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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 TRANSACTION

SERVICES AGREEMENT FOR PROVISION OF SDH CIRCUIT SERVICES

THE 2017 SDH SERVICES AGREEMENT

On 17 February 2017, the SDH Services Provider, being an associate of CITIC Group, and CEC (a non-wholly owned subsidiary of the Company), entered into the 2017 SDH Services Agreement, pursuant to which CEC shall, upon the expiry of the 2014 SDH Services Agreement, continue to engage the SDH Services Provider as service provider for the provision of SDH circuit services to CEC for a further term of three years from 19 February 2017 to 18 February 2020.

LISTING RULES IMPLICATIONS

The SDH Services Provider is an associate of CITIC Group, the ultimate controlling shareholder of the Company, as CITIC Group is interested in more than 30% equity interest in the SDH Services Provider. Accordingly, the entering into of the 2017 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 2017 SDH Services Agreement is more than 0.1% but less than 5%, such continuing connected transaction is subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 19 February 2014 in relation to, inter alia, the 2014 SDH Services Agreement entered into between the SDH Services Provider and CEC for the provision of SDH circuit services by the SDH Services Provider to CEC. As the 2014 SDH Services Agreement is due to expire on 18 February 2017, CEC entered into the 2017 SDH Services Agreement with the SDH Services Provider to continue to engage the SDH Services Provider as service provider of the SDH circuit services for a further term of three years from 19 February 2017 to 18 February 2020.

THE 2017 SDH SERVICES AGREEMENT

Date

17 February 2017

Parties

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

Subject matter

As the 2014 SDH Services Agreement is due to expire on 18 February 2017, CEC entered into the 2017 SDH Services Agreement with the SDH Services Provider on 17 February 2017, pursuant to which CEC shall continue to 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 further term of three years from 19 February 2017 to 18 February 2020.

Service fee and pricing basis

For each service order under the 2017 SDH Services Agreement, the service fee shall include (i) one-off set-up fees; 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 2017 SDH Services Agreement on a monthly prepayment basis.

As a general principle, the prices and terms of the agreements with respect to the SDH circuit services provided by the SDH 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 total basic monthly service fee of approximately RMB603,000 (equivalent to approximately HK\$675,000), 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 arm's length basis with reference to the rates for the provision of services of a similar nature by the SDH Services Provider to independent third parties.

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 SDH 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

The service fee paid by CEC to the SDH Services Provider under the 2014 SDH Services Agreement for the period from 19 February 2014 to 31 December 2014 and the two financial years ended 31 December 2015 and 2016 were approximately RMB6,447,000 (equivalent to approximately HK\$7,221,000), RMB7,124,000 (equivalent to approximately HK\$7,979,000) and RMB6,700,000 (equivalent to approximately HK\$7,504,000), respectively.

Annual Caps

The service fee payable by CEC to the SDH Services Provider for the term of the 2017 SDH Services Agreement is subject to annual caps of RMB12,680,000 (equivalent to approximately HK\$14,200,000), RMB15,940,000 (equivalent to approximately HK\$17,850,000), RMB17,530,000 (equivalent to approximately HK\$19,630,000) and RMB2,410,000 (equivalent to approximately HK\$2,700,000) for the period from 19 February 2017 to 31 December 2017, and the two financial years ending 31 December 2018 and 2019 and the period from 1 January 2020 to 18 February 2020, respectively.

The above annual caps were determined with reference to (i) the historical amount of service fee paid by CEC to the SDH Services Provider; (ii) the estimated 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. It is expected that the demand for the aforesaid 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.

REASONS FOR AND BENEFITS OF THE 2017 SDH SERVICES AGREEMENT

The Company believes that it will be able to secure a reliable supply of SDH circuit services to serve 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 2017 SDH Services Agreement (including the service fee and annual caps) are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

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Mr. Luo Ning, an executive director of the Company, who is the Assistant President of CITIC Group and CITIC Limited (both being the controlling shareholder of the Company) has abstained from voting on the board resolutions approving the 2017 SDH Services Agreement. Save as disclosed above, none of the Directors has a material interest in the 2017 SDH Services Agreement or is required to abstain from voting on the board resolutions for considering and approving the 2017 SDH Services Agreement.

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 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.

CEC is one of the leading VPN (Virtual Private Network) service providers in the PRC. In March 2014, CEC has secured the cross regional value-added telecoms service IDC (Internet Data Centre) / ICP (Internet Content Provider) operating licence from the Ministry of Industry and Information Technology of the PRC. Prior to securing the licence, CEC has obtained authorisation to operate value-added telecoms services including nationwide IP-VPN (Internet

Protocol Virtual Private Network) service, as well as call centre services and Internet access services in major cities in China. CEC was founded in 2000 and has since built an extensive network in the PRC with its headquarters in Beijing.

The SDH Services Provider is principally 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:

“2014 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;
“2017 SDH Services Agreement”	the service agreement dated 17 February 2017 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;
“associate”; “continuing connected transaction”, “controlling shareholder”, “percentage ratio”; and “subsidiary”	each has the meaning ascribed to it under the Listing Rules;
“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 60.24% of the number of Shares in issue;
“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), a company incorporated and existing under the laws of the PRC and a non-wholly owned subsidiary of the Company, and in which CITIC Group holds approximately 45.09% equity interest;
“Directors”	the directors 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;
“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 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;
“Share(s)”	share(s) in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

For illustration purposes in this announcement, the conversion rate of RMB1.00 = HK\$1.12 was adopted.

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

Hong Kong, 17 February 2017

The Directors of the Company as at the date of this 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; and Independent Non-executive Directors: Liu Li Qing, Kwong Che Keung, Gordon and Zuo Xunsheng.

** For identification purposes only*