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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 2020 SDH SERVICES AGREEMENT

On 18 February 2020, the SDH Services Provider, being an associate of CITIC Group, and CEC (a non-wholly owned subsidiary of the Company), entered into the 2020 SDH Services Agreement, pursuant to which CEC shall, upon the expiry of the 2017 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 2020 to 18 February 2023.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the SDH Services Provider is an associate of CITIC Group, the ultimate holding company of the Company, as a subsidiary of CITIC Group is interested in more than 30% equity interest in the SDH Services Provider. Accordingly, the entering into of the 2020 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 2020 SDH Services Agreement are more than 0.1% but less than 5%, the continuing connected transactions under the 2020 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 17 February 2017 in relation to, inter alia, the 2017 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 2017 SDH Services Agreement is due to expire on 18 February 2020, CEC entered into the 2020 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 2020 to 18 February 2023.

THE 2020 SDH SERVICES AGREEMENT

Date

18 February 2020

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 2017 SDH Services Agreement is due to expire on 18 February 2020, CEC entered into the 2020 SDH Services Agreement with the SDH Services Provider on 18 February 2020, 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 2020 to 18 February 2023.

Service fee and pricing basis

For each service order under the 2020 SDH Services Agreement, the SDH Services Provider will charge CEC service fee which shall include (i) an one-off set-up fee of RMB2,000 (equivalent to approximately HK\$2,240); 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 2020 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 the independent third party service providers of the Group.

The engineering department of CEC will make enquiries or obtain quotations from at least two 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 independent third parties. The finance department of CEC will monitor and ensure that the transactions under the 2020 SDH Services Agreement are conducted in accordance with the terms of the 2020 SDH Services Agreement and do not exceed the below annual caps. 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 2020 SDH Services Agreement and the below annual caps.

Historical transaction amounts

The service fee paid by CEC to the SDH Services Provider under the 2017 SDH Services Agreement for the period from 19 February 2017 to 31 December 2017 and the two financial years ended 31 December 2018 and 2019 were:

	Historical amount for the period from 19 February to 31 December	Historical amounts for the financial years ended 31 December	
	2017	2018	2019
Service fee RMB <i>(million)</i>	6.12	7.81	8.89
Approximately equivalent to HK\$ <i>(million)</i>	6.85	8.75	9.96

Annual caps

The service fee payable by CEC to the SDH Services Provider for the term of the 2020 SDH Services Agreement is subject to the annual caps set out below:

	For the period from 19 February to 31 December	For the financial years ending 31 December		For the period from 1 January to 18 February
	2020	2021	2022	2023
Service fee RMB (million)	11.87	16.50	19.80	3.25
Approximately equivalent to HK\$ (million)	13.29	18.48	22.18	3.64

The above annual caps were determined with reference to (i) the historical amount 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. 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 2020 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 2020 SDH Services Agreement and the above annual caps are fair and reasonable, and that the transactions contemplated under the 2020 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.

None of the Directors has a material interest in the 2020 SDH Services Agreement and the transactions contemplated under the 2020 SDH Services Agreement or is required to abstain from voting on the board resolutions of the Company for considering and approving the 2020 SDH Services Agreement and the transactions contemplated under the 2020 SDH Services Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the SDH Services Provider is an associate of CITIC Group, the ultimate holding company of the Company, as a subsidiary of CITIC Group is interested in more than 30% equity interest in the SDH Services Provider. Accordingly, the entering into of the 2020 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 2020 SDH Services Agreement are more than 0.1% but less than 5%, the continuing connected transactions under the 2020 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.

GENERAL INFORMATION

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 VPN, Cloud, network security, co-location, 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.

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. CEC was founded in 2000 and has since built an extensive network in the PRC with its headquarters in Beijing.

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

CITIC Group is the ultimate holding company of CEC, the SDH Services Provider and the Company. CITIC Group is a 100% Chinese state-owned enterprise. Its main asset is a 58.13% interest in CITIC Limited. Since its establishment in 1979, CITIC Group 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.

DEFINITIONS

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

“2017 SDH Services Agreement”	the services agreement dated 17 February 2017 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;
“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;
“associate”, “continuing connected transaction(s)”, “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 state-owned enterprise established under the laws of the PRC, and the ultimate holding company of each of CEC, the SDH Services Provider and the Company;
“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 58.19% of the number of Shares in issue;
“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”	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;
“Macao”	the Macao Special Administrative Region of the PRC;
“PRC” or “China”	the People’s Republic of China (for the purpose of this announcement, excludes Hong Kong, Macao 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\$1.12 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, 18 February 2020

The Directors of the Company as at the date of this announcement are: Executive Directors: Xin Yue Jiang (Chairman), Lin Zhenhui and Li Bing Chi, Esmond; Non-Executive Directors: Liu Zhengjun, Liu Jifu and Fei Yiping; and Independent Non-Executive Directors: Liu Li Qing, Zuo Xunsheng and Lam Yiu Kin.