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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

SERVICES AGREEMENT FOR PROVISION OF SDH CIRCUIT SERVICES

THE 2023 SDH SERVICES AGREEMENT

On 17 February 2023, (i) the SDH Services Provider, being an associate of CITIC Group, and (ii) CEC, being a non-wholly owned subsidiary of the Company, entered into the 2023 SDH Services Agreement, pursuant to which CEC shall, upon the expiry of the 2020 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 2023 to 18 February 2026.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CITIC Group, being the ultimate controlling shareholder of the Company, is indirectly interested in more than 30% of the entire equity interest in the SDH Services Provider. Accordingly, SDH Services Provider is an associate of CITIC Group and the entering into of the 2023 SDH Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios as defined in the Listing Rules calculated with reference to the annual caps for the 2023 SDH Services Agreement are more than 0.1% but less than 5%, the continuing connected transactions under the 2023 SDH Services Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 18 February 2020 in relation to, inter alia, the 2020 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 2020 SDH Services Agreement is due to expire on 18 February 2023, CEC entered into the 2023 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 2023 to 18 February 2026.

THE 2023 SDH SERVICES AGREEMENT

Date

17 February 2023

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 2020 SDH Services Agreement is due to expire on 18 February 2023, CEC entered into the 2023 SDH Services Agreement with the SDH Services Provider on 17 February 2023, 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 2023 to 18 February 2026.

Service fee and pricing basis

For each service order under the 2023 SDH Services Agreement, the SDH Services Provider will charge CEC service fee which shall include (i) a one-off set-up fee of RMB2,000 (equivalent to approximately HK\$2,340); and (ii) a monthly service fee, the amount of which will depend on the location, technology, bandwidth and distance 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 2023 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. The terms (including the prices payable by CEC to the SDH Services Provider) will be no less favourable to the Company than those procured from other service providers which are independent third parties of the Group.

The engineering department of CEC will make enquiries or obtain quotations from at least two service providers which are independent third parties for similar services in similar locations with comparable technology, bandwidth and distance on a periodic basis and make comparison so as to determine if the rates of the service fee payable by CEC to the SDH Services Provider are on normal commercial terms and on terms which are no less favourable to the Company than those offered by the service providers which are independent third parties. The finance department of CEC will monitor and ensure that the transactions under the 2023 SDH Services Agreement are conducted in accordance with the terms of the 2023 SDH Services Agreement and do not exceed the annual caps below. The Board will also continue to review on a regular basis the Group's internal control system and its effectiveness. In addition, the Company will appoint an external auditor pursuant to the Listing Rules to conduct annual reviews of the transactions under the 2023 SDH Services Agreement and the annual caps below.

Historical transaction amounts

The service fee paid by CEC to the SDH Services Provider under the 2020 SDH Services Agreement for the period from 19 February 2020 to 31 December 2020 and the two financial years ended 31 December 2021 and 2022 were:

	Historical amount for the period from 19 February to 31 December	Historical amounts for the financial year ended 31 December	
	2020	2021	2022
Service fee RMB <i>(million)</i>	8.1	9.5	10.2
Approximately equivalent to HK\$ <i>(million)</i>	9.5	11.1	11.9

Annual caps

The service fee payable by CEC to the SDH Services Provider for the term of the 2023 SDH Services Agreement is subject to the annual caps set out below:

	For the period from 19 February to 31 December	For the financial year ending 31 December		For the period from 1 January to 18 February
	2023	2024	2025	2026
Service fee RMB <i>(million)</i>	10.2	14.2	17.0	2.8
Approximately equivalent to HK\$ <i>(million)</i>	11.9	16.6	19.9	3.3

The above annual caps were determined with reference to the following:

- (i) the historical amounts of service fee paid by CEC to the SDH Services Provider; and
- (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, as 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 2023 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 2023 SDH Services Agreement and the above annual caps are fair and reasonable, and that the transactions contemplated under the 2023 SDH Services Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Group and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CITIC Group, being the ultimate controlling shareholder of the Company, is indirectly interested in more than 30% of the entire equity interest in the SDH Services Provider. Accordingly, SDH Services Provider is an associate of CITIC Group and the entering into of the 2023 SDH Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios as defined in the Listing Rules calculated with reference to the annual caps for the 2023 SDH Services Agreement are more than 0.1% but less than 5%, the continuing connected transactions under the 2023 SDH Services Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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.

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 CEC.

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.

CEC

CEC is a non-wholly owned subsidiary of the Company. The Company and CITIC Group indirectly hold 49% and 45.09% equity interests respectively in 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.

SDH Services Provider

Based on the public search records available to the Company, apart from CITIC Group, the other ultimate beneficial owners of SDH Services Provider are Zhu Yihang, Zhu Waihang and Liu Huiying who are all independent third parties of the Company to the best of the Directors' knowledge, information and belief having made all reasonable enquiry.

The SDH Services Provider is principally engaged in the provision of communications network and system services in Guangdong province.

CITIC Group

CITIC Group, the ultimate controlling shareholder of each of CEC, the SDH Services Provider and the Company, is a Chinese state-owned enterprise under the Ministry of Finance of the PRC. Since its establishment in 1979, CITIC Group has been a pioneer of China's economic reform, investing in areas with long-term potential as well as those aligned with national priorities.

GENERAL

Mr. Wang Guoquan, a non-executive Director, is the executive director and vice president of CITIC Group. In order to avoid the perception of a conflict of interest, Mr. Wang Guoquan has abstained from voting on the board resolutions of the Company for considering and approving the 2023 SDH Services Agreement and the transactions contemplated under the 2023 SDH Services Agreement. Save as disclosed above, no other Director has a material interest in the 2023 SDH Services Agreement and the transactions contemplated under the 2023 SDH Services Agreement or is required to abstain from voting on the board resolutions of the Company for considering and approving the 2023 SDH Services Agreement and the transactions contemplated under the 2023 SDH Services Agreement.

DEFINITIONS

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

“2020 SDH Services Agreement”	the services agreement dated 18 February 2020 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;
“2023 SDH Services Agreement”	the services agreement dated 17 February 2023 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(s)”, “controlling shareholder”, “percentage ratio(s)” and “subsidiary(ies)”	each has the meaning ascribed to it by the Listing Rules;
“Board”	the board of Directors;
“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 an indirect non-wholly owned subsidiary of the Company and also an associate of CITIC Group;

“CITIC Group”	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 controlling shareholder of each of CEC, the SDH Services Provider and 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);
“CPC”	has the meaning as defined under the section headed “GENERAL INFORMATION” of this announcement;
“CTM”	has the meaning as defined under the section headed “GENERAL INFORMATION” 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;
“Macau”	the Macau Special Administrative Region of the PRC;
“PRC” or “China” or “Mainland China”	the People’s Republic of China (for the purpose of this announcement, excludes 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;

“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, unless otherwise specified, the exchange rate of RMB1.00 = HK\$1.17 is adopted. The exchange rate does not constitute a representation that any amount has been, could have been or may be converted at the above rate 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
CITIC Telecom International Holdings Limited
Xin Yue Jiang
Chairman

Hong Kong, 17 February 2023

The Directors of the Company as at the date of this announcement are: Executive Directors: Xin Yue Jiang (Chairman), Cai Dawei and Luan Zhenjun; Non-Executive Directors: Wang Guoquan, Liu Jifu and Fei Yiping; and Independent Non-Executive Directors: Zuo Xunsheng, Lam Yiu Kin and Wen Ku.