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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)

MAJOR TRANSACTION

ACQUISITION OF CHINAMOTION NETCOM LIMITED

The Directors are pleased to announce that, on 29 August 2008, the Company entered into the Sale and Purchase Agreement with CMN Holdings (a wholly-owned subsidiary of CMT) and CMT, whereby the Company agreed to acquire from CMN Holdings their entire interest in CMN and the Net Payables for an aggregate cash consideration of HK\$260 million (subject to adjustment).

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.

The Acquisition constitutes a major transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

As at the date of this announcement, Ease Action Investments Corp. and Richtone Enterprises Inc., each being a wholly owned subsidiary of CITIC Pacific, hold 941,692,000 Shares and 98,066,283 Shares respectively. Together, they hold approximately 53% of the entire issued share capital of the Company. Since none of the Shareholders is required to abstain from voting on the Acquisition, written approval of Ease Action Investments Corp. and Richtone Enterprises Inc. has been obtained for the purpose of approving the Acquisition in lieu of an approval from the Shareholders at a shareholders' meeting pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, information on the Acquisition, will be despatched to the Shareholders as soon as practicable.

THE SALE AND PURCHASE AGREEMENT

Date: 29 August 2008

Parties:

- (1) Vendor: CMN Holdings (a wholly-owned subsidiary of CMT)
- (2) Purchaser: the Company
- (3) Guarantor: CMT

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, CMN Holdings, CMT and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject

100% of the entire issued share capital of CMN and the Net Payables.

The Net Payables represent the total amount of all the indebtedness (whether or not then due or payable) owed by members of the CMN Group to members of the CMT Group as at Completion netting those (whether or not then due or payable) owed by members of the CMT Group to members of the CMN Group as at Completion. According to the unaudited management accounts of the CMN Group as at 31 March 2008, the amount of Net Payables was approximately HK\$46.5 million.

Consideration

The Consideration is HK\$260 million (subject to adjustment), was determined after arm's length negotiation with reference to approximately 10 times of the unaudited profit after tax but excluding management fee of CMN for the year ended 31 March 2008.

The Consideration shall be paid as follows:

- (1) upon the signing of the Sale and Purchase Agreement, the Deposit (being HK\$26 million);
- (2) upon Completion, the balance of the Consideration (i.e. the portion other than the Deposit and the Deferred Consideration); and
- (3) upon the Deferred Transfer, the Deferred Consideration.

The Consideration of HK\$260 million shall be adjusted as set out below provided that such adjustment amount shall exceed HK\$100,000 (in which case the entire amount but not the excess shall be adjusted):

- (i) if the Completion Ex-Cash Net Current Assets is less than zero, then the Consideration shall be adjusted by deducting therefrom an amount of such shortfall;
- (ii) if the cash and bank balances of the CMN Group as at Completion are less than HK\$1,000,000, then the Consideration shall be adjusted by deducting therefrom an amount of such shortfall; and
- (iii) if the cash and bank balances of the CMN Group as at Completion are more than HK\$1,000,000, then the Consideration shall be adjusted by adding the excess amount thereto.

According to the unaudited management accounts of the CMN Group as at 30 June 2008, the net current assets of the CMN Group (excluding the amount due from or to the CMT Group and cash and cash balances) amounted to approximately HK\$36.1 million and the cash and bank balances of the CMN Group was approximately HK\$11.3 million.

The Consideration shall all be funded by the internal resources of the Company.

Conditions

The Acquisition is conditional upon:

- (i) CMT having obtained all necessary consents and approvals as required under the Listing Rules for the Acquisition; and
- (ii) the Company having obtained all necessary consents and approvals as required under the Listing Rules for the Acquisition,

by 31 December 2008.

Completion

Completion will take place on a date to be appointed by CMN Holdings and the Company, being a date no later than the tenth business day following the later of (i) satisfaction of all the conditions set out above, and (ii) the delivery of the audited consolidated accounts of the CMN Group for the 3 years ended 31 March 2008 pursuant to the Sale and Purchase Agreement, which is currently intended to be no later than 30 September 2008, or at such other time as the parties to the Sale and Purchase Agreement may agree.

Other terms

CMN Holdings and CMT undertake with the Company that for a period of two years immediately following Completion, they will not compete with the existing business carried on by the CMN Group.

In the event that any of CMN Holdings and CMT receives a third party offer to acquire any of their existing remaining telecommunication business during a period of 3 years after

Completion, they shall first offer to sell such business to the Company at a same price as offered to CMN Holdings and/or CMT by such prospective purchaser.

If approval from the relevant governmental authorities in the United States of America in respect of change in control of CM Tel (USA) LLC, a member of CMN Group, as a result of the Acquisition is not available before the date of Completion, Completion will proceed save that the transfer of 51% interest in CM Tel (USA) LLC will be deferred pending such approval. The Deferred Consideration shall be held on escrow, and will be released to CMN Holdings upon completion of the Deferred Transfer.

INFORMATION ON CMN GROUP

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.

As at 31 March 2008, the unaudited consolidated total asset of CMN was approximately HK\$189 million.

For the financial years ended 31 March 2007 and 2008, the unaudited consolidated net profit before/after taxation and extraordinary items of CMN were approximately HK\$21.5 million and HK\$17.7 million respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors believe that the Acquisition enables the Group to further develop its wholesale international direct dial (IDD) business, and there are areas of potential synergy such as cost saving arising from sharing of network resources and manpower resources, and opportunities to develop new services and areas.

In view of the above potential benefits and synergies, the Directors (including the non-executive Directors) 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 Shareholders as a whole.

INFORMATION ON THE GROUP AND THE CMT GROUP

The Group is one of the leading value-added services providers to telecoms operators in Asia, specialising in hub-based services, particularly focusing on China and Hong Kong. The Group has 4 main business segments, namely Voice Hubbing Services, SMS Hubbing Services, Mobile VAS and VPN Services. Its independent hub connects with 57 countries or regions with 304 clients, mainly telecoms operators. The Group's wholly-owned operating subsidiary is the major virtual private network (VPN) service provider in Asia, serving multinational corporations in China. The number of VPN service sites is approximately 3,000.

The CMT Group is principally engaged in international telecommunications services, mobile communications services and distribution and retail chain, and property investment and holding.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios for the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

As at the date of this announcement, Ease Action Investments Corp. and Richtone Enterprises Inc., each being a wholly owned subsidiary of CITIC Pacific, hold 941,692,000 Shares and 98,066,283 Shares respectively. Together, they hold approximately 53% of the entire issued share capital of the Company. Since none of the Shareholders is required to abstain from voting on the Acquisition, written approval of Ease Action Investments Corp. and Richtone Enterprises Inc. has been obtained for the purpose of approving the Acquisition in lieu of an approval from the Shareholders at a shareholders' meeting pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, information on the Acquisition, will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

"Acquisition"	the acquisition of 100% of the issued share capital of CMN and the Net Payables by the Company from CMN Holdings as contemplated under the Sale and Purchase Agreement;
"Board"	the board of Directors;
"CITIC Pacific"	CITIC Pacific Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange;
"CMN"	ChinaMotion NetCom Limited, a company incorporated in the British Virgin Islands with limited liability;
"CMN Group"	CMN and its subsidiaries;
"CMN Holdings"	ChinaMotion NetCom Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of CMT;

"CMT"	China Motion Telecom International Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange;
"CMT Group"	CMT and its subsidiaries, excluding the CMN Group itself;
"Company"	CITIC 1616 Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange;
"Completion"	completion of the Sale and Purchase Agreement;
"Completion Ex-Cash Net Current Assets"	an amount in HK\$ equal to the net current assets of the CMN Group as at Completion (excluding the Net Payables and cash);
"Consideration"	the consideration for the Acquisition as referred to above and includes the Deferred Consideration;
"Deferred Consideration"	HK\$26 million;
"Deferred Transfer"	as referred to in the paragraph headed "The Sale and Purchase Agreement - Other Terms";
"Deposit"	HK\$26 million;
"Directors"	the directors of the Company;
"Group"	the Company and its subsidiaries, or, where the context so requires, any of them (as defined under the Listing Rules);
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Net Payables"	the net amount which shall stand due owing from CMN Group to CMT Group as at Completion;
"PRC"	the People's Republic of China;
"Sale and Purchase Agreement"	the sale and purchase agreement dated 29 August 2008 and entered into among CMN Holdings, the Company and CMT;
"Share(s)"	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company;

"Shareholders" holders of the Share(s);
"Stock Exchange" The Stock Exchange of Hong Kong Limited; and
"% " per cent.

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

Hong Kong, 29 August 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: Chau Chi Yin and Kwok Man Leung; and Independent Non-Executive Directors: Yang Xianzu, Liu Li Qing and Kwong Che Keung, Gordon