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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

RENEWAL OF DCH TENANCY AGREEMENT

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Reference is made to the announcement of the Company dated 31 May 2018 in relation to the 2018 DCH Tenancy Agreement entered into between Neostar (a wholly-owned subsidiary of the Company) and DCH Holdings (currently a wholly-owned subsidiary of CITIC Limited and was a non-wholly owned subsidiary of CITIC Limited in 2018). The 2018 DCH Tenancy Agreement will expire on 31 May 2021.

The Board wishes to announce that on 26 May 2021, Neostar, as landlord, and DCH Holdings, as tenant, entered into the 2021 DCH Tenancy Agreement to renew the existing tenancy for a new term of three years from 1 June 2021 to 31 May 2024 (both days inclusive).

LISTING RULES IMPLICATIONS

DCH Holdings is a wholly-owned subsidiary of CITIC Limited, which in turn, is a controlling shareholder of the Company which is interested in approximately 57.88% of the total number of Shares in issue. Accordingly, DCH Holdings is an associate of CITIC Limited and hence is a connected person of the Company. Therefore, the entering into of the 2021 DCH Tenancy Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

Since the highest applicable percentage ratio calculated with reference to the annual caps for the 2021 DCH Tenancy Agreement is more than 0.1% but less than 5%, such continuing connected transactions are subject to the reporting, announcement and annual review requirements but are 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 31 May 2018 in relation to the 2018 DCH Tenancy Agreement entered into between Neostar (a wholly-owned subsidiary of the Company) and DCH Holdings (currently a wholly-owned subsidiary of CITIC Limited and was a non-wholly owned subsidiary of CITIC Limited in 2018). The 2018 DCH Tenancy Agreement will expire on 31 May 2021.

The Board wishes to announce that on 26 May 2021, Neostar, as landlord, and DCH Holdings, as tenant, entered into the 2021 DCH Tenancy Agreement to renew the existing tenancy for a new term of three years from 1 June 2021 to 31 May 2024 (both days inclusive).

THE 2021 DCH TENANCY AGREEMENT

The principal terms of the 2021 DCH Tenancy Agreement are set out below:

Date

26 May 2021

Parties

- (i) Neostar, as the landlord
- (ii) DCH Holdings, as the tenant

Subject Premises

The whole of 7th floor to 11th floor of CITIC Telecom Tower.

Term

The term of the 2021 DCH Tenancy Agreement is three years commencing from 1 June 2021 and expiring on 31 May 2024 (both days inclusive).

Monthly Rentals and Management Charges

A monthly rental (exclusive of government rent, rates and management charges and other outgoings) of (i) HK\$1,177,996 for the period from 1 June 2021 to 31 May 2023 (both days inclusive) and (ii) HK\$1,195,235 for the period from 1 June 2023 to 31 May 2024 (both days inclusive), together with monthly management charges of approximately HK\$199,200 (subject to revision) for the period from 1 June 2021 to 31 May 2024 (both days inclusive).

The rentals and management charges payable under the 2021 DCH Tenancy Agreement were negotiated on an arms' length basis and are determined with reference to the current rentals and management charges under the 2018 DCH Tenancy Agreement and prevailing market rates for similar properties in the vicinity.

Historical Transaction Amounts

The aggregate amounts of rentals, management charges and other outgoings (other than those which are collected by Neostar from DCH Holdings for payment to independent third parties) paid by DCH Holdings to the Group in respect of the leasing of the subject premises under the 2018 DCH Tenancy Agreement for the period from 1 June 2018 to 31 December 2018, each of the financial years ended 31 December 2019 and 2020, and the period from 1 January 2021 to 30 April 2021 were:

	For the period from 1 June to 31 December	For the financial year ended 31 December		For the period from 1 January to 30 April
	2018	2019	2020	2021
Approximately HK\$ (million)	9.6	16.5	16.6	5.6

Annual Caps

The fees (including the aggregate rentals, management charges and other outgoings) payable by DCH Holdings to the Group under the 2021 DCH Tenancy Agreement for the period from 1 June 2021 to 31 December 2021, each of the financial years ending 31 December 2022 and 2023 and the period from 1 January 2024 to 31 May 2024 shall not exceed the maximum amounts set out below:

	For the period from 1 June to 31 December	For the financial year ending 31 December		For the period from 1 January to 31 May
	2021	2022	2023	2024
HK\$ (million)	11.0	18.5	19.0	8.5

The annual caps set out above were determined with reference to (i) the rentals paid by DCH Holdings for the relevant period under the 2018 DCH Tenancy Agreement; (ii) the rentals stipulated in the 2021 DCH Tenancy Agreement; (iii) the historical and currently payable management charges; (iv) the expected increment in the management charges over the term of the 2021 DCH Tenancy Agreement; and (v) the estimated outgoings in respect of the subject premises.

The Company will monitor and ensure that the transactions under the 2021 DCH Tenancy Agreement are conducted in accordance with the terms of the 2021 DCH Tenancy Agreement and the aggregate amount of the monthly fees and charges payable thereunder will not exceed the above annual caps. 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 2021 DCH Tenancy Agreement and ensure compliance with the above annual caps.

Other Licensing Arrangement

Neostar has also entered into licensing arrangement in respect of car parking spaces and other areas at the CITIC Telecom Tower with the DCH Group, and the expected maximum annual amounts payable under such licensing arrangement for the period from 1 June 2021 to 31 December 2021, each of the financial years ending 31 December 2022 and 2023 and the period from 1 January 2024 to 31 May 2024 are:

	For the period from 1 June to 31 December	For the financial year ending 31 December		For the period from 1 January to 31 May
	2021	2022	2023	2024
HK\$	158,000	270,000	270,000	113,000

The above licensing arrangement falls within the de minimis exemption under Rule 14A.76 of the Listing Rules.

The licensing fees paid by the DCH Group to the Group in respect of the above licensing arrangement for the period from 1 June 2018 to 31 December 2018, each of the financial years ended 31 December 2019 and 2020, and the period from 1 January 2021 to 30 April 2021 were:

	For the period from 1 June to 31 December	For the financial year ended 31 December		For the period from 1 January to 30 April
	2018	2019	2020	2021
Approximately HK\$	95,000	162,000	162,000	54,000

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Directors consider that the 2021 DCH Tenancy Agreement could provide the Company with stable rental income without the need to search for new tenant.

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under the 2021 DCH Tenancy Agreement (including the annual caps) are entered into in the ordinary and usual course of business of the Group and on normal commercial terms after arm's length negotiations, which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE PARTIES TO THE TRANSACTIONS

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.

Neostar

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.

DCH Holdings

DCH Holdings is an integrated motor and consumer products distribution company operating in Asia with an extensive logistics network. DCH Holdings is a leading distributor and dealer of motor vehicles in Greater China and provides a full range of motor related services including maintenance, rental, repair and financing. DCH Holdings’ consumer products business includes the distribution of food and fast moving consumer goods, healthcare and electronic products as well as food processing, trading and retail.

CITIC Group Corporation

CITIC Group Corporation is the ultimate beneficial owner of each of CITIC Limited, the Company and DCH Holdings, and is a Chinese state-owned enterprise under the Ministry of Finance of the PRC. Since its establishment in 1979, CITIC Group Corporation has been a pioneer of the PRC’s economic reform. It makes investments in areas with long-term potential as well as those aligned with national priorities.

LISTING RULES IMPLICATIONS

DCH Holdings is a wholly-owned subsidiary of CITIC Limited, which in turn, is a controlling shareholder of the Company which is interested in approximately 57.88% of the total number of Shares in issue. Accordingly, DCH Holdings is an associate of CITIC Limited and hence is a connected person of the Company. Therefore, the entering into of the 2021 DCH Tenancy Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

Since the highest applicable percentage ratio calculated with reference to the annual caps for the 2021 DCH Tenancy Agreement is more than 0.1% but less than 5%, such continuing connected transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Mr. Wang Guoquan, a non-executive Director, is the Vice President of CITIC Group Corporation and CITIC Limited. Mr. Liu Jifu, a non-executive Director, is a director of CITIC Pacific. Mr. Fei Yiping, a non-executive Director, is a director as well as the Chief Financial Officer of CITIC Pacific and a director of DCH Holdings. In order to avoid the perception of a conflict of interest, Messrs. Wang Guoquan, Liu Jifu and Fei Yiping have abstained from voting on the board resolutions of the Company for considering and approving the transactions contemplated under the 2021 DCH Tenancy Agreement. Save as disclosed above, no other Directors has a material interest in such transactions or is required to abstain from voting on the board resolutions of the Company for considering and approving these transactions.

DEFINITIONS

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

“2018 DCH Tenancy Agreement”	the tenancy agreement dated 31 May 2018 entered into between Neostar and DCH Holdings for a term from 1 June 2018 and expiring on 31 May 2021 (both days inclusive);
“2021 DCH Tenancy Agreement”	the tenancy agreement dated 26 May 2021 entered into between Neostar and DCH Holdings for a term commencing from 1 June 2021 and expiring on 31 May 2024 (both days inclusive);
“associate”; “connected person”; “continuing connected transactions”; “controlling shareholder”; “percentage ratio”; and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“CITIC Group Corporation”	中國中信集團有限公司 (CITIC Group Corporation), a wholly state-owned enterprise established under the laws of the PRC, and the ultimate beneficial owner of each of CITIC Limited, the Company and DCH Holdings;
“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 each of the Company and DCH Holdings;

“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. It is a wholly-owned subsidiary of CITIC Limited and is the indirect holding company of the Company and DCH Holdings;
“CITIC Telecom Tower”	CITIC Telecom Tower situated at 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong;
“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);
“DCH Group”	DCH Holdings and its subsidiaries;
“DCH Holdings”	Dah Chong Hong Holdings Limited (大昌行集團有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of CITIC Limited (and was a non-wholly owned subsidiary of CITIC Limited in 2018);
“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;
“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” or “China”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macao and Taiwan;

“Share(s)” 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, 26 May 2021

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. Wang Guoquan, Mr. Liu Jifu and Mr. Fei Yiping; Independent Non-Executive Directors: Mr. Liu Li Qing, Mr. Zuo Xunsheng and Mr. Lam Yiu Kin.