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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 TRANSACTIONS

PROVISION OF TELECOMS SERVICES

NEW TELECOMS SERVICES AGREEMENT

The Board announces that on 5 August 2016, the Telecoms Services Provider, being a wholly-owned subsidiary of CITIC Group, and CEC, being a non-wholly owned subsidiary of the Company entered into the New Telecoms Services Agreement, pursuant to which CEC shall engage the Telecoms Services Provider as service provider for the provision of various telecoms services, such as leasing of circuits and racks for data networking, to CEC for a 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. The Telecoms Services Provider is a wholly-owned subsidiary of CITIC Group. Accordingly, the entering into of the New Telecoms Services Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules calculated with reference to the annual caps for the New Telecoms Services Agreement are more than 0.1% but less than 5%, such continuing connected transactions are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 7 August 2013 in relation to, inter alia, the Existing Telecoms Services Agreement entered into between the Telecoms Services Provider and CEC for the provision of various telecoms services for a term of three years from 7 August 2013.

As the Existing Telecoms Services Agreement is due to expire on 6 August 2016, CEC entered into the New Telecoms Services Agreement with the Telecoms Services Provider on 5 August 2016 to continue to engage the Telecoms Services Provider as service provider of such services for a further term of three years.

NEW TELECOMS SERVICES AGREEMENT

Date

5 August 2016

Parties

- (1) the Telecoms Services Provider, a wholly-owned subsidiary of CITIC Group
- (2) 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

Pursuant to the New Telecoms Services Agreement, CEC shall engage the Telecoms Services Provider as service provider for the provision of various telecoms services, such as leasing of circuits and racks for data networking, to CEC for a term of three years from 7 August 2016 to 6 August 2019.

Service fee and pricing basis

As a general principle, the prices and terms of the agreements with respect to the telecoms services provided by the Telecoms Services Provider shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis and at prices and on terms no less favourable than those procured from the independent third party service providers of the Group.

An estimated basic monthly service fee of approximately RMB1.64 million (equivalent to approximately HK\$1.92 million), subject to adjustment based on actual usage, shall be payable to the Telecoms Services Provider by CEC. Such service fee was determined with reference to the rates for the provision of services of a similar nature by the Telecoms Services Provider to independent third parties and shall be settled monthly.

The engineering department of CEC will make enquires or obtain quotations from at least two independent third parties for similar services on a periodic basis and make comparison so as to determine if the prices offered by the Telecoms Service Provider to the Group are on normal commercial terms and on terms which are no less favourable to the Group than those offered by the independent third parties.

Historical transaction amounts and annual caps for the New Telecoms Services Agreement

The service fee paid by CEC to the Telecoms Services Provider under the Existing Telecoms Services Agreement for the period from 7 August 2013 to 31 December 2013, the financial years ended 31 December 2014, 2015 and the period from 1 January 2016 to 30 June 2016 were approximately HK\$4.04 million, HK\$10.31 million, HK\$18.71 million and HK\$10.66 million, respectively.

The service fee payable by CEC to the Telecoms Services Provider for the term of the New Telecoms Services Agreement is subject to annual caps of HK\$14.86 million, HK\$50.08 million, HK\$67.51 million and HK\$51.25 million for the period from 7 August 2016 to 31 December 2016, the financial years ending 31 December 2017, 2018 and the period from 1 January 2019 to 6 August 2019 respectively.

The above annual caps were determined with reference to (i) historical amount of service fee paid by CEC to the Telecoms Services Provider; (ii) the estimated basic monthly service fees payable by CEC to the Telecoms Services Provider; and (iii) the expected increase in the demand for telecoms services by CEC due to possible expansion of business. It is expected that the demand for telecoms services from the end-customers of CEC would increase in terms of both quantities and bandwidth, driven by a variety of emerging technologies and applications, including high-definition video, cloud computing and data centre, big data, Internet+, Internet of Things, as well as new industries like FinTech, high-end manufacturing and new energy.

Reasons for and benefits of the New Telecoms Services Agreement

With the telecoms services provided by the Telecoms Services Provider under the New Telecoms Services Agreement, the Company believes that it can continue to leverage on the resources of the Group and CITIC Group, and enhance the diversity of its telecoms services providers.

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 its wholly-owned subsidiary, CITIC Telecom International CPC Limited (中信國際電訊(信息技術)有限公司) ("CPC"), has established numerous Point(s)-of-Presence around the world (especially in the Asia-Pacific region) to provide data and telecoms services (including Virtual Private Network, 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 (Internet Data Centre) / ICP (Internet Content Provider) 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.

The Telecoms Services Provider 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.

The Directors (including the independent non-executive Directors) consider that the terms of the New Telecoms Services Agreement (including the service fees and annual caps) are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the shareholders of the Company as a whole.

None of the Directors has a material interest in the New Telecoms Services Agreement or is required to abstain from voting on the board resolutions for considering and approving the New Telecoms Services 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, an executive director of the Company, who is the Assistant President of CITIC Group and CITIC Limited, both being the controlling shareholder of the Company, and also the Chairman of the Telecoms Services Provider, has abstained from voting on the board resolutions approving the New Telecoms Services Agreement. Save as disclosed above, no other Director has a material interest in the New Telecoms Services Agreement or is required to abstain from voting on the board resolutions for considering and approving the New Telecoms Services Agreement.

LISTING RULES IMPLICATIONS

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Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules calculated with reference to the annual caps for the New Telecoms Services Agreement are more than 0.1% but less than 5%, such continuing connected transactions are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“associate”; “continuing connected transaction”, “controlling shareholder”, “percentage ratio”; and “subsidiary”	each has the meaning ascribed to it under 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, 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, the shares of which are listed on the Stock Exchange (stock code: 00267); and which is the indirect holding company of the Company and is interested in approximately 58.76% of the number of Shares in issue;
“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), a company incorporated and existing under the laws of the PRC and a non-wholly owned subsidiary of the Company;
“Director(s)”	the director(s) of the Company;
“Existing Telecoms Services Agreement”	the service agreement dated 7 August 2013 entered into between the Telecoms Services Provider and CEC in relation to the provision of various telecoms services by the Telecoms Services Provider to CEC;
“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;
“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;
“New Telecoms Services Agreement”	the service agreement dated 5 August 2016 entered into between the Telecoms Services Provider and CEC in relation to the provision of various telecoms services by the Telecoms Services Provider to CEC;
“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;
“Share(s)”	share(s) in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Telecoms Services Provider”	中信網絡有限公司 (CITIC Networks Co., Ltd.), a company established in the PRC and a wholly-owned subsidiary of CITIC Group;
“VPN”	virtual private network; and
“%”	per cent.

For illustration purposes in this announcement, the conversion rate of RMB1.00 = HK\$1.17 is adopted.

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

Hong Kong, 5 August 2016

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 Directors: Liu Jifu and Fei Yiping; Independent Non-Executive Directors: Liu Li Qing, Kwong Che Keung, Gordon and Zuo Xunsheng.