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CITIC Limited
中國中信股份有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00267)



中信國際電訊集團有限公司
CITIC TELECOM INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 01883)

CONNECTED TRANSACTIONS

**DISCLOSEABLE AND CONNECTED
TRANSACTIONS**

**(1) PROPOSED ACQUISITION OF UP TO 39% EQUITY INTEREST
IN CITIC NETWORKS BY CITIC TELECOM**

AND

**(2) PROPOSED ISSUE OF NEW SHARES BY CITIC TELECOM TO CITIC
GROUP (OR ITS WHOLLY-OWNED SUBSIDIARIES AS ITS NOMINEES)**

AND

**(3) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER BY CITIC
TELECOM IN RELATION THERETO**

Financial adviser to CITIC Telecom



THE TRANSACTIONS

The CITIC Board and the CITIC Telecom Board are pleased to announce:

- *the Acquisition*: on 24 August 2015, CITIC Group and CITIC Telecom agreed to

implement the Acquisition Arrangement whereby CITIC Group has proposed to sell, and CITIC Telecom has proposed to bid (or to procure its subsidiary including CPC to bid) for, in an open tender process at China Beijing Equity Exchange (北京產權交易所), up to 39% equity interest in CITIC Networks from CITIC Group. The Final Consideration for the Acquisition is expected not to exceed RMB1,287 million (equivalent to approximately HK\$1,562.1 million) (i.e. the Maximum Consideration as contemplated under the Acquisition Arrangement); and

- ***the Share Subscription:*** in connection with the Acquisition, on 24 August 2015, CITIC Group and CITIC Telecom entered into the Share Subscription Agreement whereby CITIC Group has agreed to subscribe (or to procure its wholly-owned subsidiaries as its nominees to subscribe) for not more than 520,713,219 Subscription Shares at the Subscription Price of HK\$3.00 per Subscription Share, subject to the terms and conditions of the Share Subscription Agreement.

IMPLICATIONS OF THE TRANSACTIONS UNDER THE LISTING RULES

As at the date of this joint announcement, CITIC Group is the controlling shareholder of CITIC Limited, which in turn is the indirect holding company of CITIC Telecom, and holds (via CITIC Limited and its wholly-owned subsidiaries) 58.82% of the number of CITIC Telecom Shares in issue. Therefore, CITIC Group is a connected person of CITIC Limited and CITIC Telecom.

The Acquisition and the Share Subscription each constitutes a connected transaction for CITIC Telecom under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios for CITIC Telecom regarding each of the Acquisition and the Share Subscription exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of CITIC Telecom under Chapter 14 of the Listing Rules, and the Transactions (i.e. the Acquisition and the Share Subscription, collectively) constitute connected transactions, which are subject to the reporting, announcement and CT Independent Shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

CITIC Limited is not a party to the Transactions but because CITIC Telecom is its subsidiary, the Transactions constitute connected transactions of CITIC Limited and the Share Subscription constitutes a deemed disposal. As none of the applicable percentage ratios regarding each of the Acquisition and the Share Subscription exceed 5%, the Transactions are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules as far as CITIC Limited is concerned.

DESPATCH OF CIRCULAR

CITIC Telecom expects that the Circular containing, among other things, (a) further information on the Transactions; (b) the advice of IFA regarding the Transactions; (c) the recommendation of the CT Independent Board Committee regarding the Transactions; and (d) the notice convening the CT GM and a proxy form, will be despatched to the CITIC Telecom Shareholders on or before 11 September 2015.

APPOINTMENT OF IFA

CITIC Telecom has appointed Platinum Securities Company Limited as the IFA to advise the CT Independent Board Committee and the CT Independent Shareholders in relation to, among other things, the terms of the Acquisition and the Share Subscription.

WARNING

The Transactions are subject to a number of conditions, including CT Independent Shareholders Approval and the other conditions as set out in this joint announcement, which may or may not be fulfilled. Furthermore, the Acquisition may or may not materialise depending on whether CITIC Telecom (or its subsidiary) is successful in the open tender as contemplated under the Acquisition Arrangement; and the Share Subscription is conditional upon, among other things, the conditions precedent as set out in this joint announcement.

SHAREHOLDERS AND POTENTIAL INVESTORS OF EACH OF CITIC LIMITED AND CITIC TELECOM SHOULD EXERCISE CAUTION WHEN DEALING OR CONTEMPLATING IN DEALING IN THEIR RESPECTIVE CITIC SHARES AND CITIC TELECOM SHARES OR ANY OTHER SECURITIES OF CITIC LIMITED AND CITIC TELECOM.

1. THE TRANSACTIONS

The CITIC Board and the CITIC Telecom Board are pleased to announce:

- ***the Acquisition:*** on 24 August 2015, CITIC Group and CITIC Telecom agreed to implement the Acquisition Arrangement whereby CITIC Group has proposed to sell, and CITIC Telecom has proposed to bid (or to procure its subsidiary including CPC to bid) for, in an open tender process at China Beijing Equity Exchange (北京產權交易所), up to 39% equity interest in CITIC Networks from CITIC Group. The Final Consideration for the Acquisition is expected not to exceed RMB1,287 million (equivalent to approximately HK\$1,562.1 million) (i.e. the Maximum Consideration as contemplated under the Acquisition Arrangement); and
- ***the Share Subscription:*** in connection with the Acquisition, on 24 August 2015, CITIC Group and CITIC Telecom entered into the Share Subscription Agreement whereby CITIC Group has agreed to subscribe (or to procure its wholly-owned subsidiaries as its nominees to subscribe) for not more than 520,713,219 Subscription Shares at the Subscription Price of HK\$3.00 per Subscription Share, subject to the terms and conditions of the Share Subscription Agreement.

As the open tender for the Sale Interest is expected to take place after the CT GM, CITIC Telecom proposes to seek approval from the CT Independent Shareholders at the CT GM for the Acquisition, and for the Share Subscription of not more than 520,713,219 Subscription Shares, on the premise that the Final Consideration shall not exceed RMB1,287 million (equivalent to approximately HK\$1,562.1 million) (i.e. the Maximum Consideration as contemplated under the Acquisition Arrangement).

2. THE ACQUISITION

On 24 August 2015, CITIC Group and CITIC Telecom agreed to implement the Acquisition Arrangement whereby CITIC Group has proposed to sell, and CITIC Telecom has proposed to bid (or to procure its subsidiary including CPC to bid) for, in an open tender process at China Beijing Equity Exchange, up to 39% equity interest in CITIC Networks from CITIC Group. Set out below are the major terms of the Acquisition Arrangement:

The Acquisition Arrangement

Date : 24 August 2015

Parties : CITIC Group as proposed seller
CITIC Telecom as proposed bidder

Acquisition

Under the Acquisition Arrangement, CITIC Group agreed to (i) procure the implementation of the Reorganisation within 90 days upon the fulfilment of conditions (a) and (b) in the section headed “2. The Acquisition - Conditions Precedent - Conditions to the submission of bidding application by CITIC Telecom (or its subsidiary)” (or such other date as CITIC Group and CITIC Telecom may mutually agree), and (ii) within 90 days upon the fulfilment of conditions (c) and (e) in the section headed “2. The Acquisition - Conditions Precedent - Conditions to the submission of bidding application by CITIC Telecom (or its subsidiary)” (or such other date as CITIC Group and CITIC Telecom may mutually agree), put up the Sale Interest for sale through an open tender process at China Beijing Equity Exchange, which is expected to commence by May 2016.

CITIC Telecom proposed to bid for the Sale Interest or procure its subsidiary including CPC to do so, subject to the conditions as set out in the section headed “2. The Acquisition - Conditions Precedent - Conditions to the submission of bidding application by CITIC Telecom (or its subsidiary)” below. Subject to CITIC Telecom (or its subsidiary) having been confirmed and determined by China Beijing Equity Exchange as the successful transferee in the open tender process, CITIC Group and CITIC Telecom (or its subsidiary) will enter into a share transfer agreement and obtain the necessary consents and approvals of the relevant PRC governmental authorities to effect the Acquisition.

Tender process at China Beijing Equity Exchange

A summary of the tender process at China Beijing Equity Exchange in relation to the Sale Interest is as follows:

- (a) CITIC Group will submit to China Beijing Equity Exchange relevant materials necessary for announcement on transfer of the Sale Interest, which China Beijing Equity Exchange will examine and verify within 3 working days.
- (b) China Beijing Equity Exchange will publish the transfer information if qualified. Time limit for the initial announcement will be not less than 20 working days.

- (c) CITIC Telecom (or its subsidiary) will then submit the bidding application to China Beijing Equity Exchange to bid for the Sale Interest from CITIC Group, which China Beijing Equity Exchange will examine and verify within 2 working days.
- (d) CITIC Telecom (or its subsidiary) has to pay a deposit, which will generally be not exceeding 30% of the purchase price (the “**Bidding Deposit**”), in accordance with the announcement if CITIC Group has so requested in the announcement.
- (e) Within 5 working days after the information disclosure period expires, China Beijing Equity Exchange will make a written notification to CITIC Group of the registration situation of the candidate transferees and opinions on confirmation of their qualification and CITIC Group will reply in writing within 5 working days after it receives the foregoing written notification.
- (f) China Beijing Equity Exchange will organise CITIC Telecom (or its subsidiary) and CITIC Group to conclude an agreement on trading of the Sale Interest within 3 working days after CITIC Telecom (or its subsidiary) has been determined as the transferee.
- (g) CITIC Telecom (or its subsidiary) has to pay the balance of the purchase price within the time limit specified in the agreement on trading of the Sale Interest. China Beijing Equity Exchange will issue a trading voucher within 3 working days after the trading service fees (which will be paid by CITIC Telecom (or its subsidiary) and CITIC Group) and purchase price have been paid.

China Beijing Equity Exchange is responsible for administering the tender process. It is the intention of CITIC Telecom to submit (or to procure its subsidiary to submit) the bidding application to China Beijing Equity Exchange after the conditions mentioned in the section “2. The Acquisition - Conditions Precedent - Conditions to the submission of bidding application by CITIC Telecom (or its subsidiary)” below are satisfied or waived (as the case may be). Further announcement will be made by CITIC Telecom upon the announcement of the open tender results by China Beijing Equity Exchange.

The Bidding Deposit is payable by CITIC Telecom (or its subsidiary) during the open tender process and will be used to settle part of the consideration. CITIC Telecom intends to fund the purchase price for the Acquisition out of its internal resources and/or from the proceeds to be raised in the Share Subscription.

Proposed Consideration

Under the Acquisition Arrangement, assuming the Sale Interest equals to the maximum 39% equity interest in CITIC Networks, the corresponding intended consideration for the Sale Interest is set at RMB1,170 million (equivalent to approximately HK\$1,420.1 million) (the “**Proposed Consideration**”) which, the parties acknowledged, will be subject to adjustment with reference to an independent appraisal of the Sale Interest as filed with and approved by the Ministry of Finance of the PRC (the “**Appraised Consideration**”). The Appraised Consideration will be ascertained before the open tender process takes place but may be available only after the CT GM. For the avoidance of doubt, the price for which CITIC Group puts up the Sale Interest for sale through an open tender process at China Beijing Equity Exchange shall be in no event less than the Appraised Consideration. At present, CITIC Telecom intends to only proceed with the bidding and the Acquisition if the Appraised Consideration does not exceed RMB1,287 million (equivalent to approximately HK\$1,562.1

million), being 110% of the Proposed Consideration (the “**Maximum Consideration**”). If CITIC Telecom (or its subsidiary) is successful in the open tender process, the purchase price in winning the bid (the “**Final Consideration**”) shall be payable in cash by CITIC Telecom (or its subsidiary).

The Proposed Consideration was determined by reference to a proposed bid price of not less than RMB300 million as agreed between a potential third-party investor and CITIC Group for the proposed acquisition of another 10% equity interest in CITIC Networks, and other factors including the outlook and development of enterprise solution services in the PRC market, future planning for development and strategic synergies between China Express Network and CITIC Telecom.

Conditions Precedent

Conditions to the submission of bidding application by CITIC Telecom (or its subsidiary)

The obligation of CITIC Telecom (or its subsidiary) to submit the bidding application to China Beijing Equity Exchange is subject to the following conditions precedent being fulfilled or waived by CITIC Telecom (except that conditions (a) to (d) set out below cannot be waived) (as the case may be) on or before the Long-stop Date:

- (a) the passing of the relevant resolution(s) by the CT Independent Shareholders at the CT GM approving the transactions contemplated under the Acquisition Arrangement;
- (b) if applicable, the obtaining of such consents and approvals of the relevant regulatory authorities in Hong Kong or elsewhere which are required for the execution and performance of the transactions contemplated under the Acquisition Arrangement;
- (c) the obtaining of the approvals of Ministry of Finance of the PRC for the transactions contemplated under the Acquisition Arrangement and the results of independent appraisal of the Sale Interest having been filed with the Ministry of Finance of the PRC;
- (d) the statutory procedures applicable to transfer of state-owned assets in the PRC having been implemented in relation to the transfer of the Sale Interest contemplated under the Acquisition Arrangement;
- (e) completion of the Reorganisation;
- (f) CITIC Telecom having undertaken and completed a due diligence review of CITIC Networks; and
- (g) there being no default on the part of CITIC Group in relation to the warranties and undertakings given under the Acquisition Arrangement (or reasonable corresponding remedial measures having been put in place).

CITIC Telecom shall use its best endeavours to procure the fulfilment of conditions (a) and (b) while CITIC Group shall use its best endeavours to procure the fulfilment of conditions (c), (d), (e) and (g).

Conditions to Acquisition Completion

The Acquisition may only materialise if CITIC Telecom (or its subsidiary) is successful in the open tender process as contemplated under the Acquisition Arrangement. Acquisition Completion is further subject to the following conditions precedent being fulfilled or waived by CITIC Telecom (except that conditions (ii) and (iii) set out below cannot be waived) (as the case may be) on or before the Long-stop Date:

- (i) all of the abovementioned conditions to the submission of bidding application by CITIC Telecom (or its subsidiary) having been fulfilled or waived (as the case may be);
- (ii) CITIC Telecom (or its subsidiary) having been confirmed and determined by China Beijing Equity Exchange as the successful transferee in the open tender process; and
- (iii) other than as provided in condition (c) mentioned above, the obtaining of such consents and approvals of and the filing to the relevant PRC governmental authorities (including Ministry of Finance of the PRC, Ministry of Industry and Information Technology of the PRC, National Development and Reform Commission of the PRC and Ministry of Commerce of the PRC (“MOFCOM”)) as are necessary for the execution and performance of the Acquisition Arrangement and the filing or approval procedures contemplated under the Acquisition (including statutory procedures applicable to transfer of state-owned assets in the PRC, the approval of Ministry of Industry and Information Technology of the PRC applicable to foreign investment in telecommunications industry, the approval of foreign-invested project, national security review of foreign mergers and acquisitions (if applicable), the declaration on concentration of business operators against monopoly (if applicable) and the approval on acquisition of domestic enterprise by foreign investment).

CITIC Telecom shall use its best endeavours to procure the fulfilment of condition (ii) while CITIC Group shall use its best endeavours to procure the fulfilment of condition (iii).

Further, in the event that the abovementioned conditions are not fulfilled by the Long-stop Date, unless otherwise agreed by the parties, the Acquisition Arrangement shall terminate and all rights and obligations of the parties thereunder shall cease and none of the parties shall have any claim against the others save for any antecedent breach.

Acquisition Completion

If CITIC Telecom (or its subsidiary) is successful in the open tender, Acquisition Completion is expected to take place, and full payment of the Final Consideration is expected to be made, in accordance with the terms and conditions of the relevant share transfer agreement, within 12 months after signing of such share transfer agreement.

3. SHARE SUBSCRIPTION

In connection with the Acquisition, on 24 August 2015, CITIC Group and CITIC Telecom entered into the Share Subscription Agreement whereby CITIC Group has conditionally agreed to subscribe (or to procure its wholly-owned subsidiaries as its nominees to subscribe) for not more than 520,713,219 Subscription Shares at the Subscription Price of HK\$3.00.

The Share Subscription Agreement

Date : 24 August 2015

Parties : CITIC Group
CITIC Telecom

Subject Matter

CITIC Group has agreed to subscribe for (or to procure its wholly-owned subsidiaries as its nominees to subscribe for), and CITIC Telecom has agreed to issue not more than 520,713,219 Subscription Shares at the Subscription Price of HK\$3.00 per Subscription Share, subject to the terms and conditions of the Share Subscription Agreement.

The actual total number of Subscription Shares to be issued will be such number that can be subscribed with the Subscription Consideration at the Subscription Price, which will be ascertained after the Final Consideration is confirmed in due course but in any event shall not exceed 520,713,219 Subscription Shares.

Subscription Consideration

The total consideration of the Share Subscription shall be the Hong Kong dollar equivalent to the amount of the Final Consideration (to be converted at the central parity exchange rate between RMB and Hong Kong dollar as published by the PBOC as of the date of the payment of the Subscription Consideration), but in any event not exceeding HK\$1,562,139,658 (i.e. the Hong Kong dollar equivalent to the amount of the Maximum Consideration converted at the exchange rate of HK\$1.00 : RMB0.82387). If the Hong Kong dollar equivalent to the amount of the Final Consideration exceeds HK\$1,562,139,658, such excess shall not be included in the Subscription Consideration and shall not be payable by CITIC Group (or its wholly-owned subsidiaries as its nominees).

Subscription Shares

Assuming the Subscription Consideration equals to the Maximum Consideration of RMB1,287 million (equivalent to approximately HK\$1,562.1 million), the number of Subscription Shares to be issued will be 520,713,219 shares, which represent 15.41% of the existing number of CITIC Telecom Shares in issue as at the date of this joint announcement and 13.35% of the number of CITIC Telecom Shares in issue as enlarged by the Subscription Shares.

The Subscription Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects among themselves and with the CITIC Telecom Shares in issue on the date of allotment and issue of the Subscription Shares. CITIC Telecom will make an application to the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

The Subscription Shares will be allotted and issued by CITIC Telecom under a specific mandate to allot, issue and deal with CITIC Telecom Shares by an ordinary resolution to be proposed for passing by the CT Independent Shareholders at the CT GM.

Subscription Price

The Subscription Price is HK\$3.00 per Subscription Share.

The Subscription Price was arrived at after arm's length negotiations between CITIC Telecom and CITIC Group with reference to, among other things, the recent trading prices of the CITIC Telecom Shares, which represents:

- (i) a discount of 7.41% to the closing price of HK\$3.24 per CITIC Telecom Share as quoted on the Stock Exchange on 21 August 2015, being the last trading date prior to the date of the Share Subscription Agreement;
- (ii) a discount of 12.02% to the average closing price of approximately HK\$3.41 per CITIC Telecom Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the last trading date prior to the date of the Share Subscription Agreement; and
- (iii) a discount of 13.04% to the average closing price of approximately HK\$3.45 per CITIC Telecom Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the last trading date prior to the date of the Share Subscription Agreement.

The Subscription Consideration will be payable by CITIC Group (or its wholly-owned subsidiaries as its nominees) to CITIC Telecom in cash upon Subscription Completion.

Conditions to Subscription Completion

Subscription Completion is conditional on the fulfilment or waiver by CITIC Group (except that conditions (a) to (e) set out below cannot be waived) (as the case may be) of the following conditions on or before the Long-stop Date:

- (a) the passing of the relevant resolution(s) by the CT Independent Shareholders at the CT GM approving the transactions contemplated under the Acquisition Arrangement and the Share Subscription Agreement (i.e. the Transactions), and the allotment and issue of the Subscription Shares ("**CT Independent Shareholders Approval**");
- (b) the listing of and permission to deal in the Subscription Shares on the Main Board of the Stock Exchange having been granted by the Stock Exchange;
- (c) if applicable, the obtaining of such consents and approvals of the relevant PRC governmental authorities (including National Development and Reform Commission of the PRC, Ministry of Finance of the PRC and MOFCOM) as are necessary for the execution and performance of the transactions contemplated under the Share Subscription Agreement;
- (d) if applicable, the obtaining of such consents and approvals of the relevant regulatory authorities in Hong Kong or elsewhere which are required for the execution and performance of the transactions contemplated under the Share Subscription Agreement;

- (e) the relevant share transfer agreement in relation to the Sale Interest effecting the Acquisition Arrangement being effective (i.e. when MOFCOM's approval for the relevant share transfer agreement as referred to in condition (iii) in the section headed "2. The Acquisition – Conditions Precedent - Conditions to Acquisition Completion" having been obtained) and the Bidding Deposit having been paid and used to settle part of the purchase price for the Acquisition as contemplated under the relevant share transfer agreement; and
- (f) CITIC Telecom's warranties given under the Share Subscription Agreement remaining true and accurate and not misleading if they were repeated at any time prior to the Subscription Completion by reference to the facts and circumstances then existing.

CITIC Telecom shall use its best endeavours to procure the fulfilment of conditions (a), (b), (d) and (f) while CITIC Group shall use its best endeavours to procure the fulfilment of condition (c). CITIC Telecom and CITIC Group shall use their respective best endeavours to procure the fulfilment of condition (e). If any of the above conditions has not been fulfilled (or in respect of the condition set out in paragraph (f) above waived by CITIC Group) by the Long-stop Date, the Share Subscription Agreement shall terminate and no party shall have any claim against the other, except in respect of any antecedent breach of the terms thereof.

Subscription Completion

Subscription Completion shall take place on the third Business Day after the date on which the last of the conditions as set out in the section headed "3. Share Subscription - Conditions to Subscription Completion" is fulfilled or waived (as the case may be) (or such other date as CITIC Group and CITIC Telecom may mutually agree but in any event not later than the Long-stop Date).

CITIC Group has undertaken to CITIC Telecom that, for a period of six months from the date of Subscription Completion, it (or its wholly-owned subsidiaries as its nominees) will not dispose of any Subscription Shares save for any intra-group transfers.

Use of proceeds

Assuming the Subscription Consideration equals to the Maximum Consideration of RMB1,287 million (equivalent to approximately HK\$1,562.1 million), the expected aggregate gross proceeds of the Share Subscription will be approximately HK\$1,562.1 million, and the net proceeds is expected to be approximately HK\$1,561.1 million. On such basis, the net price per Subscription Share is expected to be approximately HK\$3.00. CITIC Telecom intends to use the net proceeds from the Share Subscription, together with its internal resources, fund the purchase price for the Acquisition and to replenish the capital resources and/or support the future business development of China Express Network.

Fund raising of CITIC Telecom

CITIC Telecom has not raised any funds by way of issue of equity securities (other than the shares issued under the share option plan of CITIC Telecom) during the 12 months immediately preceding the date of the Share Subscription Agreement.

4. EFFECT OF COMPLETION OF THE TRANSACTIONS

Acquisition Completion

Upon Acquisition Completion, assuming CITIC Telecom acquires the maximum 39% equity interest in CITIC Networks, CITIC Telecom will be interested in 39% of the equity interest in CITIC Networks, which will become an associated company of CITIC Telecom.

Effect of Subscription Completion on the shareholding structure of CITIC Telecom

As at the date of this joint announcement, CITIC Group is the ultimate holding company and is interested in 1,987,678,508 CITIC Telecom Shares (representing 58.82% of the number of CITIC Telecom Shares in issue) indirectly via CITIC Limited or its wholly-owned subsidiaries. As at the date of this joint announcement, CITIC Group does not directly hold any CITIC Telecom Shares. Upon Subscription Completion (assuming the Subscription Consideration equals to the Maximum Consideration of RMB1,287 million (equivalent to approximately HK\$1,562.1 million)), CITIC Group (or its wholly-owned subsidiaries as its nominees) will hold 520,713,219 CITIC Telecom Shares (representing 13.35% of the total number of CITIC Telecom Shares in issue as enlarged by the Subscription Shares).

The shareholding structure of CITIC Telecom (i) as at the date of this joint announcement; and (ii) immediately upon the issue of the maximum number of Subscription Shares at Subscription Completion (assuming that (a) the Subscription Consideration equals to the Maximum Consideration of RMB1,287 million (equivalent to approximately HK\$1,562.1 million); (b) there is no change in the number of CITIC Telecom Shares in issue from the date of the joint announcement and up to Subscription Completion other than as a result of the allotment and issue of the Subscription Shares), are summarised as follows:

Name of shareholder	As at the date of this joint announcement		Immediately after Subscription Completion	
	Number of CITIC Telecom Shares held	Approximate percentage of number of CITIC Telecom Shares in issue	Number of CITIC Telecom Shares held	Approximate percentage of number of CITIC Telecom Shares in issue
CITIC Group (or its wholly-owned subsidiaries)	-	-	520,713,219	13.35%
CITIC Limited (or its wholly-owned subsidiaries) (Note 1)	1,987,678,508	58.82%	1,987,678,508	50.97%
CITIC Telecom Director (Note 2)	2,750	0.0001%	2,750	0.0001%
Public CITIC Telecom Shareholders	1,391,620,251	41.18%	1,391,620,251	35.68%
Total	<u>3,379,301,509</u>	<u>100%</u>	<u>3,900,014,728</u>	<u>100%</u>

Notes:

1. These 1,987,678,508 CITIC Telecom Shares are held by CITIC Limited via its wholly-owned subsidiaries: (i) Ease Action Investments Corp. as to 1,241,649,869 CITIC Telecom Shares; (ii) Richtone Enterprises Inc. as to 134,841,139 CITIC Telecom Shares; and (iii) Silver Log Holdings Ltd. as to 611,187,500 CITIC Telecom Shares, each of which is a company indirectly wholly owned by CITIC Limited.
2. These 2,750 CITIC Telecom Shares are held by Dr. Chan Tin Wai, David, an executive director of CITIC Telecom.

5. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

China Express Network is one of the few commercial-use backbone network resources in the PRC. It has over 24,000 km optic fibre network connecting most provincial cities across the nation through over 32 points of presence (“PoPs”). It is CITIC Telecom’s strategy to develop and expand its enterprise solution services in the PRC and the CITIC Telecom Directors believe that the abundant bandwidth resources of China Express Network will provide reliable and cost effective support to CITIC Telecom in delivering stable and secure data transmission services, and providing a vital alternative to its reliance on network infrastructure operated by third parties. The CITIC Telecom Directors consider that by

acquiring equity interest in CITIC Networks pursuant to the Acquisition, CITIC Telecom will be able to upgrade and align the technology specifications of China Express Network in support of CITIC Telecom's product offerings and expansion strategy. By reducing the dominance in the market created by a few leading market players in the telecommunications market, the Acquisition will facilitate development of the business of, and generate new business opportunities for, CITIC Telecom.

In addition, CITIC Telecom will continue to provide management consultancy and technical services to CITIC Networks pursuant to a series of existing management service agreements. Please refer to CITIC Telecom's announcements dated 25 April 2014 and 22 April 2015 for more details. By leveraging on CITIC Telecom's management experience and customer resources, it is expected that the overall operating efficiency and profitability of China Express Network will be improved, and is expected to have positive impact on sales, and revenue and profit after completion of the Transactions.

The Share Subscription will enlarge the share capital of CITIC Telecom by the issuance of a total of not more than 520,713,219 Subscription Shares and strengthen the capital base of CITIC Telecom.

Mr. Luo Ning, a CITIC Telecom Director, is also the Chairman of CITIC Networks. To avoid any appearance of conflicts, he volunteered to abstain from voting on the board resolutions of CITIC Telecom or considering and approving the Transactions. Save as disclosed above, no other CITIC Telecom Director has a material interest in the Transactions or is required to abstain from voting on the board resolutions for considering and approving the Transactions. In view of the above potential benefits and synergies, the CITIC Telecom Directors (other than the independent non-executive CITIC Telecom Directors whose views will be set out in the Circular together with the advice of the IFA) consider that the terms of the Transactions are on normal commercial terms, fair and reasonable and in the interests of the CITIC Telecom Shareholders as a whole.

CITIC Limited is not a party to the Transactions. However, the CITIC Directors are required to consider the Transactions as they are connected transactions of its subsidiary, CITIC Telecom. Except for Mr. Chang Zhenming, Mr. Wang Jiong, Mr. Yu Zhensheng, Mr. Yang Jinming, Ms. Cao Pu and Mr. Liu Yeqiao who are common directors of CITIC Group and CITIC Limited and who have volunteered to abstain from giving their views on the Transactions, none of the CITIC Directors has a material interest in the Transactions or is required to abstain from voting on the board resolutions for considering the Transactions. In view of the above potential benefits and synergies to CITIC Telecom, the CITIC Directors (other than those abstained, and the independent non-executive CITIC Directors who will render their views after the independent non-executive CITIC Telecom Directors having rendered theirs) consider that the terms of the Transactions are on normal commercial terms, fair and reasonable and in the interests of the CITIC Shareholders as a whole. As the Transactions are connected transactions between CITIC Group and CITIC Telecom, and CITIC Limited is also an associate of CITIC Group, CITIC Limited will abstain from voting at the CT GM approving the Transactions. CITIC Limited will publish a further announcement with the views on the Transactions of the independent non-executive CITIC Directors once such views have been rendered.

6. INFORMATION ON CITIC GROUP, CITIC LIMITED AND CITIC TELECOM

CITIC Group

CITIC Group is a wholly state-owned company established in the PRC in 1979 and the ultimate controlling shareholder of CITIC Limited and CITIC Telecom. Its principal businesses include basic telecommunications and value-added telecommunications; asset management; production and deep processing of metal products; leasing of plant building and equipment; transportation and other industrial services; hotel operations and services; medical industrial investment, health care and elderly care, health management, pharmaceuticals and medical services.

CITIC Limited

CITIC Limited is China's largest conglomerate. Its businesses include financial services, resources and energy, manufacturing, engineering contracting, real estate and infrastructure and other businesses in China and overseas. With its leading market positions in sectors well matched to China's development, and with strong expertise in the industries in which it operates, CITIC Limited is well-equipped to capture opportunities arising from China's continued growth. The company, whose majority shareholder is CITIC Group in Beijing, is a constituent of the Hang Seng Index.

Upon Subscription Completion (assuming that the Subscription Consideration equals to the Maximum Consideration), the equity interest of CITIC Limited in CITIC Telecom will be diluted from 58.82% to 50.97% and CITIC Telecom will remain as a subsidiary of CITIC Limited. No expected gain or loss will be accrued to CITIC Limited as a result of the deemed disposal from the Share Subscription.

CITIC Telecom

CITIC Telecom was established in 1997 in Hong Kong and was listed on the Stock Exchange on 3 April 2007.

The CITIC Telecom Group's services cover international telecommunications services (including mobile, Internet, voice and data services), integrated telecoms services (in Macau), and through CPC, has established numerous PoPs around the world (especially in the Asia-Pacific region) to provide data and telecoms services (including VPN, Cloud, network security, co-location, Internet access, etc.) to multinational corporations. CPC is one of the most trusted partners of leading multinational and business enterprises in the Asia-Pacific region.

The CITIC Telecom Group holds 99% equity interest in Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM"). CTM is one of the leading integrated telecoms services providers in Macau, and is the only full telecoms services provider in Macau. It has long provided quality telecoms services to the residents, government and enterprises of Macau, and plays an important role in the ongoing development of Macau.

Based on the published consolidated financial statements of CITIC Telecom,

- (a) the audited consolidated profit before taxation and extraordinary items of CITIC Telecom for each of the two years ended 31 December 2013 and 2014 was approximately HK\$1,201.1 million and HK\$914.3 million, respectively;
- (b) the audited consolidated profit after taxation and extraordinary items of CITIC Telecom for each of the two years ended 31 December 2013 and 2014 was approximately HK\$1,070.3 million and HK\$735.0 million, respectively; and
- (c) the unaudited consolidated net asset value of CITIC Telecom as at 30 June 2015 was approximately HK\$6,750.7 million.

7. INFORMATION ON CITIC NETWORKS

Business of CITIC Networks

CITIC Networks offers renting and sale of network equipment and related products. It offers provision of Internet services, construction, management and maintenance of data networks, and development and sale of software and databases. It is also one of the few which has the license to build and operate optic fibre network in the PRC. It is the owner and operator of China Express Network, one of the few commercial use backbone network resources in the PRC with over 24,000 km optic fibre network connecting most provincial cities across the nation through over 32 PoPs. With abundant bandwidth resources, China Express Network provides highly stable and secure data transmission services to most provincial cities across the PRC.

Under the Acquisition Arrangement, CITIC Group agreed to procure CITIC Networks to implement certain reorganisation, such that all assets and business not related to China Express Network shall be hived off (including items (iii) to (v) mentioned below) from CITIC Networks (the "**Reorganisation**"). Prior to the Reorganisation, the major assets of CITIC Networks comprised of (i) China Express Network; (ii) licenses held by CITIC Networks which enable CITIC Networks to carry out certain telecommunications related business through China Express Network; (iii) licenses held by CITIC Networks which enables CITIC Networks to carry out satellite related business; (iv) 75% of the equity interest in 湖南中信通信有限公司 (Hunan CITIC Telecommunications Limited) ("**Hunan Telecommunications**"), a company established under the laws of the PRC with limited liability; and (v) 36% of the equity interest in 廣東盈通網絡投資有限公司 (Guangdong Yingtong Network Investments Limited) ("**Guangdong Yingtong**"), a company established under the laws of the PRC with limited liability. It is expected that upon completion of the Reorganisation, CITIC Networks shall then hold China Express Network together with the telecoms licenses as its main asset and engage mainly in the operation of China Express Network.

Financial information of CITIC Networks

For the purposes of this joint announcement, set out below are the unaudited adjusted loss before taxation and adjusted loss after taxation of CITIC Networks (assuming the Reorganisation has been completed for the respective periods) for each of the two years ended 31 December 2013 and 2014:

	For the year ended 31 December	
	2013	2014
	(RMB million)	(RMB million)
Adjusted loss before taxation	(40.36)	(104.11)
Adjusted loss after taxation	(32.76)	(96.51)

As at 30 June 2015, the unaudited adjusted net asset value of CITIC Networks (assuming the Reorganisation has been completed as of 30 June 2015) was approximately RMB100.81 million (equivalent to approximately HK\$122.36 million). As of the date of this joint announcement, the registered capital of CITIC Networks is RMB4,211.97 million.

The original total investment cost by CITIC Group into CITIC Networks (including the investment cost into Hunan Telecommunications and Guangdong Yingtong by CITIC Networks) was approximately RMB4,211.97 million (equivalent to approximately HK\$5,112.42 million). As part of the Reorganisation, Hunan Telecommunications and Guangdong Yingtong has been hived off from CITIC Networks. The adjusted total investment cost by CITIC Group into CITIC Networks less the investment cost of Hunan Telecommunications and Guangdong Yingtong was RMB3,099.18 million (equivalent to approximately HK\$3,761.73 million).

The above unaudited adjusted financial information is for illustration purpose only and may not reflect the audited financial information of CITIC Networks.

8. IMPLICATIONS OF THE TRANSACTIONS UNDER THE LISTING RULES

As at the date of this joint announcement, CITIC Group is the controlling shareholder of CITIC Limited, which in turn is the indirect holding company of CITIC Telecom, and holds (via CITIC Limited and its wholly-owned subsidiaries) 58.82% of the number of CITIC Telecom Shares in issue. Therefore, CITIC Group is a connected person of CITIC Limited and CITIC Telecom.

The Acquisition and the Share Subscription each constitutes a connected transaction for CITIC Telecom under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios for CITIC Telecom regarding each of the Acquisition and the Share Subscription exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of CITIC Telecom under Chapter 14 of the Listing Rules, and the Transactions (i.e. the Acquisition and the Share Subscription, collectively) constitute connected transactions, which are subject to the reporting, announcement and CT Independent Shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

CITIC Limited is not a party to the Transactions but because CITIC Telecom is its subsidiary, the Transactions constitute connected transactions of CITIC Limited and the Share Subscription constitutes a deemed disposal. As none of the applicable percentage ratios

regarding each of the Acquisition and the Share Subscription exceed 5%, the Transactions are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules as far as CITIC Limited is concerned.

The Transactions are subject to the approval of the CT Independent Shareholders at the CT GM. CITIC Group and its associates (including CITIC Limited), which together hold 58.82% of the number of CITIC Telecom Shares in issue as at the date of this joint announcement, are required to abstain from voting on the relevant resolutions to be proposed at the CT GM to approve the Transactions.

9. DESPATCH OF CIRCULAR

The CT Independent Board Committee comprising all independent non-executive CITIC Telecom Directors has been formed to advise the CT Independent Shareholders in relation to, among other things, whether the terms of the Acquisition and the Share Subscription are fair and reasonable and in the interests of CITIC Telecom and the CITIC Telecom Shareholders as a whole and to advise the CT Independent Shareholders on how to vote (to the extent applicable), taking into account the recommendation of IFA.

CITIC Telecom expects that the Circular containing, among other things, (a) further information on the Transactions; (b) the advice of IFA regarding the Transactions; (c) the recommendation of the CT Independent Board Committee regarding the Transactions; and (d) the notice convening the CT GM and a proxy form, will be despatched to the CITIC Telecom Shareholders on or before 11 September 2015.

10. APPOINTMENT OF IFA

CITIC Telecom has appointed Platinum Securities Company Limited as the IFA to advise the CT Independent Board Committee and the CT Independent Shareholders in relation to, among other things, the terms of the Acquisition and the Share Subscription.

WARNING

The Transactions are subject to a number of conditions, including CT Independent Shareholders Approval and the other conditions as set out in this joint announcement, which may or may not be fulfilled. Furthermore, the Acquisition may or may not materialise depending on whether CITIC Telecom (or its subsidiary) is successful in the open tender as contemplated under the Acquisition Arrangement; and the Share Subscription is conditional upon, among other things, the conditions precedent as set out in this joint announcement.

SHAREHOLDERS AND POTENTIAL INVESTORS OF EACH OF CITIC LIMITED AND CITIC TELECOM SHOULD EXERCISE CAUTION WHEN DEALING OR CONTEMPLATING IN DEALING IN THEIR RESPECTIVE CITIC SHARES AND CITIC TELECOM SHARES OR ANY OTHER SECURITIES OF CITIC LIMITED AND CITIC TELECOM.

DEFINITIONS

In this joint announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings.

“Acquisition”	the proposed acquisition of the Sale Interest by CITIC Telecom as contemplated by the Acquisition Arrangement
“Acquisition Arrangement”	the acquisition arrangement dated 24 August 2015 and entered into between CITIC Group and CITIC Telecom in respect of, among other things, the Acquisition
“Acquisition Completion”	completion of the Acquisition
“Appraised Consideration”	has the meaning ascribed to it under the section headed “2. The Acquisition - Proposed Consideration” in this joint announcement
“associate(s)”; “connected person(s)”; “connected transaction(s)”; “controlling shareholder(s)”; “subsidiary(ies)” and “substantial shareholder(s)”	each has the meaning ascribed to it under the Listing Rules
“Business Day”	a day (other than a Saturday or Sunday or days on which a tropical cyclone warning Number 8 or above or a “black” rain warning signal is hoisted in Hong Kong at any time between 9 a.m. and 5 p.m.) on which Hong Kong clearing banks are open for the transaction of normal banking business
“China Express Network”	the nation-wide optic fibre backbone network as owned and operated by CITIC Networks, commonly known as 奔騰網 in Chinese
“CITIC Group”	中國中信集團有限公司 (CITIC Group Corporation), a state-owned enterprise established under the laws of the PRC, and the controlling shareholder of CITIC Limited
“CITIC Limited”	CITIC Limited (中國中信股份有限公司), a company incorporated in Hong Kong in 1985, formerly known as CITIC Pacific Limited, the shares of which are listed on the Stock Exchange (stock code: 00267); and which is the indirect holding company of CITIC Telecom and holds (via CITIC Limited and its wholly-owned subsidiaries) 58.82% of the number of CITIC Telecom Shares in issue

“CITIC Board”	the board of director(s) of CITIC Limited
“CITIC Director(s)”	the director(s) of CITIC Limited
“CITIC Shares”	the ordinary shares in the share capital of CITIC Limited
“CITIC Shareholders”	the shareholders of CITIC Limited
“CITIC Networks”	中信網絡有限公司 (CITIC Networks Company Limited), a company established in the PRC, and a wholly-owned subsidiary of CITIC Group as at the date of this joint announcement
“CITIC Telecom”	CITIC Telecom International Holdings Limited (中信國際電訊集團有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 01883)
“CITIC Telecom Board”	the board of director(s) of CITIC Telecom
“CITIC Telecom Director(s)”	the director(s) of CITIC Telecom
“CITIC Telecom Group”	CITIC Telecom and its subsidiaries
“CITIC Telecom Shares”	the ordinary shares in the share capital of CITIC Telecom
“CITIC Telecom Shareholders”	the shareholders of CITIC Telecom
“Circular”	the circular of CITIC Telecom to be sent to the CITIC Telecom Shareholders in relation to the Transactions and CT GM
“CPC”	CITIC Telecom International CPC Limited (中信國際電訊(信息技術)有限公司), a wholly-owned subsidiary of CITIC Telecom
“CT GM”	the general meeting of CITIC Telecom to be held for the purpose of, if thought fit, to approve the Transactions
“CT Independent Board Committee”	an independent committee of the board of CITIC Telecom Directors, comprising all the independent non-executive CITIC Telecom Directors, namely Mr. Liu Li Qing, Mr. Kwong Che Keung, Gordon and Mr. Zuo Xunsheng, formed for the purpose of advising the CT Independent Shareholders in respect of, among other things, the terms of the Acquisition and the Share Subscription

“CT Independent Shareholders”	the CITIC Telecom Shareholders, other than CITIC Group and its associates, which are not required to abstain from voting in the relevant resolution(s) to be proposed in the CT GM in relation to the Transactions
“CT Independent Shareholders Approval”	has the meaning ascribed to it under the section headed “3. Share Subscription - Conditions to Subscription Completion” in this joint announcement
“Final Consideration”	has the meaning ascribed to it under the section headed “2. The Acquisition - Proposed Consideration” in this joint announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFA”	Platinum Securities Company Limited, being the independent financial adviser to the CT Independent Board Committee and the CT Independent Shareholders in relation to, among other things, the terms of the Acquisition and the Share Subscription
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Long-stop Date”	30 June 2017, or such later date as CITIC Group and CITIC Telecom may agree in writing, being the latest date for Acquisition Completion and Subscription Completion should take place
“Macau”	the Macau Special Administrative Region of the PRC
“Maximum Consideration”	has the meaning ascribed to it under the section headed “2. The Acquisition - Proposed Consideration” in this joint announcement
“MOFCOM”	has the meaning ascribed to it under the section headed “2. The Acquisition - Conditions Precedent – Conditions to Acquisition Completion” in this joint announcement
“PBOC”	The People’s Bank of China
“PRC” or “China”	the People’s Republic of China, which for the purpose of this joint announcement, excludes Hong Kong, Macau and Taiwan

“Proposed Consideration”	has the meaning ascribed to it under the section headed “2. The Acquisition - Proposed Consideration” in this joint announcement
“Reorganisation”	has the meaning ascribed to it under the section headed “7. Information on CITIC Networks - Business of CITIC Networks” in this joint announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	up to 39% of the equity interest in CITIC Networks
“Share Subscription”	the subscription of the Subscription Shares by CITIC Group (or its wholly-owned subsidiaries as its nominees) under the Share Subscription Agreement
“Share Subscription Agreement”	the share subscription agreement dated 24 August 2015 and entered into between CITIC Telecom and CITIC Group for the issuance of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Completion”	completion of the Share Subscription
“Subscription Consideration”	the total consideration of the Share Subscription, being the Hong Kong dollar equivalent for the amount of the Final Consideration (to be converted at the central parity exchange rate between RMB and Hong Kong dollar as published by PBOC as of the date of the payment of the Subscription Consideration), but in any event not exceeding HK\$1,562,139,658
“Subscription Price”	the subscription price of HK\$3.00 per Subscription Share
“Subscription Shares”	the new CITIC Telecom Shares to be issued under the Share Subscription Agreement
“Transactions”	the Acquisition and the Share Subscription collectively
“%”	per cent.

For the purpose of this joint announcement, unless the context otherwise requires, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of HK\$1.00 to RMB0.82387. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

Certain amounts and percentage figures set out in this joint announcement have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

By order of the CITIC Board
CITIC Limited
Chang Zhenming
Chairman

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

Hong Kong, 24 August 2015

As at the date of this joint announcement, the executive directors of CITIC Limited are Messrs Chang Zhenming (Chairman), Wang Jiong and Zhang Jijing; the non-executive directors of CITIC Limited are Mr Yu Zhensheng, Mr Yang Jinming, Ms Cao Pu, Mr Liu Zhongyuan, Mr Liu Yeqiao and Mr Yang Xiaoping; and the independent non-executive directors of CITIC Limited are Mr Francis Siu Wai Keung, Dr Xu Jinwu, Mr Anthony Francis Neoh, Ms Lee Boo Jin and Mr Noriharu Fujita.

As at the date of this joint announcement, the executive directors of CITIC Telecom are Mr Xin Yue Jiang (Chairman), Dr Lin Zhenhui, Mr Luo Ning and Dr Chan Tin Wai, David; the non-executive director of CITIC Telecom is Mr Liu Jifu; and the independent non-executive directors of CITIC Telecom are Mr Liu Li Qing, Mr Kwong Che Keung, Gordon and Mr Zuo Xunsheng.