

THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CITIC 1616 Holdings Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser(s) or the transferee(s), or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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 IN RELATION TO THE ACQUISITION OF SILVER LINKAGE

Financial Adviser to the Company



BNP PARIBAS

CORPORATE & INVESTMENT BANKING

BNP Paribas Capital (Asia Pacific) Limited

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



PLATINUM

Securities

A letter from the Board is set out on pages 5 to 14 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 15 to 16 of this circular. A letter from Platinum Securities Company Limited, the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 27 of this circular.

A notice convening an Extraordinary General Meeting to be held at Island Ballroom, Level 5, Island Shangri-La Hotel, Two Pacific Place, Supreme Court Road, Hong Kong on Monday, 17 December 2007 (or any adjournment thereof) at 10:00 a.m. is set out on pages 38 to 39 of this circular. Form of proxy for use in the Extraordinary General Meeting is enclosed. Whether or not you propose to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the registered office of the Company at 8th Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong as soon as possible and, in any event, not less than 48 hours before the time appointed for holding of the Extraordinary General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjournment thereof, should you so desire.

30 November 2007

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“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”	the board of Directors
“BNP Paribas”	BNP Paribas Capital (Asia Pacific) Limited, which is licensed by the Securities and Futures Commission for Type 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the SFO being a financial adviser to the Company in respect of the Acquisition
“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

DEFINITIONS

“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 transactions contemplated under the Acquisition Agreement by the Independent Shareholders
“Financial Adviser”	BNP Paribas
“Group”	the Company and its subsidiaries
“HK\$” or “HKD”	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 transactions contemplated under the Acquisition Agreement, the members of which include all independent non-executive Directors, namely Kwong Che Keung, Gordon, Yang Xianzu and Liu Li Qing
“Independent Financial Adviser”	Platinum Securities, a licensed corporation under the SFO, to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Acquisition Agreement and the transactions contemplated thereunder

DEFINITIONS

“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
“Latest Practicable Date”	27 November 2007, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Net Profit Forecast”	the forecasted consolidated net profit after taxation prepared according to the unaudited consolidated net profit for the six months ended 30 June 2007 and the forecast for the 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
“Platinum Securities”	Platinum Securities Company Limited
“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 Latest Practicable Date
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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

DEFINITIONS

“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
“US\$” or “USD”	United States dollars, the lawful currency of the United States

For illustration purpose, conversion of US\$ to HK\$ is based on the exchange rate of US\$1 = HK\$7.8.

LETTER FROM THE BOARD



CITIC 1616 Holdings Limited

中信 1616 集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 1883)

Executive Directors:

Shi Cuiming (*Chairman*)

Yuen Kee Tong

Chan Tin Wai, David

Non-executive Directors:

Lee Chung Hing

Kwok Man Leung

Independent non-executive Directors:

Yang Xianzu

Liu Li Qing

Kwong Che Keung, Gordon

Registered Office:

8th Floor

CITIC Tower

1 Tim Mei Avenue

Central

Hong Kong

*Head office and principal place
of business in Hong Kong:*

8th Floor

CITIC Tower

1 Tim Mei Avenue

Central

Hong Kong

Hong Kong, 30 November 2007

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF SILVER LINKAGE**

1. INTRODUCTION

On 12 November 2007, the Directors announced that the Company had 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 agreed to acquire the entire issued share capital of Silver Linkage, an indirect wholly owned subsidiary of CITIC Pacific, from Smooth Tone.

The Acquisition constitutes a discloseable and a connected transaction for the Company under the Listing Rules. As such, the Acquisition is subject to approval by the Independent Shareholders at the EGM. The Independent Board Committee has been established to advise the Independent Shareholders and the Independent Financial Adviser

LETTER FROM THE BOARD

has been appointed to advise the Independent Board Committee and the Independent Shareholders as regards the terms of the Acquisition Agreement and the transactions contemplated thereunder.

This circular provides you with, among other things, (i) further information on 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.

2. THE ACQUISITION

(i) The Acquisition Agreement

Set out below is a summary of the principal terms of the Acquisition Agreement.

Date: 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 Latest Practicable 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 the six months

LETTER FROM THE BOARD

ended 30 June 2007 and the forecast for the 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 remaining 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 resolution by the Independent Shareholders at the EGM 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

LETTER FROM THE BOARD

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.

(ii) 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 premium of approximately 24.0% over the closing price of HK\$2.08 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 5.1% 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;
- (iii) 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
- (iv) 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.

LETTER FROM THE BOARD

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.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares or any other securities.

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.

3. 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.

4. INFORMATION ON SILVER LINKAGE

Silver Linkage is a wholly owned subsidiary of Smooth Tone and a company incorporated in the 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 shareholders' loan for business expansion. As of the date of the Acquisition Agreement, the current Shareholders' Loans are approximately HK\$253 million.

LETTER FROM THE BOARD

5. 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 before taxation	3,261	26,499
Net profit after taxation	1,027	21,350

6. 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.

LETTER FROM THE BOARD

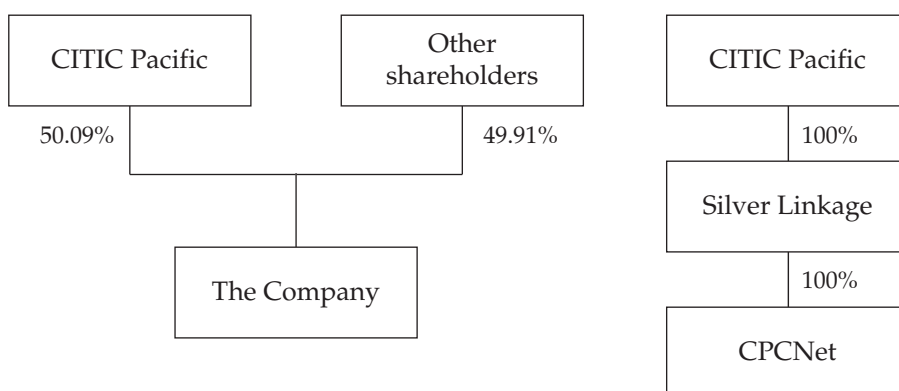
Upon Completion of the Acquisition, the Directors will continue to explore new investment opportunities with the objective to further enhance the value of the Group. As at 31 October 2007, the Group's cash balance is approximately HK\$735 million.

In view of the above potential benefits and synergies, the Directors (including the independent non-executive Directors whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular) 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 Group and the Shareholders as a whole.

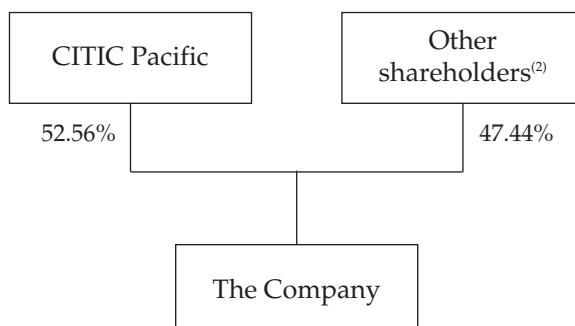
7. SHAREHOLDING STRUCTURE BEFORE AND AFTER COMPLETION OF THE ACQUISITION

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:

Before Completion:



Immediately after Completion:



Note:

- (1) Silver Linkage will become a wholly owned subsidiary of the Company upon Completion.
- (2) The above 47.44% represents over 25% public float.

LETTER FROM THE BOARD

8. FINANCIAL IMPACT OF THE ACQUISITION

Upon Completion, Silver Linkage will become a wholly-owned subsidiary of the Company and the financial results of the Silver Linkage Group will be consolidated into the Group.

The Directors expect that the Acquisition will have the following financial impacts on the Group:

Earnings

For the financial year ended 31 December 2006, the consolidated net profit after taxation of the Group and Silver Linkage Group are HK\$201.5 million and HK\$21.4 million respectively, which is prepared in accordance with all applicable Hong Kong Financial Reporting Standards.

CPCNet deploys a network of POPs covering Greater China, Singapore and Japan serving customers including multinational corporations. The Acquisition is expected to provide potential synergy such as cost saving from sharing network and manpower resources, cross selling opportunities in a larger customer base, and opportunities to develop new telecommunication related services.

Upon Completion, Silver Linkage will become a wholly-owned subsidiary of the Company and its results of operations will be consolidated into the financial statements of the Group. Based on the performance of Silver Linkage Group in recent years and the Net Profit Forecast, the Acquisition is expected to have a positive impact on the earnings base of the Group.

Assets and liabilities

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.

Upon Completion, assuming the fair value of each Share is HK\$2.58, the value of the Consideration Shares amounts to HK\$253 million, which represents the entire issued share capital of Silver Linkage and the Shareholders' Loans, the net asset value of the Group will increase by the value of the Consideration Shares at the date of the Completion.

Liquidity

As the Acquisition will be satisfied by allotment and issue of Consideration Shares, the Group will not require borrowing to finance this Acquisition. As at 31 October 2007, the Group had no outstanding borrowings and the Group's cash balance is approximately HK\$735 million.

LETTER FROM THE BOARD

9. CONNECTED AND DISCLOSEABLE TRANSACTION

As at the Latest Practicable 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.

10. EXTRAORDINARY GENERAL MEETING

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.

The EGM will be held at Island Ballroom, Level 5, Island Shangri-La Hotel, Two Pacific Place, Supreme Court Road, Hong Kong on Monday, 17 December 2007 at 10:00 a.m., the notice of which is set out on pages 38 to 39 of this circular, to consider and, if thought fit, approve ordinary resolution in respect of the transactions contemplated under the Acquisition Agreement. A form of proxy for use at the EGM is accompanied with this circular. Whether or not you will be able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the registered office of the Company at 8th Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof if you so wish.

11. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to the Article 75 of the articles of association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required under the rules of the Stock Exchange or unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the chairman of the meeting; or
- (ii) by at least three Shareholders present in person or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any Shareholder or Shareholders present in person or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or

LETTER FROM THE BOARD

- (iv) by a Shareholder or Shareholders present in person or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

12. RECOMMENDATION

The Directors are pleased to recommend the Acquisition at the EGM. The Directors consider that all the terms and conditions of the Acquisition are fair and reasonable, and in the best interests of the Shareholders and the Group as a whole. Accordingly, the Directors recommend that all the Independent Shareholders should vote in favour of the proposed ordinary resolution set out in the notice of the EGM to approve the Acquisition.

13. INDEPENDENT ADVICE

The Independent Board Committee, comprising all of the three independent non-executive Directors, has been established to advise the Independent Shareholders on the terms of the Acquisition Agreement and the transactions contemplated thereunder. Your attention is drawn to its letter of recommendation set out on pages 15 to 16 of this circular.

Platinum Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard. Your attention is drawn to their letter of advice set out on pages 17 to 27 of this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from the Independent Board Committee which has been prepared for the purpose of inclusion in this circular:



CITIC 1616 Holdings Limited

中信 1616 集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 1883)

30 November 2007

To the Independent Shareholders

Dear Sir or Madam

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF SILVER LINKAGE

INTRODUCTION

We refer to the circular of the Company dated 30 November 2007 (the “Circular”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise you on the terms of the Acquisition Agreement and the transactions contemplated thereunder. Platinum Securities has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 17 to 27 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendices thereto.

RECOMMENDATION

Having considered the terms of the Acquisition Agreement and the transactions contemplated thereunder and taking into account the independent advice of the Independent Financial Adviser, in particular the principal factors, reasons and recommendation as set out in their letter on pages 17 to 27 of the Circular, we consider that (i) the terms of the Acquisition Agreement and the transactions contemplated thereunder are normal commercial terms and are fair and reasonable in so far as the Independent Shareholders are concerned; and (ii) the entering into of the Acquisition Agreement is in the interests of the Group and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend that you vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully
For and on behalf of the
Independent Board Committee

Kwong Che Keung, Gordon

Yang Xianzu

Liu Li Qing

LETTER FROM PLATINUM SECURITIES

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.



PLATINUM Securities Company Limited

22/F Standard Chartered Bank Building
4 Des Voeux Road Central
Hong Kong

Telephone (852) 2841 7000
Facsimile (852) 2522 2700

30 November 2007

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

DISCLOSABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF SILVER LINKAGE

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition Agreement (the "Transaction"). Details of the Transaction are contained in the letter from the Board as set out in the circular of the Company dated 30 November 2007 (the "Circular"). Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the Transaction is on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Board Committee and the Independent Shareholders on whether the Independent Shareholders should vote in favour of the Transaction at the Extraordinary General Meeting.

In formulating our opinion, we have relied on the information and facts supplied to us by the Company. We have reviewed, among other things: (i) the Acquisition Agreement; (ii) the annual report of the Group for the financial year ended 31 December 2006 (the "2006 Annual Report"); and (iii) the interim report of the Group for the six months ended 30 June 2007 (the "2007 Interim Report").

We have assumed that all information, facts, opinions and representations contained in the Circular are true, complete and accurate in all material respects and we have relied on the same. The Directors have confirmed that they take full responsibility for the contents of the Circular, and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us.

LETTER FROM PLATINUM SECURITIES

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Circular and of the information and representations provided to us by the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Company and/or the Directors which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Group. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Transaction.

We are independent from, and are not associated with the Company or any other party to the Transaction, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the Transaction. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transaction. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Transaction or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

As stated in the letter from the Board in the Circular, the Independent Board Committee, comprising three independent non-executive Directors, namely, Mr. Kwong Che Keung, Gordon, Mr. Yang Xianzu and Mr. Liu Li Qing, has been established for the purpose of advising the Independent Shareholders in respect of the Transaction.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in relation to the Transaction and giving our independent financial advice to the Independent Shareholders, we have considered the following principal factors:

A. Background of the Acquisition Agreement

On 12 November 2007, the Directors announced that the Company had 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 agreed to acquire the entire issued share capital of Silver Linkage, an indirect wholly owned subsidiary of CITIC Pacific, from Smooth Tone.

LETTER FROM PLATINUM SECURITIES

B. The Acquisition Agreement

(a) *Date*

12 November 2007

(b) *Parties*

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

(c) *Assets to be acquired*

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

(d) *Consideration for the Acquisition*

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.

(e) *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 resolution by the Independent Shareholders at the EGM 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.

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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.

(f) 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.

C. Business of the Group

As stated in the 2006 Annual Report, the Group is principally engaged in the provision of international voice hubbing services, short message services, other telecommunication services and property leasing.

D. Reasons for and benefits of the Acquisition

As stated in the letter from the Board in the Circular, 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:

- (a) 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;
- (b) 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;

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- (c) 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
- (d) 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.

As stated in the 2006 Annual Report and the letter from the Board in the Circular, the Group has been actively exploring new investment opportunities with profitable prospects including potential expansion into new telecommunication related businesses. As such, we are of the view that although entering into the Acquisition Agreement is not in the usual and ordinary course of business of the Group, it is nevertheless in line with the strategy of the Group.

E. Consideration Shares

As stated in the letter from the Board in the Circular, the number of Consideration Shares to be issued by the Company will be based on HK\$2.58 per Share (the "Consideration Share Price").

- (a) *Comparison of the Consideration Share Price to the net asset value (the "NAV") per Share of the Group*

In order to access the fairness and reasonableness of the Consideration Share Price, we have compared the Consideration Share Price to the NAV per Share of the Group.

The Consideration Share Price of HK\$2.58 per Consideration Share represents a premium of approximately 396.2% to the unaudited NAV per Share of the Group of approximately HK\$0.52 as at 30 June 2007;

- (b) *Comparison of the Consideration Share Price to the historical closing prices of the Shares*

In addition to comparing the Consideration Share Price to the NAV per Share of the Group, we have also compared the Consideration Share Price to the historical closing prices of the Shares.

The Consideration Share Price of HK\$2.58 per Consideration Share represents:

- (1) a premium of approximately 24.0% to the closing price of HK\$2.08 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

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- (2) a discount of approximately 5.1% to the closing price of HK\$2.72 per Share as quoted on the Stock Exchange on the last trading day immediately prior to the Announcement Date (the “Last Trading Day”);
- (3) a discount of approximately 0.3% to the average closing price of approximately HK\$2.59 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day; and
- (4) a premium of approximately 0.2% to the average closing price of approximately HK\$2.58 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day.

We note from the above analysis that the premium/discount of the Consideration Share Price over the closing prices and average closing prices of the Share range from a premium of approximately 24.0% to a discount of approximately 5.1%.

Although Consideration Share Price represents slight discounts to the closing price per Share as quoted on the Stock Exchange on the Last Trading Day and to the average closing price per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day, the settlement of Consideration by way of allotment and issue of Consideration Shares will maintain the Group’s flexibility in financing and enhancing the financial position of the Group by:

- (1) reserving the cash balance for the Group to continue to explore new investment opportunities with the objective to further enhance the value of the Group; and
- (2) satisfying the Consideration on an interest free and security free basis as compared to raising additional funding by way of alternative debt financing.

we are of the view that it is reasonable for the Company to satisfy the Consideration by way of allotment and issue of Consideration Shares.

In view of:

- (i) the premium to the NAV per Share of the Group;
- (ii) the premiums to the closing price per Share on the Latest Practicable Date and to the average closing price per Share for the last 10 trading days up to and including the Last Trading Day; and
- (iii) maintaining the flexibility in financing and enhancing the financial position of the Group,

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we are of the view that it is reasonable for the Company to satisfy the consideration of the Acquisition by way of issuing Consideration Shares and the Consideration Share Price per Consideration Share is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

F. Basis of the Consideration

As stated in the letter from the Board in the Circular, the Consideration which shall be HK\$253,011,010, represents an estimated CITIC Pacific's carrying costs in Silver Linkage as at the end of October 2007.

In order to assess the fairness and reasonableness of the Consideration, we have selected a universe of comparable companies (the "Comparable Companies") based on the selection criteria of: (i) being listed on the Stock Exchange; and (ii) providing virtual private network services as part of their activities. The Comparable Companies are identified by us in our research searching through published information on Bloomberg. In addition, we note that the Comparable Companies are principally engaged in providing integrated telecommunication services with provision of virtual private network services as part, but not the core, of their business. Therefore, the Independent Shareholders should note that the information of the Comparable Companies below is for information and reference only.

We have selected the price-to-earnings ratio (the "PER") as our valuation parameter and details of which are illustrated in the Table 1 below.

Table 1: PER of the Comparable Companies

Company	PER Times
(1) China Telecom Corporation Limited	16.0
(2) China Unicom Limited	60.0
(3) PCCW Limited	24.4
Simple average	33.5
Maximum	60.0
Minimum	16.0
The Consideration to	
(i) the net profit of fiscal year 2006	11.9
(ii) the Net Profit Forecast	9.7

Source: Bloomberg as at the Latest Practicable Date

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As illustrated in the Table 1 above, we note that the respective PER of the Comparable Companies range from approximately 16.0 times to approximately 60.0 times, with a simple average of approximately 33.5 times. The PER of Silver Linkage based on the audited net profit of fiscal year 2006 and the Net Profit Forecast for the fiscal year 2007 as represented by the Consideration of approximately 11.9 times and approximately 9.7 times respectively are lower than both the minimum and simple average PER of the Comparable Companies. As such, we are of the view that the Consideration is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders.

G. Financial impact

(a) Effect on the NAV per Share

As disclosed in the 2007 Interim Report, the unaudited NAV of the Group as at 30 June 2007 was approximately HK\$982.86 million. The NAV per Share of the Group before the Acquisition, based on 1,880,000,000 Shares in issue as at the Latest Practicable Date, is approximately HK\$0.52. As stated in the letter from the Board in the Circular, upon Completion, the number of Shares in issue will increase to 1,978,066,283 Shares. In addition, upon Completion, assuming the fair value of each Share is HK\$2.58, the value of the Consideration Shares amounts to HK\$253 million, which represents the entire issued share capital of Silver Linkage and the Shareholders' Loans, the NAV of the Group will increase by the value of the Consideration Shares at the date of the Completion. As such, the NAV of the Group on a per Share basis will increase.

In light of the above, we consider that the Acquisition will have a positive effect on the NAV per Share of the Group.

(b) Effect on the earnings per Share

As disclosed in the 2006 Annual Report, the profit attributable to the equity holders of the Group for the financial year ended 31 December 2006 was approximately HK\$201.52 million. The earnings per Share of the Group before the Acquisition, based on 1,880,000,000 Shares in issue as at the Latest Practicable Date, is approximately HK\$0.11. As stated in the letter from the Board in the Circular, the net profit after taxation of Silver Linkage for the financial year ended 31 December 2006 was approximately HK\$21.35 million. Upon Completion, the number of Shares in issue will increase to 1,978,066,283 Shares. Nevertheless, as, upon Completion, Silver Linkage will become a wholly owned subsidiary of the Company and its results of operations will be consolidated into the financial statements of the Group, the earnings of the Group on a per Share basis will increase.

In light of the above, we consider that the Acquisition will have a positive effect on the earnings per Share of the Group.

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(c) *Effect on working capital and gearing*

As the Acquisition will be settled by issuing the Consideration Shares, there would be no material impact on the working capital of the Group upon Completion apart from the expenses incurred or to be incurred for the Acquisition.

Based on the 2007 Interim Report, the gearing ratio (being debt divided by NAV) of the Group was zero, as the Group had no outstanding debt as at 30 June 2007. As stated in the letter from the Board in the Circular, the Acquisition will have no impact on the liabilities of the Group, whilst, as discussed in the section headed "Effect on the NAV per Share", the NAV of the Group will increase by the value of the Consideration Shares at the date of the Completion. As such, there will be no negative impact on the gearing ratio of the Group upon Completion.

In light of:

- (i) the positive effect on the NAV per Share of the Group;
- (ii) the positive effect on the earnings per Share of the Group; and
- (iii) no material impact on the working capital of the Group and no negative impact on the gearing ratio of the Group,

we are of the view that the Acquisition will have an overall positive financial effect on the Group and is in the interests of the Company and the Shareholders as a whole.

H. Potential dilution

Table 2 below set out the shareholding structure of the Company as at the Latest Practicable Date and, for illustration purposes, the potential dilutive effect upon Completion.

Table 2: Shareholding structure of the Company and potential dilution

Name of Shareholder	As at the Latest Practicable Date		Immediately after Completion	
	Number of Shares	%	Number of Shares	%
CITIC Pacific	941,692,000	50.09	1,039,758,283	52.56
Other public Shareholders	938,308,000	49.91	938,308,000	47.44
Total	<u>1,880,000,000</u>	<u>100.00</u>	<u>1,978,066,283</u>	<u>100.00</u>

Sources: The letter from the Board

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From Table 2 above, the shareholdings of other public Shareholders will decrease from approximately 49.91% to approximately 47.44% immediately after Completion. Such potential dilution to the shareholdings of other public Shareholders represents a slight dilution of approximately 2.47%.

Taking into account that:

- (i) CITIC Pacific already has majority control of the Company and will remain to be the single largest Shareholder of the Company;
- (ii) the settlement of the Consideration by way of issuing Consideration Shares will provide the Group with flexibility in financing and enhancement of financial position of the Group as discussed in the above section headed "Comparison of the Consideration Share Price to the historical closing prices of the Shares"; and
- (iii) the potential dilution is modest,

we consider that the potential dilution of shareholding to the other public Shareholders immediately after Completion is acceptable.

RECOMMENDATION

We have considered the above principal factors and reasons and in particular, have taken into account the following factors in arriving at our opinion:

- (i) entering into the Acquisition Agreement although not in the ordinary and usual course of business, it is nevertheless in line with the strategy of the Group;
- (ii) it is reasonable for the Company to satisfy the Consideration of the Acquisition by way of issuing Consideration Shares and the Consideration Share Price per Consideration Share is fair and reasonable and is in the interests of the Company and the Shareholders as a whole;
- (iii) the Consideration is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders;
- (iv) the Acquisition will have an overall positive financial effect on the Group and is in the interests of the Company and the Shareholders as a whole; and
- (v) the potential dilution of shareholding to the other public Shareholders immediately after Completion is acceptable.

LETTER FROM PLATINUM SECURITIES

Having considered the above, we are of the view that (i) entering into the Acquisition Agreement is in line with strategy of the Group; and (ii) the Acquisition is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and we recommend the Independent Shareholders to vote in favour of the resolution, which will be proposed in the Extraordinary General Meeting to approve the Acquisition Agreement.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited

Liu Chee Ming
Managing Director

Ian Ramsay
Director

Lenny Li
Assistant Director

The forecast on the consolidated profit attributable to shareholders of Silver Linkage Group for the year ending 31 December 2007 is set out in the section headed "Letter from the Board – Consideration for the Acquisition and the basis for its determination".

(A) BASES AND ASSUMPTIONS

The directors of Silver Linkage have prepared the forecast on the consolidated profit attributable to shareholders of Silver Linkage Group for the year ending 31 December 2007. The directors of the Company and Silver Linkage are not currently aware of any extraordinary items which have arisen or are likely to arise in respect of the year ending 31 December 2007. The forecast has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by the Silver Linkage Group which is in accordance with all applicable Hong Kong Financial Reporting Standards and has been based on the following principal assumptions:

- (1) there will be no material changes in existing political, legal, regulatory, fiscal or economic conditions in Great China, or any other territory in which the Silver Linkage Group currently operations or which are otherwise material to the Silver Linkage Group's revenues;
- (2) there will be no material changes in legislation or regulations governing the telecommunications industry in Great China or any other country or territory in which the Silver Linkage Group operates or which the Silver Linkage Group has arrangements or agreements with, which would materially affect the business or operations of the Silver Linkage Group;
- (3) inflation, interest rates or foreign currency exchange rates will not differ materially from those prevailing as of the date of this circular;
- (4) based on information currently available, there will be no tariff reduction that will have a material adverse effect on the Silver Linkage Group's business.

(B) LETTERS

Set out below are the text of the letters received from KPMG, and from the Company's Financial Adviser in connection with the forecast of consolidated profit attributable to shareholders of Silver Linkage Investments Inc. and its subsidiaries for the year ending 31 December 2007 and prepared for the purpose of inclusion in this circular.



The Board of Directors
CITIC 1616 Holdings Limited

30 November 2007

Dear Sirs

**CITIC 1616 Holdings Limited (the "Company")
Proposed acquisition of Silver Linkage Investments Inc.**

We have reviewed the accounting policies and calculations for the profit forecast (the "Forecast") of Silver Linkage Investments Inc. ("Silver Linkage") and its subsidiaries (collectively "Silver Linkage Group") for the year ending 31 December 2007, which has been prepared by officials of Silver Linkage Investments Inc. and for which the directors of Silver Linkage are solely responsible.

The Forecast has been prepared by the directors of Silver Linkage based on the audited consolidated financial statements of Silver Linkage Group for the year ended 31 December 2006, the unaudited consolidated management accounts of Silver Linkage Group for the six months period ended 30 June 2007 and a forecast of the consolidated results of Silver Linkage Group for the remaining six months ending 31 December 2007.

In our opinion, so far as the accounting policies and calculations are concerned, the Forecast has been properly compiled on the bases and assumptions made by the directors of Silver Linkage as set out in Part A of Appendix I to the circular dated 30 November 2007 and is presented on a basis consistent in all material respects with the accounting policies adopted by Silver Linkage as set out in its audited consolidated financial statements for the year ended 31 December 2006.

Yours faithfully

KPMG
Certified Public Accountants



BNP PARIBAS
CORPORATE & INVESTMENT BANKING

30 November 2007

The directors
CITIC 1616 Holdings Limited
8/F & 9/F CITIC Tower,
1 Tim Mei Avenue, Central,
Hong Kong

Dear Sirs,

We refer to the forecast of the consolidated profit attributable to shareholders of Silver Linkage Investments Inc (the “Target”) and its subsidiaries (together the “Target Group”) for the year ending 31 December 2007 (the “Forecast”).

The Forecast, for which the directors of the Target (the “Directors”) are solely responsible, has been prepared by them based on the unaudited consolidated management accounts of the Target Group for the six months ended 30 June 2007 and a forecast of the consolidated results of the Target Group for the remaining six months ending 31 December 2007.

We have discussed with the Directors the bases and assumptions upon which the Forecast has been made. We have also considered the letter dated 30 November 2007 addressed to you from KPMG regarding the accounting policies and calculations upon which the Forecast has been made.

On the basis of the foregoing and on the bases and assumptions made by the Target and the accounting policies and calculations adopted by the Target and reviewed by KPMG, we have formed the opinion that the Forecast, for which the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
BNP Paribas Capital (Asia Pacific) Limited
Isadora Li
Head of Investment Banking – North Asia

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this circular misleading.

DISCLOSURE OF INTERESTS**Interests of Directors**

- (i) As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company or any of their respective associates in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provision of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

(a) Interest in Shares

Name of Director	<u>Number of Shares</u>	Percentage of issued Share capital (%)
	Personal interests	
David Chan Tin Wai	2,000	0.0001

(b) *Interest in share options granted by the Company*

Name of Director	Underlying shares pursuant to share options	Percentage of issued share capital (%)	Exercise price per Share (HK\$)	Date of grant	Exercisable period
Shi Cuiming	2,900,000	0.15	3.26	23.5.2007	23.5.2007 – 22.5.2012
Yuen Kee Tong	2,500,000	0.13	3.26	23.5.2007	23.5.2007 – 22.5.2012
David Chan Tin Wai	1,845,000	0.10	3.26	23.5.2007	23.5.2007 – 22.5.2012
Yang Xianzu	300,000	0.02	3.26	23.5.2007	23.5.2007 – 22.5.2012
Liu Li Qing	300,000	0.02	3.26	23.5.2007	23.5.2007 – 22.5.2012
Gordon Kwong Che Keung	300,000	0.02	3.26	23.5.2007	23.5.2007 – 22.5.2012

(c) *Interest in shares of CITIC Pacific*

Name of Director	Number of shares			Percentage of issued share capital (%)
	Personal interests	Corporate interests	Total	
Shi Cuiming	22,000	–	22,000	0.001
Yuen Kee Tong	1,033,000	–	1,033,000	0.047
David Chan Tin Wai	40,000	–	40,000	0.002
Lee Chung Hing	1,000,000	–	1,000,000	0.045
Yang Xianzu	20,000	–	20,000	0.001
Gordon Kwong Che Keung	20,000	50,000	70,000	0.003

(d) Interest in share options granted by CITIC Pacific

Name of Director	Underlying shares pursuant to share options	Percentage of issued share capital (%)	Exercise price per share (HK\$)	Date of grant	Exercisable period
Lee Chung Hing	1,000,000		19.9	1.11.2004	1.11.2004 – 31.10.2009
	1,200,000		22.1	20.6.2006	20.6.2006 – 19.6.2011
	1,200,000		47.32	16.10.2007	16.10.2007 – 15.10.2012
	3,400,000	0.154			
Kwok Man Leung	600,000	0.027	47.32	16.10.2007	16.10.2007 – 15.10.2012

(e) Interest in shares of Dah Chong Hong Holdings Limited

Name of Director	Number of shares		Percentage of issued share capital (%)
	Personal interests		
Shi Cuiming		3,400	0.0002
Yuen Kee Tong		20,000	0.001
David Chan Tin Wai		5,279	0.0003

Save as disclosed above, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV and the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

- (ii) As at the Latest Practicable Date, Mr Lee Chung Hing is a Deputy Managing Director of CITIC Pacific and Mr. Kwok Man Leung is the director of Business Development Department of CITIC Pacific. Apart from this, none of the Directors and the chief executive of the Company was a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.
- (iii) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2006, being the date to which the latest published audited accounts of the Group were made up.
- (iv) None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group and Silver Linkage Group.

Interests of substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the persons, other than Directors or the chief executive of the Company, who had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, and the amount of each of such person's interest in such securities, together with any options in respect of such capital, were as follows:

(i) *Interest in the Shares*

Name of substantial shareholder	Number of Shares held	Percentage of issued share capital %
CITIC Pacific Limited	1,039,758,283	55.31
Crown Base International Limited	941,692,000	50.09
Effectual Holdings Corp.	941,692,000	50.09
CITIC Pacific Communications Limited	941,692,000	50.09
Douro Holdings Inc.	941,692,000	50.09
Ferretti Holdings Corp.	941,692,000	50.09
Ease Action Investments Corp.	941,692,000	50.09
Government of Singapore Investment Corporation Pte Ltd.	131,341,000	6.99

CITIC Pacific is the direct holding company of Crown Base International Limited, which is the direct holding company of Effectual Holdings Corp. Effectual Holdings Corp. in turn holds CITIC Pacific Communications Limited, which is then the direct holding company of Douro Holdings Inc. Douro Holdings Inc. is the direct holding company of Ferretti Holdings Corp. which in turn holds Ease Action Investments Corp. Accordingly, the interests of CITIC Pacific in the Company duplicate the interests in the Company of all its direct and indirect subsidiary companies as described above.

All the interests stated above represent long positions in the shares of the Company.

(ii) *Substantial shareholding in the other members of the Group*

Name of member of the Group	Name of shareholder	Percentage of issued shares as at the Latest Practicable Date (%)
Asia Pacific Internet Exchange Limited	HKIX Hong Kong Ltd.	25

QUALIFICATIONS

The following is the qualifications of the expert who has given an opinion or advice on the information contained in this circular:

Name	Qualifications
Platinum Securities	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.

As at the Latest Practicable Date, Platinum Securities had no interest in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and Platinum Securities had no interest, either directly or indirectly, in any assets which have been, since 31 December 2006, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

COMPETING INTEREST

As at the Latest Practicable Date, save as disclosed below, none of the Directors and their respective associates had any direct or indirect interest in a business which competes or may compete with the business of the Group and Silver Linkage:-

Mr. Yuen Kee Tong, executive Director, is under an agreement with CITIC Pacific to spend some of his time on the business of CITIC Pacific. CITIC Pacific will pay Mr. Yuen for his such services separately. Mr. Yuen's role in CITIC Pacific and its subsidiaries (excluding the Group) ("Retained Group") will facilitate the continued operation and oversight of the remaining non-core telecoms businesses of CITIC Pacific. Mr. Yuen's continued involvement will be on a non-executive and part-time basis and CITIC Pacific will not engage more than 5% of his time than the time he would spend with the Group.

Mr. Lee Chung Hing, a non-executive Director, is the Vice-Chairman of CITIC Guoan Co., Ltd. ("CITIC Guoan"). Mr. Kwok Man Leung, a non-executive Director, is a director of CITIC Guoan. CITIC Guoan's primary business is its 41.63% interest in CITIC Guoan Information Industry Co. Ltd. ("Guoan Information"), a Shenzhen Stock Exchange listed company. Guoan Information operates cable television networks in 18 cities and one province in China. Guoan Information also has interests in systems integration, software development, hotel management, salt lake consolidated resources development and property development.

Guoan Information's system integration services and Companhia de Telecomunicacoes de Macau S.A.R.L.'s international hubbing services, leased circuits, data centre and co-location services are the only area of the Retained Group's telecoms business which may compete with the Company's business.

LITIGATION

As at the Latest Practicable Date, no member of the Group or Silver Linkage was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group and Silver Linkage.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with any member of the Group or Silver Linkage (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, being the date to which the latest published audited financial statements of the Group were made up.

GENERAL

- (i) The registered office of the Company is situated at 8th Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong.
- (ii) The head office and principal place of business in Hong Kong is situated at 8th Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong.
- (iii) The principal registrar and transfer office of the Company is situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (iv) The company secretary of the Company is Ms Tso Mun Wai, *ACIS, MA*.
- (v) The qualified accountant of the Company is Dr. David Chan Tin Wai, *LLB (Hons), LLM, MACC, DBA, ACA, FCCA, FCPA, FTIHK, FCIS, FCS*.
- (vi) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text thereof.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 8th Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong during normal business hours on any weekdays other than public holidays up to and including the date of the EGM:

- (i) the Acquisition Agreement;
- (ii) the letter from Platinum Securities dated 30 November 2007, the text of which is set out in this circular; and
- (iii) the letter from the Independent Board Committee dated 30 November 2007, the text of which is set out in this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



CITIC 1616 Holdings Limited

中信 1616 集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 1883)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of CITIC 1616 Holdings Limited (the “Company”) will be held at Island Ballroom, Level 5, Island Shangri-La Hotel, Two Pacific Place, Supreme Court Road, Hong Kong on Monday, 17 December 2007 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modification the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the Acquisition Agreement (as defined in the circular to the shareholders of the Company dated 30 November 2007 (the “Circular”), a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification) and the issue of 98,066,283 new shares of HK\$0.10 each in the Company (“Shares”) pursuant thereto and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
- (b) any one of the directors of the Company (“Director(s)”) be and is hereby authorised to do all such further acts and things and execute such further documents and take all steps which in his opinion may be necessary, desirable or expedient to implement and/or give effect to the Acquisition Agreement and the allotment and issue of 98,066,283 new Shares pursuant thereto and the transactions contemplated thereunder with any changes as such Director may consider necessary, desirable or expedient.”

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

Hong Kong, 30 November 2007

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. The ordinary resolution to be considered at the EGM will be decided by poll. On voting by poll, each member of the Company shall have one vote for each Share held in the Company.
2. A member entitled to attend and vote at the EGM is entitled to appoint more than one proxy to attend and, on poll, vote on his behalf. A proxy need not be a member of the Company.
3. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof if you so wish. In the event that you attend the EGM after having returned the completed form of proxy, your form of proxy will be deemed to have been revoked.
4. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney, must be deposited at the Company's registered office and principal place of business at 8th Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
5. In the case of joint registered holders of any Shares, any one of such joint registered holders may vote at the EGM, either in person or by proxy, in respect of such Shares as if he/she/it were solely entitled thereto; but if more than one of such joint registered holders be present at the EGM, either in person or by proxy, the vote of that one of them so present, either in person or by proxy, whose name stands first on the register of members in respect of such Shares shall be accepted to the exclusion of the votes of the other joint registered holder(s).