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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

SERVICE AGREEMENT FOR TECHNICAL AND SUPPORT SERVICES

Service Agreement for Technical and Support Services

The board of Directors of the Company announces that on 19 June 2019, CEC-HK and CPC, being wholly-owned subsidiaries of the Company, entered into the Service Agreement with CEC, pursuant to which CEC-HK and CPC shall engage CEC as service provider for the provision of technical and support services in the PRC to the customers of CEC-HK and CPC for a term of three years from 24 June 2019 to 23 June 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 as CITIC Group holds approximately 45.09% equity interest in CEC. CITIC Group is the controlling shareholder of CITIC Limited, which in turn is the indirect holding company of the Company and is interested in approximately 58.3% of the number of shares of the Company in issue. Therefore, CEC, being an associate of CITIC Group, is a connected person of the Company.

Accordingly, the Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Since the highest applicable percentage ratio calculated with reference to the annual caps for the Transactions is 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 as far as the Company is concerned.

THE SERVICE AGREEMENT

Date

19 June 2019

Parties

- (a) CEC-HK, a wholly-owned subsidiary of the Company
- (b) CPC, a wholly-owned subsidiary of the Company
- (c) CEC, a non-wholly owned subsidiary of the Company and also an associate of CITIC Group

Subject Matter

On 19 June 2019, CEC-HK and CPC, being wholly-owned subsidiaries of the Company, entered into the Service Agreement with CEC, pursuant to which CEC-HK and CPC shall engage CEC as service provider for the provision of technical and support services in the PRC to the customers of CEC-HK and CPC to facilitate the provision of value-added telecoms services to these customers for a term of three years from 24 June 2019 to 23 June 2022 (both dates inclusive). CEC is also responsible for arranging, operating and maintaining all necessary technical and support services in the PRC to service the customers of CEC-HK and CPC.

Service Fee

A service fee shall be payable to CEC charged on the basis of cost plus a prevailing market rate (such prevailing market rate may vary depending on the nature and/or extent of the services required by CEC-HK and CPC) in providing such services to the customers of CEC-HK and CPC. The Transactions are in the ordinary course of business of the Group and on normal commercial terms, and the terms of the Transactions (including the service fee payable by CEC-HK and CPC to CEC) are agreed by CPC, CEC-HK and CEC on an arms' length basis. In determining the service fee payable by CEC-HK and CPC to CEC, CEC will take into the account the expected costs to be incurred, bandwidth, location, class, duration of the services required and the then prevailing market conditions. In any event, the terms of the Transactions (including the service fee payable by CEC-HK and CPC to CEC) shall not be more favourable than the terms available to an independent third party for similar services provided to CEC-HK and CPC. The service fee payable to CEC shall be settled monthly.

Historical Transaction Amounts

Set out below are the actual service fees paid by the Group to CEC in respect of the provision of technical and support services by CEC to CEC-HK and CPC for the three financial years ended on 31 December 2016, 2017 and 2018 and the period from 1 January 2019 to 30 April 2019:

	Historical amounts for the years ended 31 December			Historical amount for the period from 1 January to 30 April
	2016	2017	2018	2019
Transaction Amount US\$ (<i>million</i>)	41.61	42.70	42.11	9.27
Approximately equivalent to HK\$ (<i>million</i>)	324.55	333.06	328.49	72.31

Details of the transactions relating to the historical transaction amounts above are set out in the joint announcement of the Company and CITIC Limited dated 14 June 2018.

Annual Caps

The service fees payable by the Group to CEC for the period from 24 June 2019 to 31 December 2019, two financial years ending on 31 December 2020 and 2021, and the period from 1 January 2022 to the expiry of the Service Agreement (i.e. 23 June 2022) shall not exceed the maximum amounts set out below:

	For the period from 24 June 2019 to 31 December 2019	For the financial years ending on 31 December		For the period from 1 January 2022 to 23 June 2022
		2020	2021	
RMB (<i>million</i>)	94.70	217.90	250.60	144.10
Approximately equivalent to HK\$ (<i>million</i>)	110.80	254.94	293.20	168.60

The above annual caps were determined with reference to the (i) historical amounts of service fees payable by the Group to CEC; and (ii) anticipated growth in customers' demand for the services of the Group generally.

Reasons for and Benefits of the Service Agreement

CEC is one of the few VPN service providers in China with a nationwide IP-VPN operating licence. The Directors consider that the Service Agreement will allow the Group to leverage on the licence held by CEC to tap into the large domestic VPN services market in China.

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.

In view of the above potential benefits to the Company, 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 Service Agreement (including the service fees) and the annual caps for the Transactions are on normal commercial terms, and are 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 as CITIC Group holds approximately 45.09% equity interest in CEC. CITIC Group is the controlling shareholder of CITIC Limited, which in turn is the indirect holding company of the Company and is interested in approximately 58.3% of the number of shares of the Company in issue. Therefore, CEC, being an associate of CITIC Group, is a connected person of the Company.

Accordingly, the Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Since the highest applicable percentage ratio calculated with reference to the annual caps for the Transactions is 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 as far as the Company is concerned.

GENERAL

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 Macao), and through CPC, has established numerous Point(s)-of-Presence around the world to provide data and telecoms services (including VPN, cloud, network security, co-location and 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

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.

DEFINITIONS

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

“associate”, “connected person”, “continuing connected transaction”, “controlling shareholder”, “percentage ratio” and “subsidiary(ies)”	each has the meaning ascribed to it by the Listing Rules;
“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;
“CEC-HK”	China Enterprise Netcom Corporation Limited (中國企業網絡通信有限公司), a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
“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;
“Company”	CITIC Telecom International Holdings Limited (中信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”	CITIC Telecom International CPC Limited (中信國際電訊(信息技術)有限公司), a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
“CTM”	has the meaning as defined under the section headed “GENERAL – The Group” 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;
“Service Agreement”	the service agreement dated 19 June 2019 entered into between CEC-HK, CPC and CEC in relation to the engagement of CEC as service provider by CEC-HK and CPC for the provision of technical and support services in the PRC to the customers of CEC-HK and CPC for a term of three years from 24 June 2019 to 23 June 2022 (both dates inclusive);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transactions”	the continuing connected transactions relating to the provision of technical and support services by CEC in the PRC to the customers of CEC-HK and CPC pursuant to the Service Agreement;
“US\$”	United States dollars, the lawful currency of the

United States of America;

“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, the conversion rates of RMB1.00 = HK\$1.17 and US\$1.00 = HK\$7.80 were adopted. The exchange rates do not constitute a representation that any amount has been, could have been or may be converted at the above rates 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 of directors
**CITIC Telecom International
Holdings Limited**
Xin Yue Jiang
Chairman

Hong Kong, 19 June 2019

As at the date of this announcement, the directors of the Company are: Executive Directors: Mr. Xin Yue Jiang (Chairman), Dr. Lin Zhenhui and Dr. Chan Tin Wai, David; Non-Executive Directors: Mr. Liu Jifu and Mr. Fei Yiping; and Independent Non-Executive Directors: Mr. Liu Li Qing, Mr. Zuo Xunsheng and Mr. Lam Yiu Kin.