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中信國際電訊集團有限公司
CITIC TELECOM INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 01883)

CONTINUING CONNECTED TRANSACTIONS

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

AND

(2) SERVICE AGREEMENT FOR PROVISION OF SDH CIRCUIT SERVICES

(1) Renewal of Exclusive Service Agreement for Technical and Support Services

The Board announces that on 19 February 2014, CPC and CEC-HK, being wholly-owned subsidiaries of the Company, entered into the Second Supplemental Agreement with CEC, pursuant to which CPC and CEC-HK shall, upon the expiry of the First Supplemental Agreement, continue to engage CEC as service provider for the provision of technical and support services in the PRC to customers of CPC and CEC-HK for a further term of one year.

Listing Rules Implications

CEC is a non-wholly owned subsidiary of the Company and also an associate of CITIC Group, the ultimate holding company of the Company as CITIC Group holds an approximately 45.09% equity interest in CEC. Accordingly, the entering into of the Second Supplemental Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Since the highest applicable percentage ratio set out in Rule 14.07 of the Listing Rules calculated with reference to the annual caps for the Second Supplemental Agreement is more than 0.1% but less than 5%, such continuing connected transaction is subject to the reporting, and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(2) Provision of SDH Circuit Services

The Board announces that on 19 February 2014, the SDH Services Provider, being an associate of CITIC Group, and CEC (a non-wholly owned subsidiary of the Company) entered into the SDH Services Agreement, pursuant to which CEC shall engage the SDH Services Provider as service provider for the provision of SDH circuit services to CEC for a term of three years.

Listing Rules Implications

The SDH Services Provider is an associate of CITIC Group as CITIC Group holds more than 30% equity interest in the SDH Services Provider. Accordingly, the entering into of the SDH Services Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Since the highest applicable percentage ratio set out in Rule 14.07 of the Listing Rules calculated with reference to the annual caps for the SDH Services Agreement is more than 0.1% but less than 5%, such continuing connected transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. SECOND SUPPLEMENTAL AGREEMENT

Date

19 February 2014

Parties

- (1) CPC, a wholly-owned subsidiary of the Company
- (2) CEC-HK, a wholly-owned subsidiary of the Company
- (3) CEC, a non-wholly owned subsidiary of the Company and also an associate of CITIC Group, the ultimate holding company of the Company

Subject matter

Reference is made to the announcements of the Company dated 2 September 2010 and 7 August 2013 in relation to, inter alia, the Exclusive Service Agreement and the First Supplemental Agreement entered into between CPC, CEC-HK and CEC for the provision of technical and support services by CEC in the PRC to customers of CPC and CEC-HK to facilitate the provision of value-added telecoms services to these customers. CEC was also responsible for arranging, operating and maintaining all necessary technical and support services exclusively in the PRC to service the customers of CPC and CEC-HK.

As the First Supplemental Agreement is due to expire on 23 June 2014, CPC and CEC-HK entered into the Second Supplemental Agreement with CEC to continue to engage CEC as service provider of such services in the PRC to customers of CPC and CEC-HK for a term of one year until 23 June 2015.

Service fee

A service fee shall be payable to CEC with reference to CEC's costs in providing such services to customers of CPC and CEC-HK provided that CEC-HK and CPC shall be entitled to retain the first 30% of the corresponding sales proceeds from customers such that the service fee shall not in any event exceed 70% of the relevant sale proceeds. If CEC's costs shall be less than 70% of the corresponding sale proceeds, CEC on one hand and CPC and CEC-HK on the other shall be entitled to share the surplus equally. Such service fee was agreed by CPC, CEC-HK and CEC on an arms' length basis and shall be settled monthly.

Annual Caps for the Second Supplemental Agreement

The service fees payable by the Group to CEC for the term of the Second Supplemental Agreement are subject to annual caps of US\$34.86 million (equivalent to approximately HK\$271.91 million) and US\$19.81 million (equivalent to approximately HK\$154.52 million) for the financial year ending 31 December 2014 (which covers both the period from 1 January 2014 to 23 June 2014 under the First Supplemental Agreement and the period from 24 June 2014 to 31 December 2014 under the Second Supplemental Agreement), and the period from 1 January 2015 to 23 June 2015 respectively.

The service fees payable under the First Supplemental Agreement by the Group to CEC were US\$4.83 million (equivalent to approximately HK\$37.67 million) for the period from 24 November 2013 to 31 December 2013, and US\$2.47 million (equivalent to approximately HK\$19.27 million) for the period from 1 January 2014 to 31 January 2014. Such amounts were within the annual caps of US\$5.60 million (equivalent to approximately HK\$43.68 million) for the two months ended 31 December 2013 and US\$16.45 million (equivalent to approximately HK\$128.31 million) for the period from 1 January 2014 to 23 June 2014 as set out in the Company's announcement dated 7 August 2013 in relation to, inter alia, the First Supplemental Agreement.

The above annual caps were determined with reference to (i) historical amounts of service fees payable by the Group to CEC; (ii) anticipated growth in customers' demand for the Group's services generally; and (iii) potential impact of appreciation of the value of RMB as CEC's costs will be in RMB.

Reasons for and benefits of the Second Supplemental Agreement

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

The Directors (including the independent non-executive Directors) consider that the terms of the Second Supplemental Agreement (including the service fees and annual caps) are on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole.

Listing Rules Implications

CEC is a non-wholly owned subsidiary of the Company and also an associate of CITIC Group, the ultimate holding company of the Company as CITIC Group holds an approximately 45.09% equity interest in CEC. Accordingly, the entering into of the Second Supplemental Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Since the highest applicable percentage ratio set out in Rule 14.07 of the Listing Rules calculated with reference to the annual caps for the Second Supplemental Agreement is more than 0.1% but less than 5%, such continuing connected transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Luo Ning, a non-executive director of the Company, is the Assistant President of CITIC Limited, which is a wholly-owned subsidiary of CITIC Group. Accordingly, Mr. Luo Ning has abstained from voting on the board resolutions approving the Second Supplemental Agreement. Other than this, the Directors do not have a material interest in the Second Supplemental Agreement.

2. SDH SERVICES AGREEMENT

Date

19 February 2014

Parties

- (1) the SDH Services Provider, an associate of CITIC Group
- (2) CEC, a non-wholly owned subsidiary of the Company

Subject matter

On 19 February 2014, the SDH Services Provider, being an associate of CITIC Group, of which CITIC Group holds more than 30% equity interest, and CEC entered into the SDH Services Agreement, pursuant to which CEC shall engage the SDH Services Provider as service provider for the provision of SDH circuit services, such as leasing of circuits and racks for data networking to CEC for a term of three years until 18 February 2017.

Service fee

For each service order under the SDH Services Agreement, the service fee includes (i) a one-off set-up fee; and (ii) a monthly service fee the amount of which will depend on the location and bandwidth of the SDH circuits provided by the SDH Services Provider based on the business needs of CEC. CEC will settle the service fee payable to the SDH Services Provider under the SDH Services Agreement on a monthly, prepayment basis. An estimated total basic monthly service fee of approximately RMB0.73 million (equivalent to approximately HK\$0.95 million), subject to adjustment based on actual usage, shall be payable to the SDH Services Provider by CEC. The rates of service fee were agreed between the SDH Services Provider and CEC on an arms' length basis with reference to the rates for the provision of services of a similar nature by SDH Services Provider to independent third parties.

Annual Caps for the SDH Services Agreement

The service fees payable by CEC to the SDH Services Provider for the term of the SDH Services Agreement are subject to annual caps of RMB10.42 million (equivalent to approximately HK\$13.55 million), RMB14.21 million (equivalent to approximately HK\$18.47 million), RMB17.05 million (equivalent to approximately HK\$22.17 million) and RMB3.41 million (equivalent to approximately HK\$4.43 million) for the period from 19 February 2014 to 31 December 2014, and the two financial years ending 31 December 2016 and the period from 1 January 2017 to 18 February 2017 respectively.

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

Reasons for and benefits of the SDH Services Agreement

The Company believes that it will be able to secure a reliable supply of data networking services to service the Group's business in the PRC through the SDH Services Provider, and enhance the diversity of its telecoms services providers.

The Directors (including the independent non-executive Directors) consider that the terms of the SDH Services Agreement (including the service fees and annual caps) are on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole.

Listing Rules Implications

The SDH Services Provider is an associate of CITIC Group as CITIC Group holds more than 30% equity interest in the SDH Services Provider. Accordingly, the entering into of the SDH Services Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Since the highest applicable percentage ratio set out in Rule 14.07 of the Listing Rules calculated with reference to the annual caps for the SDH Services Agreement is more than 0.1% but less than 5%, such continuing connected transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Luo Ning, a non-executive director of the Company, is the Assistant President of CITIC Limited, which is a wholly-owned subsidiary of CITIC Group and also a director of the SDH Services Provider. Accordingly, Mr. Luo Ning has abstained from voting on the board resolutions approving the SDH Services Agreement. Other than this, the Directors do not have a material interest in the SDH Services Agreement.

GENERAL

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

The Group holds 99% interest in Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM"), one of Macau's leading integrated telecoms services provider. CTM, the only full telecoms service provider in Macau, is a long-time leader in providing world-class telecoms services to Macau residents and enterprises while playing a major role in the ongoing development of Macau.

CEC is one of the leading VPN service providers in the PRC and is a unique VPN service provider holding a nationwide IP-VPN licence granted by the Ministry of Industry and Information Technology of the PRC since January 2008 and renewed in June 2012, which allows CEC to provide domestic IP-VPN services through China. CEC was founded in 2000 and has since built an extensive network in the PRC with its headquarter in Beijing.

The SDH Services Provider is engaged in the provision of communications network and system services in Guangdong province.

DEFINITIONS

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

“associate”; “continuing connected transaction”; and “subsidiary”	each has the meaning ascribed to it by the Listing Rules;
“Board”	the board of Directors;
“CITIC Group”	中國中信集團有限公司 (CITIC Group Corporation), a state-owned enterprise established under the laws of the PRC. It is the ultimate holding company of the Company holding a beneficial interest of approximately 18.387% in the Company and is interested in another approximately 41.410% in the Company through CITIC Pacific;
“CITIC Pacific”	CITIC Pacific Limited (中信泰富有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 00267), and a non-wholly owned subsidiary of CITIC Group;
“Company”	CITIC Telecom International Holdings Limited (中信國際電訊集團有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 01883);
“CEC”	中企網絡通信技術有限公司(China Enterprise ICT Solutions Limited, formerly known as China Enterprise Communications Ltd.), a company incorporated and existing under the laws of the PRC and a non-wholly owned subsidiary of the Company;
“CEC-HK”	China Enterprise Netcom Corporation Limited (中國企業網絡通信有限公司), a company incorporated with limited liability under the laws of Hong Kong and a wholly-owned subsidiary of the Company;
“CPC”	CITIC Telecom International CPC Limited (中信國際電訊(信息技術)有限公司), a company incorporated with limited liability under the laws of Hong Kong and a wholly-owned subsidiary of the Company;
“Directors”	the directors of the Company;

“Exclusive Service Agreement”	the service agreement dated 24 November 2010 entered into between CPC, CEC-HK and CEC in relation to the provision of exclusive technical services by CEC to CPC and CEC-HK;
“First Supplemental Agreement”	the agreement dated 7 August 2013 supplemental to the Exclusive Service Agreement entered into between CPC, CEC-HK and CEC in relation to the provision of exclusive technical services by CEC to CPC and CEC-HK;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“IP-VPN”	internet protocol virtual private network;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Macau”	the Macau Special Administrative Region of the PRC;
“PRC” or “China”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan);
“RMB”	Renminbi, the lawful currency of the PRC;
“SDH”	Synchronous Digital Hierarchy, a kind of telecommunications technology for signal transmission;
“SDH Services Agreement”	the service agreement dated 19 February 2014 entered into between the SDH Services Provider and CEC in relation to the provision of SDH circuit services by the SDH Services Provider to CEC;
“SDH Services Provider”	廣東盈通網絡投資有限公司 (Guangdong Eastern Fibernet Investment Company Limited), a company incorporated and existing under the laws of the PRC and an associate of CITIC Group;

“Second Supplemental Agreement”	the service agreement dated 19 February 2014 supplemental to the First Supplemental Agreement entered into between CPC, CEC-HK and CEC in relation to the provision of exclusive technical services by CEC to CPC and CEC-HK;
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company;
“Shareholder(s)”	holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US\$”	United States dollars, the lawful currency of the United States of America;
“VPN”	virtual private network; and
“%”	per cent.

For illustration purposes in this announcement, the conversion rates of RMB1 = HK\$1.3 and US\$1.00 = HK\$7.8 were adopted.

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

Hong Kong, 19 February 2014

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