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(Incorporated in Hong Kong with limited liability)
(Stock Code: 01883)

CONTINUING CONNECTED TRANSACTIONS

RENEWAL OF TELECOMS SERVICES AGREEMENT

RENEWAL OF TELECOMS SERVICES AGREEMENT

The Board announces that on 7 August 2019, the Telecoms Services Provider, being a non-wholly owned subsidiary of CITIC Group, and CEC, being a non-wholly owned subsidiary of the Company, entered into the Supplemental Agreement, pursuant to which CEC shall continue to engage the Telecoms Services Provider as service provider for the provision of various telecoms services, such as leasing of circuits and racks for data networking, to CEC for a term of three years from 7 August 2019 to 6 August 2022 (both dates inclusive).

LISTING RULES IMPLICATIONS

As at the date of this announcement, CEC is a non-wholly owned subsidiary of the Company and also an associate of CITIC Group, the ultimate holding company of the Company, as CITIC Group holds an approximately 45.09% equity interest in CEC. The Telecoms Services Provider is a non-wholly owned subsidiary of CITIC Group. Accordingly, the Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios as defined in the Listing Rules calculated with reference to the annual caps for the Transactions are more than 0.1% but less than 5%, the Transactions are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

SUPPLEMENTAL AGREEMENT

Date

7 August 2019

Parties

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

Subject matter

Reference is made to the announcement of the Company dated 5 August 2016 in relation to the Telecoms Services Agreement entered into between the Telecoms Services Provider and CEC for the provision of various telecoms services by the Telecoms Services Provider to CEC for a term of three years from 7 August 2016 to 6 August 2019 (both dates inclusive).

As the Telecoms Services Agreement expired on 6 August 2019, the Telecoms Services Provider and CEC entered into the Supplemental Agreement on 7 August 2019, pursuant to which CEC shall continue to engage the Telecoms Services Provider as service provider for the provision of various telecoms services, such as leasing of circuits and racks for data networking, to CEC for a term of three years from 7 August 2019 to 6 August 2022 (both dates inclusive).

Service fees and pricing basis

As a general principle, the prices and terms of the agreements with respect to the telecoms services to be provided by the Telecoms Services Provider shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis and at prices and on terms no less favourable than those procured from the independent third party service providers of the Group.

An estimated basic monthly service fees of approximately RMB2.40 million (equivalent to approximately HK\$2.74 million), subject to adjustment based on actual usage, shall be payable to the Telecoms Services Provider by CEC. Such service fees were determined with reference to the rates for the provision of services of a similar nature by the Telecoms Services Provider to independent third parties and shall be settled monthly.

The engineering department of CEC will make enquires or obtain quotations from at least two independent third parties for similar services on a periodic basis and make comparison so as to determine if the prices offered by the Telecoms Services Provider to the Group are on normal commercial terms and on terms which are no less favourable to the Group than those offered by the independent third parties.

Historical transaction amounts and annual caps for the Supplemental Agreement

Set out below are the service fees paid by CEC to the Telecoms Services Provider under the Telecoms Services Agreement for the period from 7 August 2016 to 31 December 2016, the financial years ended 31 December 2017 and 2018, and the period from 1 January 2019 to 30 June 2019:

	Historical amount for the period from 7 August to 31 December	Historical amounts for the financial years ended 31 December		Historical amount for the period from 1 January to 30 June
	2016	2017	2018	2019
Transaction Amount RMB (<i>million</i>)	7.73	23.75	28.39	14.38
Approximately equivalent to HK\$ (<i>million</i>)	9.08 (Note 1)	27.07 (Note 2)	34.55 (Note 3)	16.66 (Note 4)

Note 1: as disclosed in the Company's Annual Report of 2016 and based on the historical average exchange rate of RMB1.0000 = HK\$1.1746

Note 2: as disclosed in the Company's Annual Report of 2017 and based on the historical average exchange rate of RMB1.0000 = HK\$1.1398

Note 3: as disclosed in the Company's Annual Report of 2018 and based on the historical average exchange rate of RMB1.0000 = HK\$1.2170

Note 4: based on the historical average exchange rate of RMB1.0000 = HK\$1.1586

The service fees payable by CEC to the Telecoms Services Provider under the Supplemental Agreement for the period from 7 August 2019 to 31 December 2019, the financial years ending 31 December 2020 and 2021, and the period from 1 January 2022 to 6 August 2022 shall not exceed the maximum amounts set out below:

	For the period from 7 August to 31 December	For the financial years ending 31 December		For the period from 1 January to 6 August
	2019	2020	2021	2022
Annual Cap RMB (million)	18.67	46.37	53.33	35.77
Approximately equivalent to HK\$ (million)	21.28	52.86	60.80	40.78

The finance department of CEC will monitor and ensure that the Transactions are conducted in accordance with the terms of the Supplemental Agreement and do not exceed the above annual caps of the Transactions. The Board will also continue to review on a regular basis the Group's internal control system and its effectiveness. In addition, the Company will appoint an external auditor pursuant to the Listing Rules to conduct annual reviews of the Transactions and its annual caps.

The above annual caps were determined with reference to (i) historical amount of service fees paid by CEC to the Telecoms Services Provider; (ii) the estimated basic monthly service fees payable by CEC to the Telecoms Services Provider; and (iii) the expected increase in the demand for telecoms services by CEC due to possible expansion of business. It is expected that the demand for telecoms services from the end-customers of CEC would increase in terms of both quantities and bandwidth, driven by a variety of emerging technologies and applications, including high-definition video, cloud computing and data centre, big data, Internet+, Internet of Things, as well as new industries such as FinTech, high-end manufacturing and new energy.

Reasons for and benefits of the Supplemental Agreement

With the telecoms services to be provided by the Telecoms Services Provider under the Supplemental Agreement, the Company believes that it can continue to leverage on the resources of the Group and CITIC Group, and enhance the diversity of its telecoms services providers.

GENERAL

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 Macao), 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 to provide data and telecoms services (including VPN, 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 Macao, and is the only full telecoms services provider in Macao. It has long provided quality telecoms services to the residents, government and enterprises of Macao, and plays an important role in the ongoing development of Macao.

CEC is one of the leading VPN service providers in the PRC with a nationwide IP-VPN operating licence granted by the Ministry of Industry and Information Technology of the PRC, which allows CEC to provide domestic VPN services throughout China. CEC was founded in 2000 and has since built an extensive network in the PRC with its headquarters in Beijing.

The Telecoms Services Provider 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.

No Director has a material interest in the Transactions or is required to abstain from voting on the board resolutions of the Company for considering and approving the Transactions.

The Directors (including the independent non-executive directors of the Company) consider that the Transactions are in the ordinary and usual course of business of the Group, and the terms of the Supplemental Agreement (including the service fees) and the annual caps for the Transactions are on normal commercial terms, 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, CEC is a non-wholly owned subsidiary of the Company and also an associate of CITIC Group, the ultimate holding company of the Company, as CITIC Group holds an approximately 45.09% equity interest in CEC. The Telecoms Services Provider is a non-wholly owned subsidiary of CITIC Group. Accordingly, the Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios as defined in the Listing Rules calculated with reference to the annual caps for the Transactions are more than 0.1% but less than 5%, the Transactions are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“associate”, “connected person”, “continuing connected transaction(s)”, “controlling shareholder”, “percentage ratio” and “subsidiary(ies)”	each has the meaning ascribed to it by the Listing Rules;
“Board”	the board of Directors;
“CEC”	中企網絡通信技術有限公司 (China Enterprise ICT Solutions Limited), a company established under the laws of the PRC and a non-wholly owned subsidiary of the Company and also an associate of CITIC Group;
“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 each of the Company and CITIC Limited;
“CITIC Limited”	CITIC Limited (中國中信股份有限公司), a company incorporated under the laws of Hong Kong with limited liability, 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 58.2% of the number of Shares in issue;
“Company”	CITIC Telecom International Holdings Limited (中國國際電訊集團有限公司), a company incorporated under the laws of Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 01883);
“CPC”	has the meaning as defined under the section headed “GENERAL” of this announcement;
“CTM”	has the meaning as defined under the section headed “GENERAL” of this announcement;
“Director(s)”	the director(s) of the Company;
“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;
“Macao”	the Macao Special Administrative Region of the PRC;
“PRC” or “China”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macao and Taiwan);
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	share(s) in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	the agreement dated 7 August 2019 supplemental to the Telecoms Services Agreement entered into between the Telecoms Services Provider and CEC in relation to the continued provision of various telecoms services by the Telecoms Services Provider to CEC;
“Telecoms Services Agreement”	the services agreement dated 5 August 2016 entered into between the Telecoms Services Provider and CEC in relation to the provision of various telecoms services by the Telecoms Services Provider to CEC;
“Telecoms Services Provider”	中信網絡有限公司 (CITIC Networks Co., Ltd.), a company established under the laws of the PRC and a non-wholly owned subsidiary of CITIC Group;
“Transactions”	the continuing connected transactions relating to the provision of various telecoms services by the Telecoms Services Provider to CEC pursuant to the Supplemental Agreement;
“VPN”	virtual private network, which extends a private network across a shared or public network. VPN enables a computer or network-enabled device to send and receive data across shared or public networks as if it were directly connected to the private network; and

“%”

per cent.

For illustration purposes in this announcement, unless otherwise specified, the exchange rate of RMB1.0000 = HK\$1.1400 is adopted. The exchange rate does not constitute a representation that any amount has been, could have been or may be converted at the above rate or any other rates.

The English names of the PRC entities referred to in this announcement are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.

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

Hong Kong, 7 August 2019

The Directors of the Company as at the date of this announcement are: Executive Directors: Xin Yue Jiang (Chairman), Lin Zhenhui and Li Bing Chi, Esmond; Non-Executive Directors: Liu Jifu and Fei Yiping; and Independent Non-Executive Directors: Liu Li Qing, Zuo Xunsheng and Lam Yiu Kin.