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**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)**

## **CONTINUING CONNECTED TRANSACTION**

### **RENEWAL OF EXCLUSIVE SERVICE AGREEMENT FOR TECHNICAL AND SUPPORT SERVICES**

#### **Renewal of Exclusive Service Agreement for Technical and Support Services**

The Board announces that on 22 April 2015, CPC and CEC-HK, being wholly-owned subsidiaries of the Company, entered into the Third Supplemental Agreement with CEC, pursuant to which CPC and CEC-HK shall, upon the expiry of the Second Supplemental Agreement, continue to engage CEC as service provider for the provision of technical and support services in the PRC to customers of CPC and CEC-HK for a further term of three years.

#### **Listing Rules Implications**

CEC is a non-wholly owned subsidiary of the Company and also an associate of CITIC Group, the ultimate holding company of the Company as CITIC Group holds an approximately 45.09% equity interest in CEC. Accordingly, the entering into of the Third Supplemental Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Since the highest applicable percentage ratio set out in Rule 14.07 of the Listing Rules calculated with reference to the annual caps for the Third Supplemental Agreement is more than 0.1% but less than 5%, such continuing connected transaction is subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **THE THIRD SUPPLEMENTAL AGREEMENT**

### **Date**

22 April 2015

## **Parties**

- (1) CPC, a wholly-owned subsidiary of the Company
- (2) CEC-HK, a wholly-owned subsidiary of the Company
- (3) CEC, a non-wholly owned subsidiary of the Company and also an associate of CITIC Group, the ultimate holding company of the Company

## **Subject matter**

Reference is made to the announcements of the Company dated 2 September 2010, 7 August 2013 and 19 February 2014 in relation to, inter alia, the Exclusive Service Agreement, the First Supplemental Agreement and the Second Supplemental Agreement entered into between CPC, CEC-HK and CEC for the provision of technical and support services by CEC in the PRC to customers of CPC and CEC-HK to facilitate the provision of value-added telecoms services to these customers. CEC was also responsible for arranging, operating and maintaining all necessary technical and support services in the PRC to service the customers of CPC and CEC-HK.

As the Second Supplemental Agreement is due to expire on 23 June 2015, CPC and CEC-HK entered into the Third Supplemental Agreement with CEC to continue to engage CEC as service provider of such services in the PRC to customers of CPC and CEC-HK for a term of three years until 23 June 2018.

## **Service fee**

A service fee shall be payable to CEC with reference to CEC's costs in providing such services to customers of CPC and CEC-HK provided that CEC-HK and CPC 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 sale proceeds. Such terms were determined by reference to similar service contracts made with an independent service provider by the Group. If CEC's costs shall be less than 70% of the corresponding sale proceeds, CEC on one hand and CPC and CEC-HK on the other shall be entitled to share the surplus equally. Such service fee was agreed by CPC, CEC-HK and CEC on an arms' length basis and shall be settled monthly.

## **Annual Caps**

The service fees payable by the Group to CEC during the relevant period shall not exceed the maximum amount set out below:

	<i>US\$ (million)</i>	<i>Approximate equivalent to HK\$ (million)</i>
For the financial year ending 31 December 2015 ( <i>Note</i> )	38.65	301.47
For the financial year ending 31 December 2016	42.52	331.66
For the financial year ending 31 December 2017	44.65	348.27
For the period from 1 January 2018 to 23 June 2018	23.44	182.83

*Note: The financial year covers both the period from 1 January 2015 to 23 June 2015 under the Second Supplemental Agreement and the period from 24 June 2015 to 31 December 2015 under the Third Supplemental Agreement.*

The service fee paid under the First Supplemental Agreement by the Group to CEC was US\$14.24 million (equivalent to approximately HK\$111.07 million) for the period from 1 January 2014 to 23 June 2014, and the service fee paid under the Second Supplemental Agreement by the Group to CEC was US\$14.83 million (equivalent to approximately HK\$115.64 million) for the period from 24 June 2014 to 31 December 2014. Such aggregate amounts of HK\$226.71 million were within the annual cap of US\$34.86 million (equivalent to approximately HK\$271.91 million) for the financial year ended 31 December 2014 as set out in the Company's announcement ("**Second Supplemental Agreement Announcement**") dated 19 February 2014 in relation to, inter alia, the Second Supplemental Agreement. As set out in the Second Supplemental Agreement Announcement, the annual cap for the period from 1 January 2015 to 23 June 2015 was set at US\$19.81 million (equivalent to approximately HK\$154.52 million). For the period from 1 January 2015 to 31 March 2015, the service fee paid under the Second Supplemental Agreement by the Group to CEC was US\$7.40 million (equivalent to approximately HK\$57.72 million). The above annual caps were determined with reference to (i) historical amounts of service fees payable by the Group to CEC; (ii) anticipated growth in customers' demand for the Group's services generally; and (iii) potential impact of fluctuation of the value of RMB as CEC's costs will be in RMB.

### **Reasons for and benefits of the Third Supplemental Agreement**

CEC is one of the few VPN service providers in China with a nationwide IP-VPN operating licence. The Directors consider that the Third Supplemental Agreement will allow the Group to continue to leverage on the licence held by CEC to tap into the large domestic VPN services market in China.

The Directors (including the independent non-executive Directors) consider that the terms of the Third Supplemental Agreement (including the service fees and annual caps) are on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole.

### **Listing Rules Implications**

CEC is a non-wholly owned subsidiary of the Company and also an associate of CITIC Group, the ultimate holding company of the Company as CITIC Group holds an approximately 45.09% equity interest in CEC. Accordingly, the entering into of the Third Supplemental Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Since the highest applicable percentage ratio set out in Rule 14.07 of the Listing Rules calculated with reference to the annual caps for the Third Supplemental Agreement is more than 0.1% but less than 5%, such continuing connected transaction is subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the Third Supplemental Agreement or is required to abstain from voting on the board resolutions for considering and approving the Third Supplemental Agreement. However, in order to avoid the perception of a conflict of interest and as a matter of good corporate governance practice, Mr. Luo Ning, who is an Assistant President of CITIC Limited, being the controlling shareholder of the Company and a subsidiary of CITIC Group, abstained from voting on the board resolutions for considering and approving the Third Supplemental Agreement.

### **GENERAL**

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

The 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 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.

CEC is one of the leading VPN service providers in the PRC. In March 2014, CEC has secured the cross regional value-added telecoms service IDC/ICP operating licence from the Ministry of Industry and Information Technology of the PRC. Prior to securing the licence, CEC has obtained authorisation to operate value-added telecoms services including nationwide IP-VPN service, as well as call centre services and Internet access services in major cities in China. CEC was founded in 2000 and has since built an extensive network in the PRC with its headquarters in Beijing.

## DEFINITIONS

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

“associate”; “continuing connected transaction”; and “subsidiary”	each has the meaning ascribed to it by the Listing Rules;
“Board”	the board of Directors;
“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. It is the ultimate holding company of the Company holding a beneficial interest of approximately 59.043% in the Company;
“Company”	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);
“CEC”	中企網絡通信技術有限公司 (China Enterprise ICT Solutions Limited, formerly known as China Enterprise Communications Ltd.), a company incorporated and existing under the laws of the PRC and a non-wholly owned subsidiary of the Company;
“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 and a wholly-owned subsidiary of the Company;
“CPC”	CITIC Telecom International CPC Limited (中信國際電訊(信息技術)有限公司), a company incorporated with limited liability under the laws of Hong Kong and a wholly-owned subsidiary of the Company;

“Directors”	the directors of the Company;
“Exclusive Service Agreement”	the service agreement dated 24 November 2010 entered into between CPC, CEC-HK and CEC in relation to the provision of exclusive technical services by CEC to CPC and CEC-HK;
“First Supplemental Agreement”	the agreement dated 7 August 2013 supplemental to the Exclusive Service Agreement entered into between CPC, CEC-HK and CEC in relation to the provision of exclusive technical services by CEC to CPC and CEC-HK;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
"IDC/ICP"	Internet Data Centre and Internet Content Provider;
“IP-VPN”	internet protocol virtual private network;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Macau”	the Macau Special Administrative Region of the PRC;
PoP(s)	Point(s)-of-Presence, an access point to the network service which consists of communication equipment providing the data exchange;
“PRC” or “China”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan);
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Supplemental Agreement”	the agreement dated 19 February 2014 supplemental to the First Supplemental Agreement entered into between CPC, CEC-HK and CEC in relation to the provision of exclusive technical services by CEC to CPC and CEC-HK;

“Share(s)”	share(s) in the capital of the Company;
“Shareholder(s)”	holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Third Supplemental Agreement”	the agreement dated 22 April 2015 supplemental to the Second Supplemental Agreement entered into between CPC, CEC-HK and CEC in relation to the provision of exclusive technical services by CEC to CPC and CEC-HK;
“US\$”	United States dollars, the lawful currency of the United States of America;
“VPN”	virtual private network, which extends a private network across a shared or public network. VPN enables a computer or network-enabled device to send and receive data across shared or public networks as if it were directly connected to the private network; and
“%”	per cent.

*For illustration purposes in this announcement, the conversion rate of US\$1.00 = HK\$7.8 was adopted.*

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

Hong Kong, 22 April 2015

*The Directors of the Company as at the date of this announcement are: Executive Directors: Xin Yue Jiang (Chairman), Lin Zhenhui, Luo Ning and Chan Tin Wai, David; Non-Executive Director: Liu Jifu; and Independent Non-Executive Directors: Liu Li Qing, Kwong Che Keung, Gordon and Zuo Xunsheng.*