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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)

CONNECTED TRANSACTION

On 15 July, 2010, CIL, as owner of the Property, confirmed the appointment of DCHEL as the nominated subcontractor to provide the MVAC Works after an open tender. The total contract sums for the MVAC Works shall be HK\$18,130,000.

DCHEL shall enter into subcontract(s) for the MVAC Works with the Main Contractor, which is a third party independent of the Company and connected persons of the Company.

CIL is a wholly-owned subsidiary of the Company. DCHEL is a wholly-owned subsidiary of CITIC Pacific, which is a controlling shareholder of the Company and indirectly holds approximately 60.65% of the issued share capital of the Company. Accordingly, CITIC Pacific and its subsidiaries are connected persons of the Company under the Listing Rules, and the transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios calculated with reference to the transaction exceed 0.1% but less than 5%, the connected transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirements under the Listing Rules.

BACKGROUND

On 15 July, 2010, CIL (as owner of the Property) confirmed, by way of the Letter of Acceptance after an open tender, the appointment of DCHEL as the nominated subcontractor to provide the MVAC Works. The total contract sums for the MVAC Works shall be HK\$18,130,000.

THE APPOINTMENT

Parties:

- (i) CIL, as owner of the Property; and
- (ii) DCHEL, as subcontractor

Contract sums:

The total contract sums for the MVAC Works shall be HK\$18,130,000, of which HK\$10,022,380 shall be the contract sums for the phase 1 of the MVAC Works and HK\$8,107,620 shall be the contract sums for the phase 2 of the MVAC Works. Such sums represented the lowest price put forward by the bidders in the tender process with comparable standard of service level and technical compliance.

The contract sums for each of the two separate phases of the MVAC Works shall be paid through the Main Contractor to DCHEL as follows:-

- (1) 20% of the contract sums for the phase 1 of the MVAC Works shall be paid upon the execution of the Letter of Acceptance; whereas 20% of the contract sums for the phase 2 shall be paid upon the issuance of a letter by CIL confirming the commencement of the phase 2 of the MVAC Works;
- (2) 75% of the contract sums for each of the two separate phases of the MVAC Works shall be paid monthly based on the calculated amount of completed MVAC Works for that month as certified by the project manager, who is appointed by CIL; and
- (3) 5% of the contract sums for each of the two separate phases of MVAC Works shall be paid upon the end of the period of 12 months from the practical completion of such phase, provided that the project manager has certified that all defects have been made good.

The contract sums will be satisfied indirectly by CIL in cash from its internal resources.

Scope of the MVAC Works:

DCHEL shall supply and install MVAC systems (including chiller units, computer room air-conditioning (CRAC) units and air handling units) and perform associated duct and pipe works, and wall and floor heat insulation for the Property. DCHEL shall also provide maintenance services for the MVAC systems.

Completion of the MVAC Works:

The phase 1 of the MVAC Works shall be completed within 275 calendar days from the execution date of the Letter of Acceptance. The phase 2 of the MVAC Works shall commence within a period of 12 months from the date of practical completion of phase 1 of the MVAC Works and be completed within 210 calendar days. In the event that the phase 2 of the MVAC Works cannot commence within 12 months from the date of practical completion of phase 1 of the MVAC Works, the amount of contract sums for the phase 2 of the MVAC Works may be

revised subject to the written confirmation of all relevant parties, failing which the appointment of DCHEL as the nominated subcontractor to provide services for phase 2 of the MVAC Works shall be terminated.

Other terms:

DCHEL shall enter into subcontract(s) for the MVAC Works with the Main Contractor, which is a third party independent of the Company and connected persons of the Company.

REASONS FOR THE TRANSACTION

DCHEL was selected as the provider of the MVAC Works after an open tender process. The bases of selection included pricing and track record. The agreed contract sums of HK\$18,130,000 represented the lowest price put forward by the bidders in the tender process with comparable standard of service level and technical compliance.

The Directors (including the independent non-executive Directors) consider that the transaction has been entered into in the usual and ordinary course of business of the Group. They also consider that the transaction has been negotiated and conducted on an arm's length basis between the parties and are on normal commercial terms, and the terms and conditions of the transaction (including the contract sums) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Mr. Kwok Man Leung, a non-executive director of the Company, is an executive director of CITIC Pacific and Mr. Fei Yiping, a non-executive director of the Company, is the group financial controller of CITIC Pacific. Thus, they have abstained from voting on the board resolutions approving the transaction. Other than this, the Directors do not have a material interest in the transaction.

LISTING RULES IMPLICATIONS

CIL is a wholly-owned subsidiary of the Company. DCHEL is a wholly-owned subsidiary of CITIC Pacific, which is a controlling shareholder of the Company and indirectly holds approximately 60.65% of the issued share capital of the Company. Accordingly, CITIC Pacific and its subsidiaries are connected persons of the Company under the Listing Rules, and the transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios calculated with reference to the transaction exceed 0.1% but less than 5%, the connected transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirements under the Listing Rules.

GENERAL

The Group is one of the leading value-added services providers to telecoms operators in Asia, specialising in hub-based services, particularly focusing on the PRC and Hong Kong. The Group has 4 main business segments, namely voice services, short messaging services (SMS),

mobile value-added services (VAS) and data services. Its independent hub connects with over 440 telecom operators in 62 countries or regions. The Group is also a major virtual private network service provider in Asia, serving multinational corporations in the PRC.

CIL is principally engaged in property investment.

DCHEL is principally engaged in providing engineering, repairs and maintenance services and the supply of machinery and other goods.

CITIC Pacific's operational focus is on China, both the mainland and Hong Kong. Its major businesses are special steel manufacturing, iron ore mining and property development in mainland China. Other businesses include energy and civil infrastructure. It also holds controlling interests in the Company and Dah Chong Hong Holdings Limited.

DEFINITIONS

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

"Board"	the board of Directors;
"Broadway Centre"	Broadway Centre, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong;
"CIL"	ComNet Investment Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
"CITIC Pacific"	CITIC Pacific Limited (中信泰富有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 267);
"Company"	CITIC 1616 Holdings Limited (中信 1616 集團有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 1883);
"connected person", "subsidiary"	each have the meaning ascribed to them by the Listing Rules;
"DCHEL"	Dah Chong Hong (Engineering) Limited (大昌貿易行工程有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of CITIC Pacific;
"Directors"	the directors of the Company;
"Group"	the Company and its subsidiaries;

"HK\$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Letter of Acceptance"	the letter of acceptance executed on 15 July, 2010 between CIL and DCHEL in connection with the provision of MVAC Works;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Main Contractor"	the main contractor employed by CIL for the execution of the construction works at Broadway Centre;
"PRC"	the People's Republic of China;
"Property"	16/F, 17/F, 18/F, roof and upper roof of the Broadway Centre;
"Share(s)"	share(s) of HK\$0.10 each in the capital of the Company;
"Shareholders"	holders of the Share(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited; and
"MVAC Works"	mechanical ventilation and air-conditioning (MVAC) installation works for the Property.

By order of the Board
CITIC 1616 Holdings Limited
Xin Yue Jiang
Chairman

Hong Kong, 15 July, 2010

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