



# 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 2007**

#### **CHAIRMAN'S STATEMENT**

I am pleased to present the annual results of CITIC 1616 Holdings Limited for the year 2007.

In 2007, turnover of the Group amounted to HK\$1,486.1 million, representing an increase of 8.9% as compared with the previous year. The Group recorded a net profit of HK\$262.7 million, a 30.4% increase from the previous year. Earnings per share rose 20.2% to 14.3 cents.

The year 2007 will be remembered as an eventful year in the corporate history of CITIC 1616 Holdings Limited.

With the successful public offering of our shares and listing on the Hong Kong Stock Exchange on 3 April 2007, our financial strength was substantially strengthened in equity terms and our reputation in the international market greatly enhanced. During the year, the Group diversified into the new businesses of internet virtual private network and internet access services by acquiring CPCNet Hong Kong Limited ("CPCNet"). With further synergies among the Group's various telecommunications operations created through this acquisition, we are well-positioned for future business expansion.

On the back of well-established business relationships with telecoms operators in the PRC and overseas and strong growth momentum of China's telecommunications market, and coupled with

the benefit of improved marketing strategies, internal management and customer services, the Group delivered sound results in all of its business segments in 2007 . The Board recommended a final dividend of 3.1cents per share for the year 2007.

## **1. Review for the Year 2007**

### **Effective Marketing Strategies Adopted to Secure Stable Growth in Voice Hubbing Services**

Competition in the market for voice hubbing services remained intense during the past year, with mounting pressure for rate cuts. In the face of fierce market competition, the Group adopted effective marketing strategies such as making pro-active moves to understand the operating environment and business needs of various telecommunications operators in order to provide more timely services with better quality. We also actively expanded overseas markets and established business connections with more overseas telecoms operators. As a result of these efforts, we were able to secure steady growth in voice hubbing services.

Voice traffic carried by the Group rose to 5,605.4 million minutes, representing a 19.3% increase as compared with the previous year. China inbound and outbound voice traffic grew by 23.9% to reach 4,524.1 million minutes. Revenue generated from voice hubbing services amounted to HK\$1,162.5 million, representing a 1.8% increase as compared with the previous year. Revenue generated from mobile voice traffic increased by 14.1%, amounting to HK\$645.9 million.

### **Rapid Growth in SMS Hubbing Business Driven by Establishment of an Extensive Network of Overseas Telecoms Operators**

As SMS becomes an increasingly dominant form of communication for mobile phone users around the world, telecoms operators has been enjoying tremendous growth in SMS volume. In response to market demands, the Company established a new network exchange platform and upgraded relevant software during the year. As a result, the capacity and capability of our SMS hubs increased substantially, meeting requirements of the growing SMS market. Our marketing efforts for international businesses were also strengthened by an agreement with Vodafone Group to provide hubbing services for all SMS in-bound to China from mobile telecoms operators under Vodafone Group in 18 countries and regions.

The Group carried 1,896.9 million SMS messages during the year, an increase of 54.4% as compared with the previous year. Revenue generated from SMS hubbing services rose by 59.5% to reach HK\$186.8 million.

### **Enormous Growth in Revenue from Mobile Value-Added Services (“Mobile VAS”) Following Active Business Development**

Growing interaction between PRC companies and individuals and their foreign counterparties in tandem with China’s rapid economic growth and the ongoing substantial increase in visitors from Hong Kong and other parts of the world to China for business or leisure as well as Chinese tourists visiting overseas destinations had created increasing demand for cross-border telecommunications services, resulting in considerable growth of our Single IMSI Multiple Number (“SIMN”) service and Mobile Roaming Call Back service. Through cooperation with PRC mobile telecoms operators, the Group succeeded in growing its Mobile VAS business and extending its services to the two largest mobile operators in China. Meanwhile, the Group is also vigorously promoting its international Mobile VAS services in the Southeast Asian market. In this connection, contracts had been signed with mobile telecoms operators in Vietnam, the Philippines and Malaysia for the provision of Mobile VAS services. Revenue from the Group’s Mobile VAS services amounted to HK\$59.4 million, representing a substantial increase of 92.2% as compared with the previous year.

### **New Development Momentum Generated Through the Acquisition of CPCNet**

With the support of CITIC Pacific, the parent company, the Group had completed the acquisition of CPCNet from the parent company towards the end of 2007, after which CPCNet became a wholly-owned subsidiary of the Group. With its in-depth technological expertise in internet virtual private network, internet access services and network solutions, CPCNet presented a new frontier for the Group’s business development as well as improved capabilities in data services and network solutions. With sound profitability and prospects, CPCNet is set to make significant contributions to the Group’s profit growth. In 2007, net profit of CPCNet amounted to HK\$26.8 million.

### **Improved Corporate Governance Structure with a Sound System for Business Operations**

Subsequent to its listing, the Group strengthened the decision-making and supervisory functions of the Board of Directors and fully leveraged the office of independent non-executive directors in

corporate governance. A system for management's business objectives was established and a new performance appraisal mechanism was adopted. In addition, the Risk Management Committee and Capital Expenditure Assessment Committee of the Group continued to play effective roles in internal audit and supervision, which further improved our corporate governance standards. Based on characteristics of our various businesses, the Group further improved its operational procedures and formulated specific regulations for internal controls in various business functions. With continuous improvement in the corporate governance regime, the Group was able to further strengthen its internal controls to assure stronger risk aversion abilities.

## **2. Prospects for the Year 2008**

In 2008, the Group will focus on the integration of businesses, optimization of resources and enhancement of the customer services centres. At the same time, the Group will implement stated marketing strategies, increase overall business promotion to strengthen ties with customers, continue internal revamp efforts on technological innovations and cost reductions, and enhance competitiveness in areas such as international telecoms hubbing services, internet virtual private network services and internet access services.

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

For our voice hubbing services, the Group will strive to continue the provision of quality services to China and overseas telecoms operators and maintain steady growth in this sector. As a traditional form of telecommunications services, voice hubbing operations are experiencing enormous pressure in terms of development pace and pricing. However, in emerging markets such as Southeast Asia, Middle East and Africa, voice hubbing is still a growth business enjoying rapid development. In view of this, the Group intends to explore these emerging markets in a pro-active and orderly manner to establish a firm foothold for business development, thereby maintaining steady growth in its voice hubbing services.

The Group will continue to strengthen business ties with strategic partners, conduct investigations on mergers and acquisitions, identify new investment opportunities in a timely manner and select right targets for acquisition. We shall enlarge our market share by expanding our network and coverage through acquisition, in order to maintain our leading position in the market of voice

hubbing services.

### **To Sustain Rapid Growth in SMS Hubbing Services**

Given enormous growth opportunities in the market for SMS hubbing services, the Group aims to further enhance businesses ties with mobile telecoms operators in the PRC and Hong Kong and overseas mobile operators by providing the best services to these mobile operators. We will also strive to extend the reach of our SMS hubbing services to cover mature markets such as Europe and North America as well as emerging markets such as Southeast Asia and Middle East, in order to maintain rapid growth in SMS hubbing services and increase the contribution from SMS hubbing services to our total revenue. This will result in a more rationalized income mix for the Group that would cope better with market risks.

### **To Drive for Expansion and Market Dominance of Our Mobile VAS Business**

For our mobile VAS business, the Group will continue to develop new services while promoting existing packages to a more diverse customer base of mobile operators. Our mobile VAS business will be expanded to cover more international mobile telecoms operators and other new business operators, especially mobile operators in the Asia-Pacific region. The Group will continue to develop and offer more valuable, marketable and innovative mobile VAS.

### **To Leverage on Group Synergies**

Following the inclusion of CPCNet as a wholly-owned subsidiary of the Group, the competitiveness of the Group in data businesses, such as internet virtual private network business and internet access services, has been enhanced. Capitalising on CPCNet's technological advantages in virtual private networks and its operating network and experience in the PRC, synergies will be created between CPCNet and the original businesses of the Group in terms of marketing, customer services, capacity expansion for data centres, international private lease lines and data services, thereby providing new momentum for further enhancement of the Group's profitability.

In 2008, the Group will be greeted with new business opportunities presented by the Beijing Olympic Games, the restructuring of the PRC telecommunication sector and the issuance of 3G licences. I am confident that, with the concerted efforts of our staff, our business will continue to

grow at a rapid pace, and our operational efficiency will be further enhanced in 2008.

In January, Mr. Xin Yue Jiang joined the Group as Vice Chairman of the Board. Mr. Xin brings with him extensive experience and expertise in corporate management and is set to give further boost to the Board in the discharge of its duties. On behalf of the Board, I would like to extend my warm welcome to Mr. Xin in joining the Group as Vice Chairman of the Board.

It gives me great pleasure that the Group can count on a trustworthy management team and a group of high-calibre staff with utmost dedication in growing the business of the Group. On behalf of the Board, I would like to express gratitude to the management and the staff for their efforts in the past year.

**Shi Cuiming**

*Chairman*

Hong Kong, 11 March 2008

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	<i>Note</i>	2007 HK\$'000	2006 HK\$'000
<b>Turnover</b>	3	1,486,071	1,364,209
Other revenue	4	62,418	2,146
Other net gain/(loss)	5	<u>56</u>	<u>(211)</u>
		1,548,545	1,366,144
Network, operations and support expenses		(988,333)	(944,860)
Depreciation and amortisation		(78,823)	(72,449)
Staff costs		(103,327)	(67,380)
Other operating expenses		<u>(71,685)</u>	<u>(61,552)</u>
<b>Profit from operations and before taxation</b>	6	306,377	219,903
Income tax	7	<u>(43,678)</u>	<u>(38,095)</u>
<b>Profit for the year from continuing operations</b>		262,699	181,808
<b>Discontinued operations</b>			
Profit for the year from discontinued operations		<u>-</u>	<u>19,710</u>
<b>Profit for the year</b>		<u>262,699</u>	<u>201,518</u>
<b>Attributable to:</b>		=====	=====
Equity holders of the Company		262,699	201,518
		=====	=====
<b>Dividends payable to equity holders of the Company attributable to the year:</b>	8		
Interim dividend declared during the year		18,800	495,000
Final dividend proposed after the balance sheet date		<u>61,310</u>	<u>-</u>
		80,110	495,000
		=====	=====

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

	<i>Note</i>	<i>2007</i>	<i>2006</i>
<b>Basic and diluted earnings per share</b>	<b>9</b>		
From continuing and discontinued operations (HK cents)		14.3 =====	11.9 =====
From continuing operations (HK cents)		14.3 =====	10.7 =====
From discontinued operations (HK cents)		- =====	1.2 =====



**CONSOLIDATED BALANCE SHEET  
AT 31 DECEMBER 2007**

	<i>Note</i>	<i>2007</i> HK\$'000	<i>2006</i> HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		326,489	278,073
Intangible assets		28,717	-
Goodwill		9,455	-
Non-current other receivables	10	34,772	37,891
Deferred tax assets		<u>42,096</u>	<u>7,478</u>
		441,529	323,442
		-----	-----
<b>Current assets</b>			
Trade and other receivables	10	594,243	459,701
Current tax recoverable		1,043	277
Cash and cash equivalents		<u>780,621</u>	<u>43,432</u>
		1,375,907	503,410
		-----	-----
<b>Current liabilities</b>			
Trade and other payables	11	472,416	375,298
Current tax payable		<u>22,045</u>	<u>41,187</u>
		494,461	416,485
		-----	-----
<b>Net current assets</b>		<u>881,446</u>	<u>86,925</u>
		-----	-----
<b>Total assets less current liabilities</b>		<u>1,322,975</u>	<u>410,367</u>
		-----	-----

**CONSOLIDATED BALANCE SHEET  
AT 31 DECEMBER 2007 (CONTINUED)**

	<i>Note</i>	2007 HK\$'000	2006 HK\$'000
<b>Non-current liabilities</b>			
Deferred tax liabilities		<u>35,125</u>	<u>37,450</u>
		<u>35,125</u>	<u>37,450</u>
		-----	-----
<b>NET ASSETS</b>		<u>1,287,850</u>	<u>372,917</u>
		=====	=====
<b>CAPITAL AND RESERVES</b>			
Share capital		197,807	1
Reserves		<u>1,090,043</u>	<u>372,916</u>
<b>Total equity attributable to equity holders of the Company</b>		<u>1,287,850</u>	<u>372,917</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 2006 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 2007.

The adoption of such standards or amendments does not result in substantial changes to the Group's accounting policies and has no significant effect on the results reported for the year ended 31 December 2007.

The Group has not early adopted the amendments, new standards and interpretations issued by Hong Kong Institute of Certified Public Accountants that are not yet effective for the year ended 31 December 2007, 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 only one geographical location classified by the location of assets, i.e. Hong Kong, and accordingly, no segmental analysis is provided.

### 3 Turnover

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

Turnover recognised during the year may be analysed as follows:

	2007 HK\$'000	2006 HK\$'000
<b><i>Continuing operations:</i></b>		
Fees from the provision of voice hubbing services	1,162,444	1,141,656
Fees from the provision of short message services	186,820	117,092
Fees from the provision of other telecommunications services	<u>136,807</u>	<u>105,461</u>
	1,486,071	1,364,209
<b><i>Discontinued operations:</i></b>		
Gross rental income from discontinued operations	<u>-</u>	<u>2,845</u>
	1,486,071	1,367,054
	=====	=====

Direct outgoings in relation to the gross rental income from investment property for 2006 were \$436,000.

### 4 Other revenue

	2007 HK\$'000	2006 HK\$'000
<b><i>Continuing operations:</i></b>		
Bank interest income	61,860	1,309
Other interest income	<u>558</u>	<u>837</u>
	62,418	2,146
<b><i>Discontinued operations:</i></b>		
Interest income	<u>-</u>	<u>17</u>
<b><i>Total interest income on financial assets not at fair value through profit or loss</i></b>	<u>62,418</u>	<u>2,163</u>
	=====	=====

## 5 Other net gain/(loss)

	2007 HK\$'000	2006 HK\$'000
<i>Continuing operations:</i>		
Net loss on disposal of other property, plant and equipment	(6)	(37)
Net foreign exchange gain/(loss)	<u>62</u>	<u>(174)</u>
	56	(211)
<i>Discontinued operations:</i>		
Surplus on revaluation of investment property	<u>-</u>	<u>23,000</u>
	56	22,789
	=====	=====

## 6 Profit before taxation

Profit before taxation is arrived at after charging:

	2007 HK\$'000	2006 HK\$'000
<b>(a) Finance costs:</b>		
<i>Discontinued operations:</i>		
Interest on loan from ultimate holding company	<u>-</u>	<u>5,499</u>
Total interest expense on financial liabilities not at fair value through profit or loss	-	5,499
	=====	=====
<b>(b) Other items:</b>		
<i>Continuing operations:</i>		
Network, operations and support expenses, including:	988,333	944,860
- carrier costs	919,936	864,653
- operating leases - international leased circuits	52,787	46,130
- other telecommunications service costs	15,610	34,077
Impairment losses on trade and other receivables	596	3,879
Depreciation	78,353	72,449
Amortisation	470	-
	=====	=====

## 7 Income tax

Income tax in the consolidated income statement represents:

### *Continuing operations:*

	2007 HK\$'000	2006 HK\$'000
<b>Current tax - Hong Kong Profits Tax</b>		
Provision for the year	42,763	39,807
Under-provision in respect of prior years	<u>13</u>	<u>-</u>
	42,776	39,807
	-----	-----
<b>Current tax - Overseas</b>		
Provision for the year	<u>1,525</u>	<u>1,765</u>
	1,525	1,765
	-----	-----
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>(623)</u>	<u>(3,477)</u>
	43,678	38,095
	=====	=====

The provision for Hong Kong Profits Tax for 2007 is calculated at 17.5% (2006: 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.

### *Discontinued operations:*

No provision for Hong Kong Profits Tax was made for the discontinued operations in 2006 as the companies comprising the discontinued operations either have no assessable profit or have unrelieved tax losses carried forward which are not likely to be crystallised in the future.

## 8 Dividends

Dividends attributable to the year

	2007 HK\$'000	2006 HK\$'000
Interim dividend declared and paid of 1 cent per share (2006: \$495,000 per share)	18,800	495,000
Final dividend proposed after the balance sheet date of 3.1 cents per share (2006: nil)	<u>61,310</u>	<u>-</u>
	80,110	495,000
	=====	=====

## 9 Earnings per share

### (a) Basic earnings per share

#### (i) From continuing and discontinued operations

The basic earnings per share from continuing and discontinued operations for the year ended 31 December 2007 is calculated based on the profit attributable to the equity holders of the Company of HK\$262,699,000 (2006: HK\$201,518,000) and the weighted average number of shares in issue during the year ended 31 December 2007 of 1,836,644,000 shares (2006: 1,692,000,000 shares), calculated as follows:

*Weighted average number of ordinary shares*

	<i>Number of shares</i>	
	2007 '000	2006 '000
Issued ordinary shares at 1 January #	1,692,000	1,692,000
Effect of shares issued pursuant to the placing and public offering	140,614	-
Effect of shares issued for acquisition of subsidiaries	<u>4,030</u>	<u>-</u>
Weighted average number of ordinary shares at 31 December	1,836,644	1,692,000
	=====	=====

# Issued share capital at 1 January 2006 and 2007 represented shares of the Company in issue after the reorganisation, as if the shares had been outstanding since 1 January 2006.

#### (ii) From continuing operations

The basic earnings per share from continuing operations for the year ended 31 December 2007 is calculated based on the profit for the year from continuing operations of HK\$262,699,000 (2006: HK\$181,808,000) and the weighted average number of shares in issue during the year ended 31 December 2007 of 1,836,644,000 shares (2006: 1,692,000,000 shares) as if the shares in issue after the reorganisation had been outstanding since 1 January 2006.

## 9 Earnings per share (continued)

### (iii) From discontinued operations

The basic earnings per share from discontinued operations for the year ended 31 December 2007 is calculated based on the profit for the year from discontinued operations of HK\$nil (2006: HK\$19,710,000) and the weighted average number of shares in issue during the year ended 31 December 2007 of 1,836,644,000 shares (2006:1,692,000,000 shares), as if the shares in issue after the reorganisation had been outstanding since 1 January 2006.

### (b) Diluted earnings per share

The diluted earnings per share for the year ended 31 December 2007 is the same as the basic earnings per share as the potential ordinary shares outstanding during the year ended 31 December 2007 were anti-dilutive. There were no dilutive potential ordinary shares during the year ended 31 December 2006 presented and, therefore, diluted earnings per share are not presented for the year ended 31 December 2006.

## 10 Trade and other receivables

	2007 HK\$'000	2006 HK\$'000
Trade debtors	546,681	429,946
Less: allowance for doubtful debts	<u>(6,178)</u>	<u>(6,312)</u>
	540,503	423,634
Other receivables	<u>88,512</u>	<u>73,958</u>
	629,015	497,592
	=====	=====
Represented by:		
Non-current portion	34,772	37,891
Current portion	<u>594,243</u>	<u>459,701</u>
	629,015	497,592
	=====	=====



## 10 Trade and other receivables (continued)

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.

	2007 HK\$'000	2006 HK\$'000
Within 1 year	520,325	411,488
Over 1 year	<u>20,178</u>	<u>12,146</u>
	540,503	423,634
	=====	=====

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.

## 11 Trade and other payables

	2007 HK\$'000	2006 HK\$'000
Trade creditors	396,261	329,739
Other payables and accruals	74,555	43,322
Amount due to ultimate holding company	<u>1,600</u>	<u>2,237</u>
	472,416	375,298
	=====	=====

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

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

	2007 HK\$'000	2006 HK\$'000
Within 1 year	349,021	279,451
Over 1 year	<u>47,240</u>	<u>50,288</u>
	396,261	329,739
	=====	=====

## **FINANCIAL REVIEW AND ANALYSIS**

### **REVIEW OF OVERALL PERFORMANCE**

#### **Turnover**

The Group's turnover for 2007 was HK\$1,486.1 million, an increase of 8.9%, as compared to HK\$1,364.2 million achieved in 2006.

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

Profit attributable to equity holders of the Company for the year ended 31 December 2007 was HK\$262.7 million, an increase of 30.4% compared with HK\$201.5 million in 2006.

#### **Acquisition of Silver Linkage Investments Inc. and its subsidiaries (“Silver Linkage Group”)**

On 17 December 2007, the Company acquired the entire share capital and shareholders' loan of Silver Linkage Group from Smooth Tone Enterprises Inc., an indirect wholly owned subsidiary of the Company's controlling shareholder, CITIC Pacific Limited. Silver Linkage is the holding company of CPCNet Hong Kong Limited, a communications and network solution provider mainly offering corporate data services and network security solutions such as Multi-Protocol Label Switching Virtual Private Network (MPLS VPN) for multinational corporations and business enterprises requiring seamless connection to Greater China and Asia. The purchase consideration was satisfied by the issuance of 98,066,283 new ordinary shares of the Company.

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

As at 31 December 2007, the Group had cash and cash equivalents of HK\$780.6 million, as compared with 31 December 2006 of amount HK\$43.4 million, there was an increase of HK\$737.2 million. The increase was mainly due to the Group's net proceeds of HK\$461.0 million from the initial public offer in April 2007, and Group's net cash generated from operating activities of HK\$262.1 million in 2007.

#### **Borrowings**

As at 31 December 2007, the Group had no outstanding borrowings.

#### **Banking facilities**

As at 31 December 2007, the Group had banking facilities amounting to US\$3.85 million and HK\$100.0 million (equivalent to a total of HK\$130.0 million). Of the total banking facilities, US\$0.1 million (equivalent to HK\$0.8 million) was utilised as guarantees for the Group's purchase from telecoms operators.

#### **Securities and guarantees**

As at 31 December 2007, the Group had not made any pledge of or created any securities over its assets and had not provided any corporate guarantee.

#### **Contingent liabilities**

As at 31 December 2007, the Group did not have any contingent liabilities.

**Capital commitments**

As at 31 December 2007, the Group had outstanding capital commitments of HK\$17.1 million, mainly for the acquisition of network equipment which had yet to be delivered to the Group of which HK\$7.9 million were outstanding contractual capital commitments and HK\$9.2 million were capital commitments authorised but for which contracts had yet to be entered into.

**Exchange rate risk**

Currently, 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. The Group is not exposed nor anticipates itself to be 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 trade receivables due from the Group's 5 largest customers and customers from China, with the 5 largest customers accounting for approximately 46% and 49% of the Group total trade receivables as at 31 December 2007 and 31 December 2006 respectively. The credit risk exposure to the 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 on bad and doubtful debts have been within management's expectations.

## **HUMAN RESOURCES**

As at the end of December 2007, the Group employed 341 staff (2006 : 173) in its headquarters in Hong Kong and its principal subsidiaries. The increase of number of employees in this year are mainly from the acquired company, Silver Linkage (Silver Linkage is the holding company of CPCNet Hong Kong 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 and the mainland China, the Group continues to strengthen business integration, knowledge sharing and skill transfer between staff in the two 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, cancelled or lapsed during the year.

## **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 2007 Annual Report.

During the period from 3 April 2007 (on which the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) to 31 December 2007, 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. The Audit Committee of the Board, consisting of three independent non-executive directors, has reviewed the 2007 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 3.1 cents per share, which together with the interim dividend of 1 cent per share already paid makes a total dividend of 4.1 cents per share for the year ended 31 December 2007. The total dividend of 4.1 cents per share will amount to HK\$80,109,670 of the Company's profit for the year ended 31 December 2007.

The proposed final dividend of 3.1 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 Monday, 5 May 2008, is to be payable on Thursday, 8 May 2008 to shareholders whose names appear on the Register of Members of the Company on 5 May 2008.

The Register of Members of the Company will be closed from Monday, 28 April 2008 to Monday, 5 May 2008, 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 Friday, 25 April 2008.

## **SHARE CAPITAL**

During the year ended 31 December 2007, the Company has not made any repurchases of its own shares on the Stock Exchange.

Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's shares during the period from 3 April 2007 to 31 December 2007 and the Company has not redeemed any of its shares during the aforesaid period.

## **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**

The 2007 Annual Report will be made available on the website of the Company and the Stock Exchange around 26 March 2008.

By Order of the Board  
**Shi Cuiming** *Chairman*  
Hong Kong, 11 March 2008

*The Directors of the Company as at the date of this announcement are: Executive Directors: Shi Cuiming (Chairman), Xin Yue Jiang, Yuen Kee Tong and Chan Tin Wai, David; Non-Executive Directors: Lee Chung Hing and Kwok Man Leung; and Independent Non-Executive Directors: Yang Xianzu, Liu Li Qing and Kwong Che Keung, Gordon.*