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CITIC Limited
中國中信股份有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00267)



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)

CONNECTED TRANSACTION

Second Supplemental Agreement

in relation to

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

**CONTINUING CONNECTED
TRANSACTION**

Second Supplemental Agreement

in relation to

**Provision of Management Consultancy and
Technical Services**

in relation to China Express Network

CONNECTED TRANSACTION

Second Supplemental Agreement

in relation to

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

THE TRANSACTIONS

The respective board of directors of CITIC Limited and CITIC Telecom announced that on 1 September 2016, CITIC Telecom and CITIC Networks entered into the Management Service Second Supplemental Agreement, pursuant to which CITIC Networks shall engage CITIC Telecom to provide Management Consultancy and Technical Services at a maximum annual service fee of RMB10 million (equivalent to approximately HK\$11.7 million) for a term of three years to 31 August 2019. CITIC Telecom and CITIC Networks also entered into the Funding Second Supplemental Agreement on the same day pursuant to which CITIC Telecom agreed to extend the Funding and Loan Support Agreements for a term of three years

to 31 August 2019 and provide funds or financial support with a maximum amount of RMB340 million (equivalent to approximately HK\$398 million) to CITIC Networks if and when a shortage of funds arises in the operation of China Express Network at any time during the term of the Funding Second Supplemental Agreement.

LISTING RULES IMPLICATIONS

As at the date of this joint announcement, CITIC Networks is a wholly-owned subsidiary of CITIC Group. CITIC Group is the controlling shareholder of CITIC Limited, which in turn is the indirect holding company of CITIC Telecom and is interested in approximately 58.62% of the number of CITIC Telecom Shares in issue. Therefore, CITIC Networks is a connected person of CITIC Limited as well as CITIC Telecom.

Accordingly, the provision of the Management Consultancy and Technical Services under the Management Service Agreements (as amended and supplemented by the Management Service Second Supplemental Agreement) constitutes a continuing connected transaction of CITIC Telecom and the provision of financial assistance under the Funding and Loan Support Agreements (as amended and supplemented by the Funding Second Supplemental Agreement) constitutes a connected transaction of CITIC Telecom. As the respective applicable percentage ratios in respect of the Transactions exceed 0.1% but below 5%, the Transactions are subject to reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules as far as CITIC Telecom is concerned. The Management Service Agreements (as amended and supplemented by the Management Service Second Supplemental Agreement) are also subject to annual review requirements under Rules 14A.55 and 14A.56 of the Listing Rules as far as CITIC Telecom is concerned.

CITIC Limited is not a party to the Transactions but because CITIC Telecom is its subsidiary, the Transactions also constitute a connected transaction and/or a continuing connected transaction of CITIC Limited. As all applicable percentage ratios in respect of the transaction contemplated under the Management Service Agreements (as amended and supplemented by the Management Service Second Supplemental Agreement) is less than 0.1%, such transaction falls within the de minimis threshold as stipulated under Rule 14A.76(1) of the Listing Rules and is fully exempt under Chapter 14A of the Listing Rules as far as CITIC Limited is concerned. As the applicable percentage ratios in respect of the provision of financial assistance under the Funding and Loan Support Agreements (as amended and supplemented by the Funding Second Supplemental Agreement) exceed 0.1% but below 5%, such transaction is subject to reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules as far as CITIC Limited is concerned.

Reference is made to the announcements of CITIC Telecom on 25 April 2014 and 22 April 2015 in relation to the Management Service Agreements and the Funding and Loan Support Agreements.

THE SECOND SUPPLEMENTAL AGREEMENTS

The respective board of directors of CITIC Limited and CITIC Telecom announced that on 1 September 2016, CITIC Telecom and CITIC Networks entered into the Management Service

Second Supplemental Agreement and the Funding Second Supplemental Agreement to amend and supplement the terms of the Management Service Agreements and the Funding and Loan Support Agreements, respectively. The principal terms of the Second Supplemental Agreements are summarised below:

Management Service Second Supplemental Agreement

Under the Management Service Second Supplemental Agreement, CITIC Telecom and CITIC Networks agreed to extend the Management Service Agreements for a term of three years to 31 August 2019, subject to compliance with the applicable requirements under the Listing Rules.

Subject matter

The service scope to be provided by CITIC Telecom to CITIC Networks remains unchanged. CITIC Telecom (or designated subsidiary(ies) of CITIC Telecom as agreed by CITIC Networks) shall continue to provide comprehensive technical support, business support and relevant consultancy services to CITIC Networks relating to China Express Network, including technical support and consultancy services in respect of the operation and management of the assets and business operation, the network maintenance and expansion, the development and sales of products and services, and the marketing, human resources and administration, financial and strategic planning of CITIC Networks relating to China Express Network.

Historical transaction amounts

For the year ended 31 December 2015 and the period from 1 January 2016 to 31 July 2016, the service fee (inclusive of the PRC value added tax) of approximately RMB7.41 million (equivalent to approximately HK\$8.67 million) and RMB5.83 million (equivalent to approximately HK\$6.82 million) were charged to CITIC Networks by CITIC Telecom under the Management Service Agreements, respectively. No service fee in respect of the Management Service Agreements was incurred for the financial year ended 31 December 2014.

Annual cap amount

CITIC Telecom and CITIC Networks agreed that the proposed service fee payable (inclusive of the PRC value added tax) by CITIC Networks to CITIC Telecom for the provision of the Management Consultancy and Technical Services for the years ending 31 December 2016, 2017 and 2018 and for the period from 1 January 2019 to 31 August 2019 shall not exceed the maximum amount of RMB10 million (equivalent to approximately HK\$11.7 million), RMB10 million (equivalent to approximately HK\$11.7 million), RMB10 million (equivalent to approximately HK\$11.7 million) and RMB6.67 million (equivalent to approximately HK\$7.80 million), respectively.

The above annual caps of the Management Service Second Supplemental Agreement represent the maximum amount of service fee payable for each period during the term of the Management Service Second Supplemental Agreement. The service fee is made on an annual basis and will only be payable upon China Express Network achieving the pre-defined standards requirement through the provision of Management Consultancy and Technical Services as confirmed by CITIC Networks.

The maximum amount of service fee was negotiated on an arm's length basis and determined with reference to (i) the historical transaction amounts; and (ii) the estimated resources and related costs, which include human resources, office space, travelling and other related expenses, to be utilized by CITIC Telecom on the provision of the Management Consultancy and Technical Services with mark-up basis. Such mark-up rate is generally not more than 20% of such total costs.

Funding Second Supplemental Agreement

Under the Funding Second Supplemental Agreement, CITIC Telecom and CITIC Networks agreed to extend the Funding and Loan Support Agreements for a term of three years to 31 August 2019, subject to compliance with the applicable requirements under the Listing Rules.

Further, the parties agreed that CITIC Telecom (or its subsidiary(ies) as procured by CITIC Telecom) shall provide funds or financial support with a maximum amount of RMB340 million (equivalent to approximately HK\$398 million) (the "**New Maximum Support Amount**") to CITIC Networks if and when a shortage of funds arises in the operation of China Express Network at any time during the term of the Funding Second Supplemental Agreement.

The amount of finance costs to be charged by CITIC Telecom to CITIC Networks for any funds advanced or financial assistance provided remains unchanged, whereby CITIC Telecom shall charge the finance costs to CITIC Networks for any funds advanced or financial assistance provided, with reference to the usual finance costs of CITIC Telecom which shall not be higher than the RMB benchmark interest rates for loans of financial institutions as announced by the People's Bank of China for the same period. Such finance costs shall be charged by CITIC Telecom as and when CITIC Telecom is permitted to provide the funding and loan support to CITIC Networks directly in the capacity of lender under the relevant PRC laws and regulations.

Basis of determining the New Maximum Support Amount

The New Maximum Support Amount to be provided by CITIC Telecom under the Funding Second Supplemental Agreement was negotiated on an arm's length basis and determined with reference to the historical capital need and the operation budget of China Express Network.

Source of funds

The New Maximum Support Amount to be provided by CITIC Telecom under the Funding Second Supplemental Agreement will be funded by the internal funding resources of CITIC Telecom.

Pursuant to the Funding and Loan Support Agreements, CITIC Telecom entered into offshore-security-onshore-loan arrangements with commercial banks whereby loans in the total principal amount of RMB170 million (equivalent to approximately HK\$199 million) were extended to CITIC Networks as of 31 July 2016.

REASONS FOR AND BENEFITS OF ENTERING INTO SECOND SUPPLEMENTAL AGREEMENTS

China Express Network is one of the few commercial-use backbone network resources in the PRC. It has over 24,000 km optic fibre network connecting most provincial cities across the nation (except for Tibet) through over 32 PoPs (Point(s)-of-Presence). It is the strategy of CITIC Telecom to develop and expand its enterprise solution services in the PRC and the CITIC Telecom Directors believe that the abundant bandwidth resources of China Express Network will provide reliable and cost effective support to CITIC Telecom in delivering stable and secure data transmission services, and providing a vital alternative to its reliance on network infrastructure operated by third parties. CITIC Telecom has been exploring the possibility of acquiring a stake in CITIC Networks and entered into an acquisition arrangement with CITIC Group for the proposed bid of certain equity interest in CITIC Networks on 24 August 2015. In anticipation of the transactions contemplated under the acquisition arrangement, CITIC Telecom entered into the Management Service Agreements and Funding and Loan Support Agreements to cooperate with CITIC Networks in respect of improvement and development of China Express Network in order to lay out a solid foundation for the possible integration of China Express Network with CITIC Telecom.

It is expected that with emerging technologies and market's demand for high bandwidth and high-end solutions, CITIC Networks will require more capital expenditure to upgrade and enhance its service capacity and quality. The CITIC Telecom Directors consider that by extending the terms of the existing agreements and increasing the maximum amount of financial support to CITIC Networks, CITIC Telecom will be able to continue to upgrade and align the technology specifications of China Express Network in support of CITIC Telecom's product offerings and expansion strategy. In addition, by leveraging on CITIC Telecom's management experience and customer resources, it is expected that the overall operating efficiency and profitability of China Express Network will be improved prior to the possible integration of China Express Network with CITIC Telecom.

The terms of the Second Supplemental Agreements were arrived at after arm's length negotiation between the parties. The CITIC Telecom Directors (including the independent non-executive directors of CITIC Telecom but other than Mr. Luo Ning who has abstained from voting on the board resolutions of CITIC Telecom for considering and approving the Second Supplemental Agreements) consider that (i) the Management Service Second Supplemental Agreement (including the service fee payable by CITIC Networks to CITIC Telecom for the Management Consultancy and Technical Services) is in the ordinary and usual course of business of CITIC Telecom Group, on normal commercial terms, fair and reasonable and in the interests of CITIC Telecom and its shareholders as a whole; and (ii) the Funding Second Supplemental Agreement (including the New Maximum Support Amount) is on normal commercial terms, fair and reasonable and in the interests of CITIC Telecom and its shareholders as a whole.

Mr. Luo Ning, an executive director of CITIC Telecom, who is the Assistant President of CITIC Group and CITIC Limited, both being the controlling shareholder of CITIC Telecom, and also the Chairman of CITIC Networks, has abstained from voting on the board resolutions of CITIC Telecom for considering and approving the Second Supplemental Agreements. Save as above, none of the CITIC Telecom Directors has a material interest in the Second Supplemental Agreements or is required to abstain from voting on the board resolutions of CITIC Telecom for considering and approving the Second Supplemental Agreements.

CITIC Limited is not a party to the Transactions. However, the CITIC Directors are required to consider the Transactions as they are a connected transaction and/or a continuing connected transaction of its subsidiary, CITIC Telecom. Mr. Chang Zhenming, Mr. Wang Jiong, Ms. Li Qingping, Mr. Pu Jian, Mr. Yang Jinming, Mr. Liu Yeqiao, Mr. Song Kangle and Ms. Yan Shuqin are common directors of CITIC Group and CITIC Limited. Accordingly, they have abstained from voting on the board resolutions of CITIC Limited for considering and approving the Second Supplemental Agreements. Save as above, none of the CITIC Directors has a material interest in the Second Supplemental Agreements or is required to abstain from voting on the board resolutions of CITIC Limited for considering and approving the Second Supplemental Agreements. In view of the above potential benefits and synergies to CITIC Telecom and after taking into account the views of the CITIC Telecom Directors (including but not limited to in respect of the benefits of the aforesaid existing agreements and extending the term of such agreements and increasing the maximum amount of financial support to CITIC Networks, the nature of commercial terms, fairness and reasonableness of the Funding Second Supplemental Agreement as well as the interest of CITIC Telecom's shareholders), the CITIC Directors (including the independent non-executive directors of CITIC Limited but other than those abstained) agree with the views of CITIC Telecom Directors and also consider the Funding Second Supplemental Agreement (including the New Maximum Support Amount) is on normal commercial terms, fair and reasonable and in the interests of CITIC Limited and its shareholders as a whole.

GENERAL

CITIC Limited

CITIC Limited is China'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 China's continued growth. CITIC Limited is listed on the Stock Exchange where it is a constituent of the Hang Seng Index.

CITIC Telecom

CITIC Telecom was established in 1997 in Hong Kong and was listed on the Stock Exchange on 3 April 2007.

CITIC Telecom 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.

CITIC Telecom 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.

CITIC Networks

CITIC Networks offers renting and sale of network equipment and related products. It offers provision of Internet services, construction, management and maintenance of data networks, and development and sale of software and databases. It is also one of the few which has the license to build and operate optic fibre network in the PRC.

LISTING RULES IMPLICATIONS

As at the date of this joint announcement, CITIC Networks is a wholly-owned subsidiary of CITIC Group. CITIC Group is the controlling shareholder of CITIC Limited, which in turn is the indirect holding company of CITIC Telecom and is interested in approximately 58.62% of the number of CITIC Telecom Shares in issue. Therefore, CITIC Networks is a connected person of CITIC Limited as well as CITIC Telecom.

Accordingly, the provision of the Management Consultancy and Technical Services under the Management Service Agreements (as amended and supplemented by the Management Service Second Supplemental Agreement) constitutes a continuing connected transaction of CITIC Telecom and the provision of financial assistance under the Funding and Loan Support Agreements (as amended and supplemented by the Funding Second Supplemental Agreement) constitutes a connected transaction of CITIC Telecom. As the respective applicable percentage ratios in respect of the Transactions exceed 0.1% but below 5%, the Transactions are subject to reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules as far as CITIC Telecom is concerned. The Management Service Agreements (as amended and supplemented by the Management Service Second Supplemental Agreement) are also subject to annual review requirements under Rules 14A.55 and 14A.56 of the Listing Rules as far as CITIC Telecom is concerned.

CITIC Limited is not a party to the Transactions but because CITIC Telecom is its subsidiary, the Transactions also constitute a connected transaction and/or a continuing connected transaction of CITIC Limited. As all applicable percentage ratios in respect of the transaction contemplated under the Management Service Agreements (as amended and supplemented by the Management Service Second Supplemental Agreement) is less than 0.1%, such transaction falls within the de minimis threshold as stipulated under Rule 14A.76(1) of the Listing Rules and is fully exempt under Chapter 14A of the Listing Rules as far as CITIC Limited is concerned. As the applicable percentage ratios in respect of the provision of financial assistance under the Funding and Loan Support Agreements (as amended and supplemented by the Funding Second Supplemental Agreement) exceed 0.1% but below 5%, such transaction is subject to reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules as far as CITIC Limited is concerned.

Save as disclosed above, all other terms of the Management Service Agreements and the Funding and Loan Support Agreements and information disclosed in the Announcements remain unchanged.

DEFINITIONS

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

“Announcements”	the announcements of CITIC Telecom on 25 April 2014 and 22 April 2015 in relation to the Management Service Agreements and the Funding and Loan Support Agreements;
“China Express Network”	the nation-wide optic fibre backbone network as owned and operated by CITIC Networks;
“CITIC Director(s)”	the director(s) of CITIC Limited;
“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 CITIC Telecom and is interested in approximately 58.62% of the number of CITIC Telecom Shares in issue;
“CITIC Networks”	中信網絡有限公司(CITIC Networks Company Limited), a company established in the PRC and a wholly-owned subsidiary of CITIC Group;
“CITIC Telecom”	CITIC Telecom International Holdings Limited (中信國際電訊集團有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 01883);
“CITIC Telecom Director(s)”	the director(s) of CITIC Telecom;
“CITIC Telecom Group”	CITIC Telecom and its subsidiaries;
“CITIC Telecom Share(s)”	share(s) in the capital of CITIC Telecom;
“connected person”, “connected transaction”, “continuing connected transaction”, “controlling shareholder”, “percentage ratio”; and “subsidiary”	each has the meaning ascribed to it under the Listing Rules;

“Funding and Loan Support Agreements”	the funding and loan support agreement dated 25 April 2014 (as amended and supplemented by the first supplemental agreement dated 22 April 2015) entered into between CITIC Telecom and CITIC Networks in relation to the provision of financial assistance by CITIC Telecom to CITIC Networks in respect of the operation of China Express Network;
“Funding Second Supplemental Agreement”	the second supplemental agreement dated 1 September 2016 entered into between CITIC Telecom and CITIC Networks to supplement and amend the terms of the Funding and Loan Support Agreements;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Macau”	the Macau Special Administrative Region of the PRC;
“Management Consultancy and Technical Services”	the comprehensive technical support, business support and related consultancy services relating to China Express Network to be provided by CITIC Telecom to CITIC Networks under the Management Service Agreements (as amended and supplemented by the Management Service Second Supplemental Agreement);
“Management Service Agreements”	the management consultancy and technical service agreement dated 25 April 2014 (as amended and supplemented by the first supplemental agreement dated 22 April 2015) entered into between CITIC Telecom and CITIC Networks in relation to the provision of Management Consultancy and Technical Services by CITIC Telecom to CITIC Networks;
“Management Service Second Supplemental Agreement”	the second supplemental agreement dated 1 September 2016 entered into between CITIC Telecom and CITIC Networks to supplement and amend the terms of the Management Service Agreements;
“New Maximum Support Amount”	has the meaning ascribed in the paragraph headed “The Second Supplemental Agreements - Funding Second Supplemental Agreement” in this joint announcement;
“PRC” or “China”	the People’s Republic of China (for the purpose of this joint announcement, excluding Hong Kong, Macau and Taiwan);
“RMB”	Renminbi, the lawful currency of the PRC;

“Second Supplemental Agreements”	collectively, the Funding Second Supplemental Agreement and Management Service Second Supplemental Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transactions”	the transactions contemplated under the Management Service Agreements (as amended and supplemented by the Management Service Second Supplemental Agreement) and the Funding and Loan Support Agreements (as amended and supplemented by the Funding Second Supplemental Agreement); and
“%”	per cent.

For the purpose of this joint announcement, the exchange rate RMB1.00 = HK\$1.17 has been used for currency translation, where applicable. Such exchange rate is for illustration purposes only and does not constitute representations that any amount in RMB or HK\$ has been, could have been or may be converted at such rate.

By order of the board of directors
CITIC Limited
Chang Zhenming
Chairman

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

Hong Kong, 1 September, 2016

The directors of CITIC Limited as at the date of this joint announcement are: Executive Directors: Chang Zhenming (Chairman), Wang Jiong, Li Qingping and Pu Jian; the Non-Executive Directors: Yang Jinming, Liu Yeqiao, Song Kangle, Yan Shuqin, Liu Zhongyuan, Yang Xiaoping and Li Rucheng; Independent Non-Executive Directors: Francis Siu Wai Keung, Xu Jinwu, Anthony Francis Neoh, Lee Boo Jin, Noriharu Fujita and Paul Chow Man Yiu.

The directors of CITIC Telecom as at the date of this joint announcement are: Executive Directors: Xin Yue Jiang (Chairman), Lin Zhenhui, Luo Ning and Chan Tin Wai, David; Non-Executive Directors: Liu Jifu and Fei Yiping; Independent Non-Executive Directors: Liu Li Qing, Kwong Che Keung, Gordon and Zuo Xunsheng.