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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)

**CONNECTED TRANSACTION
AND
CONTINUING CONNECTED TRANSACTION
IN RELATION TO
RENEWAL OF TENANCY AGREEMENT IN RESPECT OF
PREMISES IN AP LEI CHAU**

Reference is made to the announcement of the Company dated 19 September 2018 in relation to the 2018 Main Premises Tenancy Agreement entered into between the Tenant, a wholly-owned subsidiary of the Company, and Tendo, a wholly-owned subsidiary of CITIC Limited.

The Board announces that on 13 September 2021, the Tenant exercised the option to renew the 2018 Main Premises Tenancy Agreement pursuant to the Main Premises Renewal Option Agreement and entered into the 2021 Main Premises Tenancy Agreement with Tendo for renewing the leases in respect of the Main Premises.

As Tendo is a wholly-owned subsidiary of CITIC Limited, a controlling shareholder of the Company which is interested in approximately 57.85% of the total number of Shares in issue, Tendo is a connected person of the Company. Under Chapter 14A of the Listing Rules, (a) the payment of the Rent, which is regarded as an acquisition of asset by the Group, constitutes a connected transaction for the Company; and (b) the payment of the Other Charges constitutes a continuing connected transaction for the Company.

As the highest applicable percentage ratio calculated with reference to the value of the Right-of-Use Asset (Lease), being the present value of the Rent, is more than 0.1% but less than 5%, the payment of the Rent is only subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios with respect to the Other Charges on an annual basis are less than 0.1%, the payment of the Other Charges constitutes a de minimis transaction pursuant to Rule 14A.76(1)(a) of the Listing Rules and is fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 19 September 2018 in relation to the 2018 Main Premises Tenancy Agreement entered into between the Tenant, a wholly-owned subsidiary of the Company, and Tendo, a wholly-owned subsidiary of CITIC Limited.

The Board announces that on 13 September 2021, the Tenant exercised the option to renew the 2018 Main Premises Tenancy Agreement pursuant to the Main Premises Renewal Option Agreement and entered into the 2021 Main Premises Tenancy Agreement with Tendo for renewing the leases in respect of the Main Premises.

THE 2021 MAIN PREMISES TENANCY AGREEMENT

Date

13 September 2021

Parties

- (1) Tendo, a wholly-owned subsidiary of CITIC Limited and the landlord of the Main Premises;
and
- (2) the Tenant, a wholly-owned subsidiary of the Company and the tenant of the Main Premises.

Description of the Main Premises

The Main Premises comprise the whole of the 5th floor, a portion of the ground floor, a portion of the 3rd floor podium, a portion of the roof floor, and an area for cable duct and trunking at the Ap Lei Chau Building with a total gross floor area of approximately 61,584 square feet.

Term, Monthly Rent and Other Charges

The term of the 2021 Main Premises Tenancy Agreement will be three (3) years commencing from 20 September 2021 and expiring on 19 September 2024 (both days inclusive), with an aggregate monthly rental of (i) approximately HK\$822,000 for the period from 20 September 2021 to 19 September 2023; and (ii) approximately HK\$834,000 for the period from 20 September 2023 to 19 September 2024. The Tenant shall also pay its share of management charges in respect of the Main Premises, being approximately HK\$79,000 per month, subject to revision. The Tenant shall also be responsible for the payment of its own utility charges, government rates and government rent in respect of the Main Premises during the term of the 2021 Main Premises Tenancy Agreement.

The Rent was negotiated on an arm's length basis and was determined with reference to the current rental for the Main Premises receivable by Tendo pursuant to the 2018 Main Premises Tenancy Agreement and prevailing open market rates for similar properties in the vicinity.

The Tenant has paid to Tendo a deposit of approximately HK\$2,845,000 to secure the due observance and performance of its obligations under the 2021 Main Premises Tenancy Agreement, which shall be refunded to the Tenant without interest within thirty (30) days after the expiration of the 2021 Main Premises Tenancy Agreement and the delivery of vacant possession to Tendo or within thirty (30) days of settlement of the last outstanding claim by Tendo against the Tenant in respect of any breach or non-observance or non-performance of the 2021 Main Premises Tenancy Agreement on the part of the Tenant, whichever is the later.

Other Charges

The amounts of the Other Charges payable by the Tenant to Tendo shall not exceed HK\$2,000,000 for each of (1) the period from 20 September 2021 to 31 December 2021; (2) the financial year ending 31 December 2022; (3) the financial year ending 31 December 2023; and (4) the period from 1 January 2024 to 19 September 2024.

The annual caps of the Other Charges were determined with reference to (i) the historical amounts of the management charges and utility charges paid monthly by the Tenant to Tendo under the 2018 Main Premises Tenancy Agreement, and other outgoings in respect of the Main Premises paid by the Tenant to Tendo during the term of the 2018 Main Premises Tenancy Agreement; (ii) any of the Other Charges stipulated in the 2021 Main Premises Tenancy Agreement; (iii) the expected increment to the Other Charges over the term of the 2021 Main Premises Tenancy Agreement; and (iv) the estimated outgoings in respect of the Main Premises.

The historical amounts of the management charges and utility charges paid monthly by the Tenant to Tendo under the 2018 Main Premises Tenancy Agreement, and other outgoings in respect of the Main Premises paid by the Tenant to Tendo during the term of the 2018 Main Premises Tenancy Agreement for each of (1) the period from 20 September 2018 to 31 December 2018; (2) the financial year ended 31 December 2019; (3) the financial year ended 31 December 2020; and (4) the period from 1 January 2021 to 31 July 2021 were approximately HK\$300,000, HK\$1,000,000, HK\$1,000,000 and HK\$600,000, respectively.

ACCOUNTING IMPLICATION AND TREATMENT UNDER THE LISTING RULES

In accordance with HKFRS 16 applicable to the Group, the payment to be made by the Group contemplated under the 2021 Main Premises Tenancy Agreement comprise different components and hence different accounting treatments will apply. The Group will recognise the Rent as an acquisition of right-of-use asset taking into account the aggregate discounted amount of the Rent in accordance with HKFRS 16, which is estimated to be approximately HK\$29,200,000 (subject to audit). Such acquisition of right-of-use asset will constitute a one-off connected transaction for the Company under Chapter 14A of the Listing Rules. The Other Charges will be recognised as expenses in the Group's profit and loss accounts in the periods in which they are incurred, and the payment of such expenses will be regarded as a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE 2021 MAIN PREMISES TENANCY AGREEMENT

The Main Premises have been and will continue to be primarily used as a data centre to support the Group's provision of telecommunications services to its customers in the ordinary and usual course of business of the Group.

The Directors (including the independent non-executive Directors) consider that the entering into of the 2021 Main Premises Tenancy Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and the terms of the 2021 Main Premises Tenancy Agreement (including the annual caps for the Other Charges) are 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 2021 MAIN PREMISES TENANCY AGREEMENT

Tenant

The Tenant is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company. The Tenant is principally engaged in provision of telecommunications services.

The Group

The Company was established in 1997 in Hong Kong and was listed on the Stock Exchange on 3 April 2007.

As one of the largest international telecommunications hubs in Asia Pacific, the Group provides full-scale international telecommunications services to carrier clients around the globe, and integrated enterprise services in Southeast Asia through its wholly-owned subsidiary Acclivis Technologies and Solutions Pte. Ltd.

CITIC Telecom International CPC Limited ("CPC"), the Group's wholly-owned subsidiary, provides one-stop ICT solutions to multinational and business enterprises. CPC is one of the most trusted partners of leading multinational and business enterprises in the Asia-Pacific region and provides comprehensive ICT services for sizeable multinational and business enterprises in Mainland China through its subsidiary China Enterprise ICT Solutions Limited.

The Group holds 99% equity interest in Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM"). CTM is one of the leading integrated telecommunications services providers in Macau, and is the only full telecommunications services provider in Macau. It has long provided quality telecommunications and ICT services to the residents, government and enterprises of Macau, and plays an important role in the ongoing development of Macau.

Tendo

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

CITIC Group Corporation

CITIC Group Corporation is the ultimate holding company of each of CITIC Limited, the Company, the Tenant and Tendo. CITIC Group Corporation is a Chinese state-owned enterprise under the Ministry of Finance of the PRC. Its main asset is a 58.13% interest in CITIC Limited. Since its establishment in 1979, CITIC Group Corporation has been a pioneer of China's economic reform. It makes investments in areas with long-term potential as well as those aligned with national priorities.

LISTING RULES IMPLICATIONS

As Tendo is a wholly-owned subsidiary of CITIC Limited, a controlling shareholder of the Company which is interested in approximately 57.85% of the total number of Shares in issue, Tendo is a connected person of the Company. Under Chapter 14A of the Listing Rules, (a) the payment of the Rent, which is regarded as an acquisition of asset by the Group, constitutes a connected transaction for the Company; and (b) the payment of the Other Charges constitutes a continuing connected transaction for the Company.

As the highest applicable percentage ratio calculated with reference to the value of the Right-of-Use Asset (Lease), being the present value of the Rent, is more than 0.1% but less than 5%, the payment of the Rent is only subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios with respect to the Other Charges on an annual basis are less than 0.1%, the payment of the Other Charges constitutes a de minimis transaction pursuant to Rule 14A.76(1)(a) of the Listing Rules and is fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements 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. 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 Main Premises Tenancy Agreement. Save as disclosed above, no other Directors have a material interest in such transactions or are 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 shall have the meanings set out below unless the context requires otherwise:

“2015 Main Premises Tenancy Agreement”	the tenancy agreement dated 21 August 2015 entered into between the Tenant and Tendo in relation to the leasing of the Main Premises to the Tenant by Tendo for a term of three (3) years commenced from 20 September 2015 to 19 September 2018 (both days inclusive);
“2018 Main Premises Tenancy Agreement”	the tenancy agreement dated 19 September 2018 entered into between the Tenant and Tendo in relation to the leasing of the Main Premises to the Tenant by Tendo for a term of three (3) years commenced from 20 September 2018 and expiring on 19 September 2021 (both days inclusive);
“2021 Main Premises Tenancy Agreement”	the tenancy agreement dated 13 September 2021 entered into between the Tenant and Tendo in relation to the leasing of the Main Premises to the Tenant by Tendo for a term of three (3) years commencing from 20 September 2021 and expiring on 19 September 2024 (both days inclusive);
“Ap Lei Chau Building”	the building located at No.111 Lee Nam Road, Ap Lei Chau, Hong Kong;
“Board”	the board of Directors;
“CITIC Group Corporation”	中國中信集團有限公司 (CITIC Group Corporation), a Chinese state-owned enterprise established under the laws of the PRC, and the ultimate holding company of each of CITIC Limited, CITIC Pacific, the Company, the Tenant and Tendo;
“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 57.85% of the number of Shares in issue;
“CITIC Pacific”	CITIC Pacific Limited (中信泰富有限公司), a company incorporated in British Virgin Islands with limited liability; and a wholly-owned subsidiary of CITIC Limited and the intermediate holding company of each of the Company and Tendo;
“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);

“connected person”, “connected transaction”, “continuing connected transaction”, “controlling shareholder”, “percentage ratio(s)” and “subsidiary(ies)”	each has the meaning ascribed to it in the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
“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 Macao Special Administrative Region of the PRC;
“Main Premises”	the whole of the 5th floor, a portion of the ground floor, a portion of the 3rd floor podium, a portion of the roof floor, and an area for cable duct and trunking at the Ap Lei Chau Building with a total gross floor area of approximately 61,584 square feet;
“Main Premises Renewal Option Agreement”	the agreement dated 21 August 2015 entered into between the Tenant and Tendo in relation to the grant of options to renew the 2015 Main Premises Tenancy Agreement and the 2018 Main Premises Tenancy Agreement;
“Other Charges”	the management charges and utility charges payable monthly by the Tenant to Tendo under the 2021 Main Premises Tenancy Agreement, and other outgoings in respect of the Main Premises (such as rentals for car parking spaces to be leased by Tendo to the Tenant from time to time) payable by the Tenant to Tendo during the term of the 2021 Main Premises Tenancy Agreement;
“PRC” or “China” or “Mainland China”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan;

“Rent”	the rental under the 2021 Main Premises Tenancy Agreement payable by Tenant to Tendo;
“Right-of-Use Asset (Lease)”	an asset representing the value of the Group’s right (as lessee) to use for the leased Main Premises in relation to the 2021 Main Premises Tenancy Agreement in its consolidated financial statements pursuant to HKFRS 16 Leases;
“Share(s)”	share(s) in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tenant”	CITIC Telecom International Limited (中信國際電訊有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
“Tendo”	Tendo Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of each of CITIC Pacific and CITIC Limited; and
“%”	per cent.

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

Hong Kong, 13 September 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.