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**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 2008**

**CHAIRMAN'S STATEMENT**

I am pleased to present the annual results of CITIC 1616 Holdings Limited for the year 2008. Although there was a global financial tsunami in 2008, the Group still achieved significant growth in our businesses and delivered a satisfactory operating result.

In 2008, total revenue of the Group amounted to HK\$2,486.4 million, representing an increase of 67.3% as compared with the previous year. The Group recorded a net profit of HK\$332.1 million, a 26.4% increase from the previous year. Earnings per share rose 17.5% to HK16.8 cents.

If the one-off interest income of HK\$40.5 million from the initial public offering of our shares in 2007 is excluded, the profit attributable to equity holders would have increased by 49.5% as compared with the previous year.

In the year 2008, the Group had gone through successful business integration; resources optimization; network development and enhancement of customer services. As a result, the Group is well positioned to provide competitive, high quality and comprehensive services proactively to our customers. The Group strove to expand our businesses with the major telecoms operators in China and also actively explored overseas markets through a strong marketing and sales team. Thereby, a substantial growth was achieved in terms of business volume and turnover of our voice services, SMS services, mobile value-added services as well as internet virtual private network and internet access services as compared with the previous year.

After CPCNet Hong Kong Limited ("CPCNet") was acquired by the Group in December 2007, it achieved encouraging operating results with effective business strategies. The Group leveraged on

the synergies resulting from the integration of our core business and that of CPCNet and successfully reduced operating costs and further strengthened our market development capabilities. The acquisition of ChinaMotion NetCom Limited ("CMN") by the Group was completed in September 2008, as a result the Group's business scale was expanded and our market competitiveness was further enhanced.

The Board recommended a final dividend of HK6.4 cents per share for the year 2008. Including the interim dividend of HK2 cents per share for the year 2008, the total dividend per share for the year 2008 amounted to HK8.4 cents, representing an increase of 104.9% as compared with the previous year. The dividend payout for the year is 50.0%.

## **1. Review for the Year 2008**

### **Establish Extensive Business Ties with Major Telecoms Operators in the World to Maintain a Stable Growth in Voice Services.**

In 2008, there continued to be strong price competitions in the voice market. The Group relentlessly grew our market coverage and developed targeted marketing strategies for difference markets. We worked on enhancing our business relationships with the China telecoms operators and major overseas telecoms operators. By consistently providing high value-for-money services, we achieved a stable growth in our voice services.

Revenue generated by the Group from voice services amounted to HK\$1,613.4 million, representing a 38.8% increase as compared with the previous year. Voice traffic carried rose to 8.1 billion minutes, representing a 44.4% increase as compared with the previous year. China inbound and outbound voice traffic grew by 54.2% to reach 6.98 billion minutes.

### **The Yield of SMS Business was Enhanced by Increasing the Market Penetration Rate of SMS Business.**

In order to cope with the demand of the continuous increasing international SMS volume, the Group significantly expanded the capacity of SMS hub platforms to ensure the steady operations of our SMS hub platforms during peak hours on festive days and major events. The Group aggressively marketed our SMS services to overseas telecoms operators, resulting in expanded market coverage and relatively fast growth in the SMS business.

Revenue generated by the Group from SMS services rose by 32.3% to reach HK\$247.1 million. We carried 1,766.4 million SMS messages during the year, a decrease of 6.9% as compared with the previous year. The drop of traffic was mainly due to the phasing out of discount plans offered to Hong Kong mobile operators. The average yield per SMS increased accordingly.

### **Substantial Increase in Yield of Mobile Value-Added Services ("Mobile VAS") Following Aggressive Marketing Efforts.**

Leveraging our technology edge in Mobile VAS business, the Group worked closely with major China and overseas mobile operators to expand the business. We enhanced our competitiveness by emphasizing on the quality of our services and providing innovative and customized services to our

customers. Revenue from our Mobile VAS business amounted to HK\$94.5 million, representing a substantial increase of 59.1% as compared with the previous year.

**The Operating Efficiencies of Internet Virtual Private Network and Internet Access Services were Substantially Increased, and the Synergy with the Group's Core Business was Mostly Realised.**

By actively launching various overseas marketing campaigns, strengthening the connectivity of our internet virtual private network and further deployment of network nodes in China and overseas in light of market demand, CPCNet's business achieved a rapid growth and its operating efficiency increased sharply with enhanced scale. The business revenue of CPCNet amounted to HK\$460.2 million, representing an increase of 35.7% as compared with the previous year. Net profit reached HK\$61.1 million, representing an increase of 128.0% from the net profit of HK\$26.8 million in 2007.

CPCNet had established an advanced customer service system in Guangzhou. After providing on-the-job training, a substantial portion of the Group's customer services originally performed in Hong Kong was transferred to the Guangzhou customer service centre. This arrangement not only reduced our customer servicing cost, but also enabled the capturing and analysing of voluminous customer service data for further enhancing the standard of our customer services.

The Group had successfully integrated our original networks with CPCNet's networks. After the integration, the cost of leased lines for the Group was reduced, while the network coverage and resilience were enhanced. Meanwhile, CPCNet had already utilized our data centres to provide co-location services to its customers and for its own use.

**The Group's Ability of Developing International Market was Enhanced through the Acquisition of CMN.**

After the acquisition of CMN, the Group acquired its telecoms networks and marketing and sales teams in USA, Canada, Japan, Singapore, Vietnam, Europe and Taiwan together with its retail phone card business. These resources would be vital for the Group's overseas business development. The Group had carried out the integration plan on various businesses of CMN. Various departments of CMN such as routing and network departments had integrated with our corresponding departments to generate greater efficiency.

**The Provision of High Quality and Comprehensive Services and the Consummation of the Assurance Works in Olympic Games Enhanced the Company's Market Competitiveness.**

All the telecoms operators in China had carried out substantial preparation works on communication assurance for the Olympic Games, and as one of their key telecoms services partner, the Group was obliged to comply with the higher standards and requirements. The Group took initiatives to cope with these standards and requirements responsively. Through improving our networks, network operating centre, enhancing our monitoring system and strengthening the 7x24 shift duty and the quality of our frontline customer service officers, the Group effectively safeguarded the smooth operation of our telecoms hubs during the Olympic period. The smooth operations with all the telecoms operators and our high standard of customer services had won the recognitions of various

China and overseas telecoms operators. Following the service assurance works carried out in the Olympic period, the standard of our services and our network resilience and coverage were proven, thereby laying a solid foundation for our business growth in the future.

### **Further Improving the Company's Internal Control in order to Strengthen the Risk Management.**

With the global financial tsunami, the Company further reviewed its risk management systems, and established more definite and specific guidelines, especially on cash management, outstanding receivables and foreign currency exchange management. The risk management standard of the Group have been enhanced.

The Group also paid attention to the execution of the above policies. Meetings were held periodically for evaluation of the risk of the Group and monitored the control tasks on various functions. These measures ensured that the Group has complied with the requirements of the governing laws and regulations.

## **2. Prospects for the Year 2009**

The year 2009 will be a challenging year. Due to the financial tsunami, it is expected that there will be a significant slowdown in global economies. Facing the unfavourable business environment, the Group will put more efforts on market development and strengthen our competitiveness. To maintaining a stable growth rate, the Group will control the costs and expenditure more prudently and take all necessary precautions against potential risks. The Group will be well-prepared on various technical works in support of the launching of 3G services, and pro-actively work with the 3G operators in China. The integration of the business of CMN will continue in various business sectors in the coming year to enhance our global market reach, so as to further consolidate our position as an international telecoms hub, and to strive for a steady and relatively fast growth in our earnings in the year 2009.

### **To Maintain Steady Growth in Voice Services.**

For our voice services, the Group will continue to actively build on our business relationships with the three newly restructured major China telecoms operators, and overseas telecoms operators. We will be well equipped for the launching of 3G business by the major China telecoms operators, so as to maintain a steady growth in our voice services. Having leverage on the synergy of the integration with CMN's business, the Group will enhance our range of global telecom services for more telecoms operators via the CMN's overseas marketing network. The Group will also strive to expand the retail phone card business in new overseas market and speed up the growth in existing markets such as the United States, Japan and Singapore, thereby laying a solid foundation for growth of our voice services.

### **To Sustain Rapid Growth in SMS Business and Mobile VAS Business.**

For our SMS and Mobile VAS businesses, we will continue to promote the SMS and Mobile VAS businesses to overseas telecoms operators. Through CMN's marketing network, our SMS and Mobile VAS products will be introduced to more overseas telecoms operators in various locations in

the world. On the other hand, the Group will develop the corporate SMS business, targeting large corporate clients, in order to enrich our customer portfolio. The Group will further invest in services and technological development and captivate customers by our rich bundle of products and services and our technical capabilities.

#### **To Maintain Rapid Growth in Internet Virtual Private Network Business.**

Although the financial tsunami has resulted in a slowdown in the global economic growth, it is expected that enterprises will in turn use more internet virtual private network (“IVPN”) services in order to reduce their travelling expenses; thus, providing new opportunities for growth of internet virtual private network business. The Group provides premium network for VPN and trusted communications and security solutions. We will also strive for growth in internet VPN business through effective marketing strategies and rich product portfolio.

#### **To Enhance the Research and Development of New Services together with a Sound Foundation for the 3G Development.**

The Group has built portals providing VOIP services together with the renewal and renovation of network technology, to become a bridge of internet VOIP users and telecoms operators. These also facilitate our connection with 3G operators to end users of cable TV and internet VOIP. For the SMS business, the Group will focus on developing business with corporate clients and personal communication portal. For Mobile VAS business, focusing on the surge in demand of international roaming business, the Group will continuously strengthen and develop the technology on the GSM / WCDMA network. Meanwhile, the Group will start to build up the networks and technology on CDMA / CDMA2000 / TD-SCDMA and monitor closely the development on 4G technology.

#### **To Leverage on the Synergy Resulting from the Integration with CMN's Business.**

We will steadily integrate the marketing teams of the Group and CMN to enhance market coverage and channel management. Further synergies can be generated from the centralisation of customer services centre, rationalisation of data centres and international capacity resources planning. The Group will capitalize on CMN's overseas marketing networks to expand our business to new geographies.

Although the Group will face challenges from the global economic slowdown in 2009, I am confident that the economy of China will maintain a sustainable, stable and healthy growth. With a sound business foundation established by the Group, a global marketing network with extensive coverage and strong technical capabilities, and with the joint efforts of our staff, our business will continue to grow at a relatively fast pace in 2009, thus bringing a greater return to our shareholders.

On behalf of the Board, I would like to express gratitude to the management and the staff for their contributions and efforts in the past year.

Due to the reason of age, I will resign as the Chairman of the Board of Directors of the Group. I would like to take this opportunity to thank the shareholders and the Board of Directors of the Group for their trust and support to me, and all the staff for their support to my work, as well as various telecoms operators in China and overseas for their help and support to our Group's business.

Mr. Xin Yue Jiang, Vice Chairman of the Board of Directors of the Group, will take over my position as the Chairman of the Board of Directors of the Group. Under the leadership of Mr. Xin Yue Jiang, I am confident that the various businesses of the Group will have sustainable and relatively fast growth. I wish that CITIC 1616 Holdings Limited will achieve more brilliant results and make greater contributions to the shareholders and the society in the years to come.

**Shi Cuiming**

*Chairman*

Hong Kong, 18 March 2009

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	<i>Note</i>	2008 HK\$'000	2007 HK\$'000
<b>Turnover</b>	3	2,486,362	1,486,071
Other revenue	4	20,799	62,418
Other net (loss)/gain	5	<u>(11,272)</u>	<u>56</u>
		2,495,889	1,548,545
Network, operations and support expenses	6(b)	(1,670,086)	(988,333)
Depreciation and amortisation	6(b)	(113,240)	(78,823)
Staff costs		(180,034)	(103,327)
Other operating expenses		<u>(133,684)</u>	<u>(71,685)</u>
<b>Profit from operations</b>		398,845	306,377
Finance costs	6(a)	(26)	-
Share of loss of an associate		<u>(944)</u>	<u>-</u>
<b>Profit before taxation</b>	6	397,875	306,377
Income tax	7	<u>(65,747)</u>	<u>(43,678)</u>
<b>Profit attributable to the equity holders of the Company</b>		332,128	262,699
		=====	=====
<b>Dividends payable to equity holders of the Company attributable to the year:</b>	8		
Interim dividend declared during the year		39,555	18,800
Final dividend proposed after the balance sheet date		<u>126,574</u>	<u>61,310</u>
		166,129	80,110
		=====	=====
Basic and diluted earnings per share (HK cents)	9	16.8	14.3
		=====	=====

**CONSOLIDATED BALANCE SHEET  
AT 31 DECEMBER 2008**

	<i>Note</i>	2008 HK\$'000	2007 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		363,105	326,489
Intangible assets		34,849	28,717
Goodwill		214,269	9,455
Interest in an associate		5,163	-
Non-current other receivables	10	29,716	34,772
Deferred tax assets		<u>29,907</u>	<u>42,096</u>
		677,009	441,529
<b>Current assets</b>			
Trade and other receivables	10	864,786	594,243
Current tax recoverable		250	1,043
Cash and cash equivalents		<u>794,988</u>	<u>780,621</u>
		1,660,024	1,375,907
<b>Current liabilities</b>			
Trade and other payables	11	746,957	472,416
Current tax payable		<u>36,166</u>	<u>22,045</u>
		783,123	494,461
<b>Net current assets</b>			
		<u>876,901</u>	<u>881,446</u>
<b>Total assets less current liabilities</b>			
		<u>1,553,910</u>	<u>1,322,975</u>



**CONSOLIDATED BALANCE SHEET  
AT 31 DECEMBER 2008 (continued)**

	<i>Note</i>	2008 HK\$'000	2007 HK\$'000
<b>Non-current liabilities</b>			
Deferred tax liabilities		<u>36,200</u>	<u>35,125</u>
		36,200	35,125
		=====	=====
<b>NET ASSETS</b>		<u>1,517,710</u>	<u>1,287,850</u>
		=====	=====
<b>CAPITAL AND RESERVES</b>			
Share capital		197,773	197,807
Reserves		<u>1,319,937</u>	<u>1,090,043</u>
		=====	=====
<b>TOTAL EQUITY</b>		<u>1,517,710</u>	<u>1,287,850</u>
		=====	=====

## 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 2007 except for the adoption of certain new standards and amendments of Hong Kong Financial Reporting Standards which were issued and became effective during the year ended 31 December 2008.

The adoption of such standards or amendments 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 2008.

The Group has not early adopted the amendments, new standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants that are not yet effective for the year ended 31 December 2008, and is in the process of assessing their impact on future accounting periods.

### 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 one geographical location classified by the location of assets, i.e. Hong Kong, and accordingly, no geographic segmental analysis is provided.

### 3 Turnover

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

Turnover recognised during the year may be analysed as follows:

	<i>2008</i> HK\$'000	<i>2007</i> HK\$'000
Fees from the provision of voice services	1,613,362	1,162,444
Fees from the provision of short message services	247,107	186,820
Fees from the provision of other telecommunications services	<u>625,893</u>	<u>136,807</u>
	<u>2,486,362</u>	<u>1,486,071</u>

**4 Other revenue**

	2008 HK\$'000	2007 HK\$'000
Bank interest income	20,294	61,860
Other interest income	<u>505</u>	<u>558</u>
Total interest income	<u>20,799</u>	<u>62,418</u>

**5 Other net (loss)/gain**

	2008 HK\$'000	2007 HK\$'000
Net loss on disposal of property, plant and equipment	(2,322)	(6)
Net foreign exchange (loss)/gain	<u>(8,950)</u>	<u>62</u>
	<u>(11,272)</u>	<u>56</u>

**6 Profit before taxation***Profit before taxation is arrived at after charging:*

	2008 HK\$'000	2007 HK\$'000
(a) Finance costs:		
Finance charges on obligations under finance leases	<u>26</u>	<u>-</u>
Total interest expense	<u>26</u>	<u>-</u>
(b) Other items:		
Network, operations and support expenses, including:	1,670,086	988,333
- carrier costs	1,343,048	919,936
- operating leases - leased circuits	118,958	52,787
- other telecommunications service costs	208,080	15,610
Depreciation	101,612	78,353
Amortisation	11,628	470
Impairment losses on trade and other receivables	<u>13,769</u>	<u>596</u>

## 7 Income tax

Income tax in the consolidated income statement represents:

	2008 HK\$'000	2007 HK\$'000
<b>Current tax - Hong Kong Profits Tax</b>		
Provision for the year	52,725	42,763
(Over)/under-provision in respect of prior years	<u>(72)</u>	<u>13</u>
	52,653	42,776
<b>Current tax - Overseas</b>		
Provision for the year	<u>3,662</u>	<u>1,525</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	9,025	(623)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	<u>407</u>	<u>-</u>
	9,432	(623)
	<u>65,747</u>	<u>43,678</u>
	=====	=====

In February 2008, the Hong Kong Government announced a decrease in the Profits Tax rate from 17.5% to 16.5% applicable to the Group's operations in Hong Kong as from the year ended 31 December 2008. This decrease is taken into account in the preparation of the Group's 2008 financial statements. Accordingly, the provision for Hong Kong Profits Tax for 2008 is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year and the opening balance of deferred tax has been re-estimated accordingly.

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

## 8 Dividends

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

	2008 HK\$'000	2007 HK\$'000
Interim dividend declared and paid of HK2 cents per share (2007: HK1 cent per share)	39,555	18,800
Final dividend proposed after the balance sheet date of HK6.4 cents per share (2007: HK3.1 cents per share)	<u>126,574</u>	<u>61,310</u>
	166,129	80,110
	=====	=====

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

	2008 HK\$'000	2007 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK3.1 cents per share (2007: Nil)	61,310	-
	=====	=====

## 9 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity holders of the Company for the year ended 31 December 2008 of HK\$332,128,000 (2007: HK\$262,699,000) and the weighted average of 1,977,756,000 ordinary shares (2007: 1,836,644,000 shares) in issue during the year, calculated as follows:

*Weighted average number of ordinary shares*

	2008 '000	2007 '000
Issued ordinary shares at 1 January #	1,978,066	1,692,000
Effect of shares repurchased	(310)	-
Effect of shares issued pursuant to the placing and public offering	-	140,614
Effect of shares issued for acquisition of subsidiaries	<u>-</u>	<u>4,030</u>
Weighted average number of ordinary shares at 31 December	1,977,756	1,836,644
	=====	=====

# Issued share capital at 1 January 2007 represented shares of the Company in issue after the reorganisation, as if the shares had been outstanding since 1 January 2007.

## 9 Earnings per share (continued)

### (b) Diluted earnings per share

The diluted earnings per share for the year ended 31 December 2008 and 2007 is the same as the basic earnings per share as the potential ordinary shares outstanding during the year ended 31 December 2008 and 2007 were anti-dilutive.

## 10 Trade and other receivables

	2008 HK\$'000	2007 HK\$'000
Trade debtors	779,622	546,681
Less: allowance for doubtful debts	<u>(35,481)</u>	<u>(6,178)</u>
	744,141	540,503
Amount due from an associate	23,256	-
Other receivables	<u>127,105</u>	<u>88,512</u>
	894,502	629,015
	=====	=====
<i>Represented by:</i>		
Non-current portion	29,716	34,772
Current portion	<u>864,786</u>	<u>594,243</u>
	894,502	629,015
	=====	=====

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:

	2008 HK\$'000	2007 HK\$'000
Within 1 year	739,035	523,189
Over 1 year	<u>40,587</u>	<u>23,492</u>
	779,622	546,681
	=====	=====

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.

**11 Trade and other payables**

	<i>2008</i> HK\$'000	<i>2007</i> HK\$'000
Trade creditors	600,544	396,261
Other payables and accruals	127,095	74,555
Amount due to an associate	19,318	-
Amount due to ultimate holding company	<u>-</u>	<u>1,600</u>
	<u>746,957</u>	<u>472,416</u>
	=====	=====

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:

	<i>2008</i> HK\$'000	<i>2007</i> HK\$'000
Within 1 year	504,383	349,021
Over 1 year	<u>96,161</u>	<u>47,240</u>
	600,544	396,261
	=====	=====

# **FINANCIAL REVIEW AND ANALYSIS**

## **REVIEW OF OVERALL PERFORMANCE**

### **Turnover**

The Group's turnover for 2008 was HK\$2,486.4 million, an increase of 67.3%, compared with HK\$1,486.1 million for 2007. On a proforma basis, the turnover has increased by 31.2% as compared with last year.

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

The Group recorded a profit of HK\$332.1 million for 2008, an increase of 26.4% as compared to 2007.

### **Acquisition of ChinaMotion NetCom Limited and its subsidiaries, and 49% interest of CM Tel (USA) LLC ("CMN Group")**

On 30 September 2008, the Group acquired the entire share capital and shareholder's loan of ChinaMotion NetCom Limited and its subsidiaries and 49% interest of CM Tel (USA) LLC from China Motion Telecom International Limited at a cash consideration of HK\$191.8 million. CMN Group offers wholesale and retail international direct dial ("IDD") services and has established a global service network with coverage spanning across countries and areas including Hong Kong, Taiwan, Singapore, Japan, the United Kingdom, the United States of America and Canada.

### **Group liquidity and capital resources**

The Group manages its exposure to liquidity risk by reviewing the cash resources required to meet its business objectives. At 31 December 2008, the Group had cash and cash equivalents of HK\$795.0 million, an increase of HK\$14.4 million as compared to the HK\$780.6 million at 31 December 2007. The increase was mainly due to the Group's net cash generated from operating activities amounted to HK\$218.8 million, after netting off the net cash outflow for acquiring CMN Group of HK\$181.3 million.

### **Borrowings**

At 31 December 2008, the Group had no outstanding borrowings.

### **Banking facilities**

At 31 December 2008, the Group had banking facilities amounting to US\$3.85 million and HK\$100 million (equivalent to a total of HK\$130.0 million). Of the total banking facilities, US\$10,000 (equivalent to HK\$78,000) was utilised as guarantees for the Group's purchase from telecoms operators.



## **Securities and guarantees**

At 31 December 2008, the Group had not made any pledge of or created any security over its assets and had not provided any corporate guarantee.

## **Contingent liabilities**

At 31 December 2008, the Group did not have any contingent liability.

## **Capital commitments**

At 31 December 2008, the Group had outstanding capital commitments of HK\$17.7 million, mainly for the acquisition of network equipment which had yet to be delivered to the Group, of which HK\$4.0 million were outstanding contractual capital commitments and HK\$13.7 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 US 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. Accounts 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 receivable due from the Group's 5 largest customers, who accounted for approximately 49% and 46% of the Group total trade receivable at 31 December 2008 and 31 December 2007 respectively. The credit risk exposure to trade receivable 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 2008, the Group employed 419 employees (2007 : 341) in its headquarter in Hong Kong and its principal subsidiaries. The increase in number of employees in this year is mainly due to the acquisition of ChinaMotion NetCom Limited.

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.

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. On 23 May 2007, options to subscribe for a total of 18,720,000 shares in the Company at the exercise price of HK\$3.26 per share were granted under the Plan. All options granted and accepted can be exercised in whole or in part within 5 years from the date of grant. All were accepted, and none were exercised or cancelled but options for 3,555,000 shares have lapsed during the year ended 31 December 2008. No further options were granted during the year ended 31 December 2008.

## **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 2008 Annual Report.

Throughout the year of 2008, 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 2008 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 HK6.4 cents (2007: HK3.1 cents) per share, which together with the interim dividend of HK2 cents (2007: HK1 cent) per share already paid makes a total dividend of HK8.4 cents (2007: HK4.1 cents) per share for the year ended 31 December 2008. The total dividend of HK8.4 cents per share will amount to HK\$166,129,428 (2007: HK\$80,109,670) of the Company's profit for the year ended 31 December 2008.

The proposed final dividend of HK6.4 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 Monday, 11 May 2009, is to be payable on Thursday, 14 May 2009 to shareholders whose names appear on the Register of Members of the Company on 11 May 2009.

The Register of Members of the Company will be closed from Tuesday, 5 May 2009 to Monday, 11 May 2009, 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 26<sup>th</sup> Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 4 May 2009.

## SHARE CAPITAL

During the year ended 31 December 2008, the Company made the following repurchases of its own shares on the Stock Exchange for the purpose of enhancing its earnings per share :

<u>Month/Year</u>	<u>Number of Shares Repurchased</u>	<u>Price Per Share</u>		<u>Aggregate Price Paid (HK\$)</u>
		<u>Highest (HK\$)</u>	<u>Lowest (HK\$)</u>	
January 2008	160,000	1.60	1.52	249,600
February 2008	175,000	1.70	1.66	293,900

These repurchased shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was charged against retained profits. An amount equivalent to the nominal value of the shares cancelled of approximately HK\$34,000 was transferred from retained profits to capital redemption reserve.

Save as disclosed above, 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 2008 and the Company has not redeemed any of its shares during the year ended 31 December 2008.

## **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](http://www.citic1616.com)) and the website of the Stock Exchange ([www.hkex.com.hk](http://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 31 March 2009.

By Order of the Board

**Shi Cuiming**

*Chairman*

Hong Kong, 18 March 2009

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

*Executive Directors:*

Shi Cuiming (Chairman)

Xin Yue Jiang

Yuen Kee Tong

Chan Tin Wai, David

*Non-executive Directors:*

Kwok Man Leung

Chan Chui Sheung, Stella

*Independent Non-executive Directors:*

Yang Xianzu

Liu Li Qing

Kwong Che Keung, Gordon