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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

RENEWAL OF MANAGEMENT SERVICES AGREEMENT

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Reference is made to the announcement of the Company dated 23 October 2018 in relation to the 2018 Management Services Agreement entered into between ComNet (a wholly-owned subsidiary of the Company), Neostar (a wholly-owned subsidiary of the Company) and the Manager (a wholly-owned subsidiary of CITIC Limited).

The 2018 Management Services Agreement will expire on 31 December 2020. The Group, through ComNet and Neostar, has ownership over the entire CITIC Telecom Tower and wishes to continue to engage the Manager for the provision of the general property management services, chilled water supply, air-conditioning supply and other relevant services in respect of CITIC Telecom Tower (i.e. the Management Services). On 23 December, 2020, ComNet, Neostar and the Manager entered into the 2020 Management Services Agreement, pursuant to which the Manager will provide the Management Services to the Group for a term of 3 years from 1 January 2021 to 31 December 2023 (both days inclusive).

LISTING RULES IMPLICATIONS

The Manager is a wholly-owned subsidiary of CITIC Limited, a controlling shareholder of the Company which is interested in approximately 58.11% of the total number of Shares in issue. Accordingly, the Manager is a connected person of the Company. Therefore, the entering into of the 2020 Management Services Agreement and the transactions contemplated thereunder will constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio as defined in the Listing Rules calculated with reference to the annual caps for the 2020 Management Services Agreement is more than 0.1% but less than 5%, such continuing connected transaction is subject to the reporting, announcement and annual review requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 23 October 2018 in relation to the 2018 Management Services Agreement entered into between ComNet (a wholly-owned subsidiary of the Company), Neostar (a wholly-owned subsidiary of the Company) and the Manager (a wholly-owned subsidiary of CITIC Limited).

The 2018 Management Services Agreement will expire on 31 December 2020. The Group, through ComNet and Neostar, has ownership over the entire CITIC Telecom Tower and wishes to continue to engage the Manager for the provision of the general property management services, chilled water supply, air-conditioning supply and other relevant services in respect of CITIC Telecom Tower (i.e. the Management Services). On 23 December 2020, ComNet, Neostar and the Manager entered into the 2020 Management Services Agreement, pursuant to which the Manager will provide the Management Services to the Group for a term of 3 years from 1 January 2021 to 31 December 2023 (both days inclusive).

THE 2020 MANAGEMENT SERVICES AGREEMENT

The principal terms of the 2020 Management Services Agreement are set out below:

Date

23 December 2020

Parties

- (i) ComNet
- (ii) Neostar
- (iii) The Manager

Term

The term of the 2020 Management Services Agreement is from 1 January 2021 to 31 December 2023 (both days inclusive), provided that any one of the parties may terminate the 2020 Management Services Agreement with or without cause by giving to the other parties a three months' prior notice in writing at any time during the term of the 2020 Management Services Agreement.

Services to be provided by the Manager

Provision of the general property management services, chilled water supply, air-conditioning supply and other relevant services for CITIC Telecom Tower.

General management fees, chilled water charges, air-conditioning charges and other service charges

The general management fees payable by the Group for CITIC Telecom Tower are approximately HK\$745,000 per month.

The chilled water charges payable by the Group for CITIC Telecom Tower are based on the actual volume of chilled water used and are estimated to be approximately HK\$150,000 per month.

The air-conditioning charges for supply during normal office hours payable by the Group for CITIC Telecom Tower are approximately HK\$191,000 per month. The air-conditioning charges for supply after normal office hours payable to the Manager are based on the actual usage and are estimated to be approximately HK\$3,000 per month.

The service charges for exclusive use of certain common areas of CITIC Telecom Tower are estimated to be approximately HK\$24,000 per month.

The above estimated monthly fees and charges are subject to increase within the relevant annual caps set out in the paragraph headed “Annual Caps” below. The monthly general management fees, chilled water charges, air-conditioning charges and other service charges payable by the Group to the Manager were arrived at after arm’s length negotiation between the parties and are determined based on (i) the current management fees and charges payable by ComNet and Neostar in respect of CITIC Telecom Tower; (ii) rates of management fees and charges generally applicable to the other independent tenants of CITIC Telecom Tower; and (iii) the projected operating costs and expenses to be incurred by the Manager for providing the Management Services. In assessing and comparing the terms offered by the Manager, the Group has compared the prevailing market rates charged by independent third parties offering comparable management services for properties of comparable scale and grade in the vicinity. The Group considers that the price and terms of services (including the standard and qualities of services) offered by the Manager are no less favourable to the Group than those offered by independent third party services providers.

The Company will monitor and ensure that the transactions under the 2020 Management Services Agreement are conducted in accordance with the terms of the 2020 Management Services Agreement and the aggregate monthly fees and charges payable thereunder will not exceed the annual caps mentioned below. The Board will also continue to review on a regular basis the Group’s internal control system and its effectiveness in this regard. In addition, the Company will appoint an external auditor pursuant to the Listing Rules to conduct annual reviews of the transactions under the 2020 Management Services Agreement and ensure compliance with the annual caps mentioned below.

Historical Transaction Amounts

For the financial years ended 31 December 2017, 2018 and 2019 and the period from 1 January 2020 to 31 October 2020, the aggregate amounts (including general management fees, chilled water charges, air-conditioning charges and other service charges) paid by the Group to the Manager in respect of the Management Services were approximately HK\$12,043,000, HK\$12,472,000, HK\$12,472,000 and HK\$10,717,000, respectively.

Annual Caps

The Group and the Manager agreed that the annual caps in respect of the provision of the Management Services for the year ending 31 December 2021, 2022 and 2023 shall be HK\$14,000,000, HK\$15,000,000 and HK\$17,000,000, respectively.

The above annual caps are determined with reference to the monthly general management fees, chilled water charges, air-conditioning charges and other service charges payable by the Group to the Manager on an annual basis with an estimated rate of approximately 10% increase annually.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group has been engaging the Manager to provide the Management Services in respect of CITIC Telecom Tower or parts thereof since 2011. The 2018 Management Services Agreement will expire on 31 December 2020 and the Group intends to continue to appoint the Manager to be the property manager of CITIC Telecom Tower by entering into the 2020 Management Services Agreement.

The Directors (including the independent non-executive Directors) consider that the terms of the 2020 Management Services Agreement (including the annual caps) and the transactions contemplated thereunder are on normal commercial terms after arm's length negotiations 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.

INFORMATION OF THE PARTIES TO THE TRANSACTION

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 the Company's 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 Virtual Private Network, 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. As a market leader, CTM 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.

ComNet is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company. ComNet is principally engaged in property and equipment holding and investment holding.

Neostar is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company. Neostar is principally engaged in property holding.

CITIC Limited

CITIC Limited is one of China's largest conglomerates. Among its diverse global businesses, CITIC Limited focuses primarily on financial services, resources and energy, manufacturing, engineering contracting and real estate. CITIC Limited enjoys leading market positions in sectors well matched to China's economy. CITIC's rich history, diverse platform and strong corporate culture across all businesses ensure that CITIC Limited is unrivalled for capturing opportunities arising in China and overseas.

CITIC Limited is listed on the Stock Exchange, where it is a constituent of the Hang Seng Index. CITIC Group Corporation, a Chinese state-owned enterprise, owns 58% of CITIC Limited.

The Manager

The Manager is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of CITIC Limited. The Manager is principally engaged in property management.

LISTING RULES IMPLICATIONS

The Manager is a wholly-owned subsidiary of CITIC Limited, a controlling shareholder of the Company which is interested in approximately 58.11% of the total number of Shares in issue. Accordingly, the Manager is a connected person of the Company. Therefore, the entering into of the 2020 Management Services Agreement and the transactions contemplated thereunder will constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio as defined in the Listing Rules calculated with reference to the annual caps for the 2020 Management Services Agreement is more than 0.1% but less than 5%, such continuing connected transaction is subject to the reporting, announcement and annual review requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Liu Zhengjun, a non-executive Director, is the vice president of CITIC Limited. Mr. Liu Jifu, a non-executive Director, is a director of CITIC Pacific (a wholly-owned subsidiary of CITIC Limited and the holding company of the Manager) and Mr. Fei Yiping, a non-executive Director, is a director as well as the chief financial officer of CITIC Pacific. In order to avoid the perception of a conflict of interest, Messrs. Liu Zhengjun, Liu Jifu and Fei Yiping have abstained from voting on the board resolutions of the Company for considering and approving the transaction contemplated under the 2020 Management Services Agreement. Save as disclosed above, no other Directors has a material interest in the transaction or is required to abstain from voting on the board resolutions of the Company for considering and approving the transaction.

DEFINITIONS

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

“2018 Management Services Agreement”	the management services agreement dated 23 October 2018 entered into between ComNet, Neostar and the Manager for a term from 28 October 2018 to 31 December 2020 (both days inclusive);
“2020 Management Services Agreement”	the management services agreement dated 23 December 2020 entered into between ComNet, Neostar and the Manager for a term of 3 years from 1 January 2021 to 31 December 2023 (both days inclusive);
“Board”	the board of Directors;
“CITIC Limited”	CITIC Limited (中國中信股份有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 00267) and which is the indirect holding company of the Company;
“CITIC Pacific”	CITIC Pacific Limited (中信泰富有限公司), a company incorporated in the British Virgin Islands with limited liability and registered under the laws of Hong Kong as a non-Hong Kong company, and a wholly-owned subsidiary of CITIC Limited;
“CITIC Telecom Tower”	CITIC Telecom Tower situated at 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong;
“ComNet”	ComNet Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
“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);
“connected person”; “continuing connected transaction(s)”; “controlling shareholder”; “percentage ratio”; and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules;
“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;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Macao”	the Macao Special Administrative Region of the PRC;
“Management Services”	the provision of the general property management services, chilled water supply, air-conditioning supply and other relevant services in respect of CITIC Telecom Tower by the Manager to the Group;
“Manager”	Hang Luen Chong Property Management Company, Limited (恒聯昌物業管理有限公司), a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of CITIC Limited;
“Neostar”	Neostar Investment Limited (嶺星投資有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macao and Taiwan;
“Shares”	shares in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

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

Hong Kong, 23 December 2020

As at the date of this announcement, the Directors of the Company are: executive Directors: Mr. Xin Yue Jiang (Chairman), Mr. Cai Dawei and Mr. Li Bing Chi, Esmond; non-executive Directors: Mr. Liu Zhengjun, Mr. Liu Jifu and Mr. Fei Yiping; independent non-executive Directors: Mr. Liu Li Qing, Mr. Zuo Xunsheng and Mr. Lam Yiu Kin.