of financial statements*

– Improvements to HKFRSs (2008)

– Amendments to HKAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*

– Amendments to HKFRS 2, *Share-based payment – vesting conditions and cancellations*

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

2 CHANGES IN ACCOUNTING POLICIES (Continued)

The amendments to HKFRS 2 and Improvements to HKFRSs (2008), have had no material impact on the Group's financial statements as the amendments and improvements were consistent with policies already adopted by the Group. The impact of the remainder of these developments on the interim financial report is as follows:

– HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management. There were no additional reportable segments identified (see note 3).

– As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity holders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

– The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries and associate, whether out of pre– or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3 SEGMENT REPORTING

The Group manages its businesses by business operations and geography. On first-time adoption of HKFRS 8, *Operating segments* and 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.

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 PRC represents more than 10% of the Group's total revenue. The revenue received from this customer amounted to $581,373,000 for the six months ended 30 June 2009 (2008: $533,538,000).

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

4 TURNOVER

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

Turnover recognised during the period may be analysed as follows:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	$'000	$'000
Fees from the provision of voice services	**842,615**	731,038
Fees from the provision of short message services	**137,781**	116,930
Fees from the provision of other telecommunications services	**353,145**	280,100
	1,333,541	1,128,068

5 OTHER REVENUE

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	$'000	$'000
Bank interest income	**3,891**	10,561
Other interest income	**231**	259
	4,122	10,820

6 OTHER NET GAIN

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	$'000	$'000
(Loss)/profit on disposal of property, plant and equipment	**(228)**	132
Net foreign exchange gain	**1,006**	123
	778	255

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June **2009** **(Unaudited)** **$'000**	 2008 (Unaudited) $'000
(a) Staff costs (including directors' remuneration):		
Contributions to defined contribution retirement plans	**3,156**	2,356
Salaries, wages and other benefits	**99,640**	83,845
	102,796	86,201
(b) Other items:		
Network, operations and support expenses, including:	**902,586**	753,927
– carrier costs	**716,243**	613,279
– operating leases – leased circuits	**81,798**	48,566
– other telecommunications service costs	**104,545**	92,082
Depreciation	**49,298**	50,856
Amortisation	**2,850**	5,638
Operating lease charges in respect of land and buildings	**24,506**	17,692

8 INCOME TAX

	Six months ended 30 June **2009** **(Unaudited)** **$'000**	 2008 (Unaudited) $'000
Current tax – Hong Kong Profits Tax		
Provision for the period	**31,638**	25,684
Underprovision in respect of prior years	**145**	–
	31,783	25,684
Current tax – Overseas		
Provision for the period	**2,433**	1,304
Deferred tax		
Origination and reversal of temporary differences	**2,170**	2,363
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**–**	407
	2,170	2,770
	36,386	29,758

The provision for Hong Kong Profits Tax for the six months ended 30 June 2009 is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the period.

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

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 2009 of $177,782,000 (six months ended 30 June 2008: $151,110,000) and the weighted average number of 1,977,731,000 ordinary shares (2008: 1,977,780,000 shares) in issue during the interim period, calculated as follows:

Weighted average number of ordinary shares

	Number of shares	
	2009	2008
	'000	'000
Issued ordinary shares at 1 January	**1,977,731**	1,978,066
Effect of shares repurchased	**–**	(286)
Weighted average number of ordinary shares at 30 June	**1,977,731**	1,977,780

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2009 and 2008 is the same as the basic earnings per share as the potential ordinary shares outstanding during the period ended 30 June 2009 and 2008 were anti-dilutive.

10 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2009, the Group acquired items of property, plant and equipment with a cost of $36,506,000 (six months ended 30 June 2008: $51,609,000), which including $9,697,000 through acquisition of subsidiary (six months ended 30 June 2008: $Nil). Items of property, plant and equipment with a net book value of $5,030,000 were disposed of during the six months ended 30 June 2009 (six months ended 30 June 2008: $3,000), resulting in a (loss)/profit on disposal of ($228,000) and $132,000 for the six months ended 30 June 2009 and 2008 respectively.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

11 TRADE AND OTHER RECEIVABLES

	30 June 2009 (Unaudited) $'000	31 December 2008 (Audited) $'000
Trade debtors	**879,531**	779,622
Less: allowance for doubtful debts	**(42,012)**	(35,481)
	837,519	744,141
Amount due from an associate	**–**	23,256
Other receivables	**81,922**	127,105
	919,441	894,502
Represented by:		
Non-current portion	**26,093**	29,716
Current portion	**893,348**	864,786
	919,441	894,502

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:

	30 June 2009 (Unaudited) $'000	31 December 2008 (Audited) $'000
Within 1 year	**800,335**	739,035
Over 1 year	**79,196**	40,587
	879,531	779,622

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 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	30 June 2009 (Unaudited) $'000	31 December 2008 (Audited) $'000
Cash at bank and in hand	**108,053**	110,990
Deposits with banks	**733,409**	683,998
Cash and cash equivalents in the consolidated balance sheet	**841,462**	794,988
Less: Deposits with banks with original maturities of over three months	**(55,704)**	–
Cash and cash equivalents in the consolidated cash flow statement	**785,758**	794,988

There are no deposits with banks with original maturities of over three months at 30 June 2008.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

12 CASH AND CASH EQUIVALENTS (Continued)

(b) Reconciliation of profit before taxation to cash generated from operations:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	$'000	$'000
Profit before taxation	**214,168**	180,868
Adjustments for:		
– Depreciation and amortisation	**52,148**	56,494
– Loss/(profit) on disposal of property, plant and equipment	**228**	(132)
– Share of loss of an associate	**1,323**	–
– Interest income	**(4,122)**	(10,820)
– Foreign exchange gain	**(1,903)**	–
Changes in working capital:	**261,842**	226,410
Decrease/(increase) in trade and other receivables	**31,390**	(115,847)
(Decrease)/increase in trade and other payables	**(41,763)**	93,535
Decrease in amount due from an associate	**73**	–
Decrease in amount due to an associate	**(3,237)**	–
Cash generated from operations	**248,305**	204,098

13 TRADE AND OTHER PAYABLES

	30 June	31 December
	2009	2008
	(Unaudited)	(Audited)
	$'000	$'000
Trade creditors	**609,954**	600,544
Other payables and accruals	**138,330**	127,095
Amount due to an associate	**–**	19,318
	748,284	746,957

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

	30 June	31 December
	2009	2008
	(Unaudited)	(Audited)
	$'000	$'000
Within 1 year	**503,089**	504,383
Over 1 year	**106,865**	96,161
	609,954	600,544

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

14 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	$'000	$'000
Interim dividend declared and paid after the interim period, of 2.4 cents per share (2008: 2.0 cents per share)	**47,466**	39,555

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

(ii) 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	
	2009	2008
	(Unaudited)	(Unaudited)
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of 6.4 cents per share (six months ended 30 June 2008: 3.1 cents per share)	**126,574**	61,310

(b) Share capital

		2009		2008	
	Note	**No. of shares**	**Amount $'000**	No. of shares	Amount $'000
Authorised:					
Ordinary shares of $0.1 each		**5,000,000,000**	**500,000**	5,000,000,000	500,000
Issued and fully paid:					
Ordinary shares of $0.1 each	*(i)*	**1,977,731,283**	**197,773**	1,977,731,283	197,773
At 1 January		**1,977,731,283**	**197,773**	1,978,066,283	197,807
Repurchase of shares	*(ii)*	**–**	**–**	(335,000)	(34)
At 30 June/31 December		**1,977,731,283**	**197,773**	1,977,731,283	197,773

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

14 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Share capital (Continued)

Note:

(i) Holders of ordinary shares are entitled to receive dividends as declared from time to time and every member shall have 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.

(ii) During the year ended 31 December 2008, the Company repurchased a total of 335,000 of its own shares on The Stock Exchange of Hong Kong Limited, all of which have been cancelled, as follows:

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

(c) 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.

(d) 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 scheme. 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 vested on 23 May 2007 and will 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.

The grant-date fair value of options granted in 2007 was $12,917,000. The amount was recognised as share-based compensation expenses in profit or loss at grant date, with a corresponding increase in capital reserve.

No option was exercised or lapsed during the six months ended 30 June 2009. During the six months ended 30 June 2008, options for 2,445,000 shares have lapsed. The fair value of lapsed options was $1,687,000, and was released directly to retained profits.

15 CAPITAL COMMITMENTS OF THE GROUP OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	30 June 2009 (Unaudited) $'000	31 December 2008 (Audited) $'000
Contracted for	**33,159**	4,030
Authorised but not contracted for	**9,895**	13,651
	43,054	17,681

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

16 ACQUISITION OF A SUBSIDIARY

In May 2009, the Group acquired the remaining 51% equity interest in CM Tel (USA) LLC (renamed as ComNet (USA) LLC in July 2009) ("CN USA") at a consideration of $26,009,000 and CN USA became a wholly-owned subsidiary of the Group. The transaction resulted in CN USA ceasing to be an associate and becoming a subsidiary of the Group in May 2009.

CN USA is engaged in providing wholesale and retail international direct dialing (IDD) services. The fair value of net assets recognised at the acquisition date was $3,998,000. The acquired company contributed an aggregate revenue of $28,556,000 and aggregate net loss of $1,380,000 to the Group's profit for the period since acquisition. The effect on the revenue and loss of the acquired entity as if the acquisition had occurred at the beginning of the period to the Group are $78,830,000 and $2,685,000 respectively.

The acquisition had the following effect on the Group's assets and liabilities:

	Acquiree's carrying amount before combination $'000	**Fair value adjustments** $'000	**Fair value** $'000
Property, plant and equipment *(note 10)*	9,697	–	9,697
Intangible assets	–	8,560	8,560
Trade and other receivables	52,049	–	52,049
Current tax recoverable	3,003	–	3,003
Cash and cash equivalents	490	–	490
Trade and other payables	(62,366)	–	(62,366)
Deferred tax liabilities	–	(3,595)	(3,595)
Net identifiable assets and liabilities	2,873	4,965	7,838
Share of net assets immediately prior to purchase			(3,840)
			3,998
Goodwill on acquisition *(note)*			22,011
			26,009

	$'000
Satisfied by:	
Cash paid	26,009
Cash and cash equivalents acquired	490
Cash consideration paid	(26,009)
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(25,519)

Note:

Goodwill has arisen on the acquisition of the wholesale and retail international direct dialing (IDD) business, which has established a service network with coverage across the North America, and the synergies expected to be achieved from integrating the subsidiaries into the Group's existing businesses.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

17 RELATED PARTY TRANSACTIONS

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

(a) Transactions with CITIC Pacific Limited and its affiliates and an associate of the Group

(i) Recurring transactions

	Note	Six months ended 30 June 2009 (Unaudited) $'000	2008 (Unaudited) $'000
Telecommunications services and related income from:			
– an affiliated company		**5,583**	2,632
– an associate		**24,364**	–
Telecommunications services expenses to:			
– an affiliated company		**1,901**	2,776
– an associate		**19,014**	–
Professional fee payable to CITIC Pacific Limited	*(1)*	**950**	800
Operating lease charges and building management fee payable to an affiliated company	*(2)*	**11,952**	11,952
Management fee paid to a wholly-owned subsidiary of the minority shareholder		**500**	500

Notes:

(1) Professional fee was paid/payable to CITIC Pacific Limited (previously the ultimate holding company and currently an intermediate holding company) for the provision of internal audit and company secretarial services.

On 24 December 2008, CITIC Group became the major shareholder of CITIC Pacific Limited and subsequently, CITIC Group became the ultimate shareholder of the Group. CITIC Group is controlled by the PRC government.

(2) 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

17 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with CITIC Pacific Limited and its affiliates and an associate of the Group (Continued)

(ii) Trade and other receivables/(trade and other payables)

	30 June 2009 (Unaudited) $'000	31 December 2008 (Audited) $'000
Amount due from/(to) an affiliated company included in		
– Trade and other receivables	12,823	10,462
– Trade and other payables	(5,916)	(4,769)
	6,907	5,693
Amount due from/(to) an associate included in		
– Trade and other receivables	–	23,256
– Trade and other payables	–	(19,318)
	–	3,938

(b) Transactions with other state-controlled entities in the PRC

On 24 December 2008, the Company became a state-controlled entity (note 17(a)(i)). Other than those transactions with CITIC Pacific Limited and its affiliates and the associates of the Group as disclosed above, the Group conducts certain business activities with other state-controlled entities which include but are not limited to the following:

- Sales and purchase of goods and ancillary materials;
- Rendering and receiving services;
- Ancillary and social services;
- Purchase of property, plant and equipment; and
- Financial services arrangements.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are state-controlled entities or not.

Having considered the potential for transactions to be impacted by related party relationships, the Group's buying, pricing strategy and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions with other state-controlled entities require disclosure:

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

17 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with other state-controlled entities in the PRC (Continued)

(i) Transactions with other state-controlled entities including state-controlled banks in the PRC

	Six months ended 30 June 2009 (Unaudited) $'000
Interest income	**3,024**
Fees from provision of telecommunications services	**551,426**
Fees for network, operation and support services	**(298,714)**

(ii) Balances with other state-controlled entities, including state-controlled banks in the PRC

	30 June 2009 (Unaudited) $'000	31 December 2008 (Audited) $'000
Bank deposits	**439,337**	429,516
Trade debtors	**383,948**	387,037
Trade creditors	**(192,260)**	(257,260)

(c) Key management personnel remuneration

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

	Six months ended 30 June	
	2009 (Unaudited) $'000	2008 (Unaudited) $'000
Short-term employee benefits	**5,791**	7,458
Post-employment benefits	**169**	179
	5,960	7,637

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

18 NON-ADJUSTING POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the directors proposed an interim dividend. Further details are disclosed in note 14(a).

On 30 July 2009, the Company entered into an agreement with Macquarie Telecom Group Limited in relation to the acquisition of its wholly-owned subsidiary Macquarie Telecom Pte. Ltd. for cash consideration of SGD10,500,000 (subject to adjustment). Macquarie Telecom Pte. Ltd. is engaged in the provision of telecommunications services to corporate customers in Singapore. The said transaction was completed on 31 July 2009.

19 COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised 2007), *Presentation of financial statements*, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are discussed in note 2.

20 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 30 JUNE 2009

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 period ended 30 June 2009.

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

In addition, the following developments are expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

		Effective for accounting periods beginning on or after
HKFRS 3 (Revised)	Business combinations	1 July 2009
Amendments to HKAS 27	Consolidated and separate financial statements	1 July 2009
Improvements to HKFRSs 2009		1 July 2009 or 1 January 2010

Independent Review Report

KPMG

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 16 to 34 which comprise the consolidated balance sheet of CITIC 1616 Holdings Limited (the "Company") as of 30 June 2009 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 2009 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

18 August 2009

Statutory Disclosure

DIVIDEND AND CLOSURE OF REGISTER

The Directors have declared an interim dividend of HK2.4 cents (2008: HK2.0 cents) per share for the year ending 31 December 2009 payable on Tuesday, 15 September 2009 to shareholders whose names appear on the Register of Members of the Company on Thursday, 10 September 2009. The Register of Members of the Company will be closed from Friday, 4 September 2009 to Thursday, 10 September 2009, 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 Thursday, 3 September 2009.

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 price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares. 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. All options granted and accepted can be exercised in whole or in part within 5 years from the date of grant. None were exercised, cancelled or lapsed and no further options were granted during the six months ended 30 June 2009.

A summary of the movements during the six months ended 30 June 2009 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 1.1.2009	Balance as at 30.6.2009	Percentage to the issued share capital %
Shi Cuiming	23.5.2007	3.26	2,900,000	N/A *(Note1)*	N/A
Yuen Kee Tong	23.5.2007	3.26	2,500,000	2,500,000	0.13
David Chan Tin Wai	23.5.2007	3.26	1,845,000	1,845,000	0.09
Yang Xianzu	23.5.2007	3.26	300,000	300,000	0.02
Liu Li Qing	23.5.2007	3.26	300,000	300,000	0.02
Gordon Kwong Che Keung	23.5.2007	3.26	300,000	300,000	0.02

Statutory Disclosure

SHARE OPTION PLAN (Continued)

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

		Number of Share Options		
Date of grant	Exercise price HK$	Balance as at 1.1.2009	Exercised/lapsed during the 6 months ended 30.6.2009	Balance as at 30.6.2009
23.5.2007	3.26	7,020,000	–	9,920,000 *(Note1)*

Note 1: Mr Shi Cuiming retired as director on 19 March 2009 but acted as senior consultant of the Company.

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 2009 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		
Yuen Kee Tong	500,000	0.0253
David Chan Tin Wai	2,000	0.0001
CITIC Pacific Limited ("CITIC Pacific"), an associated corporation		
Yuen Kee Tong	1,033,000	0.028
David Chan Tin Wai	40,000	0.001
Stella Chan Chui Sheung	5,000	0.0001
Yang Xianzu	20,000	0.001
Gordon Kwong Che Keung	70,000*(Note 2)*	0.002
Dah Chong Hong Holdings Limited, an associated corporation		
Yuen Kee Tong	20,000	0.001
David Chan Tin Wai	5,279	0.0003

Note 2: 20,000 shares are in respect of personal interests and 50,000 shares are in respect of corporate interests.

Statutory Disclosure

DIRECTORS' INTERESTS IN SECURITIES (Continued)

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 30.6.2009	Percentage to the issued share capital %
Kwok Man Leung	16.10.2007 – 15.10.2012	47.32	600,000	0.016
Stella Chan Chui Sheung	16.10.2007 – 15.10.2012	47.32	600,000	0.016

Save as disclosed above, as at 30 June 2009, 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 2009, 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 Group	1,039,758,283	52.573
CITIC Pacific	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 ("CPC")	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
John Zwaanstra	160,760,000	8.129
Penta Investment Advisers Limited	160,760,000	8.129
Penta Management (BVI) Ltd.	160,760,000	8.129
Old Peak Ltd.	160,760,000	8.129
Government of Singapore Investment Corporation Pte Ltd.	117,250,960	5.929

Statutory Disclosure

SUBSTANTIAL SHAREHOLDERS (Continued)

CITIC Group is the ultimate holding company of CITIC Pacific and CITIC Pacific is the direct holding company of Crown Base International Limited, which is the direct holding company of Effectual Holdings Corp.. Effectual Holdings Corp. in turn holds CPC, which is then the direct holding company of Douro Holdings Inc.. Douro Holdings Inc. is the direct holding company of Ferretti Holdings Corp.. Ferretti Holdings Corp. is the direct holding company of Ease Action Investments Corp.. Accordingly, the interests of CITIC Group in the Company and the interests in the Company of all its direct and indirect subsidiary companies as described above duplicate each other.

Mr John Zwaanstra is the controlling shareholder of Penta Investment Advisers Limited, and Penta Investment Advisers Limited is the controlling shareholder of Penta Management (BVI) Ltd., which in turn is the controlling shareholder of Old Peak Ltd.. Accordingly, the interests of Mr John Zwaanstra in the Company and the interests in the Company of all his direct and indirect controlled corporations as described above duplicate each other.

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 2009 and the Company has not redeemed any of its shares during the period ended 30 June 2009.

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. 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 32 of the 2008 annual report and the Company's website www.citic1616.com.

The revised terms of reference of the Audit Committee have been adopted by the Board on 9 March 2009 in line with the latest requirements of Appendix 14 of the Listing Rules relating to the annual review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, including their training programmes and budget.

Throughout the six months ended 30 June 2009, 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 2009.

UPDATE ON DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Mr Kwok Man Leung, a non-executive director of the Company, has been appointed as a committee member of the Remuneration Committee of the Company with effect from 5 May 2009.

Mr Kwok Man Leung was formerly a director of Adaltis Inc. (a company listed on the Toronto Stock Exchange) until his resignation on 31 December 2008. Adaltis Inc. has made a voluntary assignment in bankruptcy under the Bankruptcy and Insolvency Act (Canada) on 4 August 2009.

Mr Gordon Kwong Che Keung, an independent non-executive director of the Company, has retired as an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. (a company listed on the Stock Exchange) with effect from 3 June 2009.

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:	4 September 2009 to 10 September 2009
Interim Dividend payable:	15 September 2009

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.