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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 SERVICE AGREEMENT FOR TECHNICAL AND SUPPORT SERVICES**

#### **2022 Service Agreement for Technical and Support Services**

Reference is made to the announcement of the Company dated 19 June 2019 in relation to the 2019 Service Agreement. As the term of the 2019 Service Agreement shall expire on 23 June 2022, the Company intends to renew such agreement upon its expiry.

The board of Directors of the Company announces that on 23 June 2022, CEC-HK and CPC, being wholly-owned subsidiaries of the Company, entered into the 2022 Service Agreement with CEC, pursuant to which CEC-HK and CPC shall engage CEC as service provider for the provision of technical and support services in the PRC to the customers of CEC-HK and CPC for a term of three years from 24 June 2022 to 23 June 2025 (both dates inclusive).

#### **Listing Rules Implications**

As at the date of this announcement, CEC is a non-wholly owned subsidiary of the Company and also an associate of CITIC Group as CITIC Group holds approximately 45.09% equity interest in CEC. CITIC Group is the controlling shareholder of CITIC Limited, which in turn is the indirect holding company of the Company and is interested in approximately 57.74% of the number of shares of the Company in issue. Therefore, CEC, being an associate of CITIC Group, is a connected person of the Company.

Accordingly, the Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Since the highest applicable percentage ratio calculated with reference to the annual caps for the Transactions is more than 0.1% but less than 5%, the Transactions are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules as far as the Company is concerned.

## **THE 2022 SERVICE AGREEMENT**

### **Date**

23 June 2022

### **Parties**

- (a) CEC-HK, a wholly-owned subsidiary of the Company
- (b) CPC, a wholly-owned subsidiary of the Company
- (c) CEC, a non-wholly owned subsidiary of the Company and also an associate of CITIC Group

### **Subject Matter**

Reference is made to the announcement of the Company dated 19 June 2019 in relation to the 2019 Service Agreement. As the term of the 2019 Service Agreement shall expire on 23 June 2022, the Company intends to renew such agreement upon its expiry.

On 23 June 2022, CEC-HK and CPC, being wholly-owned subsidiaries of the Company, entered into the 2022 Service Agreement with CEC, pursuant to which CEC-HK and CPC shall engage CEC as service provider for the provision of technical and support services in the PRC to the customers of CEC-HK and CPC to facilitate the provision of value-added telecoms services to these customers for a term of three years from 24 June 2022 to 23 June 2025 (both dates inclusive). CEC is also responsible for arranging, operating and maintaining all necessary technical and support services in the PRC to service the customers of CEC-HK and CPC.

During the term of the 2022 Service Agreement, if customers of CEC require relevant services outside of the PRC, CEC shall exclusively refer such customers to CEC-HK or CPC and develop service solutions with CEC-HK or CPC for the provision of such services to its customers, subject to the compliance of applicable laws and regulations. The parties will enter into separate agreement(s) in regard to the above and the Company will make further announcement(s) as and when appropriate in accordance with the requirements of the Listing Rules.

### **Service Fee**

A service fee shall be payable to CEC charged on the basis of cost plus a prevailing market rate (such prevailing market rate may vary depending on the nature and/or extent of the services required by CEC-HK and CPC) in providing such services to the customers of CEC-HK and CPC. The Transactions are in the ordinary course of business of the Group and on normal commercial terms, and the terms of the Transactions (including the service fee payable by CEC-HK and CPC to CEC) are agreed by CPC, CEC-HK and CEC on an arms' length basis. In determining the service fee payable by CEC-HK and CPC to CEC, CEC will take into the account the expected costs to be incurred, bandwidth, location, class, duration of the services required and the then prevailing market conditions. In any event, the terms of the Transactions (including the service fee payable by CEC-HK and CPC to CEC) shall be no less favourable to CEC-HK and CPC than the terms that could be obtained from other independent third party for provision of similar services. The service fee payable to CEC shall be settled monthly.

## Historical Transaction Amounts

Set out below are the actual service fees paid by the Group to CEC in respect of the provision of technical and support services by CEC to CEC-HK and CPC for the three financial years ended on 31 December 2019, 2020 and 2021 and the period from 1 January 2022 to 30 April 2022:

	Historical amounts for the years ended 31 December			Historical amount for the period from 1 January to 30 April
	2019	2020	2021	2022
Transaction Amount RMB (million)	151.22	50.16	5.24	2.19
Approximately equivalent to HK\$ (million) (Note)	172.43	56.03	6.14	2.67

*Note: Based on the average exchange rate of the relevant year or period.*

Details of the transactions relating to the historical transaction amounts above are set out in the announcement of the Company dated 19 June 2019.

## Annual Caps

The service fees payable by the Group to CEC for the period from 24 June 2022 to 31 December 2022, two financial years ending on 31 December 2023 and 2024, and the period from 1 January 2025 to the expiry of the 2022 Service Agreement (i.e. 23 June 2025) shall not exceed the maximum amounts set out below:

	<b>For the period from 24 June to 31 December</b>	<b>For the financial years ending on 31 December</b>		<b>For the period from 1 January to 23 June</b>
	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
RMB (million)	5.60	12.30	13.50	7.40
Approximately equivalent to HK\$ (million)	6.72	14.76	16.20	8.88

The above annual caps were determined with reference to the (i) historical amounts of service fees payable by the Group to CEC; and (ii) anticipated growth in customers' demand for the services of the Group generally.

### **Reasons for and Benefits of the 2022 Service Agreement**

CEC is one of the few VPN service providers in China with a nationwide IP-VPN operating licence. Based on the historical transaction amount under the 2019 Service Agreement and the continuous demand from the Group in terms of provision of value-added telecoms services to its customers under the 2022 Service Agreement, the Directors consider that the 2022 Service Agreement will allow the Group to leverage on the licence held by CEC to tap into the large domestic VPN services market in China.

In view of the above potential benefits to the Company, the Directors (including the independent non-executive Directors of the Company) consider that the Transactions are in the ordinary and usual course of business of the Group, and the terms of the 2022 Service Agreement (including the service fees) and the annual caps for the Transactions are on normal commercial terms, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

### **Listing Rules Implications**

As at the date of this announcement, CEC is a non-wholly owned subsidiary of the Company and also an associate of CITIC Group as CITIC Group holds approximately 45.09% equity interest in CEC. CITIC Group is the controlling shareholder of CITIC Limited, which in turn is the indirect holding company of the Company and is interested in approximately 57.74% of the number of shares of the Company in issue. Therefore, CEC, being an associate of CITIC Group, is a connected person of the Company.

Accordingly, the Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Since the highest applicable percentage ratio calculated with reference to the annual caps for the Transactions is more than 0.1% but less than 5%, the Transactions are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules as far as the Company is concerned.

Mr. Wang Guoquan, a non-executive Director, is the vice president of CITIC Group and CITIC Limited. 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 Transactions. Save as disclosed above, no other Director has a material interest in the Transactions or is required to abstain from voting on the board resolutions of the Company for considering and approving the Transactions.

## **INTERNAL CONTROL PROCEDURES**

The Company has adopted the following internal control measures to ensure that the Transactions are conducted in accordance with the pricing policy and terms of the 2022 Service Agreement as well as the Listing Rules:

- (i) in respect of the service fee payable to CEC for the technical and support services provided to the customers of CEC-HK and CPC by CEC in the PRC, such service fee will be charged on the basis of cost plus a prevailing market rate. CPC's finance department will determine such prevailing market rate by taking into consideration the nature and/or extent of the services required by CEC-HK and CPC, and will ensure that the service fee payable by CEC-HK and CPC to CEC for the technical and support services will be no less favourable to CEC-HK and CPC than the general market service fee for provision of identical or similar services that could be obtained from other independent third parties;
- (ii) CPC's finance department will monitor and ensure that the Transactions are conducted in accordance with the terms of the 2022 Service Agreement and do not exceed the annual caps of the Transactions;
- (iii) the board of Directors will continue to review on a regular basis the Group's internal control system and its effectiveness; and
- (iv) the Company will appoint an external auditor pursuant to the Listing Rules to conduct annual reviews of the Transactions and its annual caps.

## **GENERAL**

### **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.

CPC 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 telecoms services providers in Macau, and is the only full telecoms services provider in Macau. It has long provided quality telecoms services to the residents, government and enterprises of Macau, and plays an important role in the ongoing development of Macau.

## **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.

## **CITIC Limited**

CITIC Limited is one of China’s largest conglomerates with businesses in comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanisation. CITIC Limited enjoys leading market positions in sectors well matched to China’s economy. With its rich history, diverse platform and pioneering spirit, CITIC Limited is uniquely positioned to capture opportunities in China and overseas.

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

## **CITIC Group**

CITIC Group is the ultimate controlling shareholder of each of the Company and CITIC Limited and 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. It makes investments in areas with long-term potential as well as those aligned with national priorities.

## **DEFINITIONS**

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

“associate”, “connected person”, “continuing connected transactions”, “controlling shareholder”, “percentage ratio” and “subsidiary(ies)”	each has the meaning ascribed to it by the Listing Rules;
“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 a non-wholly owned subsidiary of the Company and also an associate of CITIC Group;

“CEC-HK”	China Enterprise Netcom Corporation Limited (中國企業網絡通信有限公司), a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
“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 controlling shareholder of each of the Company and CITIC Limited;
“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;
“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”	CITIC Telecom International CPC Limited (中信國際電訊(信息技術)有限公司), a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
“CTM”	has the meaning as defined under the section headed “GENERAL – The Group” 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 Macao Special Administrative Region of the PRC;
“PRC” or “China”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan);
“RMB”	Renminbi, the lawful currency of the PRC;
“2019 Service Agreement”	the service agreement dated 19 June 2019 entered into between CEC-HK, CPC and CEC in relation to the engagement of CEC as service provider by CEC-HK and CPC for the provision of technical and support services in the PRC to the customers of CEC-HK and CPC for a term of three years from 24 June 2019 to 23 June 2022 (both dates inclusive);
“2022 Service Agreement”	the service agreement dated 23 June 2022 entered into between CEC-HK, CPC and CEC in relation to the engagement of CEC as service provider by CEC-HK and CPC for the provision of technical and support services in the PRC to the customers of CEC-HK and CPC for a term of three years from 24 June 2022 to 23 June 2025 (both dates inclusive);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transactions”	the continuing connected transactions relating to the provision of technical and support services by CEC in the PRC to the customers of CEC-HK and CPC pursuant to the 2022 Service Agreement;



“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\$1.20 was adopted. The exchange rates adopted in this announcement do not constitute a representation that any amount has been, could have been or may be converted at such rates 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 of directors  
**CITIC Telecom International  
Holdings Limited**  
**Xin Yue Jiang**  
*Chairman*

Hong Kong, 23 June 2022

*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.*