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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: 1883)

ANNOUNCEMENT

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF SILVER LINKAGE**

FINANCIAL ADVISER



The Directors are pleased to announce that on 12 November, 2007 the Company entered into the Acquisition Agreement with Smooth Tone, a wholly owned subsidiary of the Company's controlling shareholder, CITIC Pacific, pursuant to which the Company conditionally agrees to acquire the entire issued share capital of Silver Linkage, an indirect wholly owned subsidiary of CITIC Pacific, from Smooth Tone. Silver Linkage is the holding company of CPCNet.

As at the Announcement Date, as Smooth Tone is an indirect wholly owned subsidiary of CITIC Pacific, the controlling shareholder of the Company, it is a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under the Listing Rules and based on the relevant percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules, the Acquisition also constitutes a discloseable transaction of the Company and is subject to the notification and publication requirements under Rule 14.06(2) of the Listing Rules. As the Acquisition constitutes a connected transaction for the Company, it is also subject to the approval of the Independent Shareholders.

An Independent Board Committee comprising independent non-executive Directors has been formed to advise the Independent Shareholders and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition.

A circular containing, among other things, (1) further information on the Acquisition; (2) the recommendation of the Independent Board Committee to the Independent Shareholders; (3) the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (4) a notice of the EGM will be despatched to the Shareholders as soon as practicable.

As completion of the Acquisition is subject to the fulfilment of a number of conditions precedent, the Acquisition may or may not proceed, Shareholders and potential investors should exercise caution when dealing in Shares of the Company.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 12 November 2007 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 13 November 2007.

BACKGROUND

The Directors are pleased to announce that on 12 November, 2007 the Company entered into the Acquisition Agreement with Smooth Tone, an indirect wholly owned subsidiary of the Company's controlling shareholder, CITIC Pacific, pursuant to which the Company conditionally agrees to acquire the entire issued share capital of Silver Linkage, a wholly owned subsidiary of CITIC Pacific, from Smooth Tone.

THE ACQUISITION AGREEMENT DATED 12 NOVEMBER 2007

Parties

- (1) Smooth Tone as seller; and
- (2) The Company as purchaser.

Assets to be acquired

- (1) The Sale Share, representing the entire issued share capital of Silver Linkage as at the Announcement Date; and
- (2) the Shareholders' Loans.

Consideration for the Acquisition and the basis for its determination

The Consideration shall be HK\$253,011,010, represents an estimated CITIC Pacific's carrying costs of Silver Linkage as at the end of October 2007, and shall be satisfied at Completion by allotment and issue of Consideration Shares to Smooth Tone or such person(s) as it may direct.

The Consideration was determined based on arm's length negotiations taking into account the amount of the Shareholders' Loans, the historical financial performance of Silver Linkage, financial and business conditions of Silver Linkage, and the revenue growth of Silver Linkage. The Consideration represents a price-to-earnings trading multiples of 11.9 times the audited net

profit of fiscal year 2006 of Silver Linkage and a price-to-earnings trading multiples of 9.7 times based on the Net Profit Forecast of Silver Linkage for the fiscal year 2007 in the amount of HK\$26 million. The Net Profit Forecast is prepared according to the unaudited consolidated net profit for 6 months ended 30 June 2007 and the forecast for remaining six months ending 31 December 2007 based on Silver Linkage's historical financial trend and management estimation considering the future development plans projected by the management of Silver Linkage. Below is the basis of the key items:

Turnover – the turnover for the forecast period is based on the management expectation on the changes in market demand and prevailing market prices during the forecast period.

Cost of goods sold – assume no significant change in the cost structure is expected for the six months ending 31 December 2007.

Operating expenses – the total operating expenses, including direct operation expenses, sales & marketing expenses, and other operating expenses, are expected to increase compared to the first half of fiscal year 2007 due to the larger scale of the business

Conditions

Completion of the sale and purchase of the Sale Share is conditional upon the following conditions being satisfied:

- (1) the Company having completed all financial, legal, tax and operational due diligence to its satisfaction with respect to the Silver Linkage Group;
- (2) other than the Shareholders' Loans, each member of the Silver Linkage Group and their respective businesses being free of all intergroup shareholders loans to or debts from any member of CITIC Pacific Group;
- (3) the passing of the resolutions by the Independent Shareholders at the extraordinary general meeting of the Company approving the transactions contemplated under the Acquisition Agreement; and
- (4) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, all the Consideration Shares.

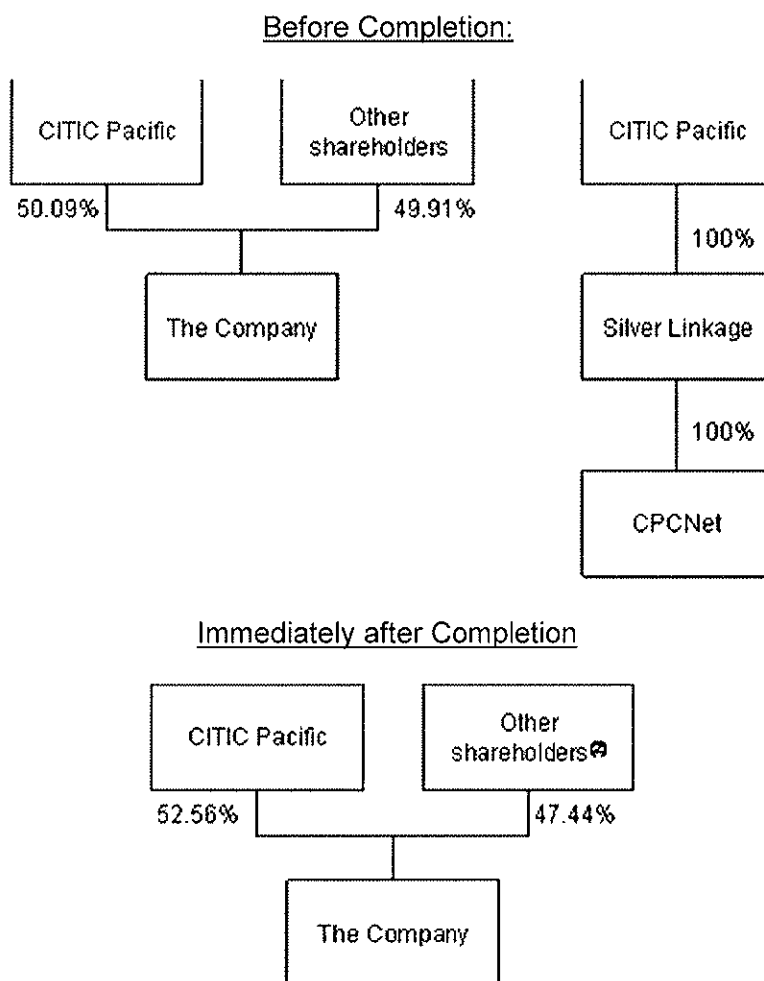
Each of Smooth Tone and the Company will use their respective reasonable endeavours (so far as it lies within its powers) to procure the satisfaction of all the conditions as soon as reasonably practicable and in any event before 31 December 2007. If the conditions (which have not previously been waived by the Company) have not been satisfied on or before 5:00 p.m. on 31 December 2007 (or such later date as the parties may agree in writing), then the Acquisition Agreement will immediately terminate in which event all rights and obligations of the parties will cease immediately upon termination except that:

- (1) termination will not affect the then accrued rights and obligations of the parties (including the right to damages for the breach, if any, giving rise to the termination and any other pre-termination breach by either party); and
- (2) termination will be without prejudice to the continued application of certain general clauses of the Acquisition Agreement (and all provisions relevant to the interpretation and enforcement thereof), which will remain in full force and effect.

Completion

Completion shall take place not later than two business days after the fulfilment (or waiver in writing by the Company) of the last conditions referred to above or such other date as the parties to the Acquisition Agreement shall agree in writing.

Upon Completion, CITIC Pacific's shareholding of the Company will increase from 50.09% to 52.56% of the enlarged capital of the Company. Silver Linkage will also become a direct wholly-owned subsidiary of the Company. The following corporate charts illustrate the respective shareholdings of the Company before and immediately after Completion:



Note (1): Silver Linkage will become a wholly owned subsidiary of the Company upon Completion.

Note (2): The above 47.44% represents over 25% public float.

CONSIDERATION SHARES

The number of Consideration Shares to be issued by the Company will be based on HK\$2.58 per Share, which represents:

- (i) a discount of approximately 5.4% over the closing price of HK\$2.72 per Share as quoted on the Stock Exchange on the last trading day of the Shares before the Announcement Date;

- (ii) a discount of approximately 0.3% over the average closing price of approximately HK\$2.59 per Share as quoted on the Stock Exchange for the last 5 trading days of the Shares up to the day before the Announcement Date; and
- (iii) a premium of approximately 0.2% over the average closing price of approximately HK\$2.58 per Share as quoted on the Stock Exchange for the last 10 trading days of the Shares up to the day before the Announcement Date.

The Consideration Shares comprising 98,066,283 Shares represent approximately 5.22% of the existing issued share capital of the Company and approximately 4.96% of the issued share capital of the Company as enlarged by the issue of Consideration Shares. The Directors will use the general mandate granted by its Shareholders before the Company's initial public offering dated 3 April 2007 for the issue and allotment of the Consideration Shares to the seller.

LISTING APPLICATION

An application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares which upon allotment, will rank *pari passu* with the existing Shares.

INFORMATION ON THE GROUP

The Group is one of the leading telecommunications hubs principally engaged in providing interoperable connections between customers (mainly telecoms operators) including voice hubbing services, SMS hubbing services, mobile value added services and enterprise solutions. The Group has established worldwide connectivity with around 260 operators in approximately 50 countries and regions globally carrying voice, mobile signaling, SMS, data and Internet protocol traffic.

INFORMATION ON SILVER LINKAGE

Silver Linkage is a wholly owned subsidiary of Smooth Tone and a company incorporated in British Virgin Islands with limited liability. Silver Linkage is the holding company of CPCNet, 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. CPCNet also deploys a network of Points of Presence (POPs) covering Greater China, Singapore and Japan serving over 800 major customers including companies from the Fortune 500 and other leading enterprises. CITIC Pacific acquired CPCNet in 2001 through Silver Linkage and the original acquisition consideration of CPCNet was approximately HK\$148 million. Since then CITIC Pacific and its wholly owned subsidiary CITIC Pacific Communications Limited, has continued to provide funding to Silver Linkage in the form of Shareholder's Loan for business expansion. As of the date of the Acquisition Agreement, the current Shareholder's Loan is approximately HK\$253 million.

HISTORICAL FINANCIAL INFORMATION ON SILVER LINKAGE

Based on the unaudited consolidated management accounts of Silver Linkage for the six months ended 30 June 2007 which has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, the consolidated net asset value was in a negative amount of approximately HK\$27.5 million. A summary of the audited results for the two years ended 31 December 2006 of Silver Linkage prepared in accordance with all applicable Hong Kong Financial Reporting Standards is set out below:

	Year ended 31 December 2005 HK\$ '000	Year ended 31 December 2006 HK\$ '000
Revenue	155,390	231,729
Net profit/(loss) before taxation	3,261	26,499
Net profit/(loss) after taxation	1,027	21,350

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in providing interoperable connections between customers (mainly telecoms operators) including voice hubbing services, SMS hubbing services, mobile value added services and enterprise solutions. After the Listing of the Group, the Directors have been continuously reviewing the strategic development of the Group. As a result, the Group has been actively exploring new investment opportunities with profitable prospects including potential expansion into new telecommunication related businesses. In view of the business and financial performance of Silver Linkage, the Directors believe that the Acquisition will enhance the value of the Group due to the following reasons:

- (1) The Acquisition is based on an attractive valuation of Silver Linkage and the Acquisition will bring about a positive impact on the Group's earnings per share;
- (2) There are areas of potential synergy such as cost saving arising from sharing of network resources and manpower resources, cross selling opportunities with a larger corporate and carrier customer base, and opportunities to develop new services;
- (3) The growth prospects of Silver Linkage as demonstrated by its results for the previous two fiscal years, and the Net Profit Forecast for this fiscal year, will potentially enhance the Group's profitability; and
- (4) The presence of Silver Linkage's operating company CPCNet in Asia, particularly in the Greater China region can be leveraged as a platform to attract potential business partners to further explore business opportunities.

Upon Completion of the Acquisition, the Directors will continue to explore new investment opportunities with the objective to further enhance the value of the Group. As at 31 October 2007, the Group's cash balance is approximately HK\$735 million.

In view of the above potential benefits and synergies, the Directors (other than the independent non-executive Directors whose views will be set out in the circular to be despatched to the Shareholders together with the advice of the independent financial adviser to be appointed) consider that the terms and conditions of the Acquisition are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

CONNECTED AND DISCLOSEABLE TRANSACTION

As at the Announcement Date, as Smooth Tone is an indirect wholly owned subsidiary of CITIC Pacific, the controlling shareholder of the Company, it is a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the

Company under the Listing Rules and based on the relevant percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules, the Acquisition also constitutes a discloseable transaction of the Company and is subject to the notification and publication requirements under Rule 14.06(2) of the Listing Rules. As the Acquisition constitutes a connected transaction for the Company, it is also subject to the approval of the Independent Shareholders.

GENERAL

In view of the foregoing, the Company will convene an EGM to seek the approval of the Independent Shareholders on the Acquisition.

An Independent Board Committee comprising independent non-executive Directors has been formed to advise the Independent Shareholders and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition.

In view of CITIC Pacific's interests in Silver Linkage, CITIC Pacific and its associates will abstain from voting at the EGM and the votes of the Independent Shareholders will be taken by poll.

A circular containing, among other things, (1) further information on the Acquisition and the Acquisition Agreement; (2) the recommendation of the Independent Board Committee to the Independent Shareholders; (3) the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (4) a notice of the EGM will be despatched to the Shareholders as soon as practicable.

As completion of the Acquisition is subject to the fulfilment of a number of conditions precedent, the Acquisition may or may not proceed, Shareholders and potential investors should exercise caution when dealing in Shares of the Company.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

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DEFINITIONS

"Acquisition"	the acquisition of the entire share capital of Silver Linkage from Smooth Tone by the Company and the assignment of the Shareholders' Loans from CITIC Pacific and CITIC Pacific Communications Limited to the Company in accordance with the Acquisition Agreement
"Acquisition Agreement"	the conditional sale and purchase agreement dated 12 November 2007 entered into between Smooth Tone (as seller) and the Company (as purchaser) in respect of the Acquisition
"Announcement Date"	12 November 2007
"associate(s)", "connected person", "subsidiary"	each has the meaning ascribed to it under the Listing Rules

“Board”	board of Directors
“CITIC Pacific”	CITIC Pacific Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange
“CITIC Pacific Group”	CITIC Pacific Limited and its subsidiaries
“Company”	CITIC 1616 Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are primarily listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the Acquisition Agreement
“Consideration”	the aggregate consideration to be paid by the Company to Smooth Tone for the Sale Share and the Shareholders’ Loans under the Acquisition Agreement
“Consideration Shares”	98,066,283 new Shares to be allotted and issued to Smooth Tone as the Consideration and which upon allotment, shall rank pari passu in all respects among themselves and with the then existing Shares in issue
“CPCNet”	CPCNet Hong Kong Limited, a wholly owned subsidiary of Silver Linkage and a company incorporated in Hong Kong with limited liability, which is mainly engaged in providing communications and network solutions
“Directors”	the directors of the Company
“EGM”	extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Acquisition and the connected transaction contemplated under the Acquisition Agreement by the Independent Shareholders
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Board established for the purpose of advising the Independent Shareholders on the Acquisition and the connected transaction contemplated under the Acquisition Agreement, the members of which include all independent non-executive Directors, namely Yang Xianzu, Liu Li Qing and Kwong Che Keung, Gordon
“Independent Shareholders”	shareholders of the Company, other than CITIC Pacific and its associates and any connected persons who have material interests in the Acquisition and all other transactions contemplated under the Acquisition Agreement

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Listing”	the initial public offering of the Company
“Net Profit Forecast”	the forecasted consolidated net profit after taxation prepared according to the unaudited consolidated net profit for 6 months ended 30 June 2007 and the forecast for remaining six months ending 31 December 2007 based on Silver Linkage’s historical financial trend and management estimation considering the future development plans projected by the management of Silver Linkage.
“Sale Share”	one share of nominal value USD1.00 in the issued share capital of Silver Linkage, representing the entire share capital of Silver Linkage as at the Announcement Date
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholders”	holders of the Shares
“Shareholders’ Loans”	(i) the total amount owing from CPCNet to CITIC Pacific Communications Limited, a wholly owned subsidiary of CITIC Pacific, as at Completion, currently in the amount of HK\$124,861,710 as at the date of the Acquisition Agreement; and (ii) the total amount owing from the Silver Linkage to CITIC Pacific as at Completion, currently in the amount of HK\$128,149,299 as at the date of the Acquisition Agreement
“Silver Linkage”	Silver Linkage Investments Inc., a company incorporated in the British Virgin Islands and a wholly owned subsidiary of Smooth Tone
“Silver Linkage Group”	Silver Linkage and its subsidiaries
“Smooth Tone”	Smooth Tone Enterprises Inc., a company incorporated in the British Virgin Islands with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
CITIC 1616 Holdings Limited
Shi Cuiming
Chairman

Hong Kong, 12 November 2007

The Directors of the Company as at the date of this announcement are: Executive Directors: Shi Cuiming (Chairman), Yuen Kee Tong, Li Bin 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.