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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)

DISCLOSEABLE AND CONNECTED TRANSACTION
CONTINUING CONNECTED TRANSACTIONS

ACQUISITION OF PROPERTY
RENEWAL OF LEASES

The Directors are pleased to announce that on 4 November 2009:

1. the Purchaser (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Vendor agreed to sell the Property to the Purchaser at a consideration of HK\$150,000,000. Upon Completion, the Purchaser and the Manager (a wholly-owned subsidiary of CITIC Pacific) will enter into the Management Services Agreement, pursuant to which the Manager will provide property management services, chilled water supply and air-conditioning supply in respect of the Property to the Purchaser; and
2. the Company (as tenant) and the Landlord entered into the Lease Agreements in respect of the renewal of the leases of the Leased Premises.

Since the applicable percentage ratios calculated with reference to the Acquisition are over 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company. The Vendor is a wholly-owned subsidiary of CITIC Pacific (which is the controlling shareholder of the Company) and therefore is a connected person of the Company. Accordingly, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The Manager is a wholly-owned subsidiary of CITIC Pacific and therefore is a connected person of the Company. Accordingly, the Management Services Agreement will constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratios calculated with reference to the annual cap for the Management Services Agreement are more than 0.1% but less than 2.5%, such continuing connected transaction is subject to the reporting and announcement requirements, but is exempt from the Independent Shareholders' approval requirement under the Listing Rules.

The Landlord is an associate of CITIC Pacific and therefore is a connected person of the Company. Accordingly, the Lease Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratios calculated with reference to the annual cap for the Lease Agreements are more than 0.1% but less than 2.5%, such continuing connected transactions are subject to the reporting and announcement requirements, but are exempt from the Independent Shareholders' approval requirement under the Listing Rules.

An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Acquisition. A circular containing, among other things, (i) further details of the Acquisition; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM will be despatched to the Shareholders as soon as practicable.

SALE AND PURCHASE AGREEMENT

(as supplemented by a supplemental agreement for sale and purchase dated 4 November 2009)

Date: 4 November 2009

Parties:

- (1) Vendor: Neostar Investment Limited, a wholly-owned subsidiary of CITIC Pacific (which is the controlling shareholder of the Company)
- (2) Purchaser: ComNet Investment Limited, a wholly-owned subsidiary of the Company

Assets to be acquired

The Property, comprising portions of ground, 1st, 2nd and 3rd floors, the whole of 5th, 16th, 17th, 18th, 23rd, 25th and 26th floors, portion of the roof and ancillary areas, Broadway Centre, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong.

The original acquisition and development costs paid by the Vendor for the Property were approximately HK\$194 million.

Consideration

The Consideration of HK\$150,000,000 was arrived at after arm's length negotiation between the Purchaser and the Vendor and with reference to the valuation of the Property conducted by an independent third party valuer of approximately HK\$150,000,000 and the prevailing market price of comparable premises.

The Deposit of HK\$15,000,000 is payable in cash by the Purchaser upon signing of the Sale and Purchase Agreement and the balance of HK\$135,000,000 will be payable in cash upon Completion. If the Purchaser fails to complete the purchase of the Property pursuant to the Sale and Purchase Agreement, the Deposit will be forfeited for the benefit of the Vendor. If the Vendor is in default of the Sale and Purchase Agreement, the Deposit will be returned to the Purchaser. The Consideration will be funded by internal resources of the Company.

Conditions

Completion is conditional upon the following conditions being satisfied:

- (1) the passing of the resolutions by the Independent Shareholders at the EGM approving the Acquisition and the transactions contemplated under the Sale and Purchase Agreement; and
- (2) obtaining the approval in relation to certain transformer rooms in the Property as proposed by the Purchaser and the loading/unloading of the transformers thereat.

If any of the above conditions has not have been satisfied on or before 30 December 2009 and/or that the Purchaser has not waived the satisfaction of such conditions, the Purchaser shall have the right by serving a written notice of not less than 10 working days on the Vendor before 30 December 2009 to postpone the Completion to a date not later than 28 February 2010 as stipulated in such notice (the "**Longstop Date**").

If any of the above conditions shall not have been satisfied and/or waived by the Purchaser by 30 December 2009 or by the Longstop Date (if applicable), the Sale and Purchase Agreement shall become null and void and the Deposit shall forthwith be returned by the Vendor to the Purchaser but without any interest, cost or compensation and the parties shall enter into a cancellation agreement to cancel the Sale and Purchase Agreement. In such event and without prejudice to the claims that the Vendor might have against the Purchaser as a result of the service of termination notices by the Vendor on the tenants to the Existing Tenancy Agreements (if applicable) as mentioned below, the Purchaser shall also pay to the Vendor a sum of HK\$600,000 as compensation and subject to the aforesaid, neither party shall have any claim against each other.

Completion

Subject to the postponement of the Completion date to a date not later than the Longstop Date as mentioned above, Completion will take place on 30 December 2009 (or such other day as may be agreed between the parties from time to time).

All stamp duty payable on the assignment of the Property shall be paid by the Purchaser absolutely. Upon Completion, the Purchaser and, among others, the Vendor will enter into the deed of mutual covenant as co-owners of the Building to govern their rights and liabilities in respect of the Building. The Vendor undertakes with the Purchaser that for the period from the Completion to as long as the Purchaser is still the owner of the whole Property, the Purchaser shall have a right of first refusal in respect of any future disposal of other parts of the Building. The Vendor and the Purchaser agree to, as and when requested by the Purchaser within one year from the Completion date, to change the name of the Building. Upon Completion, the Purchaser may from time to time rent car parking spaces in the Building from the Vendor at the same rates payable by independent third parties to the Vendor.

The Property is currently subject to certain tenancy agreements. Upon Completion, the Property will be sold subject to the then existing tenancy agreements (the "**Existing Tenancy Agreements**"). To the best knowledge, information and belief of the Directors, none of the tenants to the Existing Tenancy Agreements, except DCH Holdings, is a person connected with the Company. DCH Holdings is a subsidiary of CITIC Pacific and is therefore a connected person of the Company. The Existing Tenancy Agreement with DCH Holdings (the "**DCH Tenancy Agreement**") is for a term expiring on 31 May 2012 with a monthly rental of approximately HK\$75,000 (exclusive of government rent, rates and management charges) and monthly management charges of approximately HK\$29,900. Since the applicable percentage ratio calculated with reference to the DCH Tenancy Agreement is less than 0.1%, such continuing connected transaction is exempt from the reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules. Prior to Completion, the Purchaser has the right to request the Vendor to serve a prior notice of not less than 6 months on any tenant to the Existing Tenancy Agreement for the early termination of its Existing Tenancy Agreement.

MANAGEMENT SERVICES AGREEMENT

As at the date of this announcement, the Manager (a wholly-owned subsidiary of CITIC Pacific) is the property manager of the Building. The Purchaser and the Vendor will continue to appoint the Manager to be the property manager of the Building after Completion. Accordingly, the Purchaser and the Manager will enter into the Management Services Agreement upon Completion, pursuant to which the Manager will provide property management services, chilled water supply and air-conditioning supply in respect of the Property to the Purchaser. Principal particulars of the Management Services Agreement are summarised below:

Term

For a period of two years from the Completion date, and thereafter to be renewed.

Services to be provided by the Manager

Provision of general property management services, chilled water supply and air-conditioning supply for the Property.

General Management Fees, Chilled Water Charges and Air-Conditioning Charges

The general management fee payable by the Purchaser for the Property is approximately HK\$185,100 per month, of which approximately HK\$94,100 per month will be paid by the tenants to the Existing Tenancy Agreements under their Existing Tenancy Agreements. The general management fees are payable in cash per month in advance.

The chilled water charges payable by the Purchaser for the Property are based on the actual volume of chilled water used and are estimated to be HK\$150,000 per month. The chilled water charges are payable in cash per month in advance.

The air-conditioning charges for supply during normal office hours payable by the Purchaser for the Property are approximately HK\$83,600 per month, of which approximately HK\$64,600 per month will be paid by the tenants to the Existing Tenancy Agreements under their Existing Tenancy Agreements. Such charges are payable in cash per month in advance. The air-conditioning charges for supply after normal office hours payable to the Manager are based on the actual usage and are estimated to be HK\$48,000 per month. Such charges are payable in cash per month.

The monthly general management fees, the chilled water charges and the air-conditioning charges payable by the Purchaser were arrived at after arm's length negotiation between the parties and are based on the rates payable by independent third parties with reference to the on-going rates generally applicable to the Manager's portfolio.

Annual Cap for the Management Services Agreement

The aggregate of the general management fees, chilled water charges and air-conditioning charges payable to the Manager for each of the 12-month period as from the Completion date are subject to the following annual cap:

HK\$6,800,000

The above annual cap is determined with reference to the monthly general management fees, chilled water charges and air-conditioning charges payable to the Manager on an annual basis with an estimated rate of approximately 10% annual increase.

LEASE AGREEMENTS

The Company entered into the following agreements with the Landlord for the purposes of renewing the lease agreements in respect of the Leased Premises which expired on 15 November 2009.

First Lease Agreement

Date: 4 November 2009

Parties: (1) Landlord: Goldon Investment Limited, an associate of CITIC Pacific
(2) Tenant: the Company

Premises: First Leased Premises, being the whole of the 8th floor of CITIC Tower, No.1 Tim Mei Avenue, Central, Hong Kong

Monthly rental: approximately HK\$1,120,400 (exclusive of government rent, rates and service charge), payable in cash or in such form as may be required by the Landlord in advance. The monthly rental was arrived at after arm's length negotiation between the parties and is in line with the market rate

Service Charge: approximately HK\$119,300 per month payable in cash in advance, plus any additional air-conditioning charges for supply after normal office hours (including chilled water charges) which are based on actual usage. The said charges are determined in accordance with the on-going rates generally applicable to the Landlord's portfolio

Term: three years commencing from 16 November 2009 to 15 November 2012

Second Lease Agreement

Date: 4 November 2009

Parties: (1) Landlord: Goldon Investment Limited, an associate of CITIC Pacific
(2) Tenant: the Company

Premises: Second Leased Premises, being all those suites 908-16 on the 9th floor of CITIC Tower, No.1 Tim Mei Avenue, Central, Hong Kong

Monthly rental: approximately HK\$680,000 (exclusive of government rent, rates and service charge), payable in cash or in such form as may be required by the Landlord in advance. The monthly rental was arrived at after arm's length negotiation between the parties and is in line with the market rate

Service Charge: approximately HK\$72,400 per month payable in cash in advance, plus any additional air-conditioning charges for supply after normal office hours which are based on actual usage. The said charges are determined in accordance with the on-going rates generally applicable to the Landlord's portfolio

Term: one year commencing from 16 November 2009 to 15 November 2010

Under the Lease Agreements, the Company may rent car parking spaces (the "**CITIC Tower Car Parking Spaces**") in the CITIC Tower from the Landlord as required from time to time at the same rates payable by independent third parties to the Landlord.

The Annual Cap for the Lease Agreements

The aggregate monthly rentals, service charges and monthly rentals for the CITIC Tower Car Parking Spaces payable under the Lease Agreements for each of the 12-month period ended 15

November 2012 are subject to the following annual cap:

HK\$26 million

The above annual cap is determined with reference to the monthly rental, service charge, estimated air-conditioning charges and the estimated monthly rental for the CITIC Tower Car Parking Spaces payable under the Lease Agreements on an annual basis with an estimated rate of approximately 10% annual increase.

REASONS FOR AND BENEFITS OF THE ACQUISITION, THE MANAGEMENT SERVICES AGREEMENT AND THE LEASE AGREEMENTS

The Acquisition will allow the Group to relocate its operations, which are currently situated in different locations of Hong Kong. This will help to enhance its operational efficiency and save administrative and other operating costs. 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) consider that the terms of the Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole.

The Manager has been the property manager of the Building in the past. The Directors (including the independent non-executive Directors) consider that the terms of the Management Services Agreement (including the monthly general management fee, the estimated monthly chilled water charges and the monthly air-conditioning charges and their annual cap) are on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole.

The Group has been leasing the Leased Premises from the Landlord in the past. The Directors (including the independent non-executive Directors) consider that the terms of the Lease Agreements (including the monthly rental, the service charge, the estimated monthly rental for the CITIC Tower Car Parking Spaces and the annual cap) are on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole.

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 China and Hong Kong. The Group has 4 main business segments, namely Voice Services, SMS Services, Mobile VAS and Data Services. Its independent hub connects with over 350 clients, mainly telecoms operators, spread over 62 countries or regions. The Group is also a major virtual private network (VPN) service provider in Asia, serving multinational corporations in China.

The Vendor is engaged in property investment.

The Manager is engaged in property management.

The Landlord is engaged in property investment.

LISTING RULES IMPLICATIONS

Since the applicable percentage ratios calculated with reference to the Acquisition are over 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company. The Vendor is a wholly-owned subsidiary of CITIC Pacific and therefore is a connected person of the Company. Accordingly, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. In view of CITIC Pacific's interests in the Acquisition, CITIC Pacific and its associates will abstain from voting at the EGM.

The Manager is a wholly-owned subsidiary of CITIC Pacific and therefore is a connected person of the Company. Accordingly, the Management Services Agreement will constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratios calculated with reference to the annual cap for the Management Services Agreement are more than 0.1% but less than 2.5%, such continuing connected transaction is subject to the reporting and announcement requirements, but is exempt from the Independent Shareholders' approval requirement under the Listing Rules.

The Landlord is an associate of CITIC Pacific and therefore is a connected person of the Company. Accordingly, the Lease Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratios calculated with reference to the annual cap for the Lease Agreements are more than 0.1% but less than 2.5%, such continuing connected transactions are subject to the reporting and announcement requirements, but are exempt from the Independent Shareholders' approval requirement under the Listing Rules.

An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Acquisition. A circular containing, among other things, (i) further details of the Acquisition; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM 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 the Property by the Purchaser under the Sale and Purchase Agreement;
"associate", "connected person", "subsidiary"	each have the meaning ascribed to them by the Listing Rules;

"Board"	the board of Directors;
"Building"	Broadway Centre, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong;
"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;
"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;
"Completion"	completion of the Acquisition;
"Consideration"	the consideration payable by the Purchaser to the Vendor for the Acquisition;
"DCH Holdings"	Dah Chong Hong Holdings Limited (大昌行集團有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange;
"Deposit"	the deposit payable by the Purchaser to the Vendor under the Sale and Purchase Agreement;
"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 transactions contemplated under the Sale and Purchase Agreement by the Independent Shareholders;
"First Lease Agreement"	the lease agreement dated 4 November 2009 between the Landlord and the Company for the leasing of the First Leased Premises;
"First Leased Premises"	the whole of the 8th floor of CITIC Tower, No.1 Tim Mei Avenue, Central, Hong Kong;
"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;
"Independent Board Committee"	an independent board committee of the Board;

"Independent Shareholders"	shareholders of the Company, other than CITIC Pacific and its associates;
"Landlord"	Goldon Investment Limited, an associate of CITIC Pacific;
"Lease Agreements"	the First Lease Agreement and the Second Lease Agreement;
"Leased Premises"	the First Leased Premises and the Second Leased Premises;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Management Services Agreement"	the management services agreement to be entered into between the Purchaser and the Manager in relation to the provision of property management services, chilled water supply and air-conditioning supply by the Manager in respect of the Property;
"Manager"	Broadway Centre Property Management Company Limited, a wholly-owned subsidiary of CITIC Pacific;
"PRC"	the People's Republic of China;
"Property"	portions of ground, 1st, 2nd and 3rd floors, the whole of 5th, 16th, 17th, 18th, 23rd, 25th and 26th floors, portion of the roof and ancillary areas of the Building;
"Purchaser"	ComNet Investment Limited, a wholly-owned subsidiary of the Company;
"Sale and Purchase Agreement"	the agreement for sale and purchase dated 4 November 2009 between the Purchaser and the Vendor for the Acquisition as supplemented by a supplemental agreement for sale and purchase dated 4 November 2009;
"Second Lease Agreement"	the lease agreement dated 4 November 2009 between the Landlord and the Company for the leasing of the Second Leased Premises;
"Second Leased Premises"	all those suites 908-16 on the 9th floor of CITIC Tower, No.1 Tim Mei Avenue, Central, Hong Kong;
"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

"Vendor"

Neostar Investment Limited, a wholly-owned subsidiary of
CITIC Pacific.

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

Hong Kong, 4 November 2009

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 Chan Chui Sheung, Stella; and Independent Non-Executive Directors: Yang Xianzu, Liu Li Qing and Kwong Che Keung, Gordon.