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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

FRAMEWORK AGREEMENT IN RELATION TO

INTERNET DATA CENTRE SERVICES, VIRTUAL PRIVATE NETWORK SERVICES AND INTERNET ACCESS SERVICES

The Board announces that on 11 June 2018, the Company entered into the Framework Agreement with CITIC, which set out the basis upon which members of the Group would carry out certain continuing connected transactions with members of the CITIC Group in relation to the provision of the Internet Data Centre Services (i.e. the Internet Data Centre Transactions), the Virtual Private Network Services (i.e. the Virtual Private Network Transactions) and the Internet Access Services (i.e. the Internet Access Transactions), and the respective annual caps for the period from 1 June 2018 to 31 December 2018, the two years ending on 31 December 2019 and 31 December 2020 and the period from 1 January 2021 to 31 May 2021, respectively.

As at the date of this announcement, CITIC is the ultimate controlling shareholder of the Company and is interested in approximately 59.74% of the total number of Shares in issue. Accordingly, members of the CITIC Group are connected persons of the Company. Therefore, the transactions entered into between members of the Group with members of the CITIC Group under the Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Since the highest applicable percentage ratios in respect of the annual caps for (a) the Internet Data Centre Transactions, (b) the Virtual Private Network Transactions and (c) the Internet Access Transactions are more than 0.1% but less than 5%, the continuing connected transactions are subject to the reporting, announcement and annual review requirements but are exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcements of the Company dated 16 October 2017 and 27 November 2017 in relation to, inter alia, the provision of the Internet Data Centre Services and the Virtual Private Network Services by the Group to the CITIC Group.

The Group has provided the Internet Data Centre Services, the Virtual Private Network Services and the Internet Access Services to the CITIC Group from time to time in its ordinary and usual course of business.

On 11 June 2018, the Company entered into the Framework Agreement with CITIC, which set out the basis upon which members of the Group would carry out certain continuing connected transactions with members of the CITIC Group in relation to the provision of the Internet Data Centre Services (i.e. the Internet Data Centre Transactions), the Virtual Private Network Services (i.e. the Virtual Private Network Transactions) and the Internet Access Services (i.e. the Internet Access Transactions), and the respective annual caps for the period from 1 June 2018 to 31 December 2018, the two years ending on 31 December 2019 and 31 December 2020 and the period from 1 January 2021 to 31 May 2021, respectively. Separate service order forms in respect of the Internet Data Centre Transactions, the Virtual Private Network Transactions and the Internet Access Transactions will be entered into between members of the Group and the CITIC Group. Such service order forms will follow the guidelines and terms and conditions set out in the Framework Agreement in all material aspects.

THE FRAMEWORK AGREEMENT

Date: 11 June 2018

Parties: (a) the Company; and
(b) CITIC, the ultimate controlling shareholder of the Company.

Term: The Framework Agreement has a term commencing from 11 June 2018 and ending on 31 May 2021 (both days inclusive). If either party wishes to renew the Framework Agreement, it shall provide 3 months' written notice in advance to the other party and obtain the consent from the other party. The parties shall enter into a new framework agreement for the renewal and obtain all necessary approval and authorisation in accordance with the Listing Rules.

The Group may provide the Internet Data Centre Services, the Virtual Private Network Services and the Internet Access Services to the CITIC Group in the ordinary course of business and on normal commercial terms in accordance with the following principal terms:

1. Internet Data Centre Services

The Group operates carrier-class Internet data centres and provides the equipment and facilities leasing services in Hong Kong, Macau, mainland China and overseas. The Internet data centres are specifically designed buildings with installation of equipment and facilities such as generators, chillers, cooling towers, transformers and other power equipment up to the required loading requirements and standards.

The Group provides the leasing of equipment and facilities services in relation to Internet data centres to the CITIC Group to fulfill its data centre business needs in Hong Kong, Macau, mainland China and overseas.

a. *Service Order Form*

Pursuant to the Framework Agreement, the Internet Data Centre Services shall generally be provided on the basis of the Group's standard service order form, which has incorporated the general terms and conditions of service of the relevant members of the Group. Subject to the guidelines and terms and conditions set out in the Framework Agreement, the terms and conditions of such standard service order form may be modified to cater for specific requirements of some customers, when necessary. Key service terms such as the minimum commitment period, the minimum number of equipment and facilities under subscription and the unit service charges will be set out in such individual service order form.

b. *Service charges and payment terms*

The service charges for the provision of the Internet Data Centre Services usually include a one-off set up charge per equipment/facility and a monthly rental charge. Such monthly rental charge comprises a fixed recurring charge and a variable charge (if any) which is determined based on the number of committed and additional equipment/facility and power consumption requested by the CITIC Group and agreed by the Group during the service term, as more particularly specified in each individual service order form.

The one-off set up charge is normally payable in full upon provision of service while the rental charge is normally settled monthly.

c. *Pricing basis*

As a general principle, the prices and terms of the Internet Data Centre Transactions shall be negotiated on arm's length basis and determined in the ordinary course of business on normal commercial terms.

Reference is made by the Group to the expected costs to be incurred, complexity, volume and duration of the services required and the then prevailing market conditions. In any event, the price and terms of the Internet Data Centre Services shall not be more favourable than those provided to the independent third party customers of the Group for similar Internet data centre services.

Internal procedures are in place to compare the prices and terms of the Internet Data Centre Services with those offered to the independent third party customers from time to time for similar Internet data centre services, before the Group enters into the corresponding individual service order form.

d. Historical figures and annual caps

The historical transaction amounts and the annual caps for the Internet Data Centre Transactions are set out below:

	Historical Amounts for the Year ended 31 December			Historical Amount for the Period from 1 January to 31 March 2018	Annual Cap for the Period from 1 June to 31 December 2018	Annual Caps for the Year ending 31 December		Annual Cap for the Period from 1 January to 31 May 2021
	2015	2016	2017	2018	2018	2019	2020	2021
	<i>(HK\$ in million)</i>			<i>(HK\$ in million)</i>	<i>(HK\$ in million)</i>	<i>(HK\$ in million)</i>		<i>(HK\$ in million)</i>
Transaction Amounts	1.0	7.5	10.1	2.4	12.9	35.4	53.1	30.9

e. Basis of the Annual Caps

The annual caps are determined based on the following factors, including: (i) the historical amounts of service fees paid by the CITIC Group to the Group for the Internet Data Centre Services; (ii) the prevailing market price of the provision of similar Internet data centre services; (iii) the expected increase in the amount of service fees to be charged by the Group over the term of the Framework Agreement; and (iv) the estimated level of the Internet Data Centre Services required by CITIC Group and the relevant costs of the Group during the term of the Framework Agreement.

f. Reasons for and benefits of entering into the Internet Data Centre Transactions

The Group operates carrier-class Internet data centres and provides the equipment and facilities leasing services in Hong Kong, Macau, mainland China and overseas. Data centre business represents a strategic focus in the Group's future business development. It is considered that the Internet Data Centre Transactions are consistent with the commercial objectives of the Group and fall within the core business of the Group. The Directors consider that the entering into of the Internet Data Centre Transactions would further strengthen the Group's position as a provider of the information technology services in Hong Kong and mainland China.

The Directors (including the independent non-executive Directors) consider that the Internet Data Centre Transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms after arm's length negotiations, which is fair and reasonable and in the interests of the Company and its shareholders as a whole.

2. Virtual Private Network Services

The Group has established numerous Point(s)-of-Presence around the world to provide data and telecommunications services including virtual private network and value-added services to multinational corporations.

The Group provides the virtual private network services by applying the multi-protocol label switching (MPLS) network. The virtual private network is a private network to connect geographically separated offices of an organisation with different classes-of-service, creating one cohesive network. Individual users can enjoy remote office and get secure access to, send and receive data within their organisation's virtual private network across a public telecommunications infrastructure. The virtual private network services provide a highly secure and efficient network for transmission of voice, video and data applications with guaranteed quality-of-service.

a. Service Order Form

Pursuant to the Framework Agreement, the Virtual Private Network Services shall generally be provided on the basis of the Group's standard service order form, which has incorporated the general terms and conditions of service of the relevant members of the Group. Subject to the guidelines and terms and conditions set out in the Framework Agreement, the terms and conditions of such standard service order form may be modified to cater for specific requirements of some customers, when necessary. Key service terms such as the minimum commitment period, bandwidth and location of services will be set out in such individual service order form.

b. Service charges and payment terms

The service charges for the provision of the Virtual Private Network Services usually include a one-off set up charge and a fixed recurring monthly service charge during the service term, which is determined with reference to the subscribed bandwidth, locations, class of services and the requisite support services for provision of the Virtual Private Network Services. The service charges will be set out in the individual service order form and are agreed on an arm's length basis.

The one-off set up charge is normally payable in full upon provision of service while the monthly service charge is settled monthly.

c. Pricing basis

As a general principle, the prices and terms of the Virtual Private Network Transactions shall be negotiated on arm's length basis and determined in the ordinary course of business on normal commercial terms.

Reference is made by the Group to the expected costs to be incurred, complexity, bandwidth, location, class and duration of the services required and the then prevailing market conditions. In any event, the price and terms of the Virtual Private Network Services shall not be more favourable than those provided to the independent third party customers of the Group for similar virtual private network services.

Internal procedures are in place to compare the prices and terms of the Virtual Private Network Services with those offered to the independent third party customers from time to time for similar virtual private network services, before the Group enters into the corresponding individual service order form.

d. *Historical figures and annual caps*

The historical transaction amounts and the annual caps for the Virtual Private Network Transactions are set out below:

	Historical Amounts for the Year ended 31 December			Historical Amount for the Period from 1 January to 31 March 2018	Annual Cap for the Period from 1 June to 31 December 2018	Annual Caps for the Year ending 31 December		Annual Cap for the Period from 1 January to 31 May 2021
	2015	2016	2017			2019	2020	
	<i>(HK\$ in million)</i>			<i>(HK\$ in million)</i>	<i>(HK\$ in million)</i>	<i>(HK\$ in million)</i>		<i>(HK\$ in million)</i>
Transaction Amounts	7.3	6.8	10.1	4.1	16.5	45.1	67.7	39.5

e. *Basis of the Annual Caps*

The annual caps are determined based on the following factors, including: (i) the historical amounts of service fees paid by the CITIC Group to the Group for the Virtual Private Network Services; (ii) the prevailing market price of the provision of similar virtual private network services; (iii) the expected increase in the amount of service fees to be charged by the Group over the term of the Framework Agreement; and (iv) the estimated level of the Virtual Private Network Services required by CITIC Group and the relevant costs of the Group during the term of the Framework Agreement.

f. *Reasons for and benefits of entering into the Virtual Private Network Transactions*

It is considered that the provision of the Virtual Private Network Services is consistent with the commercial objectives of the Group and fall within the core business of the Group. The Directors consider that the entering into of the Virtual Private Network Transactions would further strengthen the Group's position as a provider of the information technology services in Hong Kong, mainland China and overseas.

The Directors (including the independent non-executive Directors) consider that the Virtual Private Network Transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms after arm's length negotiations, which is fair and reasonable and in the interests of the Company and its shareholders as a whole.

3. Internet Access Services

The Group provides enterprises and corporations with high-availability, high-speed Metro Ethernet/broadband local loop circuits, and related network services, which enable access to the Internet among customers' designated locations, servers in the data centres, and cloud computing platforms.

a. Service Order Form

Pursuant to the Framework Agreement, the Internet Access Services shall generally be provided on the basis of the Group's standard service order form, which has incorporated the general terms and conditions of service of the relevant members of the Group. Subject to the guidelines and terms and conditions set out in the Framework Agreement, the terms and conditions of such standard service order form may be modified to cater for specific requirements of some customers, when necessary. Key service terms such as the minimum commitment period, bandwidth and location of services will be set out in such individual service order form.

b. Service charges and payment terms

The service charges for the provision of the Internet Access Services usually include a one-off set up charge and a fixed recurring monthly service charge during the service term, which is determined with reference to the subscribed bandwidth, locations, interface of connection and the requisite application services for provision of the Internet Access Services. The service charges will be set out in the individual service order form and are agreed on an arm's length basis.

The one-off set up charge is normally payable in full upon provision of service while the monthly service charge is settled monthly.

c. Pricing basis

As a general principle, the prices and terms of the Internet Access Transactions shall be negotiated on arm's length basis and determined in the ordinary course of business on normal commercial terms.

Reference is made by the Group to expected costs to be incurred, bandwidth, location, interface of connection, and duration of the services required. In any event, the price and terms of the Internet Access Services shall not be more favourable than those provided to the independent third party customers of the Group for similar Internet access services.

Internal procedures are in place to compare the prices and terms of the Internet Access Services with those offered to the independent third party customers from time to time for similar Internet access services, before the Group enters into the corresponding individual service order form.

d. Historical figures and annual caps

The historical transaction amounts and the annual caps for the Internet Access Transactions are set out below:

	Historical Amounts for the Year ended 31 December			Historical Amount for the Period from 1 January to 31 March 2018	Annual Cap for the Period from 1 June to 31 December 2018	Annual Caps for the Year ending 31 December		Annual Cap for the Period from 1 January to 31 May 2021
	2015	2016	2017	2018	2018	2019	2020	2021
	<i>(HK\$ in million)</i>			<i>(HK\$ in million)</i>	<i>(HK\$ in million)</i>	<i>(HK\$ in million)</i>		<i>(HK\$ in million)</i>
Transaction Amounts	2.7	2.9	5.2	1.7	5.9	16.2	24.2	14.1

e. Basis of the Annual Caps

The annual caps are determined based on the following factors, including: (i) the historical amounts of service fees paid by the CITIC Group to the Group for the Internet Access Services; (ii) the prevailing market price of the provision of similar Internet access services; (iii) the expected increase in the amount of service fees to be charged by the Group over the term of the Framework Agreement; and (iv) the estimated level of the Internet Access Services required by CITIC Group and the relevant costs of the Group during the term of the Framework Agreement.

f. Reasons for and benefits of entering into the Internet Access Transactions

It is considered that the provision of the Internet Access Services is consistent with the commercial objectives of the Group and fall within the core business of the Group. The Directors consider that the entering into of the Internet Access Transactions would further strengthen the Group's position as a provider of the information technology services in Hong Kong, mainland China and overseas.

The Directors (including the independent non-executive Directors) consider that the Internet Access Transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms after arm's length negotiations, which is fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CITIC is the ultimate controlling shareholder of the Company and is interested in approximately 59.74% of the total number of Shares in issue. Accordingly, members of the CITIC Group are connected persons of the Company. Therefore, the transactions entered into between members of the Group with members of the CITIC Group

under the Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Since the highest applicable percentage ratios in respect of the annual caps for (a) the Internet Data Centre Transactions, (b) the Virtual Private Network Transactions and (c) the Internet Access Transactions are more than 0.1% but less than 5%, the continuing connected transactions are subject to the reporting, announcement and annual review requirements but are exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Luo Ning, an executive Director, is the Assistant President of CITIC. In order to avoid the perception of a conflict of interest, Mr. Luo has abstained from voting on the board resolutions of the Company for considering and approving the Internet Data Centre Transactions, the Virtual Private Network Transactions and the Internet Access Transactions. Save as disclosed above, no other Directors has a material interest in these transactions or is required to abstain from voting on the board resolutions of the Company for considering and approving these transactions.

GENERAL INFORMATION

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 CITIC Telecom International CPC Limited ("CPC"), has established numerous Point(s)-of-Presence around the world 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.

CITIC

CITIC is a Chinese state-owned enterprise under the Ministry of Finance. Its main asset is a 58.13% interest in CITIC Limited. Since its establishment in 1979, CITIC has been a pioneer of China's economic reform. It makes investments in areas with long-term potential as well as those aligned with national priorities.

DEFINITIONS

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

“associates”; “connected persons”; “continuing connected transactions”; “controlling shareholder”; “percentage ratios”; and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“CITIC”	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 ultimate controlling shareholder of the Company;
“CITIC Group”	CITIC, its subsidiaries and associates (excluding the Group) from time to time;
“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);
“Director(s)”	the director(s) of the Company;
“Framework Agreement”	the framework agreement entered into between the Company and CITIC on 11 June 2018 in respect of the Internet Data Centre Transactions, the Virtual Private Network Transactions and the Internet Access Transactions;
“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;
“Internet Access Services”	the provision of Metro Ethernet/broadband local loop circuits and related network services to enable access to the Internet, provided by the Group to the CITIC Group on terms and conditions of the Framework Agreement, as more particularised in the paragraph headed “The Framework Agreement – 3. Internet Access Services” in this announcement;

“Internet Access Transactions”	the provision of the Internet Access Services contemplated under the Framework Agreement;
“Internet Data Centre Services”	the leasing of equipment and facilities services in relation to Internet data centres provided by the Group to the CITIC Group on terms and conditions of the Framework Agreement, as more particularised in the paragraph headed “The Framework Agreement – 1. Internet Data Centre Services” in this announcement;
“Internet Data Centre Transactions”	the provision of the Internet Data Centre Services contemplated under the Framework Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC” or “mainland China”	People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan;
“Share(s)”	share(s) in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Virtual Private Network Services”	the provision of the virtual private network services by the Group to the CITIC Group on terms and conditions of the Framework Agreement, as more particularised in the paragraph headed “The Framework Agreement – 2. Virtual Private Network Services” in this announcement;
“Virtual Private Network Transactions”	the provision of the Virtual Private Network Services under the Framework Agreement; and
“%”	per cent.

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

Hong Kong, 11 June 2018

As at the date of this announcement, the directors of the Company 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, Zuo Xunsheng and Lam Yiu Kin.