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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

(1) RENEWAL OF EXCLUSIVE SERVICE AGREEMENT FOR TECHNICAL AND SUPPORT SERVICES

AND

(2) PROVISION OF TELECOMS SERVICES

Renewal of Exclusive Service Agreement for Technical and Support Services

The Board announces that on 7 August 2013, CPC and CEC-HK, being wholly-owned subsidiaries of the Company, entered into the Supplemental Agreement, pursuant to which CPC and CEC-HK shall continue to engage CEC as service provider for the provision of technical and support services to customers of CPC and CEC-HK in the PRC for a further term of seven months.

Provision of Telecoms Services

The Board announces that on 7 August 2013, the Telecoms Services Provider, being an indirect wholly-owned subsidiary of CITIC Group, and CEC entered into the 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 an indirect wholly-owned subsidiary of CITIC Group. Accordingly, the entering into of the Supplemental Agreement and the Telecoms Services Agreement each constitutes a continuing connected transaction 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 respective annual caps for each of the Supplemental Agreement and the Telecoms Services Agreement are more than 0.1% but less than 5%, both continuing connected transactions are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. SUPPLEMENTAL AGREEMENT

Date

7 August 2013

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 announcement of the Company dated 2 September 2010 in relation to, inter alia, the Exclusive Service Agreement entered into between CPC, CEC-HK and CEC for the provision of technical and support services to customers of CPC and CEC-HK in the PRC 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 exclusively in the PRC to service the customers of CPC and CEC-HK.

As the Exclusive Service Agreement is due to expire on 23 November 2013, CPC and CEC-HK entered into the Supplemental Agreement with CEC to continue to engage CEC as service provider of such services to customers of CPC and CEC-HK in the PRC for a term of seven months until 23 June 2014.

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. 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 for the Supplemental Agreement

The service fee payable by the Group to CEC for the term of the Supplemental Agreement is subject to annual caps of US\$5.60 million (equivalent to approximately HK\$43.68 million) and US\$16.45 million (equivalent to approximately HK\$128.31 million) for the two months ending 31 December 2013 and the period from 1 January 2014 to 23 June 2014 respectively.

The service fee payable under the Exclusive Service Agreement by the Group to CEC for the period from 1 January 2013 to 31 July 2013 was US\$15.56 million (equivalent to approximately HK\$121.37 million), which amount was within the annual cap of US\$60 million (equivalent to approximately HK\$468 million) for the ten months ending 31 October 2013 as set out in the Company's circular dated 22 October 2010 in relation to, inter alia, the Exclusive Service Agreement.

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 appreciation of the value of RMB as CEC's costs will be in RMB.

Reasons for and benefits of the Supplemental Agreement

CEC is a unique VPN service provider in China with a nationwide IP-VPN licence. The Directors consider that the Supplemental Agreement will allow the Group to continue to leverage on the VPN licence held by CEC to tap into the large domestic VPN services market without the need to rely on the network infrastructure of third parties in China.

The Company will review the need to extend the term of the Supplemental Agreement before the next annual general meeting of the Company which is expected to be held in the second quarter of 2014. If it is then considered that such extension is desirable, the Group will enter into new agreements with CEC, re-assess the annual caps and comply with the relevant requirements of the Listing Rules including any independent shareholders' approval requirement as required and appropriate.

2. TELECOMS SERVICES AGREEMENT

Date

7 August 2013

Parties

- (1) the Telecoms Services Provider, an indirect 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

On 7 August 2013, the Telecoms Services Provider, being an indirect wholly-owned subsidiary of CITIC Group, and CEC entered into the 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.

Service fee

An estimated basic monthly service fee of approximately RMB0.62 million (equivalent to approximately HK\$0.78 million), subject to adjustment based on actual usage, shall be payable to the Telecoms Services Provider by CEC. Such 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. Such service fee was agreed by the Telecoms Services Provider and CEC on an arms' length basis.

Annual Caps for the Telecoms Services Agreement

The service fee payable by CEC to the Telecoms Services Provider for the term of the Telecoms Services Agreement is subject to annual caps of HK\$13.4 million, HK\$28 million, HK\$48 million and HK\$46.3 million for the period ending 31 December 2013, and the financial years ending 31 December 2014, 2015 and the period from 1 January 2016 to 6 August 2016 respectively.

The above annual caps were determined with reference to the monthly service fees payable by CEC to the Telecoms Services Provider, taking into account the expected increase in the demand for telecoms services by CEC due to possible expansion of business and annual increases in the cost of providing such services.

Reasons for and benefits of the Telecoms Services Agreement

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

GENERAL

The Group is a leading telecoms services provider in Asia and is listed on the Stock Exchange.

The Group 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.

In addition, the Group is one of Asia's leading hub-based service providers. It 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, CPC, across the Asia Pacific region. CPC is a preferred partner of leading multinational corporations and business enterprises.

CEC is one of the leading VPN service providers in the PRC and is a unique VPN service provider holding a nationwide IP-VPN licence granted by the Ministry of Industry and Information Technology of the PRC since January 2008 and renewed in June 2012, which allows CEC to provide domestic IP-VPN services through 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 is engaged in provision of integrated territorial and national communications network and system services.

The Directors (including the independent non-executive Directors) consider that the terms of the Supplemental Agreement and the Telecoms Services Agreement (including their respective service fees and annual caps) 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 of the Company, is the Assistant President of CITIC Limited, which is a wholly-owned subsidiary of CITIC Group, and also the Chairman of the Telecoms Services Provider. Accordingly, Mr. Luo Ning has abstained from voting on the board resolutions approving the Supplemental Agreement and the Telecoms Services Agreement. Other than this, the Directors do not have a material interest in the Supplemental Agreement and the Telecoms Services Agreement.

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 an indirect wholly-owned subsidiary of CITIC Group. Accordingly, the entering into of the Supplemental Agreement and the Telecoms Services Agreement each constitutes a continuing connected transaction 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 respective annual caps for each of the Supplemental Agreement and the Telecoms Services Agreement are more than 0.1% but less than 5%, both continuing connected transactions are subject to the reporting 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”; 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 18.44% in the Company and is interested in another approximately 41.54% in the Company through CITIC Pacific;
“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);
“CEC”	中企網絡通信技術有限公司 (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;
“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 Macao Special Administrative Region of the PRC;
“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;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	the agreement supplemental to the Exclusive Service Agreement dated 7 August 2013 entered into between CPC, CEC-HK and CEC in relation to the provision of exclusive technical services by CEC to CPC and CEC-HK;
“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;
“Telecoms Services Provider”	中信網絡有限公司, a company incorporated and existing under the laws of the PRC and an indirect wholly-owned subsidiary of CITIC Group;
“US\$”	the United States dollars, the lawful currency of the United States of America;
“VPN”	virtual private network; and
“%”	per cent.

For illustration purposes in this announcement, the conversion rates of RMB1.00 = HK\$1.26 and US\$1.00 = HK\$7.80 were adopted.

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

Hong Kong, 7 August 2013

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: Yang Xianzu, Liu Li Qing and Kwong Che Keung, Gordon.