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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for independent advice.

If you have sold or transferred all your shares in CITIC Telecom International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
PROPOSED ACQUISITION OF THE ENTIRE SHARE CAPITAL OF,
AND LOAN TO, THE TARGET INVOLVING ISSUE OF NEW SHARES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



PLATINUM
Securities

A letter from the Board is set out on pages 6 to 16 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 17 to 18 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 36 of this circular.

A notice convening the EGM to be held at Harbour View Ballroom II & III, Level 4, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on 21 October 2016 at 10:00 a.m. is set out on pages 49 to 50 of this circular. Form of proxy for use in the EGM is enclosed.

Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

26 September 2016

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DEFINITIONS

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

“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)”; “close associate(s)”; “connected person(s)”; “connected transaction(s)”; “continuing connected transaction(s)”; “controlling shareholder(s)”; percentage ratio(s)”; “subsidiary(ies)” and “substantial shareholder(s)”	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

DEFINITIONS

“Business Day”	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 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 58.59% 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 (中國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

DEFINITIONS

“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 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
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the purpose of, if thought fit, approving the Acquisition Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate and the allotment and issue of the Consideration Shares)
“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
“Group”	the Company and its subsidiaries
“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 committee of the Board, comprising all 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)

DEFINITIONS

“Independent Financial Adviser” or “Platinum Securities”	Platinum Securities Company Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) 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 to be proposed in the EGM 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 section headed “Letter from the Board – 2. The Acquisition – Acquisition Consideration” in this circular
“Latest Practicable Date”	19 September 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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
“Net Current Assets Amount”	has the meaning ascribed to it under the section headed “Letter from the Board – 2. The Acquisition – Acquisition Consideration” in this circular
“Net Current Liabilities Amount”	has the meaning ascribed to it under the section headed “Letter from the Board – 2. The Acquisition – Acquisition Consideration” in this circular

DEFINITIONS

“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 circular, excluding Hong Kong, Macau and Taiwan)
“Remaining Property”	portion of ground, 1st, 2nd and 3rd floors and car parking spaces and lorry 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 which equals to the face value of all outstanding loan owing by the Target to Eltonford as at the Completion Date
“Sale Shares”	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 EGM for the allotment and issue of the 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.



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)

Directors:

Executive Directors:

Mr. Xin Yue Jiang (*Chairman*)

Dr. Lin Zhenhui

Mr. Luo Ning

Dr. Chan Tin Wai, David

Registered Office:

25th Floor

CITIC Telecom Tower

93 Kwai Fuk Road

Kwai Chung

New Territories

Hong Kong

Non-executive Directors:

Mr. Liu Jifu

Mr. Fei Yiping

Independent Non-Executive Directors:

Mr. Liu Li Qing

Mr. Kwong Che Keung, Gordon

Mr. Zuo Xunsheng

26 September 2016

To the Shareholders,

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
PROPOSED ACQUISITION OF THE ENTIRE SHARE CAPITAL OF,
AND LOAN TO, THE TARGET INVOLVING ISSUE OF NEW SHARES**

1. INTRODUCTION

With reference to the announcement of the Company dated 16 August 2016 in relation to the Acquisition, the purpose of this circular is to provide the Shareholders with: (i) further information on the Acquisition Agreement; (ii) the recommendations of the Independent Board Committee; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the EGM and a proxy form.

2. THE ACQUISITION

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.

LETTER FROM THE BOARD

The Board is pleased to announce 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.

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 loan owing by the Target to Eltonford as at the Completion Date, free from all encumbrances.

As at the Latest Practicable Date, the Remaining Property is a major asset of the Target. The Remaining Property, comprising portion of ground, 1st, 2nd and 3rd floors and car parking spaces and lorry 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.

LETTER FROM THE BOARD

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. The Acquisition – 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.

LETTER FROM THE BOARD

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 EGM; 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. The Acquisition – 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 Latest Practicable Date and approximately 4.01% of the number of Shares in issue as enlarged by the allotment and issue of the Consideration Shares.

LETTER FROM THE BOARD

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 EGM.

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 premium of approximately 3.09% over the closing price of HK\$2.91 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) 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;
- (iii) 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
- (iv) 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.

LETTER FROM THE BOARD

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 Latest Practicable Date		Immediately after Acquisition Completion	
	<i>No. of Shares</i>	<i>Approximate % of number of Shares in issue</i>	<i>No. of Shares</i>	<i>Approximate % of number of Shares in issue</i>
The Vendor and its associates (<i>Note 1</i>)	1,987,678,508	58.59	2,129,345,175	60.25
Director (<i>Note 2</i>)	987,775	0.03	987,775	0.03
Public Shareholders	1,403,616,599	41.38	1,403,616,599	39.72
	3,392,282,882	100.00	3,533,949,549	100.00

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 987,775 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 Latest Practicable Date to the Completion Date and there is no change to the number of Shares held by the Directors.

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 Latest Practicable Date, 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 industrial building with ancillary office and car parking facilities completed in 1997. The Building has a total gross floor area of approximately 341,800 square feet equipped with 18 car parking spaces and 19 lorry parking spaces, of which the Remaining Property comprises a

LETTER FROM THE BOARD

total gross area of approximately 226,762 square feet with 18 car parking spaces and 9 lorry parking spaces. The Building is for godown and ancillary office uses.

The Remaining Property is currently subject to certain tenancy agreements expiring between 31 October 2016 and 11 October 2018 with a total monthly rental of approximately HK\$2,260,000 (exclusive of rates and management fees). In addition, the parking spaces, ancillary spaces and signages are subject to various tenancies or licences at a total monthly rental/licence fee of approximately HK\$190,000. Upon Acquisition Completion, the Sale Shares will be sold on the basis that the Remaining Property is subject to the then existing tenancy agreements. DCH Holdings, a connected person of the Company, is one of the tenants to the existing tenancy agreements. Such subsisting tenancy agreement with DCH Holdings will become a continuing connected transaction of the Company under Chapter 14A of the Listing Rules upon Acquisition Completion. For details, please refer to the announcement of the Company dated 16 August 2016.

For the purposes of this circular, 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
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
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. REASONS FOR AND BENEFITS OF 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 Group will initially use part of the vacant Remaining Property for self-use as office. 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.

As set out in 2016 interim report of the Company, the prosperous development of the Internet technology and the popular application of Big Data have provided the Group with an invaluable opportunity to develop its businesses, and therefore the Group has a strong demand for data center space. The Acquisition will also allow the Group to design and build, by phases, high tier data center. It will strengthen the Group's competitive edge in data center business, and act as a pivot in transformation to Internet services globally.

LETTER FROM THE BOARD

The Group currently carries on data center business within certain premises of the Existing Property. In anticipation of the expansion of its data center business, the Group currently intends to further redevelop and convert the Building substantially into a high tier, modernised and large-scale data center and IT&T ancillary offices in the long term. The Group plans to implement the conversion plan in phases and by floor-to-floor. Depending on the progress of the conversion plan and the business needs, the Group may rent out or continue the existing leases of idle premises for short term to generate rental income. The Group targets to put the first phase of such new data center into operation within two years after Acquisition Completion.

Furthermore, the development of a high tier data center will enhance the Group's capacity and market position in data center business, which will further facilitate the growth of other telecommunications services that the Group is offering such as VPN service, Cloud, Disaster Recovery, etc., which are supplementary to or in conjunction with data center service. The Acquisition will therefore have a synergistic effect on the further development of data center business by the Group.

Also, by centralising the operation through the Acquisition, the Company's operational efficiency will be enhanced. This will save operating cost as well as facilitate the overall planning, usage and design of the facilities. In particular, it is envisaged that the Acquisition will, among other benefits, greatly enhance the flexibility on the use of space, achievement of power and cooling optimization, and planning of security arrangement.

6. INFORMATION OF THE PARTIES TO THE ACQUISITION AGREEMENT

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.

LETTER FROM THE BOARD

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.

7. LISTING RULES IMPLICATIONS

The Vendor is a wholly-owned subsidiary of CITIC Limited, the controlling shareholder of the Company which is interested in approximately 58.59% of the number of Shares in issue as at the Latest Practicable Date, 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.

None of the Directors has a material interest in the Acquisition 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 Acquisition Agreement.

LETTER FROM THE BOARD

8. EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at Harbour View Ballroom II & III, Level 4, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on 21 October 2016 at 10:00 a.m. is set out on pages 49 to 50 of this circular. Ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve 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). A proxy form for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

The register of members of the Company will be closed, for the purpose of determining the identity of members who are entitled to attend and vote at the EGM, from Thursday, 20 October 2016 to Friday, 21 October 2016, both days inclusive, during which period no transfers of shares will be effected. In order to be eligible to attend and vote at the EGM, all properly completed and duly stamped transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 19 October 2016.

In accordance with Rule 13.39(4) of the Listing Rules, voting at the EGM will be conducted by poll. The chairman of the EGM will demand a poll for the ordinary resolution to be proposed at the EGM in accordance with the Company's articles of association. CITIC Limited and its associates, which together held approximately 58.59% of the number of Shares in issue as at the Latest Practicable Date, had a material interest in the Acquisition and therefore will abstain from voting at the EGM.

LETTER FROM THE BOARD

9. RECOMMENDATION

The Board (including the independent non-executive Directors), having taken into account the advice of the Independent Financial Adviser, considers that 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), although not entered into in the ordinary and usual course of business of the Group, are for the purpose of developing its core business and in line with the business strategy of the Group, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM 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).

Your attention is drawn to the letter from the Independent Board Committee set out on pages 17 to 18 of this circular containing its recommendation to the Independent Shareholders and the letter from the Independent Financial Adviser set out on pages 19 to 36 of this circular containing its advice and recommendation to the Independent Board Committee and 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).

Your attention is also drawn to the additional information set out in the Appendices to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of the letter from the Independent Board Committee to the Independent Shareholders which was prepared for the purpose of inclusion in this circular.



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)

26 September 2016

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
PROPOSED ACQUISITION OF THE ENTIRE SHARE CAPITAL OF,
AND LOAN TO, THE TARGET INVOLVING ISSUE OF NEW SHARES**

We refer to the circular of the Company dated 26 September 2016 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the Acquisition Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate and the allotment and issue of the Consideration Shares) are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Platinum Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same respect.

We wish to draw your attention to the letter from the Board set out on pages 6 to 16 of the Circular which contains information in connection with the Acquisition Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate and the allotment and issue of the Consideration Shares), and the letter from the Independent Financial Adviser set out on pages 19 to 36 of the Circular which contains its advice and recommendation in the same respect.

Having considered the terms of the Acquisition Agreement, the advice and recommendation of the Independent Financial Adviser and the relevant information contained in the letter from the Board, we are of the opinion that 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), although not entered into in the ordinary and usual course of business of the Group, are for the purpose of developing its core business and in line with the business strategy of the Group, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM 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).

Yours faithfully,
for and on behalf of

**Independent Board Committee of
CITIC Telecom International Holdings Limited**

Liu Li Qing
*Independent non-executive
Director*

Kwong Che Keung, Gordon
*Independent non-executive
Director*

Zuo Xunsheng
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition for the purpose of inclusion in this circular.



PLATINUM Securities Company Limited

21/F LHT Tower
31 Queen's Road Central
Hong Kong

Telephone (852) 2841 7000
Facsimile (852) 2522 2700
Website www.platinum-asia.com

26 September 2016

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION PROPOSED ACQUISITION OF THE ENTIRE SHARE CAPITAL OF, AND LOAN TO, THE TARGET INVOLVING ISSUE OF NEW SHARES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser 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 (collectively, the “**Transaction**”). Details of the Transaction are contained in the Letter from the Board as set out in the circular of the Company dated 26 September 2016 (the “**Circular**”). Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Board announced 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), 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the Transaction is in the ordinary and usual course of business, the terms of the Transaction were agreed on normal commercial terms, and is fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole; and to give independent advice to the Independent Board Committee and as to whether the Independent Shareholders should vote in favour of the Transaction.

In formulating our opinion, we have relied on the information and facts supplied to us by the Directors and/or management of the Company. We have reviewed, among other things: (i) the Acquisition Agreement; (ii) the announcements of the Company dated 4 November 2009 and dated 16 August 2016 (the “**2009 Announcement**” and the “**2016 Announcement**”); (iii) the audited annual report of the Company for the year ended 31 December 2015 and the unaudited interim report of the Company for the six months ended 30 June 2016 (the “**2015 Annual Report**” and the “**2016 Interim Report**”); and (iv) the independent valuation report dated 26 September 2016 (the “**Valuation Report**”) prepared by Savills Valuation and Professional Services Limited (the “**Independent Valuer**”).

We have assumed that all information, facts, opinions and representations contained in the Circular and all information, statements and representations provided to us by the Directors and/or the management of the Company, which we have relied on, are true, complete, accurate and not misleading in all material respects as of the date hereof and we and the Independent Shareholders will be notified by the Company of any material changes thereof as soon as practicable. The Directors have confirmed that they take full responsibility for the contents of the Circular and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us.

We have no reason to suspect that material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Circular and of the information and representations provided to us by the Directors and/or the management of the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Directors and/or the management of the Company, which have been provided to us. In line with customary practice, we have not, however, conducted a verification process for the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Group. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion regarding the Transaction.

During the past two years, Mr. Li Lan, for and on behalf of Platinum Securities Company Limited, signed the opinion letter from the independent financial adviser contained in the Company’s circular dated 2 October 2015 in respect of discloseable and connected transactions. The past engagement was limited to providing independent advisory services to the independent board committee and the independent shareholders

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of the Company pursuant to the Listing Rules. Under the past engagement, Platinum Securities Company Limited received normal professional fees from the Company. Notwithstanding the past engagement, as at the Latest Practicable Date, we were independent from, and were not associated with the Company or any other party to the Transaction, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the Transaction. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transaction. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Transaction or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

The Independent Board Committee, comprising all independent non-executive directors of the Company, namely Mr. Liu Li Qing, Mr. Kwong Che Keung, Gordon and Mr. Zuo Xunsheng, has been established to advise the Independent Shareholders as to whether the terms of the Transaction were agreed on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and that the entering into the Transaction is in the interests of the Company and the Independent Shareholders as a whole.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in relation to the Transaction and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

1. Background of the Transaction

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.1 *Information on the Company*

The Company engages in provision of international telecommunications services (including mobile, Internet, voice and data services), integrated telecoms services in Macau, and through CITIC Telecom International CPC Limited, 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.

Set out below is the financial highlight of the Company's published consolidated financial statements in accordance with the Hong Kong Financial Reporting Standards:

Table 1: Financial highlights of the Company's consolidated financial statements

	2015	Six Months Ended
	(HK\$'000)	30 June 2016
	(Audited)	(HK\$'000)
		(Unaudited)
Cash and bank deposits	1,222,979	1,158,397
Total assets	16,982,470	16,676,526
Net asset value	7,057,058	7,149,778
Turnover	8,349,811	3,823,576
Profit attributable to equity shareholders of the Company	802,213	410,008

Source: 2015 Annual Report and 2016 Interim Report of the Company

According to the Company's consolidated financial statements prepared in accordance with the Hong Kong Financial Reporting Standards, the profit attributable to equity shareholders of the Company for the year ended 31 December 2015 was approximately HK\$802.2 million. The cash and bank deposits of the Group as at 31 December 2015 and as at 30 June 2016 were approximately HK\$1,223.0 million and approximately HK\$1,158.4 million, respectively, while the Group's net assets was approximately HK\$7,149.8 million as at 30 June 2016.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 *Information on the Target and the Remaining Property*

With the reference to the Letter from the Board in the Circular, the Target, Neostar Investment Limited, is a company incorporated in Hong Kong and its principal business activity is property investment. 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).

We have also reviewed the 2009 Announcement and notice that 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 industrial building with ancillary office and car parking facilities completed in 1997. The Building has a total gross floor area of approximately 341,800 square feet equipped with 18 car parking spaces and 19 lorry parking spaces, of which the Remaining Property comprises a total gross area of approximately 226,762 square feet with 18 car parking spaces and 9 lorry parking spaces. The Building is for godown and ancillary office uses.

The Remaining Property is currently subject to certain tenancy agreements and license agreements expiring between 31 October 2016 and 11 October 2018 with a total monthly rental of approximately HK\$2,260,000 (exclusive of rates and management fees). In addition, the parking spaces, ancillary spaces and signages are subject to various tenancies or licences at a total monthly rental/licence fee of approximately HK\$190,000. Upon Acquisition Completion, the Sale Shares will be sold on the basis that the Remaining Property is subject to the then existing tenancy agreements.

Set out below is a summary of certain audited consolidated financial information of the Target for the years ended 31 December 2014 and 2015.

Table 2: Financial highlights of the Target

	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Audited)	(Audited)
Net profit before taxation	37,344	51,829
Net profit after taxation	37,344	102,079

According to Letter from the Board in the Circular, we note that the net profit before taxation and the net profit after taxation for the year ended 2015 were approximately HK\$51.8 million and HK\$102.1 million, respectively, which represent an increase of approximately 38.8% and 173.3% from the same period of 2014. Furthermore, we note from the management of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company that the Target's unaudited Adjusted Net Asset Value of the Target as at 30 June 2016 was approximately HK\$900.7 million.

2. Reasons for and benefits of entering into of the Acquisition Agreement

According to the 2016 Interim Report, facing the complexity and changing nature of the current overall situation and environment of the telecommunications market, great challenge has been brought to the business development of the Group. However, with a strong determination in innovation development, the Group will be advanced to a new and higher level with full striving efforts. The prosperous development of the Internet technology and the popular application of big data have provided the Group with an invaluable opportunity to develop new types of business, and the rapid expansion of mobile business and Internet business of the Group has enhanced its development potential and stamina in the integrated capability of the Group.

A data center is a secure, temperature-controlled facility built and equipped to house large capacity server computers and enterprise data storage systems, with multiple power sources and various high-bandwidth connections to the Internet. As we said above, we consider that the Group has strong demand for data center space in order to upgrade its data center to a more high-end level to develop its business. We also note from the management of the Company that the Acquisition will allow the Group to design and build, by phases, high tier data center as well. It will strengthen the Group's competitive edge in data center business, and act as a pivot in transformation to Internet services globally.

Based on our discussion with the management of the Company, we further understand that as the Group currently carries 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 given that the development of a high tier data center will enhance the Group's capacity and market position in data center business, which will further facilitate the growth of other telecommunications services that the Group is offering such as VPN service, Cloud, Disaster Recovery, etc., which are supplementary to or in conjunction with data center service. Moreover, owning the entire title to the Building will also facilitate the overall planning, usage and design of the facilities to be equipped and provided for the data center business. We concur with the management of the Company that by consolidating the title ownership in the CITIC Telecom Tower and centralising its operation, the Company would be able to strengthen its brand name and corporate image and to enhance the development of the business of the Group. Furthermore, by making the Acquisition, it will help to enhance the Company's operational efficiency and save operating cost as well as enhance the flexibility on the use of space, achievement of power and cooling optimization, and planning of security arrangement. We concur with the Directors' view that the Group would also be benefited from the stable investment income, especially on rented premises, and the potential of future value appreciation of the Building.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In the light of the above, we are of the view that the Acquisition is in line with the Company's business expansion strategy to strengthen competitiveness in the telecommunications market and to enhance its market position in data center business. Therefore, the Transaction is in the interest of the Company and Shareholders as a whole.

3. Principal terms of the Acquisition Agreement

- Date** : 16 August 2016 (after trading hours)
- Parties** : (a) the Purchaser: CITIC Telecom International Holdings Limited
- (b) 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.
- 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 Letter from the Board in the Circular, 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).

4. The Acquisition Consideration

4.1 *Basis of determining the Acquisition Consideration*

With the reference made to the Letter from the Board, we note that the Acquisition Consideration shall initially be HK\$850,000,000 after arm's length negotiations between the Vendor and the Company, subject to adjustment as determined in accordance with 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Working capital is calculated as the current assets minus the current liabilities and it is important in respect of the operation of a business and is often implicit in determining a company's value. We have reviewed the Acquisition Agreement and consider that it is a common practice that buyers and sellers negotiate an acquisition on such basis. We also note that the adjustment of the Acquisition Consideration would be on a dollar for dollar basis. Therefore, we are of the view that the adjustment of the Acquisition Consideration was reached on the basis of normal commercial terms and it is fair and reasonable to the Transaction.

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.

4.2 Analysis of the Acquisition Consideration

4.2.1 The Valuation Report

In order to assess the basis in determining the consideration of the Acquisition, we have reviewed the Valuation Report produced by the Independent Valuer, and discussed with the Independent Valuer and management of the Company. We have noted that the Independent Valuer has considered the market value through comparison approach in valuing the Remaining Property, and they have also made reference to sales evidence as available on the market and where appropriate on the basis of capitalisation of the net income provided by the Company.

In conducting the valuation of the Remaining Property, the Independent Valuer has also adopted the following assumptions:

- dimensions, measurements and areas included in the Valuation Report are based on information contained in the documents and area schedules provided to the Independent Valuer and are therefore only approximation;
- all other uninspected portions of the Remaining Property are maintained and finished in a reasonable condition commensurate with its age and uses and are in their original layout without any unauthorized extension or structural alteration as at the valuation date;
- the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values; and
- the information provided to the Independent Valuer is true and accurate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In our discussion with the Independent Valuer, we understand that the valuation was carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation dates between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the Remaining Property held for sale or lease and for future development, the Independent Valuer has adopted the comparison approach by making reference to the prevailing market price of comparable premises in the vicinity, which rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties.

We further note from the Independent Valuer and the management of the Company that the Remaining Property is subject to various third party tenancies and intra-group leases with the last to expire in October 2018. The Independent Valuer also made the reference to the capitalisation of the net income based on the existing tenancies rate and the relevant market rate within the same district as the Remaining Property.

We consider that the valuation approaches adopted by the Independent Valuer are commonly used methodologies in valuing property assets and they are suitable to be applied to the valuation of property assets of the Remaining Property.

Besides, we have discussed with the Independent Valuer in relation to their experiences and understood that Charles C K Chan, the Managing Director of the Independent Valuer, is a Fellow of The Hong Kong Institute of Surveyors who has about 32 years of experience in valuing properties in Hong Kong. Given Charles C K Chan has plenty of practical experience in the valuation of properties in Hong Kong as stated above, we are of the view that he is qualified to provide a reliable valuation for the valuation of the Remaining Property. As discussed with the Independent Valuer, they have no prior relationships with the Group or other parties and connected persons to the Transaction. We are of the view that the independence and objectivity of the Independent Valuer is fair and equitable in conducting such valuation. We have also reviewed the terms of the engagement for the valuation of the Remaining Property, the scope of work performed by the Independent Valuer is consistent with the market practice and the Independent Valuer is appropriate to give the opinion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given the valuation approaches are commonly adopted and well recognised methodologies for valuing properties, and the major assumptions made in connection with the valuation approach are reasonable, we are of the view that the basis in determining the consideration is fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

4.2.2 *The net asset value of the Target*

As discussed with the management of the Company, we note that the unaudited Adjusted Net Asset Value of the Target as at 30 June 2016 was approximately HK\$900.7 million. Considering the total Acquisition Consideration of HK\$850 million represents approximately 5.6% discount to the unaudited Adjusted Net Asset Value of the Target, we are of the view that the Acquisition Consideration is in the interests of the Company and the Shareholders as a whole.

In addition, we also note that the assignment of the Sale Loan shall be at the face value of the outstanding amount of the Sale Loan, which is a common practice for such settlement. As such, we are also of the view that the Acquisition Consideration is fair and reasonable.

5. **The Issue Price**

The issue price of HK\$3.00 per Consideration Share (the “**Issue Price**”) 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:

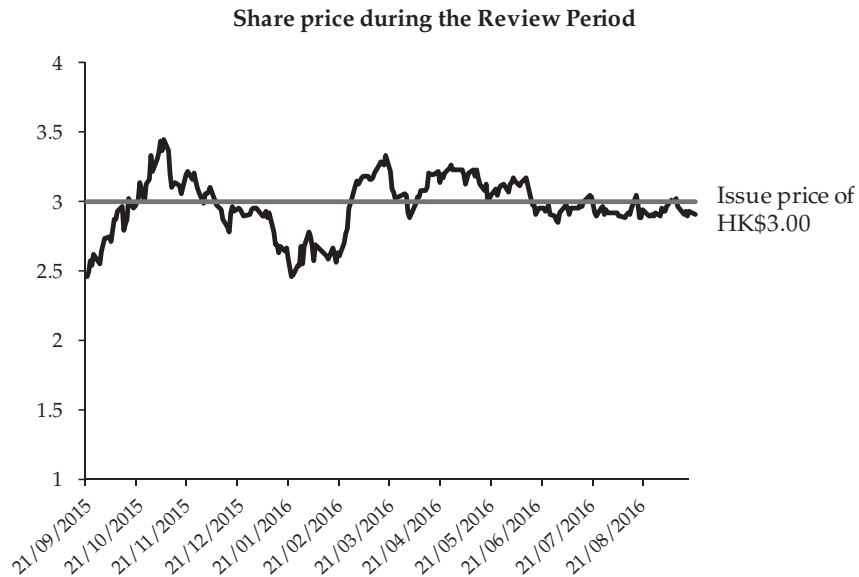
- (a) a premium of approximately 3.09% over the closing price of HK\$2.91 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 1.32% to the closing price of HK\$3.04 per Share as quoted on the Stock Exchange on 15 August 2016, being the last trading date prior to the date of the Acquisition Agreement;
- (c) 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
- (d) 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5.1 Review of historical price movement of the Shares

The following table depicts the share price movement from 21 September 2015 (being approximately one year up to the Latest Practicable Date) up to and including the Latest Practicable Date (the “Review Period”):

Table 1 – Historical share price movement of the Company



Source: Bloomberg

During the Review Period, we note that the closing prices of Shares was relatively stable between HK\$2.47 to HK\$3.44, with an average closing price of approximately HK\$2.98. The Issue Price of HK\$3.00 is within the range of the lowest and highest closing price of the Shares quoted on the Hong Kong Stock Exchange during the Review Period, and represented a premium of approximately 21.5% over the lowest closing price of HK\$2.47 recorded on both 21 September 2015 and 21 January 2016, and a discount of approximately 12.8% to the highest closing price of HK\$3.44 recorded on 6 November 2015.

To highlight, the share price of the Company had gradually climbed to the highest closing price of HK\$3.44 during the period of late September 2015 to early November 2015, following the increasing of Hang Seng Index by approximately 2,500 points during the same period. However, the Company experienced downdrift of the share price during the period of late November 2015 to January 2016, which was mainly due to the fact that the Hang Seng Index dropped nearly 3,000 points during the same period. We believe that such fluctuation of share price was mainly due to the unstable economic indications and the overall market sentiment. Moreover, we also noted that the Issue Price is also at a slight premium of approximately 0.7% over the average closing price of approximately HK\$2.98 during the Review Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5.2 Comparable transactions analysis

In order to assess the reasonableness of the Issue Price, we have reviewed the exhaustive list of transactions announced by companies listed on the main board of Stock Exchange whose underlying acquisitions involved the issuance of consideration shares under the specific mandate (the “**Issuance Comparables**”).

The Issuance Comparables have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavours, in our research through public information. We note that the companies involved in the Issuance Comparables are not engaged in similar businesses as the principal business of the Company. However, since the Issuance Comparables were transacted at the time close to date of the Acquisition Agreement under similar market conditions and investment sentiments, we are of the view that the Issuance Comparables, although not to be used in isolation in determining the fairness and reasonableness of the Issue Price, nevertheless can provide a general reference for the Independent Shareholders as they can reflect recent market trends of terms of transactions involving issuance of shares as full or partial settlement of consideration. As such we consider that the Issuance Comparables are fair and representative samples.

Table 2 – Issuance Comparables analysis on Issue Price

Date of Announcement	Company Name	Ticker	Premium/(discount) of the issue price over/(to) the closing price		
			Last trading day prior to/on the date of the relevant announcement	Last 5 consecutive trading days prior to/on the date of the relevant announcement	Last 10 consecutive trading days prior to/on the date of the relevant announcement
09-Aug-16	Lisi Group (Holdings) Limited	526 HK	(43.76%)	(43.93%)	(43.41%)
04-Aug-16	China Mining Resources Group Limited	340 HK	(23.81%)	(25.65%)	(25.79%)
31-Jul-16	UKF (Holdings) Limited	1468 HK	(7.69%)	(9.27%)	(9.64%)
28-Jul-16	China Environmental Technology Holdings Limited	646 HK	(13.79%)	(13.42%)	(12.66%)
07-Jul-16	Comtec Solar Systems Group Limited	712 HK	(9.80%)	(8.18%)	(8.09%)
29-Jun-16	Kingwell Group Limited	1195 HK	0.33%	0.00%	0.00%
17-Jun-16	Fujian Holdings Limited	181 HK	7.50%	4.88%	3.74%
16-Jun-16	ELL Environmental Holdings Limited	1395 HK	9.89%	6.84%	7.87%
16-Jun-16	China Modern Dairy Holdings Ltd.	1117 HK	9.77%	7.35%	5.80%
03-Jun-16	Tech Pro Technology Development Limited	3823 HK	0.40%	8.51%	7.99%
26-May-16	CNQC International Holdings Limited	1240 HK	(4.11%)	(2.57%)	(2.68%)
25-May-16	O Luxe Holdings Limited	860 HK	0.00%	(1.60%)	(8.00%)
17-May-16	New Times Energy Corporation Limited	166 HK	(3.14%)	(1.28%)	(3.75%)
		Maximum	9.89%	8.51%	7.99%
		Minimum	(43.76%)	(43.93%)	(43.41%)
		Average	(6.02%)	(6.02%)	(6.82%)
		Company's Issue Price	(1.32%)	1.69%	2.39%

Source: Stock Exchange Website and respective announcements by the relevant listed companies

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As noted in Table 2 above, the issue prices of the Issuance Comparables are within the range of: (i) a discount of approximately 43.76% to a premium of approximately 9.89% to the respective closing prices of their shares on the last trading days (the “**Market Range I**”) with an average discount of approximately 6.02% (the “**Market Average I**”); (ii) a discount of approximately 43.93% to a premium of approximately 8.51% to the respective average closing prices of their shares on the last five consecutive trading days (the “**Market Range II**”) with an average discount of approximately 6.02% (the “**Market Average II**”); and (iii) a discount of approximately 43.41% to a premium of approximately 7.99% to the average closing prices of their shares on the last ten consecutive trading days (the “**Market Range III**”), with an average discount of approximately 6.82% (the “**Market Average III**”), respectively.

We note that the Issue Price represents a discount of approximately 1.32% to the closing price of the Shares on the Last Trading Date (the “**Issue Price Discount I**”), a premium of approximately 1.69% over the average closing price of the Shares on last five consecutive trading days (the “**Issue Price Premium I**”) and a premium of approximately 2.39% over the average closing price of the Shares on last ten consecutive trading days (the “**Issue Price Premium II**”).

Given that (i) the Issue Price Discount I is lower than the Market Average I and within the Market Range I; (ii) the Issue Premium I represents premium as compared to the discount of the Market Average II and within the Market Range II; and (iii) the Issue Price Premium II represents premium as compared to the discount of the Market Average III and within the Market Range III, we are of the view that the Issue Price is fair and reasonable and was reached based on normal commercial terms so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. Dilution effect on the shareholding interests of the existing public Shareholders

The following table illustrates the shareholding structure of the Company as at the Latest Practicable Date and the effect on the shareholding structure of the Company upon Acquisition Completion:

Shareholders	As at the Latest Practicable Date		Immediately after Acquisition Completion	
	<i>Number of Shares</i>	<i>Approximate percentage of number of Shares in issue</i>	<i>Number of Shares</i>	<i>Approximate percentage of number of Shares in issue</i>
The Vendor and its associates (Note 1)	1,987,678,508	58.59%	2,129,345,175	60.25%
Director (Note 2)	987,775	0.03%	987,775	0.03%
Public Shareholders	<u>1,403,616,599</u>	<u>41.38%</u>	<u>1,403,616,599</u>	<u>39.72%</u>
Total	<u><u>3,392,282,882</u></u>	<u><u>100%</u></u>	<u><u>3,533,949,549</u></u>	<u><u>100%</u></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 987,775 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 Latest Practicable Date to the Completion Date and there is no change to the number of Shares held by the Directors.

We noted that the shareholding interest of the existing public Shareholders is subject to dilution to the aforementioned extents as a result of the Acquisition. However, with considerations of (i) the reasons for and benefit of entering into the Acquisition Agreement; (ii) the Acquisition Consideration being fair and reasonable to the Company and the Shareholders; and (iii) the Issue Price being fair and reasonable as far as the Independent Shareholders are concerned, we consider the possible dilution effect on the shareholding interests of the existing public Shareholders to be justifiable.

7. Financial effects of the Acquisition

7.1 *Effect on net asset value (“NAV”)*

As disclosed in the 2016 Interim Report, the NAV attributable to Shareholders as at 30 June 2016 was approximately HK\$7,149.8 million. Given that 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 NAV of the Group will be increased accordingly.

Assuming the fair value of the Share is HK\$3.00, which represents a premium of approximately 42.2% to the NAV per Share of approximately HK\$2.11 as at 30 June 2016, the NAV per Share is expected to increase upon the Acquisition Completion.

Since the NAV and NAV per Share are expected to increase after the Acquisition Completion, we are of the view that the Acquisition will have a positive impact on NAV of the Group.

7.2 *Effect on earnings*

As disclosed in the 2015 Annual Report, profit attributable to the equity shareholders for the year ended 31 December 2015 was approximately HK\$802.2 million. As discussed in the section headed “*Reasons for and benefits of entering into of the Acquisition Agreement*”, it is expected that the Acquisition may potentially enhance the earnings of the Group.

As a result, we are of the view that the Acquisition will have a potential positive impact on the earnings of the Group.

7.3 *Effect on gearing*

As disclosed in the 2016 Interim Report, the net debt of the Group as at 30 June 2016 was approximately HK\$6,014.4 million and the net gearing ratio of the Group was approximately 46%. The cash component of the Acquisition Consideration was only HK\$424,999,999, representing only approximately 7.1% of the net debt of the Group while the total capital (equal to total equity attributable to equity shareholders of the Company plus net debt) of the Group is expected to increase as a result of the Acquisition (including the impact of issuing Consideration Shares with the assumption that the fair value of the Share is HK\$3.00).

As such, we consider that the Acquisition will not have material impact on the gearing position of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

7.4 Effect on cash / working capital

As disclosed in the 2016 Interim Report, the Group had current assets of approximately HK\$2,932.4 million including cash and bank deposits of approximately HK\$1,158.4 million and current liabilities of approximately HK\$1,924.3 million. Given that 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) and only HK\$424,999,999 out of the Initial Purchase Price shall be paid by the Company (and/or its nominee) to the Vendor (or such nominee as the Vendor may direct) in cash, we consider that the Acquisition will not have a material adverse impact on the cash / working capital of the Group.

In view of (i) positive impact on the NAV to the Group; (ii) potential positive impact on the earnings to the Group; (iii) no material impact on gearing; and (iv) no material adverse impact on cash/working capital, we are of the view that the Acquisition will have an overall positive financial effect on the Group in the long run and be in the interest of the Group and the Shareholders as a whole.

RECOMMENDATION

Having taken into account the above principal factors and reasons, in particular,

- i) the Transaction is in line with the business strategy of the Group;
- ii) entering into the Transaction will enable the Company to strengthen its brand name and corporate image and to enhance the development of the business of the Group;
- iii) the Acquisition Consideration being fair and reasonable to the Company and the Shareholders;
- iv) the Issue Price being fair and reasonable as far as the Independent Shareholders are concerned; and
- v) the Transaction will have a positive financial effect and are in the interests of the Company and the Independent Shareholders as a whole,

we are of the view that the Transactions and the terms of the Acquisition Agreement for the Transactions are entered into on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Transactions to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited
Li Lan
Director and Co-Head of Corporate Finance

Mr. Li Lan is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Platinum Securities Company Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over ten years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of SFO); (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

(a) Interest in Shares of the Company

Name of Director	Number of Shares		Approximate percentage to the number of Shares in issue (%)
	Personal interests		
David Chan Tin Wai	987,775		0.03

(b) Interest in share options granted by the Company

Name of Director	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Underlying shares pursuant to share options	Approximate percentage to the number of Shares in issue (%)
Xin Yue Jiang	19.8.2011	1.40	19.8.2012-18.8.2017	1,377,701	
	19.8.2011	1.40	19.8.2013-18.8.2018	1,377,701	
	26.6.2013	2.25	26.6.2013-25.6.2018	3,575,000	
	24.3.2015	2.612	24.3.2016-23.3.2021	1,787,500	
	24.3.2015	2.612	24.3.2017-23.3.2022	1,787,500	
				<u>9,905,402</u>	0.292
Lin Zhenhui	24.3.2015	2.612	24.3.2016-23.3.2021	1,573,000	
	24.3.2015	2.612	24.3.2017-23.3.2022	1,573,000	
				<u>3,146,000</u>	0.093
Luo Ning	26.6.2013	2.25	26.6.2013-25.6.2018	400,000	
	24.3.2015	2.612	24.3.2016-23.3.2021	500,000	
	24.3.2015	2.612	24.3.2017-23.3.2022	500,000	
				<u>1,400,000</u>	0.041
David Chan Tin Wai	19.8.2011	1.40	19.8.2012-18.8.2017	1,047,052	
	19.8.2011	1.40	19.8.2013-18.8.2018	1,047,053	
	26.6.2013	2.25	26.6.2013-25.6.2018	2,717,000	
	24.3.2015	2.612	24.3.2016-23.3.2021	1,358,500	
	24.3.2015	2.612	24.3.2017-23.3.2022	1,358,500	
				<u>7,528,105</u>	0.222
Liu Jifu	24.3.2015	2.612	24.3.2016-23.3.2021	1,000,000	
	24.3.2015	2.612	24.3.2017-23.3.2022	1,000,000	
				<u>2,000,000</u>	0.059

Name of Director	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Underlying shares pursuant to share options	Approximate percentage to the number of Shares in issue (%)
Liu Li Qing	24.3.2015	2.612	24.3.2017-23.3.2022	<u>200,000</u>	0.006
Gordon Kwong Che Keung	26.6.2013	2.25	26.6.2013-25.6.2018	400,000	
	24.3.2015	2.612	24.3.2016-23.3.2021	200,000	
	24.3.2015	2.612	24.3.2017-23.3.2022	<u>200,000</u>	
				<u>800,000</u>	0.024
Zuo Xunsheng	24.3.2015	2.612	24.3.2017-23.3.2022	<u>200,000</u>	0.006

(c) Interest in shares of CITIC Limited

Name of Director	Number of shares			Approximate percentage to the number of shares in issue (%)
	Personal interests	Corporate interests	Total	
David Chan Tin Wai	40,000	–	40,000	0.0001
Liu Jifu	840,000	–	840,000	0.0029
Gordon Kwong Che Keung	20,000	50,000	70,000	0.0002

(d) Interest in shares of DCH Holdings

Name of Director	Number of shares		Approximate percentage to the number of shares in issue (%)
	Personal interests	Total	
David Chan Tin Wai	5,279		0.0003

(e) Interest in shares of China CITIC Bank Corporation Limited

Name of Director	Class of shares	Number of Shares		Approximate percentage to the number of shares in issue (%)
		Family interests		
David Chan Tin Wai	H shares	3,000		0.00002

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

(f) Directors' positions in substantial shareholders

As at the Latest Practicable Date, amongst others, each of CITIC Group, CITIC Limited, CITIC Corporation Limited, CITIC Investment (HK) Limited, Silver Log Holdings Ltd., CITIC Polaris Limited, CITIC Glory Limited, CITIC Pacific, Crown Base International Limited, Effectual Holdings Corp., CITIC Pacific Communications Limited, Douro Holdings Inc., Ferretti Holdings Corp., Ease Action Investments Corp., Peganin Corp., Richtone Enterprises Inc. and FIL Limited is a substantial shareholder disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, Mr. Luo Ning is an Assistant President of CITIC Group and CITIC Limited; Mr. Liu Jifu is a director of CITIC Pacific; and Mr. Fei Yiping is a director as well as the Chief Financial Officer of CITIC Pacific, a director of Crown Base International Limited, Effectual Holdings Corp., Douro Holdings Inc., Ferretti Holdings Corp., Ease Action Investments Corp., Peganin Corp., Richtone Enterprises Inc. and a Deputy Chairman as well as a Vice-President of CITIC Pacific Communications Limited. Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company

which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(g) Other interests of the Directors

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any of the Directors was materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had since 31 December 2015 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contract or a proposed service contract with any member of the Group which is not expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, the date to which the latest published audited accounts of the Company were made up.

5. COMPETING INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests of the Director in the businesses (other than those businesses where the Director was appointed as director to represent the interests of the Company and/or member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group were as follows:

Mr. Luo Ning, an executive director of the Company, is a vice chairman of CITIC Guoan Group Co., Ltd. and the chairman of CITIC Networks Company Limited.

CITIC Guoan Group Co., Ltd. is one of the subsidiaries of CITIC Group. Currently CITIC Guoan Group Co., Ltd. has been a comprehensive and large enterprise group covering the industries of finance, information network (including the investment and operation of cable TV, value-added telecommunications, satellite communications, system integration as well as other services), tourism, resource development, wine, real estate, culture and health care etc..

CITIC Networks Company Limited is also a wholly-owned subsidiary of CITIC Group. It possesses licences for operation of basic telecommunications services and value-added services under which CITIC Networks Company Limited is permitted to conduct the lease or sale of network elements and ISP (Internet Service Provider) services, etc. in the PRC. It now possesses a nation-wide optical fibre backbone network.

Save as disclosed above, the Company had not been notified of any other relationship among the directors, senior management or substantial or controlling shareholders of the Company.

As the Board operates independently of the boards of these companies, the Group operates its business independently of, and at arm's length from, the business of these companies.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in a business apart from the Group's business, which competes or is likely to compete directly or indirectly, with the Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

6. EXPERTS AND CONSENT

The following is the qualification of the experts who have given opinions or advice all dated 26 September 2016, which are contained in this circular:

Name	Qualification
Platinum Securities	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Savills Valuation and Professional Services Limited	independent property valuer

Each of Platinum Securities and Savills Valuation and Professional Services Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

7. EXPERTS' INTEREST

Each of Platinum Securities and Savills Valuation and Professional Services Limited has confirmed that, as at the Latest Practicable Date:

- (a) it did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

- (b) it did not have any direct or indirect interest in any assets which had since 31 December 2015 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. GENERAL

The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the office of the Company at 25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong from the date of this circular up to and including 21 October 2016 (except Saturdays, Sundays and public holidays) and will be available for inspection at the EGM:

- (a) the Acquisition Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;
- (c) the letter from Platinum Securities, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" of this circular;
- (d) the property valuation report prepared by Savills Valuation and Professional Services Limited, the text of which is set out in Appendix II to this circular; and
- (e) the written consent of the experts referred to in the paragraph headed "6. Experts and Consent" in this Appendix.

The following is the text of a letter and valuation report prepared for the incorporation in this circular received from Savills Valuation and Professional Services Limited, an independent property valuer, in connection with their opinion of the Property as at 16 August 2016.



CITIC Telecom International Holdings Limited
25/F
CITIC Telecom Tower
93 Kwai Fuk Road
Kwai Chung
New Territories

Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

T: (852) 2801 6100
F: (852) 2530 0756

EA LICENCE: C-023750
savills.com

26 September 2016

Dear Sirs

**RE: 18 Car Parking Spaces and Retained Area on Ground Floor,
6 Lorry Parking Spaces, Retained Area and New Pump Room on 1st Floor,
2 Lorry Parking Spaces and Retained Area on 2nd Floor,
1 Lorry Parking Space and Retained Area on 3rd Floor,
6th to 13th Floors, 15th Floor, 19th to 22nd Floors
and the Common Areas and Facilities,
CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories (“the Property”)**

In accordance with the instructions from CITIC Telecom International Holdings Limited (“**the Company**”) for us to value the Property held by CITIC Limited and its subsidiaries, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 16 August 2016 (“**the Date of Valuation**”) for the purposes of inclusion in a circular to be issued by the Company in relation to a discloseable and connected transaction and proposed acquisition for owner occupation purposes.

BASIS OF VALUATION

Our valuation of the Property is our opinion of its market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We are independent of CITIC Telecom International Holdings Limited and our valuation is prepared in accordance with “The HKIS Valuation Standards (2012 Edition)” published by The Hong Kong Institute of Surveyors and in compliance with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

VALUATION METHODOLOGY

In undertaking our valuation for the Property, we have made reference to sales evidence as available on the market and where appropriate on the basis of capitalisation of the net income shown on schedules handed to us by the Company. We have allowed for outgoings and, in appropriate cases, made provisions for reversionary income potential.

TITLE INVESTIGATIONS

We have not been provided with any title documents relating to the Property but we have caused searches to be made at the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers. As advised by the Company, there are no investigations, notices, pending litigation, breaches of law or title defects against the Property.

VALUATION CONSIDERATION AND ASSUMPTIONS

We have relied to a very considerable extent on information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, and all other relevant matters. As per instruction, we have prepared our valuation based on the floor areas provided by the Company. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents and area schedules provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised by the Company that no material facts have been omitted from the information provided.

We have inspected the Property externally and, where possible, we have also inspected the interior of portion of the premises. However, no structural survey has been made but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the Property is free from rot, infestation or any other structural defect. No tests were carried out to any of the services. Moreover, no environmental study for the Property has been made. In undertaking our valuation, we have assumed that all other uninspected portions of the Property are maintained and finished in a reasonable condition commensurate with its age and uses and are in their original layout without any unauthorized extension or structural alteration as at the Date of Valuation.

Our inspection of the Property was carried out by Mr Henry Au, BCom, in August 2016. The Property was maintained in a reasonable condition commensurate with its age and uses and equipped with normal building services.

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions, and outgoings of an onerous nature which could affect its value.

We enclose herewith our valuation certificate.

Yours faithfully

For and on behalf of

Savills Valuation and Professional Services Limited

Charles C K Chan

MSc FRICS FHKIS MCI Arb RPS(GP)

Managing Director

Enc

Note: Mr. Charles C K Chan is a Chartered Surveyor and has about 32 years' experience in the valuation of properties in Hong Kong.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 16 August 2016
<p>18 Car Parking Spaces and Retained Area on Ground Floor, 6 Lorry Parking Spaces, Retained Area and New Pump Room on 1st Floor, 2 Lorry Parking Spaces and Retained Area on 2nd Floor, 1 Lorry Parking Space and Retained Area on 3rd Floor, 6th to 13th Floors, 15th Floor, 19th to 22nd Floors and the Common Areas and Facilities, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories</p> <p>86022/125743rd part or share of and in Kwai Chung Town Lot No.435.</p>	<p>CITIC Telecom Tower is situated on the western side of Kwai Fuk Road in Kwai Chung District of New Territories. The immediate locality is an industrial area. Developments in the vicinity comprise industrial/office buildings, industrial buildings and godowns.</p> <p>The building is a 24-storey industrial building with ancillary office and car parking facilities completed in 1997.</p> <p>The Ground to 3rd Floors are designed to accommodate car park and loading/unloading area, 5th to 6th and 12th to 15th Floors are designed for warehouse uses, 7th to 11th Floors are designed as cold stores, 16th to 17th Floors are designed as data center, 18th Floor is designed as network operation center whilst the upper floors are for ancillary office uses.</p> <p>The Property comprises the whole of the 6th to 13th, 15th, 19th and 22nd Floors of the building. It also comprises 18 car parking spaces and Retained Area on Ground Floor, 6 Lorry Parking Spaces, Retained Area and New Pump Room on 1st Floor, 2 Lorry Parking Spaces and Retained Area on 2nd Floor, 1 Lorry Parking Space and Retained Area on 3rd Floor and the Common Areas and Facilities of the building.</p> <p>The total gross area of the Property is approximately 226,762 sq ft (21,066.70 sq m).</p> <p>Kwai Chung Town Lot No.435 is held under New Grant No. TW6961 for a term commencing on 23 August 1994 and expiring on 30 June 2047. The current Government rent of the Property is of HK\$195,950 per quarter.</p>	<p>The Property is subject to various third party tenancies and intra-group leases with the last expiry in October 2018. The total monthly rental is approximately HK\$2,260,000 exclusive of rates and management fees.</p> <p>In addition, the parking spaces, ancillary spaces and signages are subject to various tenancies or licences at a total monthly rental/licence fee of approximately HK\$190,000.</p>	HK\$850,000,000

Notes:

- (1) The registered owner of the Property is Neostar Investment Limited vide New Grant No. TW6961.
- (2) The Property is subject to the following encumbrances:
 - (i) Certificate of Compliance vide Memorial No. TW1191541 dated 19 December 1997;
 - (ii) Deed of Mutual Covenant and Management Agreement in favour of Broadway Centre Property Management Company Limited vide Memorial No. 10012802790293 dated 30 December 2009;

- (iii) Supplemental Deed of Mutual Covenant and Management Agreement in favour of Broadway Centre Property Management Company Limited vide Memorial No. 10122002740197 dated 28 November 2010;
 - (iv) Memorandum of Change of Building Name vide Memorial No. 10122002740204 dated 28 November 2010; and
 - (v) Deed of Novation relating to Deed of Mutual Covenant and Management Agreement in favour of Hang Luen Chong Property Management Company, Limited vide Memorial No. 11120202200039 dated 31 October 2011.
- (3) The Property currently lies within an area zoned "Industrial" under Draft Kwai Chung Outline Zoning Plan No. S/KC/28.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of the shareholders of **CITIC Telecom International Holdings Limited** (the “**Company**”) will be held at Harbour View Ballroom II & III, Level 4, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on 21 October 2016 at 10:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the Acquisition Agreement (as defined in the circular of the Company dated 26 September 2016 (the “**Circular**”) of which this notice forms part) (a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose), the form and substance thereof and all the transactions contemplated thereby be and are hereby approved, confirmed and ratified;
- (b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, 141,666,667 shares of the Company (the “**Consideration Shares**”) at the issue price of HK\$3.00 per Consideration Share (the “**Issue Price**”), the directors of the Company be and are hereby granted a Specific Mandate (as defined in the Circular) to allot and issue the Consideration Shares at the Issue Price pursuant to the terms and conditions of the Acquisition Agreement and the articles of association of the Company, provided that this Specific Mandate shall be in addition to, and shall not prejudice or revoke any existing or such other general or special mandates which may from time to time be granted to the directors of the Company prior to the passing of this resolution;
- (c) the chairman or any one director of the Company, or any two directors of the Company, if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company on) any such other documents, instruments and agreements and to do any such acts or things deemed by them to be incidental to, ancillary to or in connection with the matters contemplated under the Acquisition

NOTICE OF EXTRAORDINARY GENERAL MEETING

Agreement, including but not limited to the allotment and issue of the Consideration Shares.”

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

Hong Kong, 26 September 2016

Registered office:

25th Floor
CITIC Telecom Tower
93 Kwai Fuk Road
Kwai Chung
New Territories
Hong Kong

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer, attorney or other person authorised to sign the same.
4. In order to be valid, the form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for holding the meeting or any adjournment thereof (as the case may be).
5. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holders present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
6. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
7. The register of members of the Company will be closed, for the purpose of determining the identity of members who are entitled to attend and vote at the meeting, from Thursday, 20 October 2016 to Friday, 21 October 2016, both days inclusive, during which period no transfers of shares will be effected. In order to be eligible to attend and vote at the meeting, all properly completed and duly stamped transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 19 October 2016.