



CITIC 1616 Holdings Limited

中信 1616 集團有限公司

(Stock Code: 1883)

**Interim Results Announcement
for the six months ended 30 June 2007
2 August 2007**

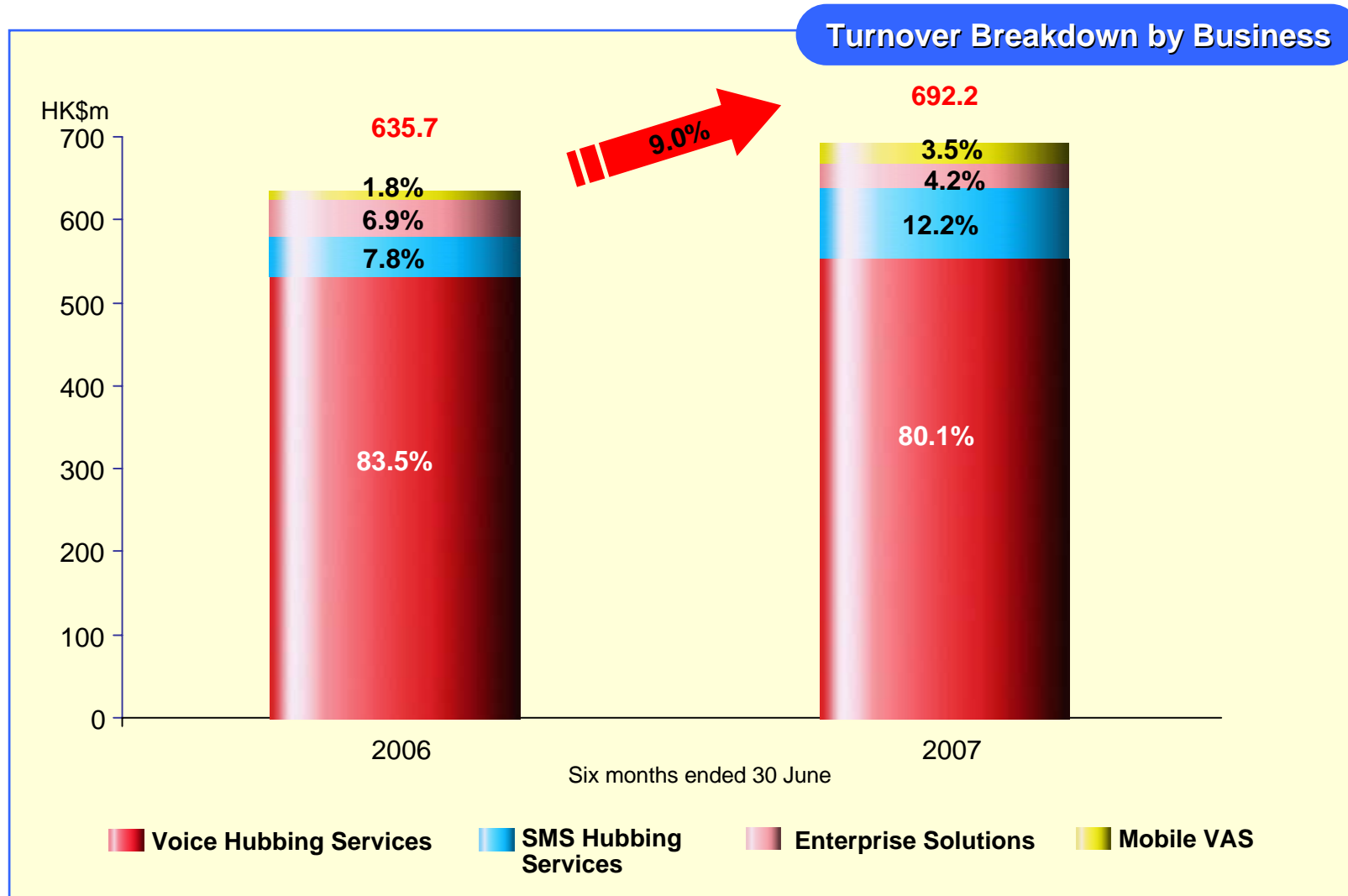
Highlights for the six months ended 30th June 2007

- ❖ Profit attributable to the equity holders of the Company surged 35% to **HK\$136 million**
 - Excluding the interest income from IPO and share option expenses, profit attributable to the equity holders amounted to **HK\$108 million**, the growth for profit from continuing activities was **34%**
- ❖ SMS Hubbing Services and Mobile VAS have a remarkable growth of **71%** and **109%** respectively
- ❖ No. of customers increase from 237 to 257
- ❖ As at 30 June 2007, cash and cash equivalents was **HK\$630 million**. We have sufficient sources of financing for the coming growth.
- ❖ No borrowing as at 30 June 2007
- ❖ Interim dividend of 1 cent



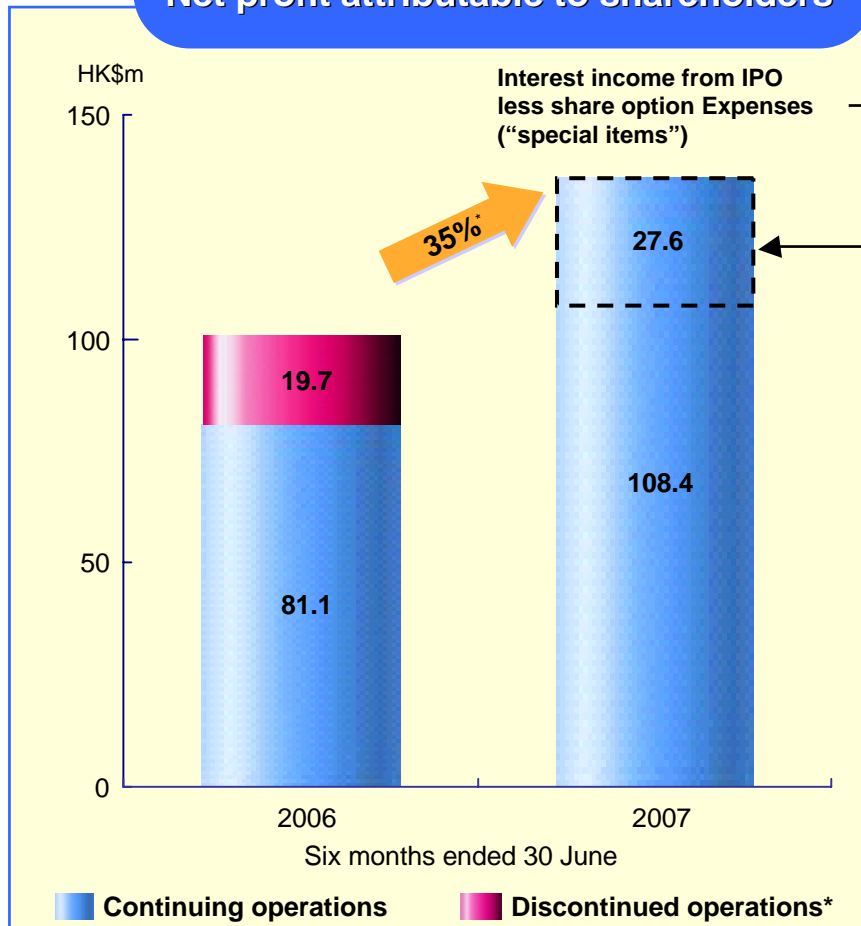
Financial Review

Turnover Breakdown

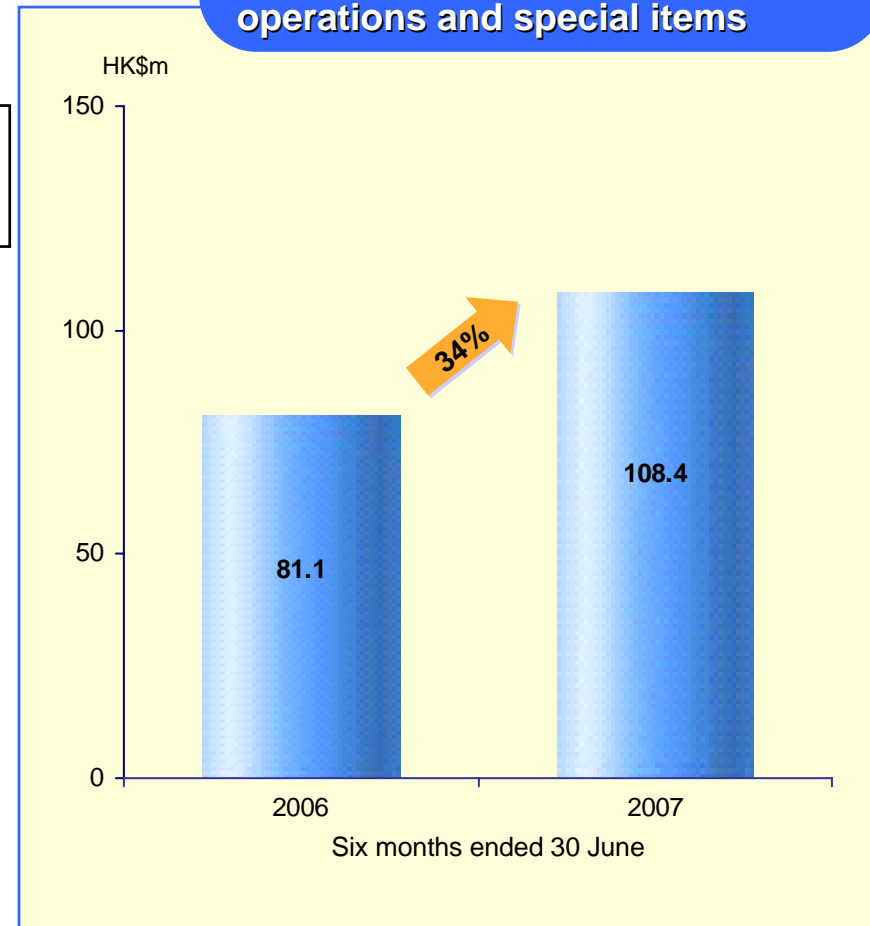


Profit Growth

Net profit attributable to shareholders



Net profit excludes discontinued operations and special items



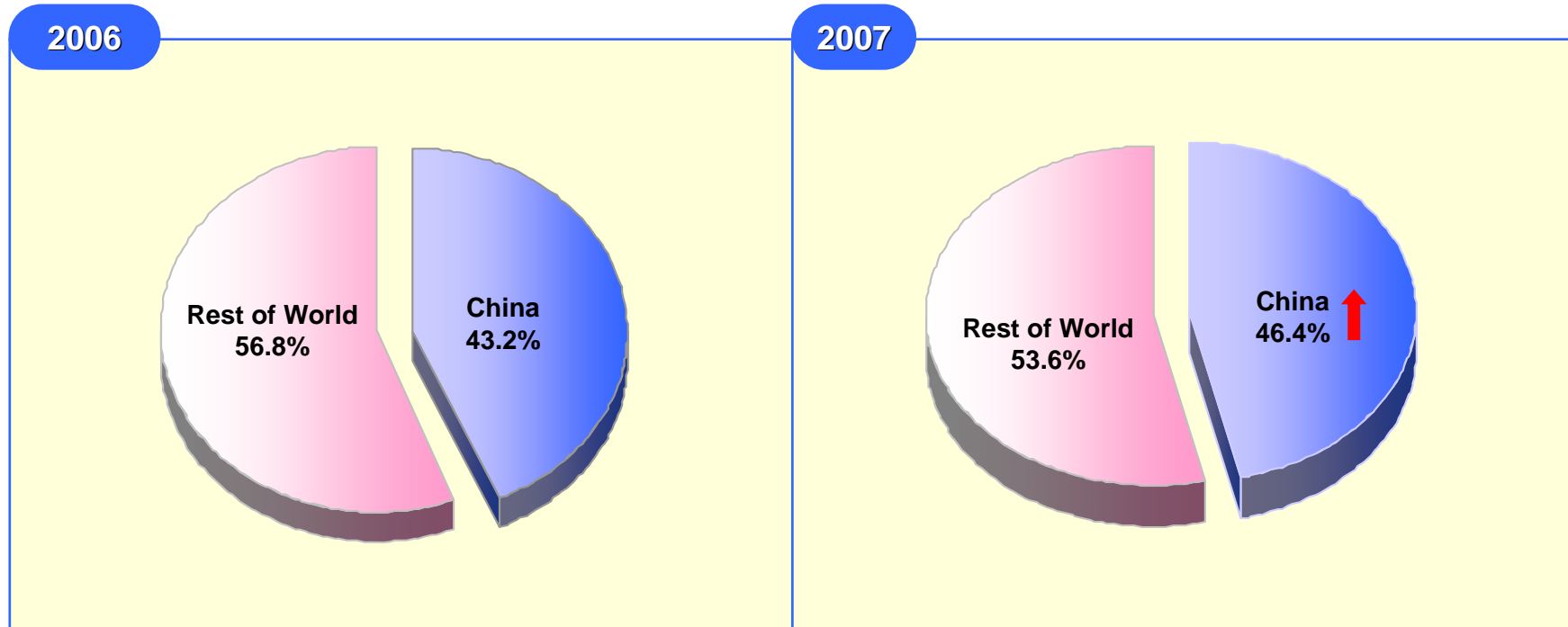
* Property investment business disposed in June 2006



Focus on China Market

Turnover Breakdown by Region

✦ About half of the Group's turnover was derived from customers in China

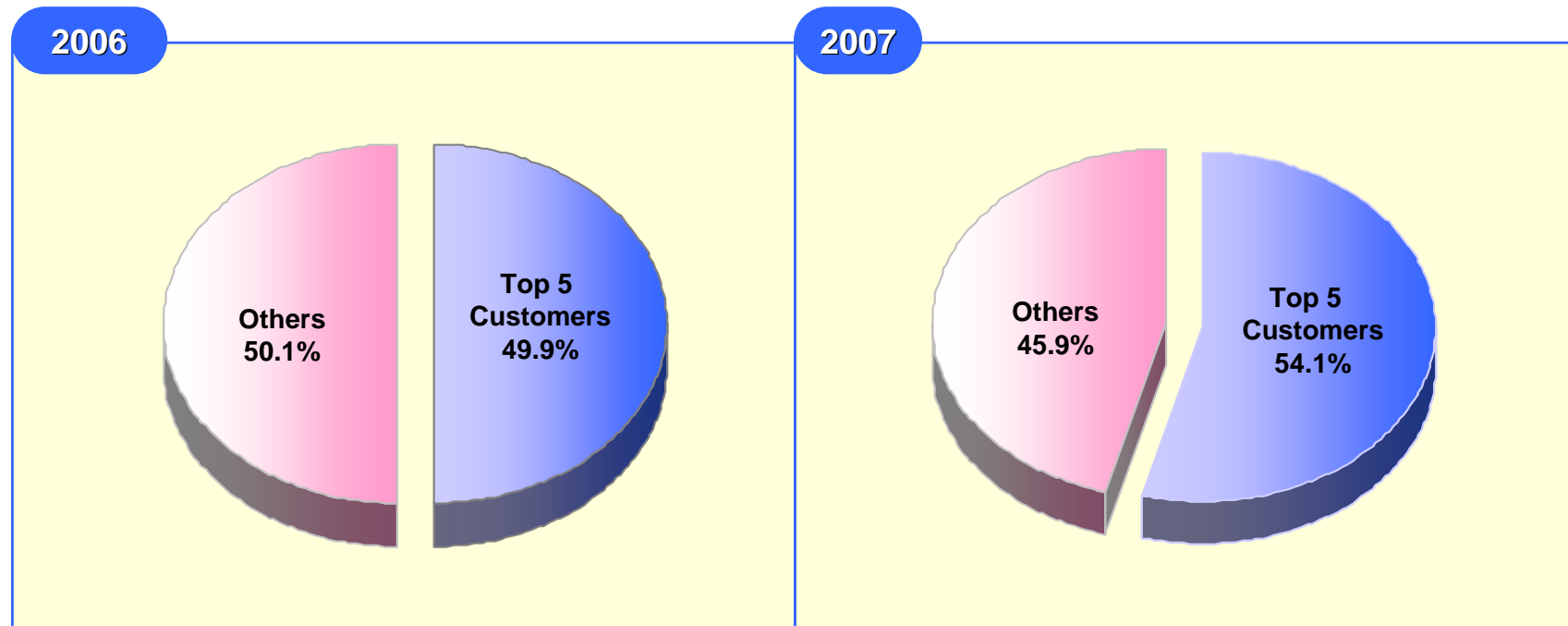


Six months ended 30 June

Focus on China Market

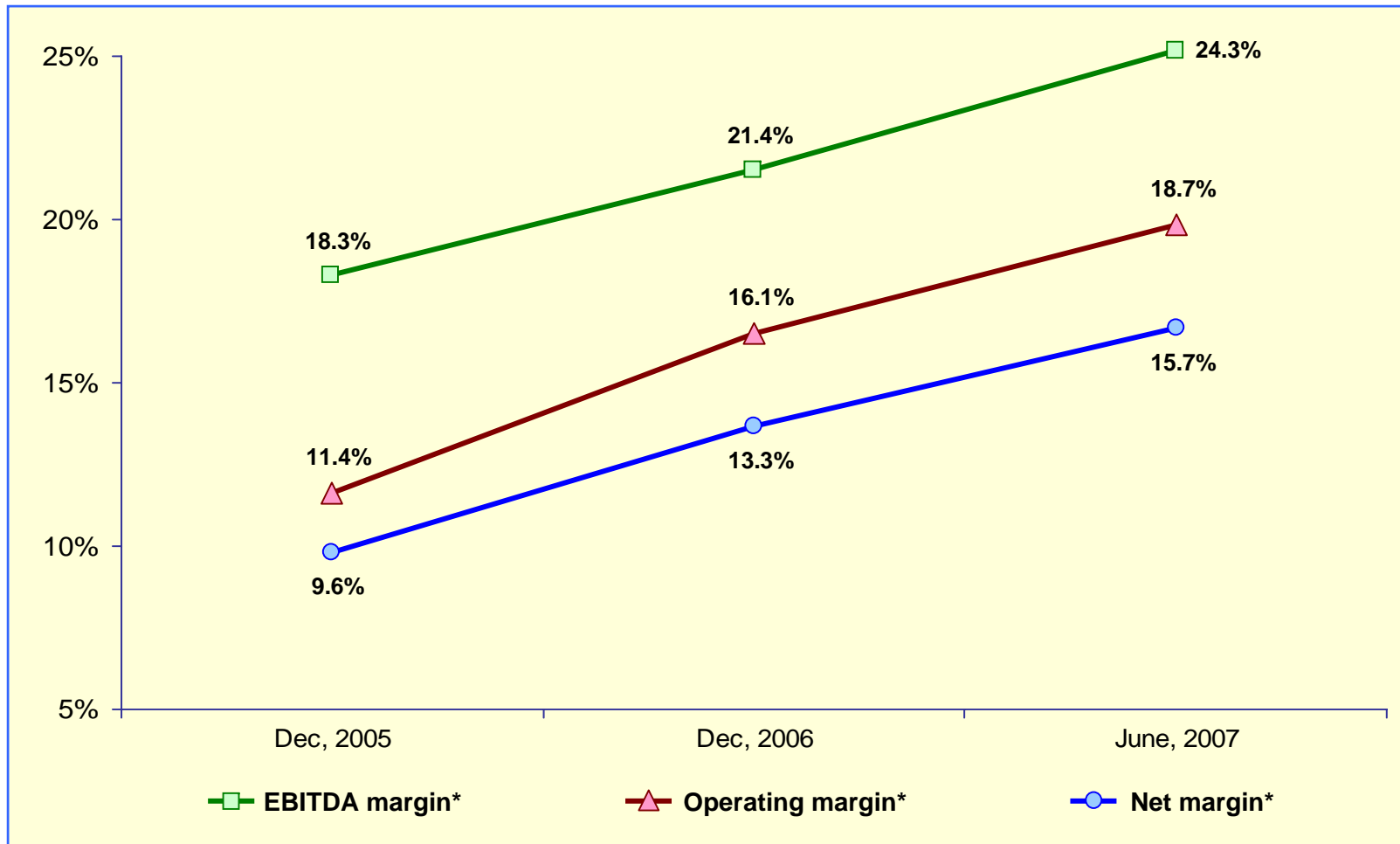
Turnover by Major Customers

- Top 5 customers included telecom operators in China and they accounted for over half of the Group's total turnover



Six months ended 30 June

Continuous Margin Improvement



* Excluding interest income from IPO, share option expenses and discontinued operations

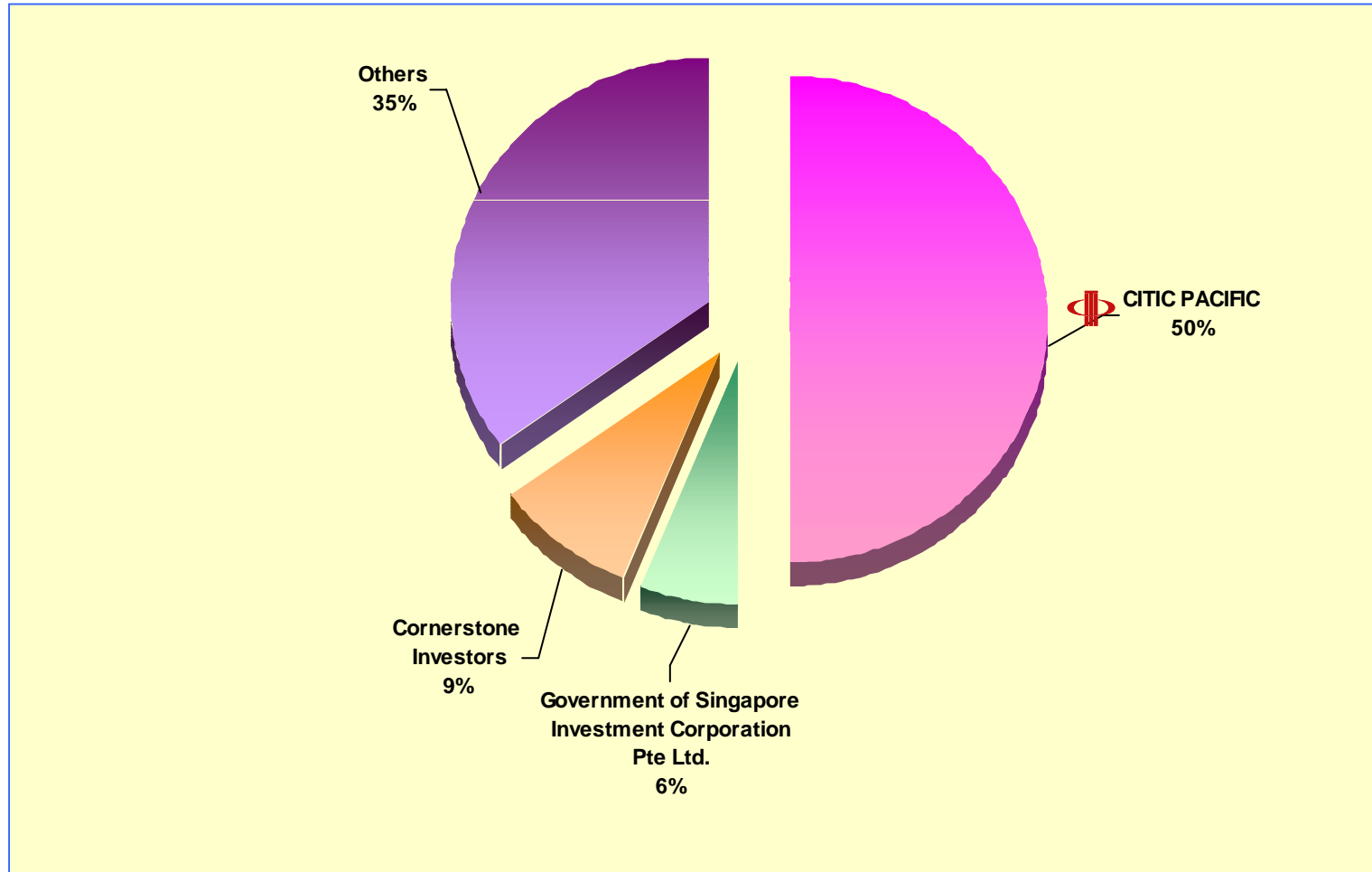
Strong Liquidity and Capital Structure

	2006	2007
HK\$m	30 June	30 June
Net cash generated from operating activities	133	109
Capital expenditures	11	37

HK\$m	At 31 Dec	At 30 June
Cash and cash equivalents	43	630
Debt	- NIL -	- NIL -
Gearing ratio	Net Cash	Net Cash



Shareholding Structure



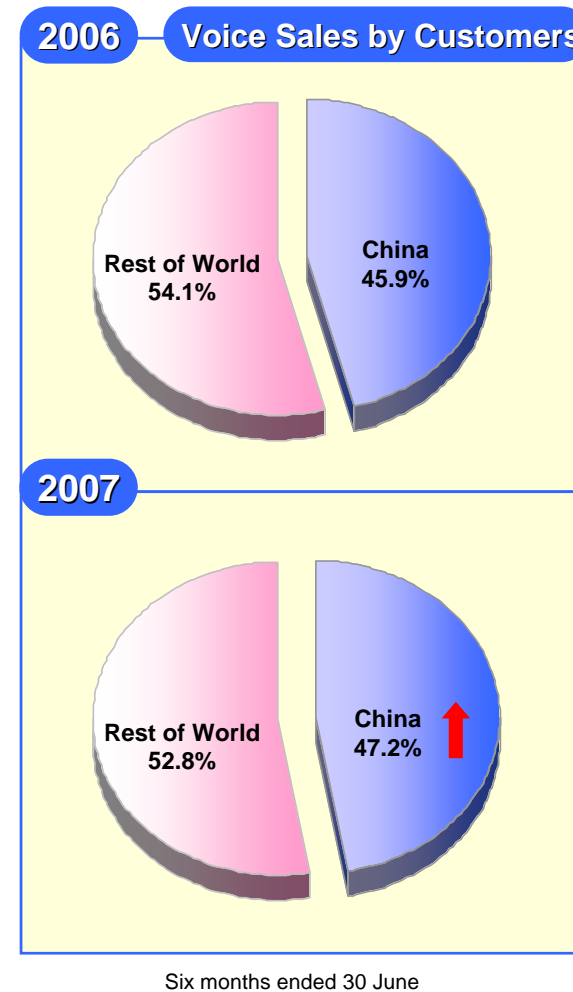
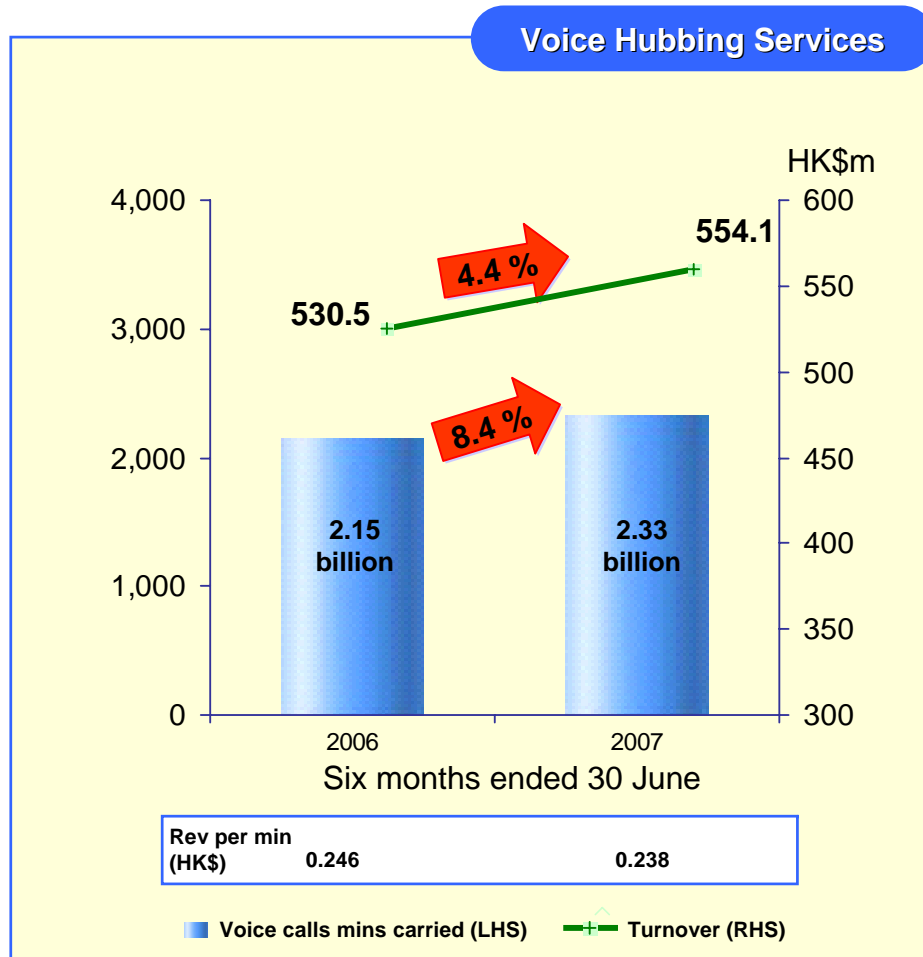
Business Review

New Customers

	No. of Customers	Country
Balance at 31.12.06	237	49
Add: Voice Hubbing	9	1 (Austria)
SMS Hubbing	10	1 (Palau)
Enterprise Solution	1	2
	20	
Balance at 30.6.07	257	51

Major Business Segment – Voice Hubbing Services

Handled over 2.3bn mins voice traffic



Major Business Segment – Voice Hubbing Services

- ❖ Business with major telecom operators in China continued to grow
- ❖ Expanded clientele and strengthened mobile carrier voice hubbing services
- ❖ Prepared to penetrate into emerging market, e.g. Vietnam
- ❖ Explored M&A opportunities to enter Europe/ Americas and Singapore markets
- ❖ Launched Next Generation Network (NGN) platform
 - ❖ supports VOIP connections for an increased capacity to meet the expansion of voice business
 - ❖ enhance operation efficiency to interconnect with customers / carriers via VoIP
 - ❖ cope with the requirement of new 3G applications
 - ❖ lay a solid foundation to provide 3G services for operators in China

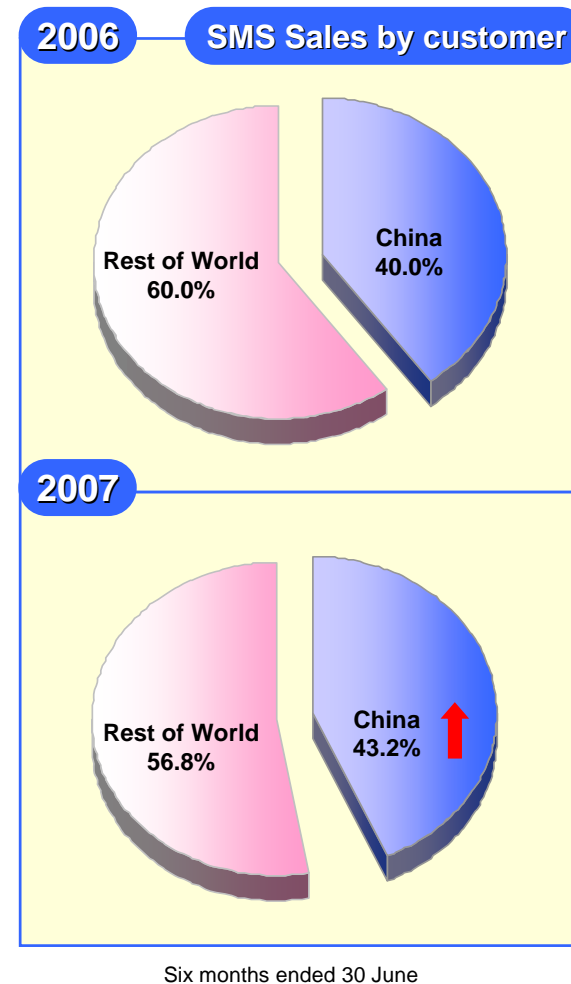
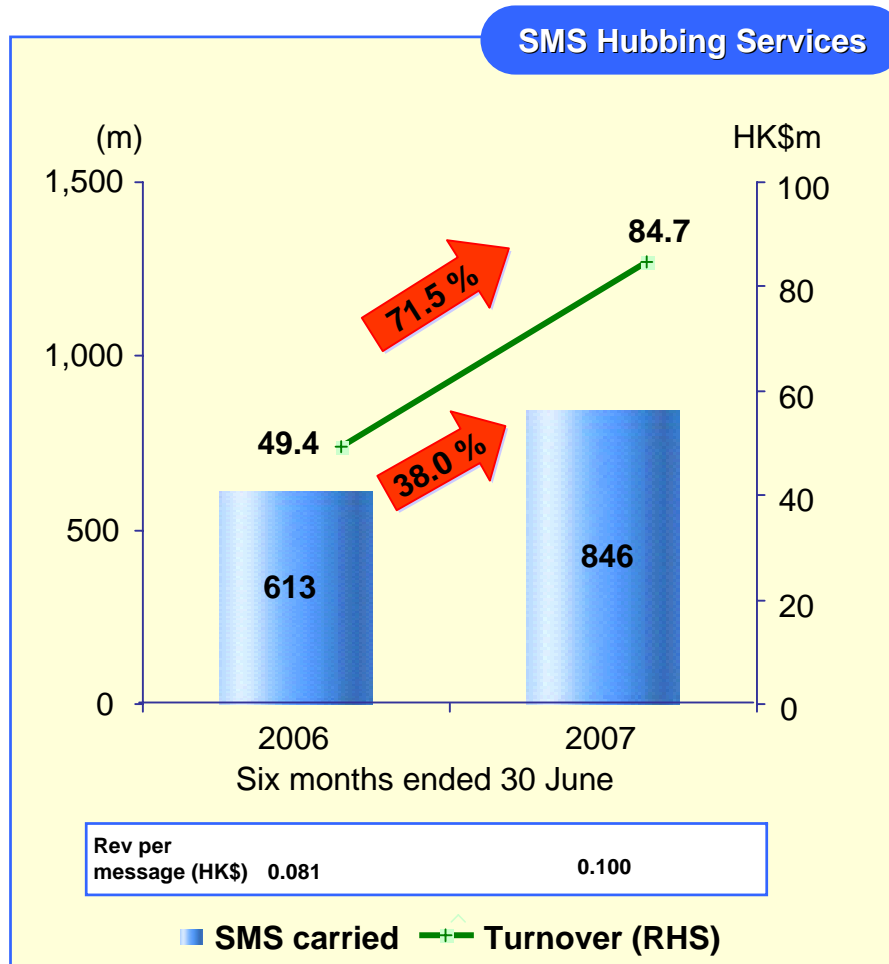
Challenge in the period

- ❖ Price deflation of voice hubbing services



Major Business Segment – SMS Hubbing Services

☐ Handled approximately 850mn SMS messages

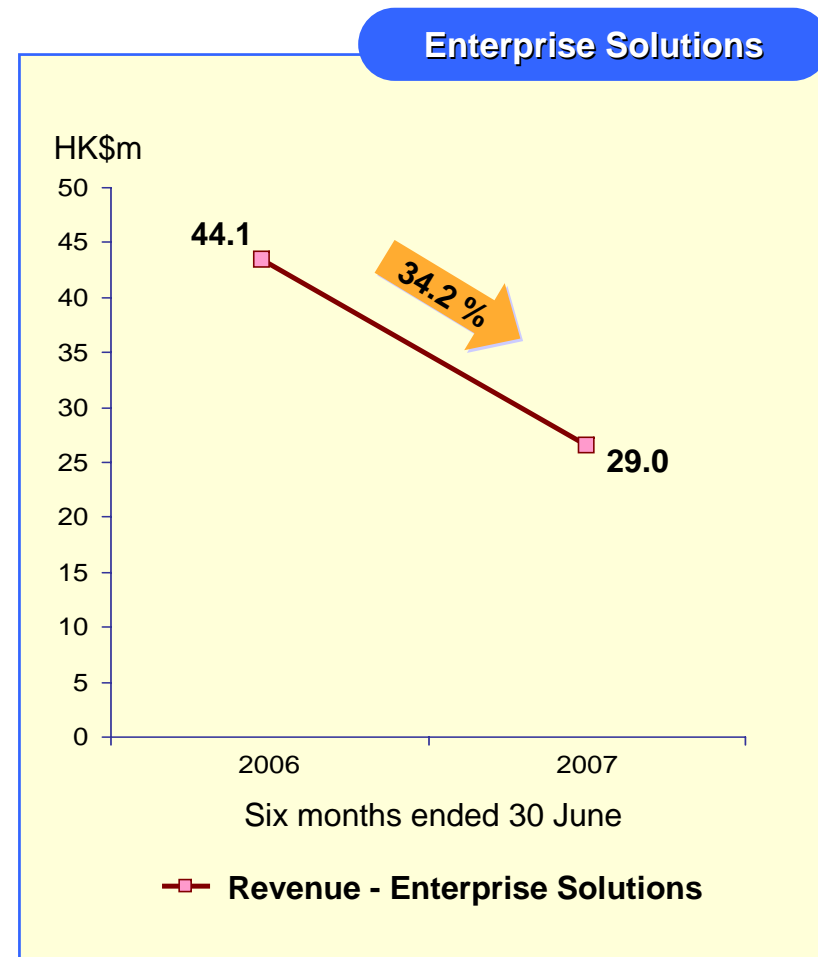
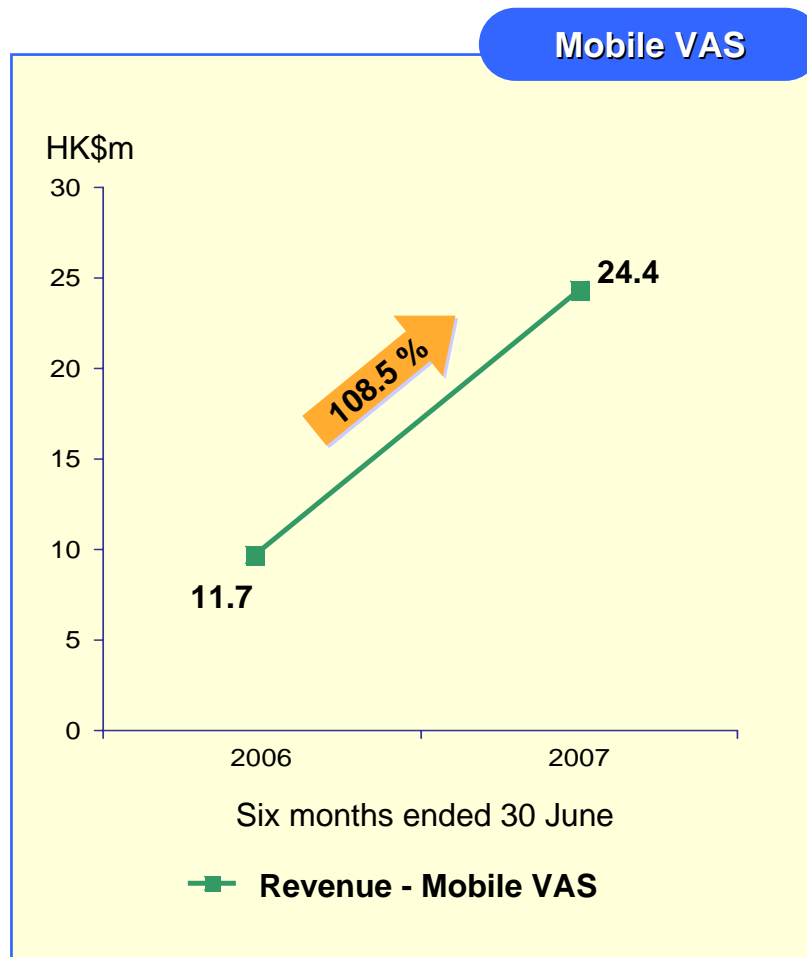


Major Business Segment – SMS Hubbing Services

- ❖ Expanded capacity of SMS hubbing services to facilitate increasing demand
- ❖ Handled majority of international SMS for all mobile carriers in China
- ❖ Signed an agreement with Vodafone to provide SMS hubbing services in and out of China to all its related operators across the world, out of which, 16 countries and regions have been connected



Major Business Segment – Mobile VAS and Enterprise Solutions



Major Business Segment – Mobile VAS

Mobile VAS

- ❖ Increase of traveling activities in China provides growth potential for roaming voice and data activities
- ❖ Strong demand for “Single IMSI Multiple Number (SIMN)” and “Mobile Roaming Call Back”
- ❖ Extended mobile VAS to two major mobile operators in China
- ❖ Signed agreements with telecom operators in Asia Pacific, such as SMART in the Philippines, Taiwan Mobile in Taiwan, Digi and Maxis in Malaysia, to expand the Group’s prepaid roaming services



Business Outlook

Latest Business Development

Voice and SMS hubbing expansion

- ✦ Signed an MOU with VTI on 25 July 2007 to render services to the entire Vietnam Posts and Telecommunications (VNPT) Group
- ✦ VTI is the major international gateway in Vietnam

Mobile VAS expansion

- ✦ Signed agreements with telecom operators in Asia Pacific, such as SMART in the Philippines, Taiwan Mobile in Taiwan, Digi and Maxis in Malaysia and KTF in Korea, to expand the Group's Mobile VAS
- ✦ Viettel (Vietnam), NTT COM and Maxis subscribed for SCCP Roaming Signaling Transit Service

Growth Drivers

Momentum continues to grow in the second half of 2007

- ⌘ **Voice:** maintain stable growth by entering ASEAN, Europe and Americas markets
- ⌘ **SMS and Mobile VAS:** strengthen long standing relationship with mobile operators through offering bundled solutions
- ⌘ Advance in hubbing infrastructure to enhance service quality
- ⌘ Expansion through M&A
- ⌘ Ready to capture China's 3G opportunities:
 - Supporting all existing 3G standards
 - Well-positioned to provide current mobile VAS to new 3G operators

Q&A

Appendix

Consolidated Income Statement for the six months ended 30 June 2007

(Expressed in HK\$'000)

	Six months ended 30 June	
	2006 (Unaudited)	2007 (Unaudited)
Turnover	635,676	692,247
Other revenue	247	47,155
Other net loss	(147)	(44)
	<u>635,776</u>	<u>739,358</u>
Network, operations and support expenses	(441,767)	(458,162)
Depreciation	(36,003)	(38,780)
Staff costs	(35,539)	(52,757)
Other operating expenses	(24,536)	(32,278)
Profit from operations and before taxation	97,931	157,381
Income Tax	(16,877)	(21,365)
Profit for the period from continuing operations	81,054	136,016
Discontinued operations		
Profit for the period from discontinued operations	19,710	-
Profit attributable to the equity holders of the Company for the period	<u>100,764</u>	<u>136,016</u>
Dividends payable to equity holders of the Company attributable to the interim period:		
Interim dividend declared after the balance sheet date	-	18,800
Basic and diluted earnings per share		
From continuing and discontinued operation (HK cents)	6.0	7.6
From continuing operations (HK cents)	4.8	7.6
From discontinued operations (HK cents)	1.2	-

Turnover was made of :

(HK\$'000)	6 Months to		
	2006	2007	% Change
Voice Hubbing	530.5	554.1	4.4%
SMS Hubbing	49.4	84.7	71.5%
Mobile VAS	11.7	24.4	108.5%
Enterprise Solutions	<u>44.1</u>	<u>29.0</u>	-34.2%
	<u>635.7</u>	<u>692.2</u>	8.9%
	=====	=====	

Increase in interest income, which included HKD41 million interest income from the proceeds of initial public offering.

The percentage of proportion of Turnover dropped from 69% in 2006 to 66% in 2007 which was mainly due to economies of scale.

The increase was primary due to share option expenses of HK 13 million and the fact that part of the 2006 staff cost was in form of management fee. The number of staff increase from 157 to 177.

The increase was mainly due to increase in office rental.

The increase was in line with increase in profit from operations.



Consolidated Balance Sheet as at 30 June 2007

(Expressed in HK\$'000)

	31 Dec2006 (Audited)	30 Jun2007 (Unaudited)
Non- current Assets		
Property, plant and equipment	278,073	275,685
Non-current other receivables	37,891	36,986
Deferred tax assets	7,478	4,947
	323,442	317,618
	--	--
Trade and other receivables	459,701	503,860
Current tax recoverable	277	277
Cash and cash equivalents	43,432	629,773
	503,410	1,133,910
	--	--
Current Liabilities		
Trade and other payables	373,061	377,572
Amount due to ultimate holding company	2,237	-
Current tax payable	41,187	56,287
	416,485	433,859
	--	--
Net Current Assets	86,925	700,051
	--	--
Total Assets less Current Liabilities	410,367	1,017,669
	--	--
Non-current liabilities		
Deferred Tax liabilities	37,450	34,809
	37,450	34,809
	--	--
NET ASSETS	372,917	982,860

↔ Increase in trade and other receivable was mainly due to increase in revenue.

	31 Dec 2006	30 Jun 2007
Trade receivable days	113 days	123 days
	=====	=====

↔ Increase in cash and cash equivalents was mainly due to the Group's net proceeds of HK\$461 million from the initial public offer in April 2007; and the Group's net cash generated from operating activities of amount HK\$109 million.

	31 Dec 2006	30 Jun 2007
Trade payable days	127 days	128 days
	=====	=====



Capital Expenditures for the first half of 2007

Capital Expenditures

HK\$m

Upgrade the Group's Network System	26
Enhance the Group's application development activities	8
Others	3
Total	37

