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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 AND CONNECTED TRANSACTION

**ACQUISITION OF A 20% INTEREST IN
COMPANHIA DE TELECOMUNICACOES DE MACAU, S.A.R.L.**



The Directors are pleased to announce that on 11 February 2010, the Company (as purchaser) and CITIC Pacific (as seller) entered into the Sale and Purchase Agreement, pursuant to which the Company conditionally agreed to acquire from CITIC Pacific a 20% interest in CTM, representing the entire interest in CTM held by CITIC Pacific, for a consideration of HK\$1,400.40 million. The Consideration shall be satisfied by the Company at Completion as to HK\$467 million in cash and as to HK\$933.40 million by the issue of Consideration Shares to CITIC Pacific (or its nominees) at the issue price of HK\$2.30 per Consideration Share. As at the date of this announcement, CITIC Pacific holds a 52.57% interest in the issued share capital of the Company. Upon Completion, CITIC Pacific will hold a 60.65% interest in the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Acquisition constitutes a major transaction for the Company. CITIC Pacific 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.

Barclays Capital is acting as the sole financial adviser to the Company. Platinum Securities Company Limited will be appointed by the Company as its independent financial adviser 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

Date: 11 February 2010

Parties:

- (1) Seller: CITIC Pacific, the controlling shareholder of the Company
- (2) Purchaser: the Company

Assets to be acquired

the Sale Shares, representing a 20% interest in the share capital of CTM

The original acquisition costs paid by CITIC Pacific for the Sale Shares as at 1 August 1991 was approximately HK\$250 million.

Consideration

The Consideration of HK\$1,400.40 million was determined after arm's length negotiation between the parties with reference to CTM's financial performance, trading multiples of other listed telecom operators in Asia and research analysts' estimates of the valuation of CTM.

The Consideration shall be satisfied by the Company at Completion in the following manner:

- (a) an amount of HK\$467 million shall be paid in cash on the Completion date (which is funded by internal resources of the Company); and
- (b) the balance of HK\$933.40 million shall be satisfied by the issue of Consideration Shares to CITIC Pacific (or its nominees) at the issue price of HK\$2.30 per Consideration Share.

The issue price of HK\$2.30 per Consideration Share to be issued by the Company represents:

- (i) a premium of approximately 1.8% over the closing price of HK\$2.26 per Share as quoted on the Stock Exchange on the last trading day of the Shares before the date of the Sale and Purchase Agreement;

- (ii) a premium of approximately 3.1% over the average closing price of approximately HK\$2.23 per Share as quoted on the Stock Exchange for the last 5 trading days up to the day before the date of the Sale and Purchase Agreement; and
- (iii) a premium of approximately 5.0% over the average closing price of approximately HK\$2.19 per Share as quoted on the Stock Exchange for the last 10 trading days up to the day before the date of the Sale and Purchase Agreement.

The Consideration Shares comprising 405,826,087 Shares represent approximately 20.52% of the existing issued share capital of the Company and approximately 17.03% of the share capital of the Company as enlarged by the issue of the Consideration Shares. The Directors will issue the Consideration Shares in the share capital of the Company pursuant to a specific mandate to be sought in the EGM.

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.

Conditions

Completion is conditional upon the following conditions being satisfied on or before 30 September 2010 or such later date as may be agreed between CITIC Pacific and the Company (the "**Longstop Date**"):

- (a) all necessary consents or approvals required of the Company under the Listing Rules (including without limitation the passing of the resolutions by the Independent Shareholders at the EGM) for confirming the Sale and Purchase Agreement and approving the transactions contemplated thereunder having been obtained;
- (b) all necessary consents or approvals required of CITIC Pacific, if any, under the Listing Rules for approving the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained;
- (c) all consents, approvals, clearances and authorisations of any relevant governmental authorities in Macau or other relevant third parties as may be necessary for Completion having been obtained;
- (d) the board of directors of CTM having issued a statement confirming that no pre-emption rights were exercised and the sale and purchase contemplated under the Sale and Purchase Agreement may take place; and
- (e) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, all the Consideration Shares.

If any of the conditions (which have not previously been waived) has not been satisfied on or before the Longstop Date, then the Sale and Purchase Agreement will immediately terminate.

Completion

Completion will take place within 3 business days following satisfaction or waiver of the conditions to the Sale and Purchase Agreement, or such other date as CITIC Pacific and the Company may agree in writing.

INFORMATION ON CTM

CTM is engaged in fixed telephone services, telegram services, fixed telex services, fixed services for data transmission (except internet) and leased circuit services in Macau under a franchise with exclusive rights. The franchise is awarded to CTM until 2011.

CTM is granted the licences from the Macau government to provide mobile services in competition with other operators in Macau. The licence for GSM 2G mobile services is up to 8 July 2012 and the licence for WCDMA 3G mobile services is up to 28 May 2015. In addition, CTM is licensed to operate internet services on competitive basis up to 22 April 2013.

As at 31 December 2008, the audited net asset value of CTM was approximately MOP1,187 million (approximately HK\$1,142 million). For the financial years ended 31 December 2007 and 2008, the audited net profits (before and after taxation) of CTM were as follows:

Audited net profits before taxation (In million)		Audited net profits after taxation (In million)	
2007	2008	2007	2008
MOP731 (approximately HK\$704)	MOP802 (approximately HK\$772)	MOP653 (approximately HK\$629)	MOP707 (approximately HK\$680)

REASONS FOR AND BENEFITS OF THE ACQUISITION

CTM is currently a business partner of the Company. The Acquisition will help to further strengthen the business relationship between CTM and the Company. Areas of potential benefits to the Company include wholesales IDD distribution network, resources sharing for mobile services, product and data services. The Acquisition will also allow the Company to diversify its geographical reach and product portfolio, leveraging CTM's comprehensive range of international and domestic telephone services, mobile services, value-added services and internet and data network services.

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.

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 470 clients, mainly telecoms operators, in 62 countries or regions. The Group is also a major virtual private network (VPN) service provider in Asia, serving multinational corporations in China.

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 power and civil infrastructure. It also holds controlling interests in the Company and Dah Chong Hong Holdings Limited.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a major transaction for the Company. CITIC Pacific 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. In view of CITIC Pacific's interests in the Acquisition, CITIC Pacific and its associates will abstain from voting at the EGM.

Barclays Capital is acting as the sole financial adviser to the Company. Platinum Securities Company Limited will be appointed by the Company as its independent financial adviser 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.

OTHERS

In the interest of providing full transparency to the market, the Board would like to mention that the Company is in preliminary discussions with CITIC Group in relation to possible acquisition(s) from CITIC Group which may constitute notifiable and connected transaction(s) for the Company under Chapters 14 and 14A of the Listing Rules if they materialise. No terms and conditions have been agreed as at the date of this announcement. Therefore, these possible transactions with CITIC Group may or may not proceed and materialise. **Shareholders and potential investors of the Company are reminded to exercise caution in dealing with the Shares.** Further announcement(s) in relation to the said transaction(s) will be made as and when appropriate.

DEFINITIONS

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

"Acquisition"	the acquisition of the Sale Shares by the Company under the Sale and Purchase Agreement;
"associate", "connected person"	each have the meaning ascribed to them by the Listing Rules;
"Board"	the board of Directors;
"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 Company to CITIC Pacific for the Acquisition;
"Consideration Shares"	405,826,087 new Shares to be issued by the Company to CITIC Pacific (or its nominees) to settle part of the Consideration;
"CTM"	Companhia de Telecomunicacoes de Macau, S.A.R.L., a company incorporated in Macau;
"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;
"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;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Macau"	the Macau Special Administrative Region of the PRC;
"MOP"	Pataca, the lawful currency of Macau;
"PRC"	the People's Republic of China;
"Sale and Purchase Agreement"	the sale and purchase agreement dated 11 February 2010 between the Company and CITIC Pacific in relation to the Acquisition;
"Sale Shares"	30,000 shares of MOP1,000 each in CTM, representing a 20% interest in the share capital of CTM;
"Share(s)"	share(s) of HK\$0.10 each in the capital of the Company;
"Shareholders"	holders of the Share(s); and
"Stock Exchange"	The Stock Exchange of Hong Kong Limited.

For illustration purposes in this announcement, the conversion rate of MOP1.00 = HK\$0.9625 was adopted.

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

Hong Kong, 11 February 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.