



# CITIC 1616 Holdings Limited

## 中信 1616 集團有限公司

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

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

#### CHAIRMAN'S LETTER TO SHAREHOLDERS

The Group recorded a net profit of HK\$201.5 million for the year 2006, a 106.0% increase from 2005. Turnover for 2006 rose 39.2% to HK\$1,364.2 million.

#### Business Overview

The Group operates an international telecoms hub which is one of the leading independent telecoms hubs in Asia, providing interoperable connections between approximately 240 customers (mainly telecoms operators) in approximately 50 countries/areas. Building on the Group's advanced and well-established technology platform, the Group has developed the following core services to telecoms operators worldwide: Fixed-Lined/Hybrid Carrier Voice Hubbing Services; Mobile Carrier Voice Hubbing Services; SMS Hubbing Services; as well as Mobile Value Added Services and Enterprise Solutions. These services are supported by the Group's application development skills and its established extensive connectivity network.

During the last three years, the Group handled a substantial volume of China's in-bound and out-bound international voice traffic and a large majority of the in-bound and out-bound international messages for one of the largest mobile telecoms operators in China.

Most of the Group's Mobile Value Added Services are designed to be utilized by the subscribers of the mobile telecoms operators that connect to the Group's telecoms hub. These Mobile Value Added Services increase existing traffic volume and create new revenue stream. The Group in turn benefits from increasing in traffic volume. The availability of Mobile Value Added Services also makes the Group's hub more attractive to telecoms operators.

#### Business Strategies

The Group's mission is to become one of the leading independent telecoms hub based service providers in the world, and the Group intends to achieve this leadership position by pursuing the following business strategies:

- further develop and strengthen the Group's established, long-standing relationships with major telecoms operators, in particular, its relationship with telecoms operators in China;
- maintain and expand the Group's leadership in hub based telecoms services by providing interoperable interconnections for multiple types of traffic between multiple types of networks;
- maintain growth in core business, in particular by expanding the scale of the Group's interoperability capabilities and providing an increasing amount of Mobile Value Added Services so as to enhance its network coverage and telecoms traffic and to expand its global customer base;
- selectively expand into high potential new businesses, such as 3G applications, and enhance its existing service portfolio through continuous technology improvements developed in cooperation with existing customers;
- maintain leadership and growth in rolling out time-to-market integrated solutions for customers, which keep pace with the rapid and new technology development in the telecoms market;
- aggressively pursue expansion opportunities; and
- leverage on the Group's existing customer base by marketing additional services to existing customers.

#### Global Offering

The Group's parent company, CITIC Pacific has considered that the Group's business has grown to a size sufficient to command a separate listing and that such listing will also be beneficial to the Group for the following reasons:

- it provides flexibility to the Group in raising future funds from the capital markets to support its growth through continuing organic expansion as well as acquisitions; and
- it enables the Group to take advantage of the significant global growth potential by attracting new investors who are seeking investment opportunities in a pure-play international telecoms hubbing service provider.

The public offer of the Company was well received by the local and international investors. Approximately 938.3 million of the Group's shares (included over-allotment) were successfully placed internationally and offered to the public of Hong Kong at the top of the price range with substantial over-subscriptions. The Group's shares were listed on the Hong Kong Stock Exchange on 3 April 2007.

#### The Future

I am confident of the future developments of the Group. In light of the relative low penetration of mobile telecoms in the Asia Pacific region, and as the economies in the region thrive, more and more consumers will use mobile telecoms services, a market with enormous potential is taking shape. China is the biggest telecoms market in the world and is also about to issue 3G licences. Hence, the Group's target markets have immense growth potentials.

CITIC 1616 has a strong management team with all-round knowledge of the telecoms industry. We will focus on our core strategies, strive for excellence and endeavour to capture business opportunities to achieve higher returns for our investors.

#### Acknowledgement

Mr. Peter Chan Kwong Choi has resigned as Managing Director of the Group in December 2006. On behalf of the Board, I would like to express my gratitude to the contributions made by Mr. Chan during his employment.

On behalf of the Board, I would like to express my heart felt thanks to everyone at the Group in these years for their hard work and to our shareholders, customers and partners for their trust and support.

Shi Cuiming  
Chairman

Hong Kong, 20 April 2007

#### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

Note	2006 HK\$'000	2005 HK\$'000
<b>Turnover</b>		
Other revenue	1,364,209	980,046
Other net loss	(211)	(931)
	1,366,144	979,410
Network, operations and support expenses	(944,860)	(688,113)
Depreciation	(72,449)	(67,551)
Staff costs	(67,380)	(51,437)
Other operating expenses	(61,552)	(60,142)
<b>Profit from operations and before taxation</b>	219,903	112,167
Income tax	(38,095)	(18,130)
<b>Profit for the year from continuing operations</b>	181,808	94,037
<b>Discontinued operations</b>		
Profit for the year from discontinued operations	19,710	3,744
<b>Profit for the year</b>	201,518	97,781
<b>Attributable to:</b>		
Equity holders of the Company	201,518	97,806
Minority interests	-	(25)
	201,518	97,781
<b>Dividends payable to equity holders of the Company attributable to the year:</b>		
Interim dividend declared during the year	495,000	-
<b>Basic and diluted earnings per share*</b>		
From continuing and discontinued operations (HK cents)	8(a) 11.9	5.8
From continuing operations (HK cents)	8(b) 10.7	5.6
From discontinued operations (HK cents)	8(c) 1.2	0.2

#### CONSOLIDATED BALANCE SHEET

At 31 December 2006

Note	2006 HK\$'000	2005 HK\$'000
<b>Non-current assets</b>		
Property, plant and equipment	278,073	320,409
Non-current other receivables	37,891	26,910
Deferred tax assets	7,478	5,288
	323,442	352,607
<b>Current assets</b>		
Trade and other receivables	459,701	331,872
Amount due from ultimate holding company	-	253,240
Current tax recoverable	277	16,284
Cash and cash equivalents	43,432	31,884
	503,410	633,280
<b>Non-current assets and the assets of disposal group classified as held for sale</b>		
	-	144,091
	503,410	777,371
<b>Current liabilities</b>		
Trade and other payables	373,061	284,668
Amount due to ultimate holding company	2,237	-
Current tax payable	41,187	10,391
	416,485	295,059
<b>Liabilities directly associated with the assets of disposal group classified as held for sale</b>		
	-	129,783
	416,485	424,842
<b>Net current assets</b>	86,925	352,529
<b>Total assets less current liabilities</b>	410,367	705,136
<b>Non-current liabilities</b>		
Deferred tax liabilities	37,450	38,737
	37,450	38,737
<b>NET ASSETS</b>	372,917	666,399
<b>CAPITAL AND RESERVES</b>		
Share capital	1	2,001
Reserves	372,916	664,398
<b>Total equity attributable to equity holders of the Company</b>	372,917	666,399
<b>Minority interests</b>	-	-
<b>TOTAL EQUITY</b>	372,917	666,399

#### NOTES TO THE FINANCIAL RESULTS

- Basis of preparation**  
The financial results has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. The financial results also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in significant changes to the Company's accounting policies applied in the financial statements and has no impact on the profit for the year and net assets of the Group as at the balance sheet date.

The Group has not applied any new standards or interpretation that is not yet effective for the current accounting policies.

## 2. Segment reporting\*

As all of the Group's total turnover and profits were derived from telecommunications operations, accordingly no separate business segment analysis is presented for the Group. Further, the Group's business participates primarily in only one geographical location classified by the location of assets, i.e. Hong Kong, accordingly, no segmental analysis is provided.

## 3. Turnover

Turnover recognised during the year may be analysed as follows:

	2006 HK\$'000	2005 HK\$'000
<b>Continuing operations –</b>		
Fees from the provision of voice hubbing services	1,141,656	863,822
Fees from the provision of short message services	117,092	75,252
Fees from the provision of other telecommunications services	105,461	40,972
	1,364,209	980,046
<b>Discontinued operations –</b>		
Gross rental income from discontinued operations	2,845	6,183
	1,367,054	986,229

## 4. Profit before taxation

Profit before taxation is arrived at after charging:

	2006 HK\$'000	2005 HK\$'000
<b>(a) Finance costs:</b>		
<i>Discontinued operations –</i>		
Interest on loan from ultimate holding company	5,499	11,141
	5,499	11,141
<b>(b) Other items:</b>		
<i>Continuing operations –</i>		
Network, operations and support expenses, including:	944,860	688,113
– carrier costs	864,653	630,826
– operating leases – international leased circuits	46,130	49,234
– other telecommunications service costs	34,077	8,053
Impairment loss on trade and other receivables	3,879	2,599

## 5. Income tax

Income tax in the consolidated income statement represents:

*Continuing operations:*

	2006 HK\$'000	2005 HK\$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	39,807	17,933
Over-provision in respect of prior years	–	(58)
	39,807	17,875
<b>Current tax – Overseas</b>		
Provision for the year	1,765	2,206
	1,765	2,206
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(3,477)	(1,951)
	38,095	18,130

The provision for Hong Kong Profits Tax for 2006 is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the year.

Overseas taxation has been calculated based on the estimated assessable profit during the year at the appropriate current rates of taxation ruling at the relevant countries in which the Group operates.

## 6. Discontinued operations/Assets classified as held for sale

In June 2006, the Group's properties leasing operations were discontinued following the disposal of two subsidiaries to a wholly owned subsidiary of CITIC Pacific Limited at the carrying value and the fair value. There is no gain or loss on disposal.

The net assets of the discontinued operations as at the balance dates were as follows:

	31 December	
	2006 HK\$'000	2005 HK\$'000
Investment properties	–	141,000
Trade and other receivables	–	886
Cash and cash equivalents	–	2,205
Total assets	–	144,091
Trade and other payables	–	(4,231)
Loan from ultimate holding company	–	(125,552)
Total liabilities	–	(129,783)
Net assets	–	14,308

## 7. Dividends

	2006 HK\$'000	2005 HK\$'000
Interim dividend declared and paid of HK\$495,000 (2005: HK\$Nil) per share	495,000	–

## 8. Basic and diluted earnings per share\*

(a) *From continuing and discontinued operations*

The basic earnings per share for the current and prior year is calculated based on the profit attributable to the equity holders of the Company during the year and the 1,692,000,000 ordinary shares pursuant to the sub-division of share capital of the Company in connection with the changes to the Company's capital structure on 16 March 2007 (Reorganisation), as if the shares were outstanding throughout the entire year; and immediately before the share offering.

(b) *From continuing operations*

The basic earnings per share from continuing operations for the current and prior year is calculated based on the profit from continuing operations attributable to the equity holders of the Company during the year and the 1,692,000,000 ordinary shares pursuant to the sub-division of share capital of the Company in connection with the Reorganisation, as if the shares were outstanding throughout the entire year; and immediately before the share offering.

(c) *From discontinued operations*

The basic earnings per share from discontinued operations for the current and prior year is calculated based on the profit from discontinued operations attributable to the equity holders of the Company during the year and the 1,692,000,000 ordinary shares pursuant to the sub-division of share capital of the Company in connection with the Reorganisation, as if the shares were outstanding throughout the entire year; and immediately before the share offering.

(d) *Diluted earnings per share*

There were no diluted potential ordinary shares during the year and, therefore, diluted earnings per share are the same as basic earnings per share for the current and prior year.

## 9.1 Trade and other receivables

	2006 HK\$'000	2005 HK\$'000
Trade debtors	423,634	278,071
Other receivables, prepayments and deposits	73,958	80,711
Continuing operations	497,592	358,782
Discontinued operations	–	886
	497,592	359,668
Represented by:		
Continuing operations		
– Non-current portion	37,891	26,910
– Current portion	459,701	331,872
	497,592	358,782
Discontinued operations	–	886
	497,592	359,668

Included in trade and other receivables are trade debtors (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date. The credit periods range from 7 days to 180 days, according to the credit rating of each customer.

	2006 HK\$'000	2005 HK\$'000
Within 1 year	411,488	253,134
Over 1 year	12,146	24,937
	423,634	278,071

## 9.2 Trade and other payables

	2006 HK\$'000	2005 HK\$'000
Trade creditors	329,739	240,774
Other payables and accruals	43,322	43,894
Continuing operations	373,061	284,668
Discontinued operations	–	4,231
	373,061	288,899

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date. The credit periods granted by various suppliers range from 7 days to 180 days.

	2006 HK\$'000	2005 HK\$'000
Within 1 year	279,451	197,771
Over 1 year	50,288	43,003
	329,739	240,774

\* Extracted from the Accountants' Report included in the Prospectus of the Group dated on 22 March 2007.

## FINANCIAL REVIEW AND ANALYSIS

### Review of overall performance

#### Turnover

From the year 2005 to the year 2006, turnover from telecoms operations increased by HK\$384.2 million, or 39.2%, from HK\$980.0 million to HK\$1,364.2 million. This increase was principally due to the growth in both Fixed-Line/Hybrid Carrier Voice Hubbing Services and Mobile Voice Carrier Hubbing Services and powered by the Group's concentrated efforts to increase the number of its customers from 194 to 237 during the year.

#### Profit attributable to equity holders of the Company

As a result of the increase in turnover, economies of scale achieved in network, operations and support expenses, the Group achieved an increase of profit attributable to equity holders of the Company from HK\$97.8 million for the year ended 31 December 2005 to HK\$201.5 million for the year ended 31 December 2006.

#### Disposal of subsidiaries

In June 2006, the Group disposed two subsidiaries engaged in property leasing operations to a wholly owned subsidiary of CITIC Pacific Limited at the carrying value and the fair value of HK\$162,051,000. After the disposal, the Group had discontinued all property related operations.

#### Funding and banking facilities

During the year, the Group generally funded its operations with internally-generated cashflow and banking facilities. As at 31 December 2006, the Group had banking facilities amounting to US\$3.85 million (equivalent to approximately HK\$30.03 million). Of the bank facilities of US\$3.85 million, US\$110,000 (equivalent to approximately HK\$858,000) was utilised as guarantees for the Group's purchase from carriers, and US\$130,000 (equivalent to approximately HK\$1,014,000) was utilised as Letter of Credit for the Group's purchase of equipment.

#### Borrowings

As at 31 December 2006, the Group had no outstanding borrowing.

#### Securities and guarantees

As at 31 December 2006, the Group had not made any pledge on or created any securities over its assets and had not provided any corporate guarantee.

#### Contingent liabilities

As at 31 December 2006, the Group did not have any contingent liabilities.

#### Exchange rate risk

Currently, all of the Group's sales revenue and substantially all of its cost of sales are denominated in US\$, to which the Hong Kong dollar is pegged. The Group has not been exposed nor anticipates itself being exposed to material risks due to changes in exchange rates. Accordingly, the Group does not have any hedging policies in place in respect of exchange rate risk.

#### Credit risk

In respect of trade and other receivables, 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.

The Group has a certain concentration of credit risk of the total trade and other receivables due from the Group's largest customers and customers from China, with the 5 largest customers accounting for approximately 45% and 49% of the Group total trade and other receivables as at 31 December 2005 and 2006, respectively. The credit risk exposure to these customers in China and the remaining trade receivables balance has been and will be monitored by the Group on an ongoing basis and the historic impairment losses for bad and doubtful debts have been within management's expectations.

#### Capital expenditure

The Group's capital expenditures was HK\$30.2 million and HK\$47.6 million for the years ended 31 December 2006 and 2005 respectively. The decrease was mainly due to the deferral of capital expenditure to the beginning of 2007.

## CORPORATE GOVERNANCE

Throughout the year of 2006, the Code Provisions in the Code of Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") are not applicable to CITIC 1616 as the Company was only listed on the Main Board of The Stock Exchange of Hong Kong Limited in April, 2007. Similarly, it is not necessary for the audit committee to review the 2006 annual results which have been approved by the board of directors on 22 February, 2007.

## SHARE CAPITAL

On 2 August 2006, the Company repurchased the 2,000,000 Non-Voting Deferred Shares of HK\$1.00 each of the Company for a total consideration of HK\$40.00 and the Non-Voting Deferred Shares were then cancelled.

Save as disclosed, the Company has not redeemed any of its shares during the year ended 31 December 2006. 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 2006.

## 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.

By Order of the Board  
Shi Cuiming  
Chairman

Hong Kong, 20 April 2007

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

<i>Executive Directors:</i>	<i>Non-executive Directors:</i>	<i>Independent Non-executive Directors:</i>
Shi Cuiming	Lee Chung Hing	Yang Xianzu
Yuen Kee Tong	Kwok Man Leung	Liu Li Qing
Li Bin		Kwong Che Keung, Gordon
Chan Tin Wai, David		