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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**

### **Provision of Management Consultancy and Technical Services in relation to the China Express Network**

#### **CONNECTED TRANSACTION**

#### **Provision of Financial Assistance to CITIC Networks Company Limited**

The Board is very pleased to announce that on 25 April 2014, the Company entered into the non-binding MOU with CITIC Group and CITIC Networks, pursuant to which it was contemplated that (a) CITIC Networks would restructure and inject the business and assets relating to the China Express Network into China Express Network Company, a standalone company to be established in the PRC as a wholly-owned subsidiary of CITIC Networks, and (b) the Company and CITIC Group would discuss the possibility of the Company acquiring a major equity stake in China Express Network Company.

In anticipation of the transactions contemplated under the MOU as mentioned above, on 25 April 2014, the Company and CITIC Networks entered into the Management Service Agreement pursuant to which CITIC Networks engaged the Company to provide Management Consultancy and Technical Services at an annual service fee of RMB10 million (equivalent to approximately HK\$12.5 million) for a term of two years. The Company and CITIC Networks also entered into the Funding and Loan Support Agreement on the same day pursuant to which the Company agreed to provide funds of not more than RMB200 million (equivalent to approximately HK\$250 million) to CITIC Networks if and when a shortage of funds arises in the operation of the China Express Network.

As at the date of this announcement, CITIC Networks is a wholly-owned subsidiary of CITIC Group, the ultimate holding company of the Company, therefore a connected person of the Company. Accordingly, the provision of the Management Consultancy and Technical Services under the Management Service Agreement constitutes a continuing connected transaction of the Company and the provision of financial assistance under the Funding and Loan Support Agreement constitutes a connected transaction of the Company, both subject to reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **BACKGROUND**

CITIC Networks offers renting and sale of network equipment and related products. It offers provision for 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 the China Express Network, the 32,000 km nation-wide optic fibre backbone network of the PRC. With abundant bandwidth resources, the China Express Network provides highly stable and secure voice, data and video transmission services to all the provincial cities across the PRC except Tibet province.

On 25 April 2014, the Company had an opportunity to enter into a non-binding MOU with CITIC Group and CITIC Networks in order to explore the possibility of the integration of China Express Network Company into the Company. Pursuant to the MOU, it was contemplated that (a) CITIC Networks would restructure and inject the business and assets relating to the China Express Network into China Express Network Company, a standalone company to be established in the PRC as a wholly-owned subsidiary of CITIC Networks, and (b) the Company and CITIC Group would discuss the possibility of the Company acquiring a major equity stake in China Express Network Company.

In anticipation of the transactions contemplated under the MOU as mentioned above, the Company intended to cooperate with CITIC Networks in respect of improvement and expansion of the existing capacity of the China Express Network in order to lay out a solid foundation for the possible integration of the China Express Network Company with the Company in future. Therefore, the Company entered into the Management Service Agreement and the Funding and Loan Support Agreement with CITIC Networks on 25 April 2014.

## **MANAGEMENT SERVICE AGREEMENT**

### **Principal terms of the Management Service Agreement**

Date: 25 April 2014

Parties: (i) the Company  
(ii) CITIC Networks

Subject matter: Provision of comprehensive technical support, business support and relevant consultancy services by the Company (or designated subsidiary(ies) of the Company as agreed by CITIC Networks) to CITIC Networks relating to the China Express Network, including technical support and consultancy services in respect of the operation and management of the assets and business operation, the network maintenance and expansion, the development and sales of products and services, and the marketing, human resources and administration, financial and strategic planning of CITIC Networks relating to the China Express Network.

A consultancy and management committee comprising committee members nominated jointly by CITIC Networks and the Company shall be established to report regularly to the board of directors of CITIC Networks.

During the term of the Management Service Agreement, the Company and CITIC Networks shall enter into specific agreements in which the detailed scope, manner and standard requirement of technical services or consultancy services to be provided shall be specified.

Term: Two years from the date of the Management Service Agreement.

Service fee: An annual fee of RMB10 million (equivalent to approximately HK\$12.5 million). No additional service fee shall be payable under the specific agreements to be entered into by the Company and CITIC Networks during the term of the Management Service Agreement.

#### **Basis of determining the service fee**

The service fee payable under the Management Service Agreement was negotiated on an arm's length basis and determined with reference to the market price of the provision of similar management consultancy and technical service.

#### **Annual cap amounts**

The service fee payable by CITIC Networks to the Company during the term of the Management Service Agreement shall not exceed the annual maximum amounts set out below:

	<i>RMB</i> <i>(million)</i>	<i>Approximately</i> <i>equivalent to HK\$</i> <i>(million)</i>
For the year ending 31 December 2014	10	12.5
For the year ending 31 December 2015	10	12.5
For the year ending 31 December 2016	10	12.5

The annual caps set out above represent the maximum amount of service fee payable for each financial year during the term of the Management Service Agreement. The service fee will only be payable upon the China Express Network achieving the pre-defined standards requirement through the provision of Management Consultancy and Technical Services as confirmed by CITIC Networks.

## **FUNDING AND LOAN SUPPORT AGREEMENT**

### **Principal terms of the Funding and Loan Support Agreement**

Date:	25 April 2014
Parties:	(i) the Company  (ii) CITIC Networks
Subject matter:	Provision of funds by the Company (or its subsidiary(ies) as procured by the Company) to CITIC Networks if and when a shortage of funds arises in the operation of the China Express Network at any time during the two years commencing on the date of the Funding and Loan Support Agreement.  Upon receiving a written proof of shortage of funds certified by the consultancy and management committee of CITIC Networks established under the Management Service Agreement, the Company shall provide (or procure its subsidiary(ies) to provide) funds to CITIC Networks in such manner as requested by CITIC Networks.
Maximum amount of financial assistance:	At any time during the term of the Funding and Loan Support Agreement, the total amount of funds advanced or financial assistance provided shall not exceed RMB200 million (equivalent to approximately HK\$250 million).
Term:	Two years from the date of the Funding and Loan Support Agreement; or the day on which the maximum amount of financial assistance is utilised, whichever is the earlier.
Cost of financial support:	The Company shall charge the finance costs to CITIC Network for any funds advanced or financial assistance provided, with reference to the usual finance costs of the Company which shall not be higher than the RMB benchmark interest rates for loans of financial institutions as announced by the People's Bank of China for the same period.

### **Basis of determining the maximum amount of financial assistance to be given**

The maximum amount of financial assistance to be given under the Funding and Loan Support Agreement was negotiated on an arm's length basis and determined with reference to the historical capital need and the operation budget of the China Express Network.

### **Source of funds**

The provision of the financial assistance under the Funding and Loan Support Agreement will be funded by the Company's internal funding resources.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE MANAGEMENT SERVICE AGREEMENT AND THE FUNDING AND LOAN SUPPORT AGREEMENT**

The China Express Network is one of the few commercial use backbone network resources in the PRC. It has a 32,000 km optic fibre network connecting all provincial cities across the nation (except for Tibet province) through over 32 PoPs (Point of Presences). It is the Company's strategy to develop and expand its enterprise solution services in the PRC and the Directors believe that the abundant bandwidth resources of the China Express Network will provide reliable and cost effective support to the Company in delivering stable and secure data and video transmission services, without the need to rely on the network infrastructure operated by third parties. The Directors consider that by entering into the Management Service Agreement and the Funding and Loan Support Agreement with CITIC Networks, the Company will be able to upgrade and align the technology specifications of the China Express Network in support of the Company's product offerings and expansion strategy. In addition, by leveraging on the Company's management experience and customer resources, it is expected that the overall operating efficiency and profitability of the China Express Network will be improved prior to the possible full integration of the China Express Network with the Company.

The Directors (including the independent non-executive Directors) consider that the terms of the Management Service Agreement (including the annual service fee payable by CITIC Networks to the Company for the Management Consultancy and Technical Services) and the Funding and Loan Support Agreement (including the maximum amount of financial assistance to be given by the Company to CITIC Networks) are on normal commercial terms, fair and reasonable and in the interests of the shareholders of the Company as a whole.

Mr. Luo Ning, a non-executive Director, is the Assistant President of CITIC Limited, which is a wholly-owned subsidiary of CITIC Group. He is also the Chairman of CITIC Networks. Accordingly, Mr. Luo Ning abstained from voting on the board resolutions for considering and approving the Management Service Agreement and the Funding and Loan Support Agreement. Other than the aforesaid, none of the Directors has a material interest in the Management Service Agreement and the Funding and Loan Support Agreement.

## **GENERAL INFORMATION**

The Company is a reputable telecoms operator in Asia and is listed on the Stock Exchange.

The Group owns and operates a telecoms hub with its key markets in China and Hong Kong. The Group is actively expanding its business internationally by providing interoperability and interconnection services to global telecoms operators. The Group's main businesses cover Voice Services, SMS Services, Mobile VAS and Data Services. It also provides a full range of Information and Communications Technology (ICT) solutions through its wholly-owned subsidiary, CITIC Telecom International CPC Limited ("CPC"), across the Asia Pacific region. CPC is a preferred partner of leading multinational corporations and business enterprises.

The Company holds 99% interest in Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM"), one of Macau's leading integrated telecoms services provider. CTM, the only full telecoms service provider in Macau, is a long-time leader in providing world-class telecoms

services to Macau residents and enterprises while playing a major role in the ongoing development of Macau.

CITIC Networks is principally engaged in the operation of the China Express Network and holding of investments in various entities principally engaged in the operation of network resources. CITIC Networks is qualified in providing basic telecommunications services in the PRC.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, CITIC Networks is a wholly-owned subsidiary of CITIC Group, the ultimate holding company of the Company, therefore a connected person of the Company. Accordingly, the provision of the Management Consultancy and Technical Services under the Management Service Agreement constitutes a continuing connected transaction of the Company and the provision of financial assistance under the Funding and Loan Support Agreement constitutes a connected transaction of the Company. As the respective applicable percentage ratios in respect of the transactions contemplated under the Management Service Agreement and those under the Funding and Loan Support Agreement exceed 0.1% but below 5%, the transactions contemplated under both agreements are subject to reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The Management Consultancy and Technical Services under the Management Service Agreement are also subject to annual review requirements under Rules 14A.37 and 14A.38 of the Listing Rules.

## **DEFINITIONS**

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

“Board”	the board of Directors
“China Express Network”	the 32,000 km nation-wide optic fibre backbone network of the PRC which is owned by CITIC Networks
“China Express Network Company”	a company to be established under the laws of the PRC as a wholly-owned subsidiary of CITIC Networks, being the standalone company into which CITIC Networks will inject the business and assets relating to China Express Network as contemplated under the MOU
“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, the ultimate holding company of the Company holding a beneficial interest of approximately 18.3% in the Company and is interested in another approximately 41.3% in the Company through CITIC Pacific
“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

“CITIC Pacific”	CITIC Pacific Limited (中信泰富有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 00267), and a non-wholly owned subsidiary of CITIC Group
“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)
“connected person”; “connected transaction”; “continuing connected transaction”; and “subsidiary”	each has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Funding and Loan Support Agreement”	the funding and loan support agreement dated 25 April 2014 entered into between the Company and CITIC Networks in relation to the provision of financial assistance by the Company to CITIC Networks in respect of the operation of the China Express Network
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Management Service Agreement”	the management consultancy and technical service agreement dated 25 April 2014 entered into between the Company and CITIC Networks in relation to the provision of Management Consultancy and Technical Services by the Company to CITIC Networks
“Management Consultancy and Technical Services”	the technical support, business support and related consultancy services relating to the China Express Network to be provided by the Company to CITIC Networks under the Management Service Agreement
“MOU”	the non-binding Memorandum of Understanding entered into by and amongst CITIC Group, CITIC Networks and the Company on 25 April 2014

“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

*For the purpose of this announcement, the exchange rate RMB1.00 = HK\$1.25 has been used for currency translation, where applicable. Such exchange rate is for illustration purposes only and does not constitute representations that any amount in RMB or HK\$ has been, could have been or may be converted at such rate.*

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

Hong Kong, 25 April 2014

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