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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)

**(I) DISCLOSEABLE AND CONNECTED TRANSACTION:
PROPOSED ACQUISITION OF THE ENTIRE SHARE
CAPITAL OF, AND LOAN TO,
THE TARGET INVOLVING ISSUE OF NEW SHARES
AND
(II) CONTINUING CONNECTED TRANSACTION:
MANAGEMENT SERVICES AGREEMENT
IN RESPECT OF BUILDING
AND
(III) CONTINUING CONNECTED TRANSACTION:
DCH TENANCY AGREEMENT**

The Board is pleased to announce that:

- (i) ***the Acquisition:*** on 16 August 2016 (after trading hours), the Company (as the Purchaser) and the Vendor (a wholly-owned subsidiary of CITIC Limited) entered into the Acquisition Agreement, pursuant to which the Vendor has conditionally agreed to sell the Sale Shares (representing the entire share capital of the Target) and to procure Eltonford to assign the benefit of the Sale Loan to the Company (or its nominee), and the Company (or its nominee) has conditionally agreed to make such purchase and take such assignment at the Initial Purchase Price of HK\$850,000,000 (subject to customary working capital adjustment), which shall be satisfied by cash of HK\$424,999,999 (subject to customary working capital adjustment) plus the allotment and issue of 141,666,667 Consideration Shares at the issue price of HK\$3.00 per Consideration Share (totaling HK\$425,000,001) under the Specific Mandate. Upon Acquisition Completion, the Group, through ComNet holding the Existing Property and the Target holding the Remaining Property, will have ownership over the entire Building.
- (ii) ***the Management Services Agreement:*** upon Acquisition Completion, ComNet, the Target and the Manager will enter into the Management Services Agreement, pursuant to which the Manager will provide general property management services, chilled water supply and air-conditioning supply in respect of the Building to the Group; and

(iii) *the DCH Tenancy Agreement*: the Sale Shares will be sold on the basis that the Remaining Property is subject to the then existing tenancy agreements. Upon Acquisition Completion, the transaction as subsisted pursuant to the DCH Tenancy Agreement will become a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

LISTING RULES IMPLICATIONS

The Vendor is a wholly-owned subsidiary of CITIC Limited, the controlling shareholder of the Company which is interested in approximately 58.65% of the number of Shares in issue as at the date of this announcement, and therefore is a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios for the Company regarding the Acquisition are more than 5% but less than 25%, the Acquisition constitutes (i) a discloseable transaction of the Company which is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a non-exempt connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Manager is a wholly-owned subsidiary of CITIC Limited, and therefore is a connected person of the Company. Accordingly, the entering into of the Management Services Agreement and the transactions contemplated thereunder upon Acquisition Completion will constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios for the Company calculated with reference to the annual caps for the Management Services Agreement are more than 0.1% but less than 5%, such continuing connected transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DCH Holdings is a non-wholly owned subsidiary of CITIC Limited, and therefore is a connected person of the Company. Accordingly, upon Acquisition Completion, the transaction as subsisted pursuant to the DCH Tenancy Agreement will become a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios for the Company calculated with reference to the annual caps for the DCH Tenancy Agreement are more than 0.1% but less than 5%, such continuing connected transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL

The GM will be convened and held by the Company to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate and the allotment and issue of the Consideration Shares). The voting at the GM will be taken by poll.

An Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise and provide recommendation to the Independent Shareholders on the Acquisition Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate and the allotment and issue of the Consideration Shares). Platinum Securities Company Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same respect.

A circular containing, among other things, the particulars of the Acquisition Agreement together with the recommendation from the Independent Board Committee, the advice of the Independent Financial Adviser, a property valuation report, a notice of the GM and a proxy form is expected to be despatched to the Shareholders on or before 30 September 2016, taking into account the time required for the preparation of the information contained therein.

The Acquisition is subject to the fulfillment of a number of conditions precedent which are detailed in the paragraph headed “2. Acquisition Agreement — Conditions” in this announcement. As the Acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

1. INTRODUCTION

Reference is made to the announcement of the Company dated 4 November 2009 in relation to, inter alia, the agreement for sale and purchase between the Target (a wholly-owned subsidiary of CITIC Limited, as the then vendor) and ComNet (a wholly-owned subsidiary of the Company, as the then purchaser) for the acquisition of the Existing Property.

The Board is pleased to announce that on 16 August 2016 (after trading hours), the Company (as the Purchaser) and the Vendor (a wholly-owned subsidiary of CITIC Limited) entered into the Acquisition Agreement, pursuant to which the Vendor has conditionally agreed to sell the Sale Shares (representing the entire share capital of the Target) and to procure Eltonford to assign the benefit of the Sale Loan to the Company (or its nominee), and the Company (or its nominee) has conditionally agreed to make such purchase and take such assignment at the Initial Purchase Price of HK\$850,000,000 (subject to customary working capital adjustment). Upon Acquisition Completion, the Group, through ComNet holding the Existing Property and the Target holding the Remaining Property, will have ownership over the entire Building.

2. ACQUISITION AGREEMENT

Set out below are the principal terms of the Acquisition Agreement:

Date

16 August 2016 (after trading hours)

Parties

- (i) the Purchaser: CITIC Telecom International Holdings Limited
- (ii) the Vendor: Talisgold Limited (a wholly-owned subsidiary of CITIC Limited)

Assets to be acquired

- (i) the Sale Shares, representing the entire share capital of the Target, free from all encumbrances together with all rights attached thereto, including the right to receive all dividends and other distributions declared, made or paid, on or after the Completion Date; and
- (ii) the Sale Loan, representing all outstanding loans owing by the Target to Eltonford as at the Completion Date, free from all encumbrances.

As at the date of this announcement, the Remaining Property is a major asset of the Target. The Remaining Property, comprising portions of ground, 1st, 2nd and 3rd floors and car parking spaces thereof, the whole of 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 15th, 19th, 20th, 21st, 22nd floors, common areas and facilities, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong. Upon Acquisition Completion, the Group, through ComNet holding the Existing Property and the Target holding the Remaining Property, will have ownership over the entire Building.

The original acquisition and development costs paid by the Vendor for the Remaining Property were approximately HK\$346,000,000.

Acquisition Consideration

The Acquisition Consideration shall initially be HK\$850,000,000 (the “**Initial Purchase Price**”), subject to adjustment as determined in accordance with the following formula:

- (i) in the event the Working Capital as calculated from the Completion Accounts is a positive figure (“**Net Current Assets Amount**”), then the Initial Purchase Price shall be increased, on a dollar for dollar basis, by an amount equal to the Net Current Assets Amount; and
- (ii) in the event the Working Capital as calculated from the Completion Accounts is a negative figure (“**Net Current Liabilities Amount**”), then the Initial Purchase Price shall be reduced, on a dollar for dollar basis, by an amount equal to the absolute value of the Net Current Liabilities Amount.

The Acquisition Consideration shall be apportioned as follows:

- (i) the consideration for the assignment of the Sale Loan shall be the face value of the outstanding amount of the Sale Loan as at the Completion Date; and
- (ii) the consideration for the transfer of the Sale Shares shall be the amount of the Acquisition Consideration less the consideration for the assignment of the Sale Loan set out in the sub-paragraph (i) above.

Payment of Acquisition Consideration

The Acquisition Consideration (subject to customary working capital adjustment) is split and payable upon Acquisition Completion in the following manner:

- (i) HK\$424,999,999 out of the Initial Purchase Price, subject to the adjustment set out in the paragraph headed “2. Acquisition Agreement – Acquisition Consideration” above, shall be paid by the Company (and/or its nominee) to the Vendor (or such nominee as the Vendor may direct) in cash; and
- (ii) HK\$425,000,001 out of the Initial Purchase Price, shall be satisfied by the allotment and issue of the Consideration Shares to the Vendor (or its nominee).

The Acquisition Consideration was arrived at after arm’s length negotiations between the Vendor and the Company and taking into account factors including mainly, (i) the net asset value of the Target as at 30 June 2016; (ii) the amount of the Sale Loan of approximately HK\$664,700,000 as at 30 June 2016; (iii) the property valuation report as appraised by the independent property valuer engaged by the Company; and (iv) the prevailing market price of comparable premises in the vicinity.

All stamp duty and any charges, levies and fees payable on the transfer of the Sale Shares and the assignment of the Sale Loan and any other transaction contemplated under the Acquisition Agreement shall be paid by the Company (and/or its nominee) absolutely.

Conditions

Acquisition Completion is conditional upon the following conditions being satisfied or waived (conditions (i) and (ii) may be waived by the Company at any time in writing) on or before the Long Stop Date:

- (i) no material adverse change having occurred before or on the Completion Date;
- (ii) warranties given by the Vendor in relation to the Sale Shares and the Sale Loan remaining true, accurate and not misleading in all respects, and other warranties given by the Vendor remaining true, accurate and not misleading in all material respects before and on the Completion Date;
- (iii) any consents, approvals and compliance with such other conditions as may be required under the Listing Rules and/or by the Stock Exchange having been obtained;
- (iv) the Independent Shareholders having approved the Acquisition Agreement and the transactions contemplated therein and the performance of the Company's obligations thereunder as permitted under the Listing Rules at the GM; and
- (v) the approval for the listing of, and permission to deal in, all the Consideration Shares on the Main Board of the Stock Exchange having been granted by the Listing Committee of the Stock Exchange.

In the event that any of the abovementioned conditions are not fulfilled or waived by the Company on or before the Long Stop Date, the Company may elect to terminate the Acquisition Agreement and all rights and obligations of the parties thereunder shall cease immediately upon termination save that the termination shall not affect or prejudice the then accrued rights and obligations of the parties.

Acquisition Completion

Acquisition Completion shall take place on the fifth Business Day following satisfaction or waiver of the conditions set out in the paragraph headed "2. Acquisition Agreement – Conditions" above, or on such other date as the Vendor and the Company may agree in writing.

Consideration Shares

At Acquisition Completion, the Consideration Shares will be allotted and issued to the Vendor (or its nominee).

The Consideration Shares comprise a total of 141,666,667 Shares, which represent approximately 4.18% of the existing number of Shares in issue as at the date of this announcement and approximately 4.01% of the number of Shares in issue as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares, when allotted and issued, will be credited as fully paid and will rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of allotment and issue of the Consideration Shares, except that they shall not be entitled to receive any dividend, distribution or entitlement declared, paid or made by reference to a record date prior to the date of allotment and issue of the Consideration Shares.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares will be allotted and issued by the Company under the Specific Mandate proposed to be sought from the Independent Shareholders at the GM.

The issue price of HK\$3.00 per Consideration Share was determined after arm's length negotiation between the parties to the Acquisition Agreement with reference to, among other things, the recent trading prices of the Shares, which represents:

- (i) a discount of approximately 1.32% to the closing price of HK\$3.04 per Share as quoted on the Stock Exchange on 15 August 2016, being the last trading date prior to the date of the Acquisition Agreement;
- (ii) a premium of approximately 1.69% over the average closing price of approximately HK\$2.95 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the last trading date prior to the date of the Acquisition Agreement; and
- (iii) a premium of approximately 2.39% over the average closing price of approximately HK\$2.93 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the last trading date prior to the date of the Acquisition Agreement.

3. EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon Acquisition Completion is set out as below:

Shareholders	As at the date of this announcement		Immediately after Acquisition Completion	
	No. of Shares	Approximate % of number of Shares in issue	No. of Shares	Approximate % of number of Shares in issue
The Vendor and its associates (Note 1)	1,987,678,508	58.65	2,129,345,175	60.31
Director (Note 2)	774,262	0.02	774,262	0.02
Public Shareholders	<u>1,400,597,974</u>	<u>41.33</u>	<u>1,400,597,974</u>	<u>39.67</u>
	<u>3,389,050,744</u>	<u>100.00</u>	<u>3,530,717,411</u>	<u>100.00</u>

Notes:

- (1) These 1,987,678,508 Shares are held by CITIC Limited via its wholly-owned subsidiaries: (i) Ease Action Investments Corp. as to 1,241,649,869 Shares; (ii) Richtone Enterprises Inc. as to 134,841,139 Shares; and (iii) Silver Log Holdings Ltd. as to 611,187,500 Shares, each of which is a company indirectly wholly owned by CITIC Limited.
- (2) These 774,262 Shares are held by Dr. Chan Tin Wai, David, an executive Director.
- (3) Figures are calculated on the assumption that there is no change to the number of Shares in issue from the date of this announcement to the Completion Date.

4. INFORMATION OF THE TARGET AND THE REMAINING PROPERTY

The Target is a company incorporated in Hong Kong with limited liability and its principal business activity is property investment. As at the date of this announcement, the Target is the registered owner of the Remaining Property. The Vendor beneficially owns two shares of the Target (of which one share is legally owned by the Vendor and one share is legally owned by On Yip on trust for the Vendor).

Having acquired the Existing Property in December 2009, the Group proposes to acquire the Sale Shares pursuant to the Acquisition Agreement to consolidate its ownership of the entire Building. The Building, known as CITIC Telecom Tower, is situated in the Kwai Chung district in Hong Kong. The Building is a 24-storey building with a total gross floor area of approximately 341,800 square feet equipped with 18 car parking spaces and 19 lorry parking spaces. The Building is for godown and ancillary office uses.

The Remaining Property is currently subject to certain tenancy agreements and licence agreements expiring between 31 October 2016 and 11 October 2018. Upon Acquisition Completion, the Sale Shares will be sold on the basis that the Remaining Property is subject to the then existing tenancy agreements (the “**Existing Tenancy Agreements**”). DCH Holdings, a connected person of the Company, is one of the tenants to the Existing Tenancy Agreements. The Existing Tenancy Agreement with DCH Holdings (the “**DCH Tenancy Agreement**”) will become a continuing connected transaction of the Company under Chapter 14A of the Listing Rules upon Acquisition Completion. For further details, please refer to section headed “6. DCH Tenancy Agreement” below.

For the purposes of this announcement, set out below is a summary of certain audited consolidated financial information of the Target for the years ended 31 December 2014 and 2015.

	For the years ended 31 December	
	2014	2015
	(HK\$ '000)	(HK\$ '000)
Net profit before taxation	37,344	51,829
Net profit after taxation	37,344	102,079

The market value of the Remaining Property as at 16 August 2016 appraised by the independent property valuer engaged by the Company is approximately HK\$850,000,000.

The unaudited Adjusted Net Asset Value of the Target as at 30 June 2016 was approximately HK\$900,700,000.

5. MANAGEMENT SERVICES AGREEMENT

The Group has been engaging the Manager (a wholly-owned subsidiary of CITIC Limited) to provide management services for the Existing Property since 2011. After Acquisition Completion, the Group will continue to appoint the Manager to be the property manager of the Building. Accordingly, ComNet, the Target and the Manager will enter into the Management Services Agreement upon Acquisition Completion, pursuant to which the Manager will provide

general property management services, chilled water supply and air-conditioning supply in respect of the Building to the Group (collectively, the “**Management Services**”). Principal particulars of the Management Services Agreement are summarised below:

Term

For a period of two years from the Completion Date, provided that any one of the parties may terminate the Management Services Agreement with or without cause by giving to the other parties a 3 months’ prior notice in writing at any time during the term of the Management Services Agreement.

Services to be provided by the Manager

Provision of general property management services, chilled water supply and air-conditioning supply for the Building.

General management fees, chilled water charges and air-conditioning charges

The general management fees payable by the Group for the Building are approximately HK\$645,000 per month.

The chilled water charges payable by the Group for the Building are based on the actual volume of chilled water used and are estimated to be approximately HK\$138,000 per month.

The air-conditioning charges for supply during normal office hours payable by the Group for the Building are approximately HK\$188,000 per month. The air-conditioning charges for supply after normal office hours payable to the Manager are based on the actual usage and are estimated to be approximately HK\$5,000 per month.

The above estimated monthly fees and charges are subject to increase within the relevant annual caps set out in the paragraph headed “5. Management Services Agreement - Annual Caps for the Management Services Agreement” below. The monthly general management fees, chilled water charges and air-conditioning charges payable by the Group to the Manager were arrived at after arm’s length negotiation between the parties and are determined based on (i) the current management fees and charges payable by ComNet in respect of the Existing Property since 1 January 2015; (ii) the current management fees and charges payable by the Target in respect of the Remaining Property; (iii) rates of management fees and charges generally applicable to the other independent tenants of the Building; and (iv) the projected operating costs and expenses to be incurred by the Manager for providing the Management Services. In assessing and comparing the terms offered by the Manager, the Group has compared the prevailing market rates charged by independent third parties offering comparable management services for properties of comparable scale and grade in the vicinity. The Group considers that the price and terms of services (including the standard and qualities of services) offered by the Manager are no less favourable to the Group than those offered by independent third party services providers. Further, the aggregate fees and charges proposed under the Management Services Agreement are within the maximum level of manager’s remuneration as contained in the deed of mutual covenant of the Building.

Annual Caps for the Management Services Agreement

For the financial years ended 31 December 2013, 2014 and 2015 and the period from 1 January 2016 to 30 June 2016, the aggregate general management fees, chilled water charges and air-conditioning charges paid by ComNet to the Manager in respect of the management of the Existing Property were approximately HK\$5,000,000, HK\$5,000,000, HK\$5,100,000 and

HK\$800,000, respectively. For the financial years ended 31 December 2013, 2014 and 2015 and the period from 1 January 2016 to 30 June 2016, the aggregate general management fees, chilled water charges and air-conditioning charges paid by the Target to the Manager in respect of the management of the Remaining Property were approximately HK\$6,100,000, HK\$6,100,000, HK\$6,400,000 and HK\$45,000, respectively. For the first half of 2016, the Manager waived the general management fees and air-conditioning charges for supply during normal office hours payable in respect of the Building due to accumulated surplus recorded in the Building account.

The Group and the Manager agreed that the annual caps in respect of the provision of the Management Services for the period from the Completion Date to 31 December 2016, for the year ending 31 December 2017 and for the period from 1 January 2018 to the second anniversary date of the Completion Date shall be HK\$3,000,000, HK\$12,900,000 and HK\$14,200,000, respectively.

The above annual caps are determined with reference to the monthly general management fees, chilled water charges and air-conditioning charges payable by the Group to the Manager on an annual basis with an estimated rate of approximately 10% increase annually.

6. DCH TENANCY AGREEMENT

Upon Acquisition Completion, the transaction as subsisted pursuant to DCH Tenancy Agreement will become a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Principal particulars of the DCH Tenancy Agreement are summarised below:

Parties

- (i) Neostar Investment Limited, as the landlord
- (ii) Dah Chong Hong Holdings Limited, as the tenant

Subject premises

The whole of 7th floor to 12th floor of the Building.

Term

The DCH Tenancy Agreement is for a term commencing from 1 June 2015 and expiring on 31 May 2018.

Monthly rentals and management charges

A monthly rental of approximately HK\$1,300,000 (exclusive of government rent, rates and management charges and other outgoings) and monthly management charges of approximately HK\$200,000.

Annual Caps for the DCH Tenancy Agreement

The annual caps (including the rentals and the management charges) payable by DCH Holdings to the Group under the DCH Tenancy Agreement for the financial years ending 31 December 2016, 2017 and for the period from 1 January 2018 to 31 May 2018 shall be HK\$5,300,000, HK\$22,100,000 and HK\$9,200,000, respectively. The annual caps were determined with reference to (i) the rentals stipulated in the DCH Tenancy Agreement; (ii) the current management charges; (iii) the expected increment to the management charges over the term of

the DCH Tenancy Agreement; and (iv) the estimated outgoings in respect of the subject premises under the DCH Tenancy Agreement.

Other licensing arrangements

Upon Acquisition Completion, certain subsisting existing licensing arrangements in respect of car parking spaces and other areas at the Building between the DCH Group and the Target will become continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The expected maximum annual amounts payable under these licensing arrangements for the financial years ending 31 December 2016, 2017 and for the period from 1 January 2018 to 31 May 2018 are approximately HK\$400,000, HK\$1,300,000 and HK\$600,000, respectively. Such licensing arrangements fall within the de minimis exemption under Rule 14A.76 of the Listing Rules.

7. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Acquisition

CITIC Telecom Tower is a building where the registered office and principal place of business of the Group in Hong Kong are currently located. The Acquisition will enable the Company to strengthen its brand name and corporate image and to enhance the development of the business of the Group.

The Acquisition will allow the Group to design and build, by phases, high tier data center to meet customers' need. It will strengthen the Group's competitive edge in data center business, and act as a pivot in transformation to Internet services globally. As the Group is already carrying on data center business within certain premises of the Existing Property, the Acquisition will have a synergistic effect on the further development of data center business by the Group. Owning the entire title to the Remaining Property will also facilitate the overall planning, usage and design of the facilities to be equipped and provided for the data center business. In particular, it is envisaged that a consolidation of title ownership in the CITIC Telecom Tower will, among other benefits, greatly enhance the flexibility on the use of space, achievement of power and cooling optimization, and planning of security arrangement. Also, in respect of the rented premises, the Directors believe that the Group is able to benefit from the stable investment income and the further value appreciation of the Building.

The Directors (excluding the independent non-executive Directors whose opinions will be rendered after having obtained the advice from the Independent Financial Adviser) are of the view that the terms of the Acquisition Agreement and the transactions contemplated thereunder, though not in the ordinary and usual course of business of the Group, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Management Services Agreement

The Group has been engaging the Manager to provide management services to the Existing Property since 2011. The Directors (including the independent non-executive Directors) consider that the terms of the Management Services Agreement (including the annual caps) and the transactions contemplated thereunder 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 Company and the Shareholders as a whole.

The DCH Tenancy Agreement

The Directors considers that the DCH Tenancy Agreement could provide the Group with stable rental income without the need to search for new tenant. The Directors (including the independent non-executive Directors) consider that the terms of the DCH Tenancy Agreement (including the annual caps) and the transactions contemplated thereunder 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 Company and the Shareholders as a whole.

8. INFORMATION OF THE PARTIES TO THE TRANSACTIONS

The Group

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.

ComNet is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company. ComNet is principally engaged in property and equipment holding.

The Vendor and Eltonford

The Vendor is a limited liability company incorporated in the BVI and a wholly-owned subsidiary of CITIC Limited. The Vendor is principally engaged in investment holding.

Eltonford is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of CITIC Limited. Eltonford is principally engaged in the provision of finance.

CITIC Limited

CITIC Limited is PRC's largest conglomerate operating domestically and overseas. With businesses in financial services, resources and energy, manufacturing, engineering contracting and real estate as well as others. CITIC Limited's rich history, diverse platform and strong corporate culture across all businesses, ensure that CITIC Limited is unrivalled in capturing opportunities arising from PRC's continued growth. CITIC Limited is listed on the Stock Exchange where it is a constituent of the Hang Seng Index.

The Manager

The Manager is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of CITIC Limited. The Manager is principally engaged in property management.

DCH Holdings

DCH Holdings is an integrated trading and distribution company operating in Asia with a focus on Greater China, supported by an extensive logistics network. DCH Holdings is a leading distributor and dealer of motor vehicles in Greater China, and it also provides a full range of motor-related services. DCH Holdings' consumer business distributes food, personal care, lifestyle products and healthcare products. Established in 1949 and listed on the Stock Exchange, DCH Holdings has business operations in Hong Kong, mainland China, Taiwan, Macau, Thailand, Malaysia, Singapore, Philippines, Indonesia, Brunei, Japan and Myanmar.

9. LISTING RULES IMPLICATIONS

The Acquisition

The Vendor is a wholly-owned subsidiary of CITIC Limited, the controlling shareholder of the Company which is interested in approximately 58.65% of the number of Shares in issue as at the date of this announcement, and therefore is a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for the Company regarding the Acquisition are more than 5% but less than 25%, the Acquisition constitutes (i) a discloseable transaction of the Company which is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a non-exempt connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Management Services Agreement

The Manager is a wholly-owned subsidiary of CITIC Limited, and therefore is a connected person of the Company. Accordingly, the entering into of the Management Services Agreement and the transactions contemplated thereunder upon Acquisition Completion will constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for the Company calculated with reference to the annual caps for the Management Services Agreement are more than 0.1% but less than 5%, such continuing connected transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DCH Tenancy Agreement

DCH Holdings is a non-wholly owned subsidiary of CITIC Limited, and therefore is a connected person of the Company. Accordingly, upon Acquisition Completion, the transactions as subsisted pursuant to the DCH Tenancy Agreement will become a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for the Company calculated with reference to the annual caps for the DCH Tenancy Agreement are more than 0.1% but less than 5%, such

continuing connected transaction is subject to the reporting 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 transactions contemplated under the Acquisition Agreement, the Management Services Agreement and the DCH Tenancy Agreement or is required to abstain from voting on the board resolutions for considering and approving the same. 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 and an Assistant President of CITIC Limited; Mr. Liu Jifu, a non-executive director of the Company and a director of CITIC Pacific (the holding company of the Vendor, the Target and Eltonford); and Mr. Fei Yiping, a non-executive director of the Company, a director as well as the Chief Financial Officer of CITIC Pacific, a director of Eltonford and a non-executive director of DCH Holdings, have abstained from voting on the board resolutions for considering and approving the transactions contemplated under the Acquisition Agreement, the Management Services Agreement and the DCH Tenancy Agreement.

10. GENERAL

The GM will be convened and held by the Company to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate and the allotment and issue of the Consideration Shares). The voting at the GM will be taken by poll.

CITIC Limited and its associates, which together hold 58.65% of the number of Shares in issue as at the date of this announcement, are required to abstain from voting on the relevant resolutions to be proposed at the GM to approve the Acquisition Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate and the allotment and issue of the Consideration Shares) in view of their material interest in the Acquisition.

An Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise and provide recommendation to the Independent Shareholders on the Acquisition Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate and the allotment and issue of the Consideration Shares). Platinum Securities Company Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same respect.

A circular containing, among other things, the particulars of the Acquisition Agreement together with the recommendation from the Independent Board Committee, the advice of the Independent Financial Adviser, a property valuation report and a notice of the GM and a proxy form is expected to be despatched to the Shareholders on or before 30 September 2016, taking into account the time required for the preparation of the information contained therein.

The Acquisition is subject to the fulfillment of a number of conditions precedent which are detailed in the paragraph headed “2. Acquisition Agreement — Conditions” in this announcement. As the Acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Acquisition”	the proposed acquisition of the Sale Shares and the Sale Loan by the Company (or its nominee) pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 16 August 2016 entered into between the Company and the Vendor in relation to the Acquisition
“Acquisition Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“Acquisition Consideration”	the aggregate consideration payable by the Company (and/or its nominee) for the Sale Shares and the Sale Loan under the Acquisition Agreement (subject to customary working capital adjustment in accordance with the terms and conditions of the Acquisition Agreement)
“Adjusted Net Asset Value”	net asset value excluding the amount of the Sale Loan and taking into account the market value of the Remaining Property as at 16 August 2016 appraised by the independent property valuer
“associate(s)”; “connected person(s)”; “connected transaction(s)”; “continuing connected transaction(s)”, “controlling shareholder(s)”, “percentage ratio(s)” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Building”	the building known as CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong, which comprises the Existing Property and the Remaining Property
“Business Day(s)”	a day other than Saturday or Sunday, on which banks are open in Hong Kong and the BVI to general public for business
“BVI”	British Virgin Islands

“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 58.65% of the number of Shares in issue
“CITIC Pacific”	CITIC Pacific Limited (中信泰富有限公司), a company incorporated in the BVI with limited liability and registered under the laws of Hong Kong as a non-Hong Kong company, and a wholly-owned subsidiary of CITIC Limited
“ComNet”	ComNet Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Company” or “Purchaser”	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)
“Completion Accounts”	an unaudited pro forma statement of financial position of the Target as at close of business on the Completion Date and an unaudited pro forma statement of comprehensive income of the Target for the period from 1 January 2016 to the Completion Date agreed or determined in accordance with the Acquisition Agreement
“Completion Date”	the date on which Acquisition Completion takes place in accordance with the terms and conditions of the Acquisition Agreement
“Consideration Shares”	141,666,667 Shares to be allotted and issued, credited as fully paid, by the Company to the Vendor (or its nominee) upon Acquisition Completion
“DCH Group”	DCH Holdings and its subsidiaries
“DCH Holdings”	Dah Chong Hong Holdings Limited (大昌行集團有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 01828), and a non-wholly owned subsidiary of CITIC Limited
“DCH Tenancy Agreement”	has the meaning ascribed to it under the paragraph headed “4. Information of the Target and the Remaining Property” in this announcement
“Director(s)”	the director(s) of the Company
“Eltonford”	Eltonford Limited, a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of CITIC Limited

“Existing Property”	portion of ground, 1st, 2nd and 3rd floors, the whole of 5th, 16th, 17th, 18th, 23rd, 25th and 26th floors, portion of the roof and ancillary areas of the Building
“Existing Tenancy Agreements”	has the meaning ascribed to it under the paragraph headed “4. Information of the Target and the Remaining Property” in this announcement
“Group”	the Company and its subsidiaries
“GM”	a general meeting of the Company to be convened and held for the purpose of, if thought fit, to approve the Acquisition Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate and the allotment and issue of the Consideration Shares) by the Independent Shareholders
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Board, comprising all the independent non-executive Directors namely Mr. Liu Li Qing, Mr. Kwong Che Keung, Gordon and Mr. Zuo Xunsheng, formed for the purpose of advising the Independent Shareholders in respect of, among other things, the terms of the Acquisition Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate and the allotment and issue of the Consideration Shares)
“Independent Financial Adviser”	Platinum Securities Company Limited, a corporation licensed to carry out Type 1 (Dealing in securities) and Type 6 (Advising on corporate finance) of the regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate and the allotment and issue of the Consideration Shares)
“Independent Shareholders”	Shareholders who are not required to abstain from voting in the relevant resolution(s) to be proposed in the GM in relation to the Acquisition Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate and the allotment and issue of the Consideration Shares)
“Initial Purchase Price”	has the meaning ascribed to it under the paragraph headed “2. Acquisition Agreement – Acquisition Consideration” in this announcement

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 October 2016, or such later date as the Company may elect to extend pursuant to the Acquisition Agreement
“Macau”	the Macau Special Administrative Region of the PRC
“Management Services”	has the meaning ascribed to it under the paragraph headed “5. Management Services Agreement” in this announcement
“Management Services Agreement”	the management services agreement to be entered into between ComNet, the Target and the Manager in relation to the provision of the Management Services in respect of the Building to the Group
“Manager”	Hang Luen Chong Property Management Company, Limited (恒聯昌物業管理有限公司), a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of CITIC Limited
“Net Current Assets Amount”	has the meaning ascribed to it under the paragraph headed “2. Acquisition Agreement – Acquisition Consideration” in this announcement
“Net Current Liabilities Amount”	has the meaning ascribed to it under the paragraph headed “2. Acquisition Agreement – Acquisition Consideration” in this announcement
“On Yip”	On Yip Nominees Limited, a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of CITIC Limited
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan)
“Remaining Property”	portions of ground, 1st, 2nd and 3rd floors and car parking spaces thereof, the whole of 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 15th, 19th, 20th, 21st, 22nd floors, common areas and facilities of the Building
“Sale Loan”	such amount equals to the face value of all outstanding loan owing by the Target to Eltonford as at the Completion Date
“Sale Share”	two ordinary shares in the share capital of the Target, representing the entire share capital of the Target
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Specific Mandate”	the specific mandate proposed to be sought from the Independent Shareholders at the GM for the allotment and issue of an aggregate of 141,666,667 Consideration Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Neostar Investment Limited (嶺星投資有限公司), a company incorporated in Hong Kong with limited liability
“Vendor”	Talisgold Limited, a company incorporated in the BVI with limited liability, and a wholly-owned subsidiary of CITIC Limited
“Working Capital”	the total current assets of the Target minus the total current liabilities of the Target (other than the Sale Loan) as at the close of business on the Completion Date to be determined with reference to the Completion Accounts
“%”	per cent.

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

Hong Kong, 16 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.