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 RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of CITIC 1616 Holdings Limited for 2009 and report stable growth in the Group's business for the year.

Total revenue of the Group for 2009 amounted to HK$2,716.6 million, representing an increase of 9.3% as compared with the previous year. The Group recorded a net profit of HK$371.5 million, an 11.9% increase from the previous year. Earnings per share rose 11.9% to HK18.8 cents.

CITIC 1616 Holdings Limited managed to report stable growth in operating profit in 2009, despite intense market competition and the slowdown in revenue growth for the telecommunications sector under the global financial tsunami. By setting up and promulgating our corporate culture across the Group, streamlining internal processes and investing in staff training and development, we managed to improve on our corporate governance as well as operational efficiency. We have placed particular emphasis on service and network quality and the Group was able to consistently improve its services and strengthen its business relationship with major telecoms operators in China and abroad. As a result of these efforts, the Group reported stable performance in our voice services, and relatively fast growth in SMS services, Mobile Value Added Services (VAS) as well as Virtual Private Network (VPN) services and other data businesses. While enjoying stable business growth, the Company spared no effort in raising its customer service standards, stepping up with our network development and quality management, enhancing risk management, as well as developing on our investor and media relations. The latter effort has resulted in the Group capturing the Investor Relations Gold Award 2009 presented by *The Asset* Magazine.

During 2009, the Group completed the acquisitions of China Motion Hong Kong's local optical fibre network and fixed line licence in Hong Kong, Macquarie Telecom Pte. Ltd. of Singapore and, from our parent company, CITIC Pacific Limited, seven floors of Broadway Centre to host our main data centre and office facilities. Such acquisitions would provide solid foundations for the long-term business development of the Group.

The Board recommended a final dividend of HK7.1 cents per share for 2009. Including the interim dividend of HK2.4 cents per share for 2009, the total dividend per share for 2009 amounted to HK9.5 cents, representing an increase of 13.1% as compared with the previous year. The dividend payout ratio for the year is 50.5%.

I. Review for 2009

Fast but stable growth in voice, SMS and Mobile VAS supported by stronger ties with the PRC and international telecoms operators

Market competition was extremely intense in 2009 and the total volume of China outbound voice traffic shrank on a year-on-year basis as the international telecoms business was subdued under the global economic slow down. The Group responded steadfastly to the adverse market conditions through pro-active planning and enhanced business analyses, fully exploiting the business synergies among different business segments and exhausting every means to improve its services to telecoms operators and end customers. We stepped up with our marketing efforts in China's telecommunications market and sped up new product research and development in close tandem with the 3G business requirements of the PRC operators. The Group has established itself as a trusted provider of 3G-VT video phone transit services between a leading PRC telecoms operator and their counterparts in Hong Kong, Macau, Taiwan and other countries in Asia Pacific. Currently we are making preparations to conduct a worldwide transit testing on behalf of other PRC operators in relation to 3G-VT video phone which is expected to augment our competitive advantages for our 3G transit services. The quality of our hubbing services has been well recognised by the PRC operators, while internationally we are actively identifying new opportunities to further broaden our business scope.

Revenue generated by the Group from voice services amounted to HK$1,726.9 million, representing a 7.0% increase as compared with the previous year. Voice traffic carried rose to 10.14 billion minutes, representing a 25.1% increase as compared with the previous year. China inbound and outbound voice traffic grew by 23.3% to reach 8.61 billion minutes.

The Group reported relatively fast growth in SMS services and rapid growth in Mobile VAS, as it continued to improve its service standards and increase its marketing efforts in those two segments, while starting to provide C2C and C2G products to customers. Revenue generated from SMS services increased 15.7% to HK$286.0 million as compared with the previous year. The volume of SMS carried was 1.56 billion messages, a decrease of 11.4% as compared with the previous year. The growth in SMS revenue despite the decline in traffic was mainly attributable to the reduction of SMS services offered at discounted prices to Hong Kong mobile operators, which resulted in higher average price per SMS. Revenue from our Mobile VAS business amounted to HK$112.0 million, representing an increase of 18.5% as compared with the previous year.

Data business underpinned by substantially improved operating efficiency and increasing international influence

Against the adverse market situation of continuous slowdown in international customer business in the aftermath of the financial tsunami, CPCNet succeeded in retaining its customer base and maintaining its existing business by launching effective overseas marketing programmes, such as promotional incentives and customer retention packages. By constantly upgrading our services, as evidenced by the launch of new products such as Asia's first HD video-conferencing system, we were able to increase the number of new customers. Meanwhile, our operating efficiency was significantly enhanced as we exercised stringent control over operating costs and caution over new investments, as well as optimising the efficiency of our network capacity. The CPCNet data business has become an important source of profit for the Group, reporting a 39.1% growth in net profit as compared with the previous year.

Because of its outstanding performance in the market for managed data services and on the back of commendations from numerous customers, CPCNet's VPN service TrueCONNECT™ out-competed a number of major telecoms operators to claim the "Best Managed Service Award" at World Communication Awards 2009, a recognition that confirmed CPCNet's growing influence in the international managed data market.

Strengthening engineering management and customer services to upgrade transmission quality and customer service standard of the Group's international networks

In line with the Group's strong emphasis on quality assurance, regular cross-functional meetings were convened throughout the year to deal with and resolve issues in quality management. With the implementation of a series of relevant operational guidelines, the quality standards of our network engineering has been greatly improved. Meanwhile, the Group's Global IP network is now commissioned following vigorous and yet prudent network capacity expansion and equipment upgrade in response to market requirements. The transmission capacity as well as quality of the Group's international network has been strengthened as a result.

Stepping up with international market development to broaden market coverage

The Group has broadened its market reach to US, Canada, Japan, Singapore, Taiwan, Vietnam and UK through a series of acquisitions and integrations. Initiatives were made to augment overseas group companies' understanding of the Group's services portfolio and technical capabilities, while coordination between the Group's various functions and overseas group companies was also strengthened. The effective integration of overseas group companies with the Group's businesses has resulted in stronger marketing competitiveness for the Group.

Enhancing team building and corporate culture

Intensive efforts were being made to foster a corporate culture of excellence as the Group continued to grow in size, aiming to strengthen staff unity and commitment. Seminars on corporate culture were held for the management and operational staff. With the internal training in corporate values and business skills, complemented by relevant implementation programmes, the quality of team work within the Group has been substantially improved.

II. Prospects for 2010

The world economy is expected to undergo a slow process of recovery in 2010, as the impact of the global financial tsunami is not likely to be fully cured any time soon. Market conditions remain challenging as further downside in voice services rates is expected under the pressure of increasing market competition.

In view of the testing market conditions and new challenges, the Group will deploy full efforts to sustain stable development of all its businesses by gearing up internal management and exercising stringent cost controls. The Group will continue to persist with the priority of quality assurance and ensure that services provided to customers are of the highest standard. Meanwhile, we will step up with staff training to improve staff quality in general, which should in turn underpin healthy business development. The Group will also leverage opportunities presented by the Shanghai World Expo and the Guangzhou Asian Games to strengthen business cooperation with PRC operators and ensure the provision of high quality services.

To enhance international competitiveness through active overseas market development

Overseas business development represents one of the major, long-term strategic objectives of the Group. While the Group is charged with the important role of connecting China with the rest of the world, its ability to fulfill this role with success and to progress and develop from strength and amid intense competition will largely depend on efforts to foster closer and more extensive business relations with telecoms operators around the world. We would fully leverage our existing networks in overseas markets and steadily expand to untapped regions, so that our international competitiveness may grow in tandem with broadening market coverage.

To sustain stable growth in voice services

The Group will closely monitor business development requirements of leading telecoms operators of the PRC and in the international market, seeking to sustain stable development of its voice services by providing high-quality bundled services to the telecoms operators. We will engage in active international market development by bringing our overseas group companies into full play and our capability of provide a full portfolio of hubbing services should prove an important advantage in the overseas market. At home, we will continue to provide active support to the PRC telecoms operators for their 3G development, improving our 3G video phone transit service between PRC telecoms operators and their overseas counterparts and extending this transit service to a larger group of overseas telecoms operators. The Group will continue to expand its overseas retail phone card business, striving for stable growth in the Americas, Japan, Singapore and Taiwan to provide a solid foundation for the stable development of the Group's voice business. New technologies for IP phones will be developed and we are positive on our IP-based services development banking on the support of our global MPLS VPN Network.

To sustain relatively fast growth in SMS and Mobile VAS

In SMS services, we will focus on corporate customers and personal communications portals, with special emphasis on the business requirements of corporate customers such as banks, airlines, schools and government organisations. In Mobile VAS, we will focus on market developments in the Americas, the Middle East and Africa and promote our Mobile VAS products to telecoms operators in these regions, providing the added attraction of complementary product services. We will expand the market coverage of our SMS and Mobile

VAS by promoting our services to more overseas telecoms operators through the marketing network of our overseas group companies. We will also expedite the marketing of our C2C and C2G services to gain new ground.

To sustain fast growth in data businesses

CPCNet will continue to follow the marketing strategy adopted in 2009, with a special focus on meeting market requirements for innovative products and services. It will seek to retain customers and reduce the customer churn by all possible means, such as customer retention and contract renewal packages. Meanwhile, it will endeavour to attain new sales growth through effective marketing strategies and enriched product mix, as well as further development in the VPN business. Innovative value-added services will be launched and information security services will be promoted to provide total communications and security solutions, which will save costs for customers while broaden income sources for the Group.

To commission our Broadway Centre IDC for enhancements of our market competitiveness

With the support of our parent company, CITIC Pacific Limited and our shareholders, the Group completed the acquisition of IDC and office space on seven levels of Broadway Centre in late 2009. Our aim is to build Broadway Centre into a branded telecoms hub and data centre. We plan to complete the renovation of the office floors, Network Operations Center ("NOC") and a significant part of the data centre facilities by the end of 2010. Relocation of offices and equipment will be done by stages. The Group is expected to record significant rental savings as well as expansion in data centre facilities to serve our customers.

The Group will diligently continue to carry out effective integration of its existing businesses. Meanwhile, it will also seek to expand in scale and further strengthen its market coverage and penetration for long-term growth as well as to create greater efficiency and realise synergies. The Group will pursue business development in a very prudent manner taking market conditions, the quality of the opportunities and Group's financial well being into account.

As the Group proceeds with its business development in accordance with stated strategies and plans, we have every confidence that it will overcome any obstacles ahead and continue to report stable growth in 2010 under the leadership of the Board and with the concerted efforts of the staff.

Last but not least, I would like to express sincere appreciation on behalf of the Board, for all the contributions and hard work of the Group's management and other staff, as well as for the steadfast support and trust shown by our customers and shareholders for the past year.

Xin Yue Jiang
Chairman
Hong Kong, 11 February 2010

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	*2009* HK$'000	*2008* HK$'000
Turnover	4	2,716,559	2,486,362
Other revenue	5	5,455	20,799
Other net gain/(loss)	6	513	(11,272)
		2,722,527	2,495,889
Network, operations and support expenses	7(b)	(1,800,966)	(1,670,086)
Depreciation and amortisation	7(b)	(110,937)	(113,240)
Staff costs		(220,466)	(180,034)
Other operating expenses		(141,876)	(133,684)
Profit from operations		448,282	398,845
Finance costs	7(a)	-	(26)
Share of loss of an associate		(1,323)	(944)
Profit before taxation	7	446,959	397,875
Income tax	8	(75,432)	(65,747)
Profit attributable to equity holders of the Company		371,527	332,128
Basic and diluted earnings per share (HK cents)	10	18.8	16.8

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	*2008*
	HK$'000	HK$'000
Profit for the year	371,527	332,128
Other comprehensive income for the year (after tax)		
Exchange differences on translation of financial statements of overseas subsidiaries	(3,129)	(859)
Total comprehensive income for the year attributable to equity holders of the Company	368,398	331,269
	========	========

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2009

	Note	*2009* HK$'000	*2008* HK$'000
Non-current assets			
Property, plant and equipment		541,691	363,105
Intangible assets		55,232	34,849
Goodwill		277,419	214,269
Interest in an associate		-	5,163
Non-current other receivables	11	21,481	29,716
Deferred tax assets		14,284	29,907
		910,107	677,009
Current assets			
Trade and other receivables	11	871,297	864,786
Current tax recoverable		2,704	250
Cash and bank deposits		686,190	794,988
		1,560,191	1,660,024
Current liabilities			
Trade and other payables	12	676,673	746,957
Current tax payable		38,396	36,166
		715,069	783,123
Net current assets		845,122	876,901
Total assets less current liabilities		1,755,229	1,553,910

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2009 (continued)

	Note	*2009* HK$'000	*2008* HK$'000
Non-current liabilities			
Deferred tax liabilities		38,289	36,200
		38,289	36,200
NET ASSETS		1,716,940	1,517,710
CAPITAL AND RESERVES			
Share capital		197,773	197,773
Reserves		1,519,167	1,319,937
TOTAL EQUITY		1,716,940	1,517,710

Notes to the Accounts

1 Significant accounting policies

The accounting policies used in the preparation of the financial statements are consistent with those adopted in the financial statements for the year ended 31 December 2008 except for the adoption of certain new standards, amendments and new Interpretations of Hong Kong Financial Reporting Standards which were issued and became effective during the year ended 31 December 2009.

The adoption of such standards, amendments and new Interpretations does not result in significant changes to the Group's accounting policies and has no significant effect on the results reported for the year ended 31 December 2009.

The Group has not early adopted the new standards, amendments and new Interpretations issued by the Hong Kong Institute of Certified Public Accountants that are not yet effective for the year ended 31 December 2009, and is in the process of assessing their impact on future accounting periods.

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*

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. 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. The Group's overseas operation constitutes an insignificant portion of the Group's business.

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 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 this customer amounted to HK$1,145,438,000 for the year ended 31 December 2009 (2008: HK$1,202,099,000).

4 Turnover

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

Turnover recognised during the year may be analysed as follows:

	2009	*2008*
	HK$'000	HK$'000
Fees from the provision of voice services	1,726,885	1,613,362
Fees from the provision of short message services	285,982	247,107
Fees from the provision of other telecommunications services	703,692	625,893
	2,716,559	2,486,362
	========	========

5 Other revenue

	2009 HK$'000	2008 HK$'000
Bank interest income	5,006	20,294
Other interest income	449	505
Total interest income	5,455	20,799

6 Other net gain/(loss)

	2009 HK$'000	2008 HK$'000
Net loss on disposal of property, plant and equipment	(95)	(2,322)
Net foreign exchange gain/(loss)	608	(8,950)
	513	(11,272)

7 Profit before taxation

Profit before taxation is arrived at after charging:

	2009 HK$'000	2008 HK$'000
(a) Finance costs:		
Finance charges on obligations under finance lease	-	26
Total interest expense	-	26
(b) Other items:		
Network, operations and support expenses, including:	1,800,966	1,670,086
- carrier costs	1,271,123	1,343,048
- operating leases - leased circuits	171,985	118,958
- other telecommunications service costs	357,858	208,080
Depreciation	104,026	101,612
Amortisation	6,911	11,628
Impairment losses on trade and other receivables	754	13,769

8 Income tax

Income tax in the consolidated income statement represents:

	2009	*2008*
	HK$'000	HK$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	59,726	52,725
Over-provision in respect of prior years	(23)	(72)
	59,703	52,653
Current tax - Overseas		
Provision for the year	4,666	3,662
Under-provision in respect of prior years	139	-
	4,805	3,662
Deferred tax		
Origination and reversal of temporary differences	10,924	9,025
Effect on deferred tax balances at 1 January resulting from a change in tax rate	-	407
	10,924	9,432
	75,432	65,747

The provision for Hong Kong Profits Tax for 2009 is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

9 Dividends

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

	2009	*2008*
	HK$'000	HK$'000
Interim dividend declared and paid of HK2.4 cents per share (2008: HK2.0 cents per share)	47,466	39,555
Final dividend proposed after the balance sheet date of HK7.1 cents per share (2008: HK6.4 cents per share)	140,419	126,574
	187,885	166,129
	========	========

The final 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 year

	2009	*2008*
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK6.4 cents per share (2008: HK3.1 cents per share)	126,574	61,310
	========	========

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 year ended 31 December 2009 of HK$371,527,000 (2008: HK$332,128,000) and the weighted average of 1,977,731,000 ordinary shares (2008: 1,977,756,000 shares) in issue during the year, 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	-	(310)
Weighted average number of ordinary shares at 31 December	1,977,731	1,977,756
	========	========

10 Earnings per share (continued)

(b) Diluted earnings per share

The diluted earnings per share for the year ended 31 December 2009 and 2008 is the same as the basic earnings per share as the potential ordinary shares outstanding during the year ended 31 December 2009 and 2008 were anti-dilutive.

11 Trade and other receivables

	2009	*2008*
	HK$'000	HK$'000
Trade debtors	817,848	779,622
Less: allowance for doubtful debts	(25,203)	(35,481)
	792,645	744,141
Amount due from an associate	-	23,256
Other receivables	100,133	127,105
	892,778	894,502
	========	========
Represented by:		
Non-current portion	21,481	29,716
Current portion	871,297	864,786
	892,778	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:

	2009	*2008*
	HK$'000	HK$'000
Within 1 year	675,631	739,035
Over 1 year	142,217	40,587
	817,848	779,622
	========	========

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

12 Trade and other payables

	2009	*2008*
	HK$'000	HK$'000
Trade creditors	531,778	600,544
Other payables and accruals	144,895	127,095
Amount due to an associate	-	19,318
	676,673	746,957
	========	========

All of the trade and other payables are expected to be settled within one year.

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

	2009	*2008*
	HK$'000	HK$'000
Within 1 year	385,045	504,383
Over 1 year	146,733	96,161
	531,778	600,544
	========	========

FINANCIAL REVIEW AND ANALYSIS

REVIEW OF OVERALL PERFORMANCE

Turnover

The Group's turnover for 2009 was HK$2,716.6 million, an increase of 9.3%, compared with HK$2,486.4 million for 2008.

Profit attributable to equity holders of the Company

The Group recorded a profit of HK$371.5 million for 2009, an increase of 11.9% as compared to 2008. Despite the unfavorable impact of the global economic crisis, all our businesses recorded steady growth during the year.

Acquisition of subsidiaries

In order to strengthen the Group's market position and enable the Group to further expand its business, the Group has acquired several companies during the year. The major acquisitions are as follows:

a) Acquisition of 51% interest of ComNet (USA) LLC (formerly known as CM Tel (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 ComNet Communications (Singapore) Pte. Ltd. (formerly known as Macquarie Telecom Pte. Ltd.)

On 31 July 2009, the Company acquired the entire share capital and shareholder's loan of ComNet Communications (Singapore) Pte. Ltd. from Macquarie Telecom Group Limited for a cash consideration of SG$11.3 million. ComNet Communications (Singapore) Pte. Ltd. is engaged in the provision of telecommunications services to corporate customers in Singapore.

Group liquidity and capital resources

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

The Group's operating cash inflow was continuously increased to HK$402.3 million for 2009. In order to meet the business growth and future development, the Group paid HK$96.7 million for business acquisitions and HK$249.1 million for fixed assets acquired (including property acquisition of HK$157.0 million) during the year. In addition, the Group paid dividends of HK174.0 million during 2009 for returning the profits to its shareholders. As a result, the cash and cash equivalents in the consolidated cash flow statement decreased by HK$110.6 million to HK$684.4 million at 31 December 2009.

Borrowings

At 31 December 2009, the Group had no outstanding borrowings.

Banking facilities

At 31 December 2009, 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$133.3 million). Including in the total banking facilities of HK$ 133.3 million, there is about HK$3.3 million facilities utilisation is subject to pledged deposits.

Of the total banking facilities, approximately HK$3.4 million was utilised as guarantees for the Group's purchase from telecoms operators, performance to customers, and rental deposit.

Securities and guarantees

At 31 December 2009, 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 31 December 2009, the Group did not have any contingent liability.

Capital commitments

At 31 December 2009, the Group had outstanding capital commitments of HK$38.5 million, mainly for the acquisition of network equipment which had yet to be delivered to the Group, of which HK$28.7 million were outstanding contractual capital commitments and HK$9.8 million were capital commitments authorised but for which contracts had yet to be entered into.

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 44% and 49% of the Group's total trade receivables at 31 December 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.

HUMAN RESOURCES

As at the end of December 2009, the Group employed a total of 491 employees (2008: 419) for its headquarter in Hong Kong and its principal subsidiaries. The increase in number of employees was mainly from Hong Kong and acquisition projects during the year. Employees in overseas and Mainland China increased to 94 (2008: 49 employees).

CITIC 1616 is an equal opportunity employer and adheres to non-discriminatory employment practices and procedures in recognizing and respecting individual's rights. Striving to administer a fair and consistent human resources management policy to the mutual benefit of its employees and the Group, it also upholds a high standard of business ethics and personal conduct of its employees. Every employee of the Group is required to strictly follow the Code of Conduct.

The Group's compensation strategy is to cultivate a pay-for-performance culture to incentivize and reward employee performance that will lead to a long-term enhancement of the overall caliber of the Group. On an annual basis, the Group review the cash compensation and benefit programmes provided for its employees to ensure that the total compensation is internally equitable, externally competitive, as well as in support of the Group's business strategy. Group companies are largely in conformity with this policy.

The Group is committed to provide a healthy organizational environment conducive to each individual's development. Employees have been given internal training opportunities and training subsidy for outside training courses to enhance their skills and abilities. Moreover, with the growing cross-border business activities between Hong Kong headquarter and other worldwide countries, the Group continues to strengthen business integration, knowledge sharing and skill transfer between staff in different territories.

The Group has held different employee activities and provided channels for employee communication. This will help to enhance mutual communication among different levels of employees and increase the sense of belonging.

Under the share option plan ("the Plan") adopted by the Company on 17 May 2007, the Board may in its absolute discretion invite 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 to subscribe for options over the Company's shares.

Since the adoption of the Plan, the Company has granted two lots of share options :

Date of grant	Number of share options	Exercise Period	Exercise price HK$
23 May 2007	18,720,000	23 May 2007 to 22 May 2012	3.26
17 September 2009	17,912,500	17 September 2010 to 16 September 2015	2.10
	17,912,500	17 September 2011 to 16 September 2016	2.10

All options granted were accepted except for options for 115,000 shares. None of the share options granted under the Plan were exercised but options for 300,000 shares have lapsed during the year ended 31 December 2009.

CORPORATE GOVERNANCE

The Company 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. A full description of the Company's corporate governance will be set out in the section of Corporate Governance contained in the 2009 Annual Report.

Throughout the year of 2009, the Company has complied with all code provisions in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Audit Committee of the Board, consisting of three independent non-executive directors, has reviewed the 2009 financial statements with management and the Company's internal and external auditors and recommended its adoption by the Board.

DIVIDEND AND CLOSURE OF REGISTER

The Directors have resolved to recommend to shareholders the payment of a final dividend of HK7.1 cents (2008: HK6.4 cents) per share, which together with the interim dividend of HK2.4 cents (2008: HK2.0 cents) per share already paid makes a total dividend of HK9.5 cents (2008: HK8.4 cents) per share for the year ended 31 December 2009. The total dividend of HK9.5 cents per share will amount to HK$187,884,472 (2008: HK$166,129,428) of the Company's profit for the year ended 31 December 2009.

The proposed final dividend of HK7.1 cents per share, the payment of which is subject to approval of the shareholders at the forthcoming annual general meeting of the Company to be held on Thursday, 22 April 2010, is to be payable on Tuesday, 27 April 2010 to shareholders whose names appear on the Register of Members of the Company on 22 April 2010.

The Register of Members of the Company will be closed from Friday, 16 April 2010 to Thursday, 22 April 2010, both days inclusive, during which period no share transfer will be effected. In order to qualify for the proposed final 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, 15 April 2010.

SHARE CAPITAL

Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's shares during the year ended 31 December 2009 and the Company has not redeemed any of its shares during the year ended 31 December 2009.

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.

ANNUAL 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 additional information including a full financial analysis will be posted on the Company's website as soon as possible and the full Annual Report will be made available on the website of the Company and the Stock Exchange around 4 March 2010.

By Order of the Board
Xin Yue Jiang
Chairman

Hong Kong, 11 February 2010

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

Executive Directors:	*Non-executive Directors:*	*Independent Non-executive Directors:*
Xin Yue Jiang (Chairman)	Kwok Man Leung	Yang Xianzu
Yuen Kee Tong	Fei Yiping	Liu Li Qing
Chan Tin Wai, David		Kwong Che Keung, Gordon