中信國際電訊集團有限公司
CITIC TELECOM INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 01883)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of CITIC Telecom International Holdings Limited (the "Group") for 2010.

For the Group, 2010 has been a year of stable business development in general despite the more severe market conditions.

Total revenue of the Group for 2010 amounted to HK$2,966.5 million, representing an increase of 9.2% compared with the previous year. Net profit amounted to HK$401.3 million, an 8.0% increase from the previous year. Basic earnings per share decreased by 4.8% to HK17.9 cents. The decline in basic earnings per share was primarily attributable to the issue of new shares to CITIC Pacific Limited, our parent company, in May 2010 as consideration for the acquisition of its equity interests in Companhia de Telecomunicacoes de Macau, S.A.R.L. ("CTM").

Through the strong support of CITIC Group, the controlling shareholder of CITIC Telecom, the Group completed a number of important projects for its long-term development in 2010. These included the completion of the Group's acquisition of 20% interest in the share capital of CTM, the approval of the acquisition of 49% interest in China Enterprise Communications Ltd. ("CEC") at the Group's extraordinary general meeting (the remaining 45% and 6% interests are held by CITIC Group and Information Centre of Stated-owned Assets Supervision & Administration Commission of the State Council respectively), as well as the purchase of office space and data centre at Broadway Centre and changing the building's name to CITIC Telecom Tower. During the year the Group changed its name to "CITIC Telecom International Holdings Limited", entering into a new period of development.

Market competition for China inbound and outbound voice services intensified during the year. Despite diversion of China outbound voice traffic and slackened volume growth and declining rates of the international voice business of PRC operators, traffic volume of China outbound voice traffic via the Group's transit service was at a similar level compared with the previous year. China inbound voice services were subject to strong challenges in the market as the unit rate for China inbound voice services declined amid demand for quality improvements and competitive pricing from overseas customers. The Group's international voice services also reported a setback in profit despite increase in revenue and business volume, which was attributable to growing pressure on corporate international voice business caused by difficult market conditions. As a result of these factors combined, the Group reported a lower profit for its voice business as a whole compared with the previous year.

Revenue generated from our Mobile Value-added Services (VAS) business increased considerably by 25.5% compared with the previous year. Revenue generated from SMS Services increased by 10.4%. Other data businesses such as virtual private networks (VPN) and Internet access services maintained stable performances and reported slight improvement in revenue.

The Board recommended a final dividend of HK7.1 cents per share for 2010. Together with the interim dividend of HK2.4 cents for 2010, the total dividend per share for 2010 amounted to HK9.5 cents, which was the same as the previous year. The dividend payout ratio for the year is 53.1%.

I. Review for 2010

Stable business development assured by ongoing enhancement in quality of service

The Group maintained stable development of its business in 2010 as it continued improving its services to telecoms operators. In terms of technology and products, coordination among internal departments of the Group was enhanced. Any product issues identified were looked into and resolved to provide customers with solutions as soon as possible. For customer service, appropriate services were provided to telecoms operators by the Group's customer service centre, offering timely solutions to any problems arising. In terms of business analyses, irregularities in businesses were identified and analysed in a timely manner and responsive measures were formulated to ensure stable business development.

Confronted with competition, the Group undertook relentless effort to study the needs of PRC operators and made adjustments to accommodate their upgrades and capacity expansion. Our work won approval from the big three operators in the PRC as we played a part in ensuring smooth communications during the Shanghai World Expo and the Guangzhou Asian Games. At the "International Partners' Conference" of China Unicom held in November 2010, the Group garnered "The Most Trusted Partner Award" from China Unicom. While assuring stable development of our voice, SMS and Mobile VAS businesses in the PRC, we were also taking active moves in new markets and business developments, extending our reach to Central Asia, the Middle East and South America while starting up Home Country Direct services for PRC operators in required countries.

Strengthening management and seeking to improve operating results of overseas group companies

Centralised management over the Group's overseas companies was strengthened in 2010. With billing and switch routing systems of our overseas group companies centrally managed at the group level, various aspects of the administration of and business guidance for these overseas companies of the Group were enhanced and synergies were realised in terms of marketing and network resources. Control over the business of overseas group companies was bolstered through regular video conferences to review their business development and identify any issues, provide timely instructions and communicate working requirements. The operational efficiency of our overseas companies has been significantly improved as a result of our effective management over them.

Efforts to improve management standards underpinned by initiatives in six key areas

In 2010, the Group's management called for sustainable development and improvements in corporate economic benefits based on its analysis of market conditions. Managers at all levels were asked to ensure and enhance effectiveness in six key areas: 1) management; 2) quality; 3) marketing; 4) scientific decision-making; 5) caliber of the team; and 6) leadership performance. We are aiming to increase shareholders' value by improving performance in these six areas.

Our staff responded actively to the management's call. Shortcomings in the six areas in relation to actual conditions in operations were identified and measures were introduced to ensure meaningful improvement in performance. Management standards have been improved as the work of all departments and subsidiaries have become more responsive, proactive and effective with the implementation of issue-specific measures.

Construction of worldwide IP network system in preparation of telecoms operators' network upgrades

In view of the continuously changing market environment and new market demands driven by the widespread popularisation of IP network technologies, the Group has started to build a worldwide IP-based network since the previous year. IP network routing switches were acquired for network nodes in Hong Kong, Los Angeles, London, New York and Singapore and implemented in various stages in 2010. This marked our successful construction of a worldwide IP network system to accommodate operators' demand for IP-based telecoms transmissions and their upgrades from TDM to IP-based networks. These efforts demonstrated that our technologies in network routing switches were in close tandem with developments in new-generation communications technologies.

Completion of the Group's centralised routing and billing management system

A new routing management department was established to oversee routing management, which had previously been separately handled by our business departments and the Group's overseas companies. The routing management department adjusted routing allocation by re-classifying and optimising all routing, taking into account costing and quality issues. Efficiency has been improved while fulfilling customers' requirements.

The billing systems of our overseas companies were integrated and replaced by the Group's proprietary billing system, which is now in use for all billing and quotation purposes. The Group's billing operations have been substantially improved in terms of accuracy, timeliness and standardisation as a result, providing strong assurance for more effective business management.

Solid stride towards becoming an operating telecoms company with acquisition of 20% interest in CTM completed and acquisition of 49% interest in CEC underway

In May 2010, the Group completed the acquisition of 20% interest in CTM to secure a more diversified telecoms business and a more competitive business portfolio. This acquisition drives the development of the Group's voice, SMS and Mobile VAS businesses and would allow the exploration of overseas markets through the existing international telecoms marketing network. CTM has already made significant profit contributions to the Group's results.

The acquisition of 49% interest in CEC was approved at the Group's extraordinary general meeting in November 2010 and is currently undergoing approval procedures with relevant PRC Government authorities. Through this acquisition, the Group could enlarge its market share and domestic customer base by leveraging CEC's extensive coverage and distribution network in the PRC with enhanced ability to provide superior services to overseas multinational corporations. By consolidating the networks, marketing channels, customers, equipment and system resources such as logistics support of the two companies, synergies would be realised with benefits of operating cost reductions, higher customer service standards and stronger business development capabilities.

II. Prospects for 2011

Global economic recovery is expected to be difficult in 2011, with the European and U.S. economies struggling to resume growth. The overall business environment remains competitive, international voice service rates are likely to remain on the downside under intense market competition and the development of Internet IP voice technologies.

In view of the above challenges, the Group will endeavour to tap market potential by actively developing new markets and redefining existing markets into further sub-segments, devoting full effort to keep its business in the PRC stable while driving ongoing development of its overseas business. As a basic requirement, we will strive to achieve excellence in quality in all aspects of our work. By advancing business integration and fully utilising our existing economies of scale, we aim to achieve steady profit growth in 2011.

Proactive measures to adapt positioning amid market changes in response to competition

We will continue to engage in active international market development by fully leveraging the Group's existing overseas companies, procuring stable growth in our international business through gradual expansion of our international marketing channels and coverage. Capitalising on our advantage of the diversity of services, we will market our services to international operators in the form of premium bundled services to increase their attractiveness. Through in-depth analysis of the requirements of PRC operators, we will determine our Group's positioning in the new market environment and identify new niches for cooperation with PRC operators, so that we could enter into mutually beneficial ventures in specific areas. We will also vigorously develop our voice business in overseas markets.

Quality assurance is a priority underpinned by general enhancement in quality management and further improvements in service standards

Quality is the essence of a business. We achieved sound results in quality management in 2010 and we shall continue to raise our standards. The assurance of quality services should always be a priority for all tasks, while quality management should be generally enhanced and service standards further improved through proactive response to customers' requests, provision of solutions to customers' problems and timely fixing of any breakdowns.

Improvements in network management with the construction of a new data centre

The Group will focus on the construction of the new data centre at CITIC Telecom Tower, with a strong emphasis on the quality of deliverables based on sophisticated design and construction work. We will ensure that our investments in networks and equipment are justified by sound performance, with the proper relocation of wires and equipment. The construction of the new data centre will be completed and network relocation will be begun during the first half of 2011, with a view to further enhance our network management standards and bolstering our data business development.

Market analysis and research to be strengthened in support of new market development

The Group now claims a more diversified business portfolio on the back of the worldwide marketing regime and telecoms network formed following mergers and acquisitions in recent years. Further to our existing efforts, we need to conduct vigorous analyses of market changes and customers' requirements to devise effective marketing measures to retain old customers and attract new ones. We aim to gain access to new markets such as Central Asia, the Middle East, Africa and South America and develop new frontiers for cooperation. We intend to endeavour to track and fulfil customers' requirements in a timely manner to help assure stable business development for our customers.

Consolidation among businesses to be advanced for greater synergies

Further to the consolidation of our overseas companies in terms of global marketing, network management, equipment management, billing management, routing management and engineering technology management, we should next look to advance such consolidation through higher and more stringent standards, so that the synergies of consolidation will be more effectively realised.

Internal management to be reinforced with strict budget implementation and cost control

We will adopt more effective measures to exercise strict control over significant capital expenditure and various cost and expense items, with particular emphasis on fixed assets investments. We will ensure that our budget is soundly prepared and executed, so that budget management will attain higher standards and function effectively as a guide for corporate development. We will also further improve the system that links staff incentives to profitability of the Group.

Consolidation of CEC to be effectively executed with a view to rapid development in VPN

The acquisition of CEC was approved at the Group's extraordinary general meeting on 17 November 2010. The acquisition is conducive to pricing stability in the market as it eliminates competition between the Group and CEC. Moreover, direct customers that the two companies used to compete for may be placed under effective management, whether under new contracts or renewals. Sales efficiency will be improved as a result to provide a positive drive for business development. The Group is expediting business consolidation with CEC and stepping up new product development to provide customers with superb private network services and network security solutions. We intend to commit major efforts to the development of the domestic enterprise market to sustain rapid development of our Internet VPN business.

Mr Kwok Man Leung resigned as a Non-Executive Director of the Group on 18 November 2010 and Mr Liu Jifu was appointed as a Non-Executive Director of the Group. I, on behalf of the Board of the Group, would like to express our sincere gratitude to Mr Kwok for his valuable contribution to the Group during his tenure as a Non-Executive Director and I would like to welcome Mr Liu to the Group.

The Group's management and staff have done a great job during the past year. On behalf of the Board, I would like to express sincere gratitude to them for their loyalty and hard work.

With our staff driving forward in concerted efforts, I am confident that our Group will sustain stable business development and continue to deliver sound rewards to shareholders in 2011.

Xin Yue Jiang
Chairman
Hong Kong, 25 February 2011

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	*2010* HK$'000	*2009* HK$'000
Turnover	4	2,966,469	2,716,559
Other revenue	5	3,493	5,455
Other net (loss)/gain	6	(6,999)	513
		2,962,963	2,722,527
Network, operations and support expenses	7(b)	(2,042,320)	(1,800,966)
Depreciation and amortisation	7(b)	(113,633)	(110,937)
Staff costs		(262,778)	(220,466)
Other operating expenses		(187,218)	(141,876)
Profit from operations		357,014	448,282
Finance costs	7(a)	(214)	-
Share of profit/(loss) of associates		88,957	(1,323)
Profit before taxation	7	445,757	446,959
Income tax	8	(44,469)	(75,432)
Profit attributable to equity holders of the Company		401,288	371,527
Earnings per share (HK cents)	10		
Basic		17.9	18.8
Diluted		17.8	18.8

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 HK$'000	*2009* HK$'000
Profit for the year	401,288	371,527
Other comprehensive income for the year (after tax)		
Exchange differences on translation of financial statements of overseas subsidiaries	14,843	(3,129)
Total comprehensive income for the year attributable to equity holders of the Company	416,131	368,398

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2010

	Note	*2010* HK$'000	*2009* HK$'000
Non-current assets			
Property, plant and equipment		595,350	541,691
Intangible assets		48,362	55,232
Goodwill		281,465	277,419
Interest in an associate		1,489,382	-
Non-current other receivables and deposits	11	171,370	21,481
Deferred tax assets		22,172	14,284
		2,608,101	910,107
Current assets			
Trade receivables, other receivables and deposits	11	1,140,333	871,297
Current tax recoverable		6,265	2,704
Cash and bank deposits		327,026	686,190
		1,473,624	1,560,191
Current liabilities			
Trade and other payables	12	876,849	676,673
Loan from an associate		96,350	-
Current tax payable		23,703	38,396
		996,902	715,069
Net current assets		476,722	845,122
Total assets less current liabilities		3,084,823	1,755,229

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2010 (continued)

	Note	*2010* HK$'000	*2009* HK$'000
Non-current liabilities			
Non-current other payables	12	102,582	-
Deferred tax liabilities		38,424	38,289
		141,006	38,289
NET ASSETS		2,943,817	1,716,940
CAPITAL AND RESERVES			
Share capital		238,520	197,773
Reserves		2,705,297	1,519,167
TOTAL EQUITY		2,943,817	1,716,940

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 2009 except for the adoption of certain new and revised standards, amendments and new interpretations of Hong Kong Financial Reporting Standards ("HKFRSs") which were issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and became effective during the year ended 31 December 2010.

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 2010.

The Group has not early adopted any new and revised standards, amendments and new interpretations issued by the HKICPA that are not yet effective for the year ended 31 December 2010, and is in the process of assessing their impact on future accounting periods.

2 Changes in accounting policies

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

- HKFRS 3 (revised 2008), *Business combinations*

- Amendments to HKAS 27, *Consolidated and separate financial statements*

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

3 Segment reporting

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

3 Segment reporting (continued)

(a) Segment results, assets and liabilities

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

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

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

Revenue generated from the telecommunications segment includes the fees derived from the provision of voice services; provision of short message services; and provision of other telecommunications services. Revenue from the provision of these services to state-controlled entities in the People's Republic of China ("PRC") represents more than 10% of the Group's total revenue. The revenue received from these customers amounted to HK$1,141,951,000 for the year ended 31 December 2010 (2009: HK$1,145,438,000).

(b) Reconciliation of reportable segment profit, assets and liabilities

	2010	*2009*
	HK$'000	HK$'000
Profits		
Reportable segment profits	370,450	449,162
Share of profit/(loss) of associates	88,957	(1,323)
Unallocated other revenue	3,493	5,455
Unallocated head office and corporate expenses	(17,143)	(6,335)
Consolidated profit before taxation	445,757	446,959

	2010	*2009*
	HK$'000	HK$'000
Assets		
Reportable segment assets	2,497,975	2,453,310
Interest in an associate	1,489,382	-
Current tax recoverable	6,265	2,704
Deferred tax assets	22,172	14,284
Unallocated corporate assets	65,931	-
Consolidated total assets	4,081,725	2,470,298

3 Segment reporting (continued)

(b) Reconciliation of reportable segment profit, assets and liabilities (continued)

	2010	*2009*
	HK$'000	HK$'000
Liabilities		
Reportable segment liabilities	970,374	674,114
Current tax payable	23,703	38,396
Deferred tax liabilities	38,424	38,289
Loan from an associate	96,350	-
Unallocated corporate liabilities	9,057	2,559
Consolidated total liabilities	1,137,908	753,358

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:

	2010	*2009*
	HK$'000	HK$'000
Fees from the provision of voice services	1,905,617	1,726,885
Fees from the provision of short message services	315,713	285,982
Fees from the provision of other telecommunications services	745,139	703,692
	2,966,469	2,716,559

5 Other revenue

	2010	*2009*
	HK$'000	HK$'000
Bank interest income	601	5,006
Other interest income	763	449
Total interest income	1,364	5,455
Rental income from operating leases	2,129	-
	3,493	5,455

6 Other net (loss)/gain

	2010 HK$'000	*2009* HK$'000
Net loss on disposal of property, plant and equipment	(313)	(95)
Net foreign exchange (loss)/gain	(6,686)	608
	(6,999)	513

7 Profit before taxation

Profit before taxation is arrived at after charging:

	2010 HK$'000	*2009* HK$'000
(a) Finance costs		
Interest on borrowings wholly repayable within five years	214	-

(b) Other items

	2010 HK$'000	*2009* HK$'000
Network, operations and support expenses, including:	2,042,320	1,800,966
– carrier costs	1,642,144	1,426,027
– operating leases - leased circuits	212,892	182,958
– other telecommunications service costs	187,284	191,981
Depreciation	105,186	104,026
Amortisation	8,447	6,911
Impairment losses on trade debtors	13,685	754
Transaction costs for acquisition of subsidiaries	10,468	-

8 Income tax

Income tax in the consolidated income statement represents:

	2010	*2009*
	HK$'000	HK$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	46,858	59,726
Under/(over)-provision in respect of prior years	533	(23)
	47,391	59,703
Current tax - Overseas		
Provision for the year	4,097	4,666
(Over)/under-provision in respect of prior years	(190)	139
	3,907	4,805
Deferred tax		
Recognition of tax losses not recognised in prior years	(23,692)	-
Origination and reversal of temporary differences	16,863	10,924
	(6,829)	10,924
	44,469	75,432

The provision for Hong Kong Profits Tax for 2010 is calculated at 16.5% (2009: 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

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

	2010 HK$'000	*2009* HK$'000
Interim dividend declared and paid of HK2.4 cents per share (2009: HK2.4 cents per share)	57,205	47,466
Final dividend proposed after the balance sheet date of HK7.1 cents per share (2009: HK7.1 cents per share)	169,349	140,419
	226,554	187,885

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

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

	2010 HK$'000	*2009* HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK7.1 cents per share (2009: HK6.4 cents per share)	140,419	126,574

10 Earnings per share

	2010 HK$'000	2009 HK$'000
Profit attributable to equity holders of the Company	401,288	371,527

Weighted average number of ordinary shares

	Number of shares 2010 '000	2009 '000
Issued ordinary shares at 1 January	1,977,731	1,977,731
Effect of shares issued for the acquisition of an associate	267,956	-
Effect of share options exercised	379	-
Weighted average number of ordinary shares at 31 December	2,246,066	1,977,731
Effect of deemed issue of shares under the Company's share option plan	2,645	-
Weighted average number of ordinary shares (diluted) at 31 December	2,248,711	1,977,731
Basic earnings per share (HK cents)	17.9	18.8
Diluted earnings per share (HK cents)	17.8	18.8

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

11 Trade receivables, other receivables and deposits

	2010 HK$'000	*2009* HK$'000
Trade debtors	988,516	817,848
Less: allowance for doubtful debts	(19,690)	(25,203)
	968,826	792,645
Other receivables and deposits	342,877	100,133
	1,311,703	892,778
Represented by:		
Non-current portion	171,370	21,481
Current portion	1,140,333	871,297
	1,311,703	892,778

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

	2010 HK$'000	*2009* HK$'000
Within 1 year	817,549	675,631
Over 1 year	170,967	142,217
	988,516	817,848

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 due over one year, the Group will assign an officer who will be responsible to agree on a settlement plan with those debtors to reduce the outstanding balance within a reasonable time. Normally, the Group does not obtain collateral from customers.

12 Trade and other payables

	2010	*2009*
	HK$'000	HK$'000
Trade creditors	693,385	531,778
Other payables and accruals	286,046	144,895
	979,431	676,673

Represented by:

Non-current portion	102,582	-
Current portion	876,849	676,673
	979,431	676,673

All current 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 at the balance sheet date:

	2010	*2009*
	HK$'000	HK$'000
Within 1 year	475,514	385,045
Over 1 year	217,871	146,733
	693,385	531,778

FINANCIAL REVIEW AND ANALYSIS

REVIEW OF OVERALL PERFORMANCE

Turnover

The Group's turnover for 2010 was HK$2,966.5 million, representing an increase of 9.2%, compared with HK$2,716.6 million for 2009.

Profit attributable to equity holders of the Company

The Group recorded a net profit of HK$401.3 million for 2010, an increase of 8.0% as compared to 2009. The increase was mainly due to the first time inclusion of the contribution from Companhia de Telecomunicacoes de Macau, S.A.R.L. ("CTM"), which was partly offset by the increase in network, operations and support expenses, staff costs and other operating expenses.

Acquisition of an associate

The Group acquired 20% interest in CTM from CITIC Pacific Limited for a total consideration of HK$1,396.4 million on 5 May 2010. The total consideration was satisfied with HK$406.2 million in cash and HK$990.2 million by the issuance of new shares at fair value.

Group liquidity and capital resources

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

During the year, the Group paid HK$410.1 million cash for the CTM acquisition and HK$132.8 million for capital expenditure. In addition, the Group paid dividends of HK$197.6 million during the year for returning the profits to its shareholders. In the meantime, the Group recorded HK$346.9 million operating cash inflow and received a HK$96.9 million loan from an associate in 2010. As a result, the Group's cash and cash equivalents decreased by HK$358.9 million to HK$325.5 million at 31 December 2010 compared to HK$684.4 million at 31 December 2009.

Borrowings

At 31 December 2010, the Group had HK$96.4 million short-term loan from an associate. The loan bears interest at a floating rate. It is unsecured and repayable on 31 March 2011.

At 31 December 2010, the Group had no outstanding bank borrowings.

Net Cash

At 31 December 2010, the Group maintained a net cash position of HK$230.7 million.

Banking facilities

At 31 December 2010, the Group had banking facilities amounted to SG$0.3 million, US$4.2 million and HK$100.0 million (equivalent to a total of HK$134.2 million). About HK$4.2 million of these facilities was required to be secured by pledged deposits.

Of the total banking facilities, approximately HK$11.0 million was utilised as guarantees for the Group's purchases from telecoms operators, performance to customers, and rental deposits.

Securities and guarantees

At 31 December 2010, the Group pledged SG$85,000 and US$130,000 (equivalent to a total of HK$1.5 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

(a) Financial guarantee issued

At 31 December 2010, the Company has issued a single guarantee in respect of a borrowing made by to a wholly-owned subsidiary of the Company by CTM, an associate of the Company. At 31 December 2010, the directors do not consider it probable that a claim will be made against the Company under this guarantee. The maximum liability of the Company at the balance sheet date is the outstanding balance of the borrowing of HK$96.4 million.

(b) Other contingent liabilities

At 31 December 2010, included in other receivables was a cash balance of US$1.2 million (equivalent to HK$9.5 million) seized and held under foreign government custody pending a law enforcement investigation against a customer of the Group. On 1 October 2010, one of the Company's overseas subsidiaries was informed by its bank that funds held in one of its local accounts, which were allegedly associated with one of its customer under investigation, were seized by a local government agency under warrant. As the said subsidiary has only used the bank account to collect service fee for telecommunications services provided to this customer, management believes that it has grounds to refute such seizure and has sought legal assistance in this regard. Lawyers engaged in the matter also take that view that there is a good chance of recovering the full amount should it be proved with adequate evidence that the seized funds were from legitimate business activities. At the date of these financial statements, such investigation is still on ongoing, it is too early to assess the ultimate outcome of the investigation. Accordingly, no provision has been made against the balance at 31 December 2010.

Capital commitments

At 31 December 2010, the Group had outstanding capital commitments of HK$94.4 million, mainly for the acquisition of network equipment which had yet to be delivered to the Group and the new data centre renovation cost, of which HK$48.8 million were outstanding contractual capital commitments and HK$45.6 million were capital commitments authorised but for which contracts had yet to be entered into.

Other commitments

On 2 September 2010, the Group entered into a framework agreement (the "Framework Agreement") with CITIC Group, CE-SCM Network Technology Co., Ltd. ("CE-SCM"), Information Centre of State-owned Assets Supervision & Administration Commission of the State Council and China Enterprise Communications Ltd. ("CEC"), pursuant to which the Group, through CITIC Telecom International CPC Limited ("CPC", formerly CPCNet Hong Kong Limited), a wholly-owned subsidiary of the Company, will, upon satisfaction of certain conditions set out therein, acquire:

(i) 40.77% equity interest in CEC from CE-SCM;

(ii) 8.23% equity interest in CEC from CITIC Group together with a purchase right (the "Purchase Right") to acquire the remaining 45.09% equity interest in CEC held by CITIC Group, in which the Purchase Right shall be exercisable by CPC when CPC is permitted to hold more equity interest in CEC under the then prevailing PRC laws and regulations; and

(iii) all the issued shares of China Enterprise Netcom Corporation Limited ("CEC-HK") held by China Enterprise Communications Technology (Holding) Limited ("CEC-HK Holding"), a wholly-owned subsidiary of CEC.

The aggregate consideration payable by the Group is approximately HK$277.3 million comprising:

(i) Renminbi ("RMB") 93.3 million (approximately HK$110.4 million) payable to CE-SCM by instalments;

(ii) RMB80.8 million (approximately HK$95.7 million) payable to CITIC Group at completion, out of which RMB62.0 million (approximately HK$73.4 million) is paid as advance payment for the acquisition of remaining 45.09% equity interest in CEC held by CITIC Group upon CPC exercising the Purchase Right;

(iii) HK$0.4 million as consideration for the entire equity interest in CEC-HK; and

(iv) the assumption of debts in amount of US$9.1 million (approximately HK$70.8 million) owed by CEC-HK to a subsidiary of CITIC Group.

Details of the Framework Agreement are set out in the Company's circular to shareholders dated 22 October 2010.

At 31 December 2010, the Group has, pursuant to the Framework Agreement, paid approximately HK$65.6 million to CE-SCM and HK$0.4 million to CEC-HK Holding. The remaining sum of approximately HK$211.3 million, being the unpaid portion of the aggregate consideration (including the advance payment), shall be payable at completion after the Framework Agreement becoming unconditional.

Exchange rate risk

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

Credit risk

Credit evaluations are performed on all customers with credit level over a certain amount. Trade receivables are due within 7 to 180 days from the date of billing. Debtors with balances due over one year, the Group will assign an officer who will be responsible to agree on a settlement plan with those debtors to reduce the outstanding balance within a reasonable period.

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

HUMAN RESOURCES

As at the end of December 2010, the Group employed a total of 517 employees (2009: 491) for its headquarters in Hong Kong and its principal subsidiaries. Employees in overseas and Mainland China totalled 100.

The Group is an equal opportunity employer and adheres to non-discriminatory employment practices and procedures in recognising and respecting individuals' rights. The Group promotes equal opportunities to applicants and existing employees, determining staff promotion and development in accordance with individual performance and job requirements. 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 incentivise and reward employee performance that will lead to a long-term enhancement of the overall calibre of the Group. The Group reviews the cash compensation and benefit packages provided to its employees to ensure that the total compensation is internally equitable, externally competitive and supports the Group's business strategy. Member companies of the Group largely conform with this policy.

The Group continues its effort in staff training and development to support the needs of its business and staff. The Group also encourages and facilitates knowledge sharing and skill transfer between staff in Hong Kong and other regions to strengthen business integration. In 2010, the Group provided training to employees for 1,544 times. We also support and encourage self-initiated personal development of our employees by providing training subsidies for external training courses to enhance their skills and abilities.

The Group organises a variety of employee activities and provided channels for employee communication. These actions help to enhance mutual communication among different levels of employees and increase their sense of belonging to the Group.

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 September 2009	17,912,500	17 September 2011 to 16 September 2016	2.10

All options granted were accepted except for options for 115,000 shares granted on 17 September 2009. Options for 1,644,500 shares granted under the Plan were exercised, options for 1,672,500 shares have lapsed and no options were cancelled during the year ended 31 December 2010.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The Board believes that good corporate governance practices are important to maintain and promote investor confidence, protect the interests of shareholders and enhance shareholder value. A full description of the Company's corporate governance will be set out in the section of Corporate Governance contained in the 2010 Annual Report.

Throughout the year of 2010, 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 of 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 2010 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 (2009: HK7.1 cents) per share, which together with the interim dividend of HK2.4 cents (2009: HK2.4 cents) per share already paid makes a total dividend of HK9.5 cents (2009: HK9.5 cents) per share for the year ended 31 December 2010. The total dividend of HK9.5 cents per share will amount to HK$226,554,710 (2009: HK$187,884,472) of the Company's profit for the year ended 31 December 2010.

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, 21 April 2011, is to be payable on Thursday, 28 April 2011 to shareholders whose names appear on the Register of Members of the Company on 21 April 2011.

The Register of Members of the Company will be closed from Friday, 15 April 2011 to Thursday, 21 April 2011, 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, 14 April 2011.

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 2010 and the Company has not redeemed any of its shares during the year ended 31 December 2010.

FORWARD LOOKING STATEMENTS

This announcement contains certain forward looking statements with respect to the financial condition, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

ANNUAL REPORT AND FURTHER INFORMATION

A copy of the announcement will be found on the Company's website (www.citictel.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 15 March 2011.

By Order of the Board
Xin Yue Jiang
Chairman

Hong Kong, 25 February 2011

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)	Liu Jifu	Yang Xianzu
Yuen Kee Tong	Fei Yiping	Liu Li Qing
Chan Tin Wai, David		Kwong Che Keung, Gordon