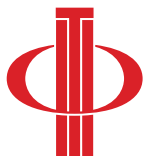


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CITIC PACIFIC

CITIC Pacific Limited

中信泰富有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 267)



CITIC 1616 HOLDINGS LIMITED

中信1616集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 1883)

**CONNECTED TRANSACTIONS
AND
CONTINUING CONNECTED
TRANSACTIONS**

**DISCLOSEABLE AND CONNECTED
TRANSACTIONS AND
CONTINUING CONNECTED
TRANSACTIONS**

**ACQUISITION OF INTERESTS IN CEC AND ITS SUBSIDIARY
AND
PROPOSED CHANGE OF COMPANY NAME OF
CITIC 1616 HOLDINGS LIMITED**

Financial Adviser to CITIC 1616



BNP PARIBAS

CORPORATE & INVESTMENT BANKING

ACQUISITION OF INTERESTS IN CEC AND ITS SUBSIDIARY

The CITIC Pacific Board and the CITIC 1616 Board are pleased to announce that on 2 September 2010, CITIC 1616, CPCNet (a wholly owned subsidiary of CITIC 1616), CITIC Group, CE-SCM, SASACIC and CEC entered into the Framework Agreement, pursuant to which the parties will enter into a series of transactions involving:– (a) acquisition by CITIC 1616 (through CPCNet) of a total of 49% equity interest in CEC from CITIC Group and CE-SCM, together with the Purchase Right to be granted by CITIC Group in favour of CPCNet to require CITIC Group to sell its remaining 45.09% equity interest in CEC to CPCNet, i.e. the Remaining Interest (such right to be exercisable after Completion and when CPCNet is permitted to hold more equity interest in CEC under the then prevailing laws, regulations and policies in the PRC relating to foreign investments in the telecommunications sector in the PRC); (b) acquisition by CITIC 1616 (through CPCNet) of all the issued shares of CEC-HK; and (c) certain arrangements among CPCNet, CEC and CEC-HK (including but not limited to the transactions contemplated under the Exclusive Service Agreement which constitute continuing connected transactions for CITIC 1616 and CITIC Pacific). The aggregate amount payable by the CITIC 1616 Group for the purpose of Completion is approximately HK\$258,383,266 comprising (a) the consideration for the Acquisition in the total sum of approximately RMB163,561,768 (approximately HK\$187,613,866), subject to audit adjustments; and (b) the assumption of debts in the amount of US\$9,073,000 (approximately HK\$70,769,400) owed by CEC-HK to a subsidiary of CITIC Group.

The Acquisition constitutes a discloseable transaction for CITIC 1616 under Chapter 14 of the Listing Rules. CITIC Group is the controlling shareholder of CITIC Pacific, which in turn is the holding company of CITIC 1616. Therefore, CITIC Group is a connected person of CITIC Pacific and CITIC 1616. CITIC Pacific is not a party to the Transactions but because it is the holding company of CITIC 1616, the Acquisition constitutes connected transactions for CITIC Pacific and CITIC 1616 under Chapter 14A of the Listing Rules. For CITIC Pacific, the Acquisition is subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. For CITIC 1616, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The transactions contemplated under the Exclusive Service Agreement constitute continuing connected transactions subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement for CITIC Pacific and continuing connected transactions subject to the reporting, announcement and independent shareholders' approval requirements for CITIC 1616, under Chapter 14A of the Listing Rules.

BNP Paribas Capital (Asia Pacific) Limited is acting as the sole financial adviser to CITIC 1616 in respect of the Acquisition. An independent financial adviser will be appointed to advise the CITIC 1616 Independent Board Committee and the CITIC 1616 Independent Shareholders in relation to the terms of the Transactions (including the Annual Caps).

PROPOSED CHANGE OF COMPANY NAME OF CITIC 1616 HOLDINGS LIMITED

The CITIC 1616 Board proposes to change the name of CITIC 1616 from "CITIC 1616 HOLDINGS LIMITED 中信1616集團有限公司" to "CITIC TELECOM INTERNATIONAL HOLDINGS LIMITED 中信國際電訊集團有限公司". The proposed change of name of CITIC 1616 is subject to (i) the passing of a special resolution by the CITIC 1616 Shareholders at the CITIC 1616 EGM and (ii) the approval of the Registrar of Companies in Hong Kong.

GENERAL

A circular containing, among other things, (i) further details of the Transactions; (ii) the recommendation of the CITIC 1616 Independent Board Committee to the CITIC 1616 Independent Shareholders; (iii) the advice from the independent financial adviser to the CITIC 1616 Independent Board Committee and the CITIC 1616 Independent Shareholders; and (iv) details of the proposed change of company name of CITIC 1616, together with a notice of the CITIC 1616 EGM, are expected to be despatched to the CITIC 1616 Shareholders as soon as practicable, but no later than 24 September 2010.

FRAMEWORK AGREEMENT

Date

2 September 2010

Parties

- (1) CITIC 1616
- (2) CPCNet, a wholly owned subsidiary of CITIC 1616
- (3) CITIC Group
- (4) CE-SCM
- (5) SASACIC
- (6) CEC

Acquisition

Subject to all the Conditions being satisfied or waived, CITIC 1616 will (through CPCNet) acquire at Completion:–

- (a) an aggregate of 49% equity interest in CEC, which, after completion of the CEC Reorganisation, comprises:–
 - (i) *CITIC Group Sale Interest* – 8.23% equity interest in the entire registered capital of CEC, currently held by CITIC Group; and
 - (ii) *CE-SCM Sale Interest* – 40.77% equity interest in the entire registered capital of CEC, currently held by CE-SCM;
- (b) the Purchase Right, i.e. in consideration of the Advance Payment (as defined in the section headed “Consideration and basis for its determination” below), a right to require CITIC Group to sell to CPCNet the Remaining Interest (being the remaining 45.09% equity interest which will remain held by CITIC Group immediately after Completion), which is exercisable by CPCNet after Completion and when CPCNet is permitted to hold more equity interest in CEC under the then prevailing laws, regulations and policies in the PRC relating to foreign investments in the telecommunications sector in the PRC; and
- (c) *CEC-HK Sale Shares* – the entire issued share capital of CEC-HK (being 100 shares of HK\$1.00 each in the share capital of CEC-HK), currently held by CEC and to be held by CEC-HK Holdings immediately after completion of the CEC-HK Reorganisation.

CITIC 1616 will procure and guarantee the performance of the obligations of CPCNet under the Framework Agreement. SASACIC has agreed to the Transactions and agreed to do such things as are necessary to give effect to the Framework Agreement, the Transaction Documents and the Transactions.

Arrangements involving CPCNet, CEC and CEC-HK

CEC, CEC-HK and CPCNet will enter into the following arrangements before Completion:–

- (a) within five Business Days following the CITIC 1616 Independent Shareholders' Approval, CEC, CEC-HK and CPCNet will enter into the Exclusive Service Agreement, pursuant to which CEC shall provide technical and support services to the customers of CEC-HK and CPCNet in relation to value-added telecom business for a term of 3 years with effect from the date of such agreement. The transactions contemplated under the Exclusive Service Agreement constitute continuing connected transactions subject to the reporting, announcement and independent shareholders' approval requirements for CITIC 1616 and continuing connected transactions subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement for CITIC Pacific under Chapter 14A of the Listing Rules. Further details of such transactions are set out in the section headed "Continuing Connected Transactions";
- (b) within five Business Days following the CITIC 1616 Independent Shareholders' Approval, CEC and CPCNet will enter into the Cooperation Agreement, pursuant to which CEC shall undertake, save and except with the prior written consent from CPCNet, with effect from the date of such agreement, not to engage in any transaction which may have actual impacts to its assets, obligations, rights or operation of CEC which include: (i) obtaining funding from any person or entity (other than from any member of the CITIC 1616 Group); (ii) selling to or purchasing from any person or entity (other than from any member of the CITIC 1616 Group) any assets or business; and (iii) providing guarantee or security over its assets to any person or entity (other than to any member of the CITIC 1616 Group); and
- (c) within five Business Days following the CITIC 1616 Independent Shareholders' Approval and completion of the CEC-HK Reorganisation, CITIC Group, CE-SCM and CEC will agree to, and procure, all the management and operation controls over CEC, CEC-HK Holdings and CEC-HK to be taken over by CPCNet, including but not limited to the appointment of such persons as recommended by CITIC 1616 to act as directors of CEC-HK Holdings and CEC-HK, CEC's new directors, general manager and financial controller.

Consideration and basis for its determination

The aggregate amount payable by the CITIC 1616 Group for the purpose of Completion is approximately HK\$258,383,266 comprising (a) the consideration for the Acquisition in the total sum of approximately RMB163,561,768 (approximately HK\$187,613,866), subject to audit adjustments; and (b) the assumption of debts in the amount of US\$9,073,000 (approximately HK\$70,769,400) owed by CEC-HK to a subsidiary of CITIC Group as follows:

(a) The aggregate consideration payable by CITIC 1616 for the Acquisition of approximately RMB163,561,768 (approximately HK\$187,613,866) (subject to certain audit adjustment pursuant to the Framework Agreement as described below), comprises:–

(i) RMB80,818,000 (approximately HK\$92,702,455), which shall be paid to CITIC Group in cash at Completion. Such amount comprises the consideration for the CITIC Group Sale Interest and an advance payment pursuant to the Purchase Right which amount shall be used to pay for the Remaining Interest upon exercise of the Purchase Right (the “**Advance Payment**”).

The consideration for the CITIC Group Sale Interest shall be RMB16,632,604 (approximately HK\$19,078,462), or such amount after audit adjustments. The balance shall form the Advance Payment.

(ii) RMB82,395,048 (approximately HK\$94,511,411) (subject to certain audit adjustment pursuant to the Framework Agreement as described below), which have been/shall be paid to CE-SCM in cash in the following instalments: 10% by signing of the Framework Agreement, 50% by the fifth Business Day following the CITIC 1616 Independent Shareholders’ Approval and completion of the CEC-HK Reorganisation, and the balance of 40% by earlier of Completion and the Longstop Date. If Completion does not take place by the Longstop Date or the Framework Agreement is otherwise terminated, any amount so paid shall be refunded by CE-SCM.

(iii) HK\$400,000 (approximately RMB348,720), being consideration for the CEC-HK Sale Shares, which shall be paid to CEC-HK Holdings in cash on the fifth Business Day following the CITIC 1616 Independent Shareholders’ Approval.

(b) In addition, CPCNet will, in its capacity as the holding company of CEC-HK upon Completion, be responsible to repay debts in the amount of US\$9,073,000 (approximately HK\$70,769,400) owed by CEC-HK to a subsidiary of CITIC Group.

The consideration for the CITIC Group Sale Interest and the consideration for the CE-SCM Sale Interest, shall be adjusted for certain liabilities of the Target Group with reference to the accounts of the Target Group made up to 30 June 2010 to be audited in accordance with international financial reporting standards and pursuant to the Framework Agreement.

Upon CPCNet's exercise of the Purchase Right, CITIC 1616 shall pay to CITIC Group the consideration for the Remaining Interest. The consideration for the Remaining Interest will be determined based on an appraised value of such Remaining Interest as required under applicable PRC laws and regulations at the relevant time. If such amount is less than or equals to the Advance Payment, the exercise price is US\$1.00. If such appraised value is higher, the exercise price is the difference between such appraised value and the amount of the Advance Payment. The Advance Payment shall be refundable (without interest) in cash or otherwise at the option of CPCNet, if the Purchase Right does not become exercisable within 10 years from Completion.

CITIC 1616 may choose to pay all or part of the consideration payable under the Framework Agreement in US\$ or RMB. If CITIC 1616 chooses to pay in US\$, the amount of the relevant consideration payable shall be calculated with reference to the prevailing exchange rate prior to payment. The consideration payable under the Framework Agreement is expected to be funded by the CITIC 1616 Group's internal resources.

The total consideration of HK\$258,383,266 payable by CITIC 1616 for the purpose of Completion as mentioned above was determined after arm's length negotiation between the parties. For purpose of illustration, the entire valuation for the Acquisition implies a sales multiple of approximately 1.55 times. Such sales multiple is calculated as a ratio of such entire valuation compared to CEC's unaudited combined revenue for the year ended 31 December 2009 on the basis that the total consideration payable by CITIC 1616 represents 94.09% of such entire valuation. The CITIC 1616 Directors consider that sales multiple is the relevant benchmark given that CEC has just turned profitable in 2009 and has not been operating at full scale which earning potential may not be fully reflected.

CITIC Group made investments in CEC in January 2004 and January 2008 respectively. The original acquisition costs for the CITIC Group Sale Interest and the Remaining Interest, representing a total of 53.32% equity interest in CEC in the entire registered capital of CEC, was approximately RMB80,818,000 (approximately HK\$92,702,455).

CEC acquired CEC-HK in March 2002 at HK\$100.

Non-compete undertakings

CE-SCM has undertaken that it will not, save and except with the written consent from CPCNet, directly or indirectly engage in any business activity which competes with the Target Group Business from the date of the Framework Agreement until three years after Completion. Mr. Zhu Jianhua, a major shareholder of CE-SCM, has also given a similar non-compete undertaking in favour of CPCNet. CITIC Group has also given a non-compete undertaking in favour of CPCNet not to, save and except with the written consent from CPCNet, directly or indirectly engage in any IP-VPN business which competes with the Target Group Business from the date of the Framework Agreement and for so long as it is the holding company of CITIC 1616.

Conditions and Completion

Completion is conditional upon the following Conditions being satisfied (or waived, other than the Condition set out in (a) below which is incapable of waiver) on or before the Longstop Date:–

- (a) the CITIC 1616 Independent Shareholders' Approval;
- (b) the obtaining of such consents and approvals of the relevant PRC governmental authorities (including but not limited to the MOF, the MII and the Ministry of Commerce of the PRC (商務部)) as are necessary for the execution and performance of the relevant transaction documents and the Transactions (including but not limited to such consents and approvals as are necessary under the CEPA requirements);
- (c) if applicable, the obtaining of such consents and approvals of the relevant regulatory authorities in Hong Kong or elsewhere (including but not limited to the Stock Exchange) as are necessary for the execution and performance of the relevant transaction documents and the Transactions (including but not limited to such consents and approvals as are necessary under the CEPA requirements);
- (d) each member of the Target Group having received all relevant consents and approvals from third parties as are necessary in connection with the proposed change in shareholding of each member of the Target Group as a result of the Transactions so as to ensure that each member of the Target Group maintains all its existing material contractual and other rights following Completion;
- (e) the transfer of the CITIC Group Sale Interest contemplated under the Framework Agreement having complied with the statutory procedures applicable to transfer State-owned assets;
- (f) CPCNet having undertaken and completed a due diligence review of each member of the Target Group;
- (g) completion of the CEC Reorganisation and the CEC-HK Reorganisation; and
- (h) execution of all the Transaction Documents (save and except for such agreements or documents as agreed among the parties to be executed at Completion).

Completion will take place within three Business Days following satisfaction or waiver of the Conditions, or at such other date as all parties to the Framework Agreement may agree in writing.

If any of the Conditions has not been satisfied (or waived to the extent applicable) on or before the Longstop Date, then the Framework Agreement and the Transaction Documents will immediately terminate and CEC and CE-SCM shall refund to CITIC 1616 such part of consideration already received from CITIC 1616 without interest within ten Business Days after the date of termination.

CONTINUING CONNECTED TRANSACTIONS

The transactions under the Exclusive Service Agreement mentioned above constitute continuing connected transactions for CITIC Pacific and CITIC 1616 under Chapter 14A of the Listing Rules, as CEC is an associate of CITIC Group.

Under the Exclusive Service Agreement, CEC will provide technical and support services to customers of CEC-HK and CPCNet in the PRC to facilitate the provision of value-added telecom services to these customers. CEC will be responsible for arranging, operating and maintaining all necessary technical and support services exclusively in the PRC to service the customers of CEC-HK and CPCNet in the PRC. A service fee shall be payable to CEC with reference to CEC's costs in servicing such customers provided that CEC-HK and CPCNet shall be entitled to retain the first 30% of the corresponding sales proceeds from customers such that the service fee shall not in any event exceed 70% of the relevant sales proceeds. If CEC's costs shall be less than 70% of the corresponding sales proceeds, CEC on one hand and CEC-HK and CPCNet on the other shall be entitled to share the surplus equally. Such service fee was agreed by CEC-HK, CPCNet and CEC on an arm's length basis and shall be settled monthly.

The CITIC 1616 Group currently engages other business partners in the PRC to provide similar technical and support services to its customers in the PRC. CEC-HK currently engages CEC only to provide the technical and support services to its customers in the PRC. It is expected that upon the Exclusive Service Agreement taking effect, the CITIC 1616 Group will, and CEC-HK will continue to, engage CEC to provide the technical and support services for their customers in the PRC.

The service fees paid by the CITIC 1616 Group to its business partners for the provision of equivalent technical and support services for each of the three years ended 31 December 2009 and the half year ended 30 June 2010 amounted to US\$15,300,000 (approximately HK\$119,340,000), US\$22,400,000 (approximately HK\$174,720,000), US\$22,500,000 (approximately HK\$175,500,000) and US\$9,900,000 (approximately HK\$77,220,000), respectively. There were no comparable historical figures in respect of the provision of services by CEC to CEC-HK as the fees payable by CEC-HK to CEC for the services were not based on the same mechanism as that provided for under the Exclusive Service Agreement. The sales proceeds of CEC-HK from its customers utilizing CEC's technical and support services for each of the three years ended 31 December 2009 and the half year ended 30 June 2010 were US\$8,700,000 (approximately HK\$67,860,000), US\$12,200,000 (approximately HK\$95,160,000), US\$14,800,000 (approximately HK\$115,440,000) and US\$8,400,000 (approximately HK\$65,520,000), respectively. For illustration purposes, had the service fees payable by CEC-HK to CEC been charged using the same mechanism as that provided for under the Exclusive Service Agreement, the maximum amount of service fees that would have been payable by CEC-HK to CEC (i.e. 70% of the relevant sales proceeds) for each of the three years ended 31 December 2009 and the half year ended 30 June 2010 would have been US\$6,100,000 (approximately HK\$47,580,000), US\$8,500,000 (approximately HK\$66,300,000), US\$10,400,000 (approximately HK\$81,120,000) and US\$5,900,000 (approximately HK\$46,020,000), respectively.

Based on (i) the historical amounts of service fees paid by the CITIC 1616 Group to its business partners as set out above; (ii) the maximum amount of the service fees that would have been payable by CEC-HK to CEC if they had been charged using the same mechanism as that provided under the Exclusive Service Agreement as set out in the preceding paragraph; (iii) a growth factor taken into account the synergy to be brought about by the cooperation between the CITIC 1616 Group and CEC going forward and by customers' demand for the CITIC 1616 Group's services generally; and (iv) potential impact of appreciation of the value of RMB as CEC's costs will be in RMB, and assuming that the Exclusive Service Agreement will be for a term from 2010 to 2013, the Annual Caps for the transactions under the Exclusive Service Agreement for each of the four years ending 31 December 2013 are estimated to be US\$4,500,000 (approximately HK\$35,100,000), US\$40,000,000 (approximately HK\$312,000,000), US\$55,000,000 (approximately HK\$429,000,000) and US\$70,000,000 (approximately HK\$546,000,000), respectively.

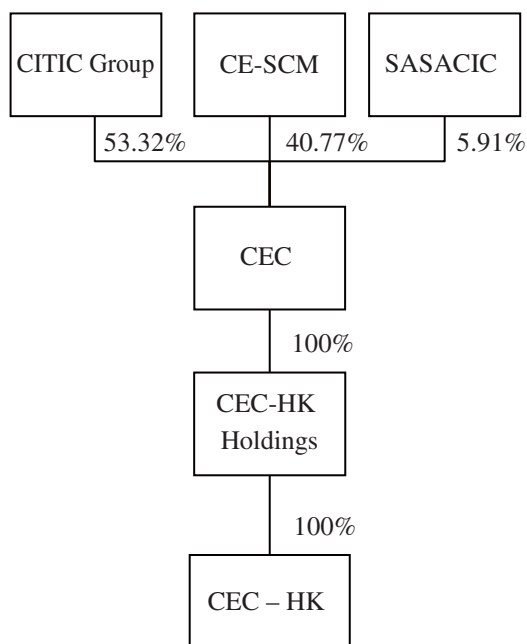
INFORMATION ON CEC AND CEC-HK

CEC is one of the leading VPN services providers in the PRC and is a unique independent VPN services provider which was granted a nationwide IP-VPN license from MII in January 2008, which allows CEC to provide domestic IP-VPN services throughout China. CEC was founded in 2000 and has since built an extensive network in the PRC with its headquarters in Beijing. CEC-HK is a company registered in Hong Kong engaging in the sales of internet and IP-VPN services to business customers.

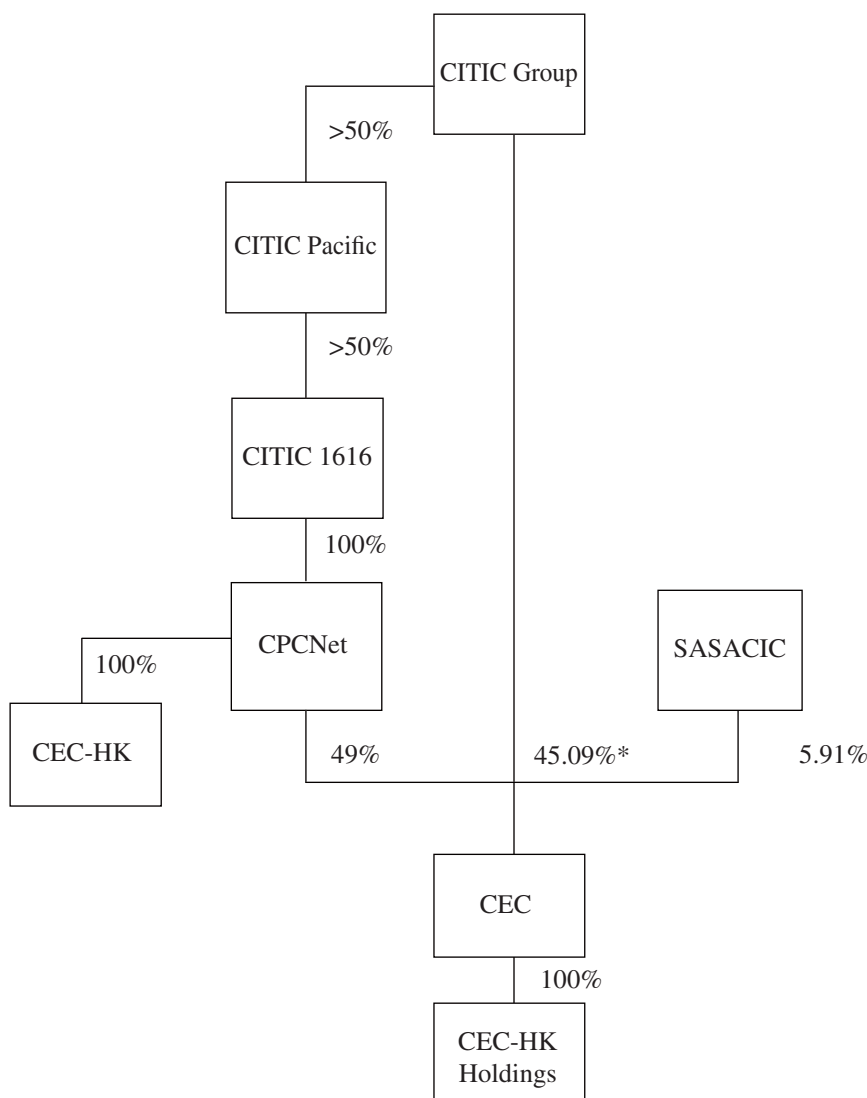
CEC is a company established under the laws of the PRC with a registered capital of RMB84,620,000 (approximately HK\$97,063,547) currently owned as to 53.32% by CITIC Group, 5.91% by SASACIC and 40.77% by CE-SCM. CEC currently owns 100% of all the issued shares of CEC-HK and certain interests in the Non-Core Business.

The shareholding structures of CEC, CEC-HK Holdings and CEC-HK (i) immediately after completion of the CEC Reorganisation and the CEC-HK Reorganisation; and (ii) immediately after Completion, are illustrated below:—

Immediately after the CEC Reorganisation and the CEC-HK Reorganisation



Immediately after Completion



* *CPCNet will have a right to require CITIC Group to sell to CPCNet its remaining 45.09% equity interest in CEC after Completion and when CPCNet is permitted to hold more equity interest in CEC under the then prevailing laws, regulations and policies in the PRC relating to foreign investments in the telecommunications sector in the PRC.*

Upon completion of the Acquisition, CEC will be accounted for as a subsidiary of CITIC 1616. Upon completion of the acquisition of CEC-HK Sale Shares by CPCNet, CEC-HK will be a wholly-owned subsidiary of CITIC 1616.

HISTORICAL FINANCIAL INFORMATION ON CEC AND CEC-HK

As at 31 December 2009, the consolidated net liability of CEC based on its management accounts and assuming that the CEC Reorganisation and CEC-HK Reorganisation had been completed as at 31 December 2007 amounted to approximately RMB5.4 million (approximately HK\$6.2 million).

Set out below are the unaudited combined financial information of CEC for the financial years ended 31 December 2008 and 2009 based on its management accounts and assuming that the CEC Reorganisation and CEC-HK Reorganisation had been completed as at 31 December 2007, respectively:

	Year ended 31 December 2008 <i>RMB'000</i>	Year ended 31 December 2009 <i>RMB'000</i>
CEC*:		
Revenue	135,465	154,412
Net profit/(loss) before taxation	(9,091)	4,526
Net profit/(loss) after taxation	(9,091)	4,526

* *adjusted for the CEC-Reorganisation and the CEC-HK Reorganisation*

INFORMATION ON CITIC GROUP, CE-SCM AND SASACIC

CITIC Group, the ultimate controlling shareholder of CITIC Pacific and CITIC 1616, is a state-owned enterprise established in 1979 with the approval of the State Council of the PRC. CITIC Group operates a wide range of business in the financial services and industrial investment sectors, including real estate, contracting, raw material and resources, information, manufacturing and the services industry. CE-SCM is principally engaged in the provision of information management and consultancy, and the development of applied technology platform and maintenance services to enterprises. SASACIC is the direct unit under SASAC and is responsible for, among others, the development and maintenance of the information network and platform of SASAC.

To the best of the knowledge, information and belief of the CITIC Pacific Directors and the CITIC 1616 Directors having made all reasonable enquiry, CE-SCM, SASACIC and their respective ultimate beneficial owners are third parties independent of CITIC Pacific, CITIC 1616 and their respective connected persons.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The CITIC 1616 Group is one of the leading value-added services providers to telecoms operators in Asia, specialising in hub-based services, particularly focusing on the PRC and Hong Kong. The CITIC 1616 Group has 4 main business segments, namely voice services, short messaging services (SMS), mobile value-added services (VAS) and data services. Its independent hub connects with over 440 telecom operators in 62 countries or regions. The CITIC 1616 Group is also a major virtual private network service provider in Asia, serving multinational corporations in the PRC.

The CITIC 1616 Group is CITIC Group's major subsidiary in the telecom sector. The Acquisition will mark the first direct asset injection by CITIC Group to the CITIC 1616 Group in support of the CITIC 1616 Group's strategic development and further enhance its leadership position in China VPN services. As a strategic initiative to expand its leadership position and offer more diversified telecom solutions to customers, the CITIC 1616 Group has identified China VPN services as one of the major growth initiatives. The CITIC 1616 Group currently offers China VPN access to multinational corporations via its business partners in China.

The CITIC 1616 Directors believe that the Transactions will generate positive impacts to the CITIC 1616 Group for the following reasons:

(1) Unique opportunity to obtain a nationwide VPN license and tap into the large domestic VPN services market

CEC is a unique independent VPN services provider in China which has been granted a nationwide IP-VPN license. Other than CEC, the PRC government has only granted a small number of VPN licenses and these licenses are generally limited to the provincial level. The CITIC 1616 Directors consider that VPN licenses have significant scarcity value as they are strictly controlled by the PRC government, so the opportunity to leverage on such a license (via the acquisition of CEC) can allow the CITIC 1616 Group to tap directly into the large domestic VPN services market, without the need to rely on the network infrastructure of third parties in China.

(2) Extension to the CPCNet's VPN services with significant areas of synergy

Since the CITIC 1616 Group's acquisition of CPCNet from CITIC Pacific, CPCNet has been an important growth driver to the CITIC 1616 Group's business. Currently, CPCNet offers China VPN access to multinational corporations via its business partners in China. The Acquisition will allow CPCNet to achieve potential significant areas of synergy such as cost savings arising from the cooperation of CEC, CEC-HK and CPCNet through the Exclusive Service Agreement, sharing of network and manpower resources.

(3) Extend customer base in the PRC domestic VPN market

CEC has strong presence in China with over 450 customers including established Chinese enterprise. The CITIC 1616 Group can leverage on CEC's customers base to expand revenue via cross selling opportunities and introduce or develop new services.

(4) Increase market presence by consolidating a market leader in China VPN services

Strengthen competitive positioning following merger with a strong domestic player. The combination of the 2 leading VPN players (namely, CPCNet and CEC) will significantly expand the CITIC 1616 Group's market presence, improve bargaining power over suppliers/customers and increase productivity.

The ambitions of the CITIC 1616 Group to leverage on its leadership position in the telecom hubbing business and to become the alternative choice of value-added telecom service provider in Greater China will be closer to realisation upon completion of the Acquisition and other announced acquisitions including the 20% acquisition of CTM and the 100% acquisition of CPCNet from CITIC Pacific. The CITIC 1616 Directors will continue to explore new investment opportunities that are consistent with its stated ambitions, further delivering sustainable long term returns to the CITIC 1616 Shareholders.

None of the CITIC 1616 Directors has a material interest in the Transactions or, save as mentioned below, is required to abstain from voting on the board resolution for considering and approving the Transactions. In view of the above potential benefits and synergies, the CITIC 1616 Directors (other than the independent non-executive CITIC 1616 Directors whose views will be set out in CITIC 1616's circular to be despatched to the CITIC 1616 Shareholders together with the advice of the independent financial adviser) consider that (i) the terms of the Transactions are on normal commercial terms, fair and reasonable and in the interests of the CITIC 1616 Shareholders as a whole; (ii) the transactions contemplated under the Exclusive Service Agreement are in the ordinary and usual course of business of the CITIC 1616 Group; and (iii) the Annual Caps are fair and reasonable, and approved the Transactions.

None of the CITIC Pacific Directors has a material interest in the Transactions and thus no one has abstained from voting on the board resolution in respect of the Transactions. The CITIC Pacific Directors consider that the Transactions are consistent with the business and commercial objectives of CITIC 1616. The CITIC Pacific Directors (other than the independent non-executive CITIC Pacific Directors who will render their views after the independent non-executive CITIC 1616 Directors have rendered theirs) are of the view that (i) the Transactions are on normal commercial terms, fair and reasonable and in the interests of CITIC Pacific and its shareholders as a whole; (ii) the transactions contemplated under the Exclusive Service Agreement are in the ordinary and usual course of business of the CITIC 1616 Group; and (iii) the Annual Caps are fair and reasonable. CITIC Pacific will publish a further announcement with the views on the Transactions of the independent non-executive CITIC Pacific Directors once such views have been rendered.

INFORMATION ABOUT CITIC PACIFIC

CITIC Pacific's operational focus is on China, both the mainland and Hong Kong. Its major businesses are special steel manufacturing, iron ore mining and property development in mainland China. Other businesses include energy and civil infrastructure. CITIC Pacific also holds controlling interests in CITIC 1616 and Dah Chong Hong Holdings Limited.

LISTING RULES IMPLICATIONS



The Acquisition constitutes a discloseable transaction for CITIC 1616 under Chapter 14A of the Listing Rules.

CITIC Group is the controlling shareholder of CITIC Pacific, which in turn is a holding company of CITIC 1616 and therefore CITIC Group is a connected person of CITIC Pacific and CITIC 1616. CITIC Pacific is not a party to the Transactions but because it is the holding company of CITIC 1616, the Acquisition constitutes connected transactions for CITIC Pacific and CITIC 1616 under Chapter 14A of the Listing Rules. For CITIC Pacific, the Acquisition is subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. For CITIC 1616, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In view of CITIC Group's interests in the Acquisition, CITIC Group and its associates (including CITIC Pacific) will abstain from voting at the CITIC 1616 EGM.

Since each of the percentage ratios calculated with reference to the largest Annual Cap for the transactions contemplated under the Exclusive Service Agreement is more than 0.1% but less than 5% for CITIC Pacific, and more than 5% for CITIC 1616, the transactions contemplated under the Exclusive Service Agreement constitute continuing connected transactions subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements for CITIC Pacific and continuing connected transactions subject to the reporting, announcement and the independent shareholders' approval requirements for CITIC 1616, under Chapter 14A of the Listing Rules.

BNP Paribas Capital (Asia Pacific) Limited is acting as the sole financial adviser to CITIC 1616 in respect of the Acquisition. An independent financial adviser will be appointed by CITIC 1616 as its independent financial adviser to advise the CITIC 1616 Independent Board Committee and the CITIC 1616 Independent Shareholders in relation to the terms of the Transactions (including the Annual Caps).

PROPOSED CHANGE OF COMPANY NAME OF CITIC 1616

The CITIC 1616 Board proposes to change the name of CITIC 1616 from “CITIC 1616 HOLDINGS LIMITED 中信1616集團有限公司” to “CITIC TELECOM INTERNATIONAL HOLDINGS LIMITED 中信國際電訊集團有限公司” and also the logo of CITIC 1616 from “” to “” when the change of name becomes effective.

The CITIC 1616 Board considers that the change of name and logo of CITIC 1616 will better reflect the CITIC 1616 Group's business activities. The CITIC 1616 Board therefore believes that the proposed change of company name is in the interests of CITIC 1616 and the CITIC 1616 Shareholders as a whole.

The proposed change of name of CITIC 1616 is subject to (i) the passing of a special resolution by the CITIC 1616 Shareholders at the CITIC 1616 EGM; and (ii) the approval of the Registrar of Companies in Hong Kong. The change of name of CITIC 1616 shall take effect from the date on which the Certificate of Change of Name is issued by the Registrar of Companies in Hong Kong. CITIC 1616 will, subject to the passing of a special resolution by the CITIC 1616 Shareholders at the CITIC 1616 EGM, carry out the necessary filing procedures with the Registrar of Companies in Hong Kong.

The proposed change of name and logo of CITIC 1616 will not affect any of the rights of the CITIC 1616 Shareholders. All existing share certificates in issue bearing CITIC 1616's existing name will, after the change of company name becoming effective, continue to be evidence of title to the CITIC 1616 Shares under its new name and will be valid for trading, settlement and delivery for the same number of the CITIC 1616 Shares in the new name and logo of CITIC 1616 on the Stock Exchange. Accordingly, there will not be any arrangement for free exchange of existing certificates of securities for new share certificates bearing the new name and logo of CITIC 1616. Once the change of name has become effective, new share certificates will be issued in the new name and logo of CITIC 1616 and the CITIC 1616 Shares will be traded on the Stock Exchange in its new name.

Further announcement will be made by CITIC 1616 in relation to the effective date of the change of name of CITIC 1616 and the change of the stock short name of CITIC 1616.

GENERAL

The CITIC 1616 EGM will be convened to consider and if thought fit, to approve, among other things, the Transactions (including the Annual Caps), the exercise of the Purchase Right and the proposed change of company name of CITIC 1616.

A circular containing, among other things, (i) further details of the Transactions; (ii) the recommendation of the CITIC 1616 Independent Board Committee to the CITIC 1616 Independent Shareholders; (iii) the advice from the independent financial adviser to the CITIC 1616 Independent Board Committee and the CITIC 1616 Independent Shareholders; and (iv) details of the proposed change of company name of CITIC 1616, together with a notice of the CITIC 1616 EGM, are expected to be despatched to the CITIC 1616 Shareholders as soon as practicable, but no later than 24 September 2010.

DEFINITIONS

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

“Acquisition”	the acquisition by CPCNet of the CITIC Group Sale Interest, the CE-SCM Sale Interest, the CEC-HK Sale Shares and the Purchase Right pursuant to the Framework Agreement;
“Annual Cap(s)”	the expected maximum aggregate annual amount of the transactions contemplated under the Exclusive Service Agreement for each of the years ending 31 December 2010, 31 December 2011, 31 December 2012 and 31 December 2013 respectively;
“associate”, “connected person”	each has the meaning ascribed to them by the Listing Rules;

“Business Days”	a day other than a Saturday, Sunday or public holiday, on which banks are open in Hong Kong to the general public for business;
“CEC”	中企網絡通信技術有限公司 (China Enterprise Communications Ltd.), a company incorporated and existing under the laws of the PRC;
“CEC-HK”	China Enterprise Netcom Corporation Limited (中國企業網絡通信有限公司), a company incorporated with limited liability under the laws of Hong Kong;
“CEC-HK Holdings”	China Enterprise Communications Technology (Holding) Limited (中企網絡通信科技(控股)有限公司), a company incorporated with limited liability under the laws of Hong Kong, which is an investment holding company directly wholly-owned by CEC;
“CEC-HK Reorganisation”	the reorganisation of CEC-HK to be effected such that immediately after completion of the CEC-HK Reorganisation, CEC-HK Holdings will be the legal and beneficial owner of the CEC-HK Sale Shares;
“CEC-HK Sale Shares”	100 shares of HK\$1.00 each in the share capital of CEC-HK (representing the entire issued share capital of CEC-HK), currently held by CEC and to be held by CEC-HK Holdings immediately after completion of the CEC-HK Reorganisation;
“CEC Reorganisation”	the disposal of CEC’s equity interest in the Non-Core Business;
“CEPA”	the Mainland and Hong Kong Closer Economic Partnership Arrangement;
“CE-SCM”	北京中經迅通網絡技術有限公司 (CE-SCM Network Technology Co., Ltd.), a company incorporated and existing under the laws of the PRC;
“CE-SCM Sale Interest”	40.77% of the equity interest in the entire registered capital of CEC as currently held by CE-SCM;
“CITIC Group”	CITIC Group, a company established under the laws of the PRC;

“CITIC Group Sale Interest”	8.23% of the equity interest in the entire registered capital of CEC as currently held by CITIC Group;
“CITIC 1616”	CITIC 1616 Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange;
“CITIC 1616 Board”	the board of CITIC 1616 Directors;
“CITIC 1616 Directors”	the directors of CITIC 1616;
“CITIC 1616 EGM”	an extraordinary general meeting of CITIC 1616 to be convened to consider and, if thought fit, approve, among other things, the Transactions (including the Annual Caps), the exercise of the Purchase Right and the proposed change of company name of CITIC 1616;
“CITIC 1616 Group”	CITIC 1616 and its subsidiaries;
“CITIC 1616 Independent Board Committee”	an independent board committee of the CITIC 1616 Board;
“CITIC 1616 Independent Shareholders”	the CITIC 1616 Shareholders who are not required under the Listing Rules to abstain from voting on the resolution(s) at the CITIC 1616 EGM approving the Transactions;
“CITIC 1616 Independent Shareholders’ Approval”	the passing of an ordinary resolution (or resolutions) by the CITIC 1616 Independent Shareholders at the CITIC 1616 EGM in respect of the Transactions;
“CITIC 1616 Share(s)”	share(s) of HK\$0.10 each in the capital of CITIC 1616;
“CITIC 1616 Shareholders”	holders of the CITIC 1616 Share(s);
“Completion”	completion of the Acquisition;
“Conditions”	the conditions precedent to the Completion;
“Cooperation Agreement”	a cooperation agreement to be entered into between CEC and CPCNet relating to certain undertakings given by CEC;
“CITIC Pacific”	CITIC Pacific Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange;

“CPCNet”	CPCNet Hong Kong Limited, a wholly owned subsidiary of CITIC 1616 incorporated with limited liability under the laws of Hong Kong;
“CITIC Pacific Board”	the board of CITIC Pacific Directors;
“CITIC Pacific Directors”	the directors of CITIC Pacific;
“CITIC Pacific Share(s)”	share(s) of HK\$0.40 each in the capital of CITIC Pacific;
“CITIC Pacific Shareholders”	holders of the CITIC Pacific Share(s);
“CTM”	Companhia de Telecomunicacoes de Macau, S.A.R.L.;
“Exclusive Service Agreement”	an exclusive service agreement to be entered into between CEC, CEC-HK and CPCNet relating to the provision of exclusive technical service by CEC to CEC-HK and CPCNet;
“Framework Agreement”	the framework agreement dated 2 September 2010 between CITIC 1616, CPCNet, CITIC Group, CE-SCM, SASACIC and CEC;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“IP-VPN”	internet protocol virtual private network;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Longstop Date”	the last day of the 18th month following the CITIC 1616 Independent Shareholders’ Approval, or such other date as the parties to the Framework Agreement may agree in writing;
“MII”	the Ministry of Industry and Information Technology of the PRC (中國工信部);
“MOF”	the Ministry of Finance of the PRC (中國財政部);
“Non-Core Business”	certain non-core and peripheral business of CEC to be disposed of under the CEC Reorganisation;

“Purchase Right”	a right to require CITIC Group to sell to CPCNet the Remaining Interest after Completion and when CPCNet is permitted to hold more equity interest in CEC under the then prevailing laws, regulations and policies in the PRC relating to foreign investments in the telecommunications sector in the PRC;
“Remaining Interest”	45.09% of the equity interest in the entire registered capital of CEC, which will remain held by CITIC Group immediately after Completion;
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement, does not include Hong Kong, the Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“SASAC”	國務院國有資產監督管理委員會 (State-owned Assets Supervision & Administration Commission of the State Council);
“SASACIC”	國務院國有資產監督管理委員會信息中心 (Information Centre of SASAC);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Group”	CEC (after completion of the CEC Reorganisation), CEC-HK Holdings, CEC-HK and its subsidiary;
“Target Group Business”	the business activities which the Target Group is carrying on or planning at the date of the Framework Agreement, including, without limitation, the IP-VPN business;
“Transaction Documents”	the definitive agreements or documents in respect of the transactions contemplated under the Framework Agreement, including but not limited to, sale and purchase agreements for the purpose of the Acquisition, the Exclusive Service Agreement, the Cooperation Agreement and the joint venture contract and articles of association of CEC;
“Transactions”	the transactions contemplated under the Framework Agreement and the Transaction Documents;

“US\$” the United States dollars, the lawful currency of the United States of America; and

“VPN” virtual private network.

For illustration purposes in this announcement, the conversion rates of US\$1.00 = HK\$7.80 and RMB0.8718 = HK\$1.00 were adopted.

By order of the CITIC Pacific Board
CITIC Pacific Limited
Chang Zhenming
Chairman

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

Hong Kong, 2 September 2010

The CITIC 1616 Directors as at the date of this announcement are: Executive Directors: Mr. Xin Yue Jiang (Chairman), Mr. Yuen Kee Tong and Dr. Chan Tin Wai, David; Non-Executive Directors: Messrs Kwok Man Leung and Fei Yiping; and Independent Non-Executive Directors: Messrs Yang Xianzu, Liu Li Qing and Kwong Che Keung, Gordon.

The CITIC Pacific Directors as at the date of this announcement are: Executive Directors: Messrs Chang Zhenming (Chairman), Zhang Jijing, Carl Yung Ming Jie, Vernon Francis Moore, Li Shilin, Liu Jifu, Milton Law Ming To, Wang Ande and Kwok Man Leung; Non-Executive Directors: Messrs Willie Chang, André Desmarais, Ju Weimin, Yin Ke and Peter Kruyt (alternate director to Mr André Desmarais); and Independent Non-Executive Directors: Messrs Alexander Reid Hamilton, Hansen Loh Chung Hon and Norman Ho Hau Chong.