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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)

**FURTHER ANNOUNCEMENT
RELATING TO
ACQUISITION OF A 79% INTEREST IN
COMPANHIA DE TELECOMUNICAÇÕES DE MACAU, S.A.R.L.**

Reference is made to the joint announcement of CITIC Telecom International Holdings Limited (the “**Company**”) and CITIC Pacific Limited dated 13 January 2013 in relation to the very substantial acquisition of a 79% interest in Companhia de Telecomunicações de Macau, S.A.R.L. (“**CTM**”) by the Company (the “**VSA Announcement**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as in the VSA Announcement.

As mentioned in the VSA Announcement, a circular containing, among other things, further details of CTM and the Acquisitions (the “**VSA Circular**”) together with a notice of the Company’s EGM will be despatched to the Shareholders. In particular, the VSA Circular will contain (i) unaudited pro forma financial information of the Company and its subsidiaries immediately after completion of the Acquisitions (the “**Enlarged Group**”) as at 31 December 2012 and for the year ended 31 December 2012 to reflect the effect of the Acquisitions and (ii) the accountants’ report on the unaudited pro forma financial information of the Enlarged Group (together the “**Unaudited Pro Forma Financials and Related Accountants’ Report**”) as required under the Listing Rules.

The Board is pleased to set out below the Unaudited Pro Forma Financials and Related Accountants’ Report (dated as of 18 February 2013). The Unaudited Pro Forma Financials and Related Accountants’ Report (dated as of 18 February 2013) should be read in conjunction with the financial information of the Group and of CTM Group made available on the website of the Company (www.citictel.com) and the VSA Announcement (which sets out the details of the Acquisitions). They are presented for illustrative purposes only. They represent hypothetical situations and therefore do not represent any actual financial positions or any actual results or cash flows.

UNAUDITED PRO FORMA FINANCIALS AND RELATED ACCOUNTANTS' REPORT (DATED AS OF 18 FEBRUARY 2013)

A. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a letter dated 18 February 2013, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

The Directors
CITIC Telecom International Holdings Limited

18 February 2013

Dear Sirs,

CITIC Telecom International Holdings Limited (the "Company")

We report on the unaudited pro forma financial information ("Pro Forma Financial Information") of the Company and its subsidiaries (the "Group") set out on pages 4 to 17 of this announcement dated 18 February 2013 (the "Announcement"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the proposed acquisition of a 79% interest in Companhia de Telecomunicações de Macau, S.A.R.L. by the Company might have affected the financial information presented. The basis of preparation of the unaudited Pro Forma Financial Information is set out on pages 4 to 17 of the Announcement.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (“HKSIR”) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review performed in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 December 2012 or any future date; or
- the results and cash flows of the Group for the year ended 31 December 2012 or any future periods.

Opinion

In our opinion:

- a) the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. Introduction

The unaudited pro forma financial information comprising the unaudited pro forma consolidated balance sheet as at 31 December 2012, and the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated cash flow statement for the year ended 31 December 2012, has been prepared to illustrate the effect of the proposed very substantial acquisition of 79% interest in CTM by the Company. Details of the Acquisitions are set out in the VSA Announcement. Capitalised terms used in this announcement shall have the same meanings as those defined in the VSA Announcement unless the context otherwise requires.

The unaudited pro forma financial information of the Enlarged Group has been prepared in accordance with Paragraph 4.29 of the Listing Rules and has been prepared by the Directors of the Company for illustrative purposes only.

The unaudited pro forma financial information of the Enlarged Group is based upon: (i) the audited consolidated financial statements of the Group as at and for the year ended 31 December 2012, which have been extracted from the Company's annual report for the year ended 31 December 2012; (ii) the audited consolidated financial statements of CTM Group as at and for the year ended 31 December 2012, and adjusted on a pro forma basis to reflect the effect of the Acquisitions. These pro forma adjustments are (i) directly attributable to the Acquisitions and not relating to other future events and decision and (ii) factually supportable based on the terms of the Sable Sale and Purchase Agreement and PT Sale and Purchase Agreement.

The audited consolidated financial statements of the Group for the year ended 31 December 2012 have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The audited consolidated financial statements of CTM Group for the year ended 31 December 2012 have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). No material adjustment is required to be made to conform the accounting policies of CTM Group to those of the Group.

The unaudited pro forma financial information of the Enlarged Group is based on a number of assumptions, estimates and uncertainties. Accordingly, the accompanying unaudited pro forma financial information of the Enlarged Group does not purport to describe: (i) the actual financial position of the Enlarged Group that would have been attained had the Acquisitions been completed on 31 December 2012; (ii) the actual results and cash flows of the Enlarged Group that would have been attained had the Acquisitions been completed on 1 January 2012. The unaudited pro forma financial information of the Enlarged Group does not purport to predict the future financial position, results or cash flows of the Enlarged Group.

2. Unaudited pro forma consolidated balance sheet as at 31 December 2012

	The Group	CTM Group		Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	The Enlarged Group
	HK\$'000	MOP'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets							
Property, plant and equipment	742,376	896,286	863,571	308,775 ^b			1,914,722
Intangible assets	105,825	6,275	6,046	3,093,932 ^b			3,205,803
Goodwill	402,456	–	–	7,188,689 ^b			7,591,145
Interest in an associate	1,449,938	–	–	(1,449,938) ^d			–
Interest in a jointly controlled entity	45,950	–	–				45,950
Non-current other receivables and deposits	174,352	750	723				175,075
Deferred tax assets	37,451	10,790	10,396				47,847
	<u>2,958,348</u>	<u>914,101</u>	<u>880,736</u>				<u>12,980,542</u>
Current assets							
Inventories	–	124,505	119,960				119,960
Trade receivables, other receivables and deposits	1,363,583	399,476	384,895		(11,168) ^c		1,737,310
Current tax recoverable	3,611	–	–				3,611
Loans to related parties	–	831,600	801,247		(801,247) ^c		–
Loans to affiliates of the former shareholders of a subsidiary	–	–	–		639,379 ^c		639,379
Cash and bank deposits	354,816	561,574	541,077	(9,456,866) ^{a,b}		(97,000) ^f	(8,657,973) ^a
	<u>1,722,010</u>	<u>1,917,155</u>	<u>1,847,179</u>				<u>(6,157,713)</u>
Current liabilities							
Trade and other payables	801,248	831,090	800,755		(11,168) ^c		1,590,835
Bank loans	100,000	–	–				100,000
Loans from an associate	161,868	–	–		(161,868) ^c		–
Current tax payable	43,169	135,403	130,461				173,630
	<u>1,106,285</u>	<u>966,493</u>	<u>931,216</u>				<u>1,864,465</u>
Net current assets/(liabilities)	<u>615,725</u>	<u>950,662</u>	<u>915,963</u>				<u>(8,022,178)</u>
Total assets less current liabilities	<u>3,574,073</u>	<u>1,864,763</u>	<u>1,796,699</u>				<u>4,958,364</u>

	The Group	CTM Group		Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	The Enlarged Group
	<i>HK\$'000</i>	<i>MOP'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities							
Non-current other payables	87,808	–	–				87,808
Net defined benefit retirement obligation	–	84,761	81,667				81,667
Deferred tax liabilities	65,241	–	–	408,325 ^b			473,566
	<u>153,049</u>	<u>84,761</u>	<u>81,667</u>				<u>643,041</u>
Net assets	<u>3,421,024</u>	<u>1,780,002</u>	<u>1,715,032</u>				<u>4,315,323</u>
Capital and reserves							
Share capital	238,668	150,000	144,525	(144,525) ^d			238,668
Reserves	3,194,035	1,630,002	1,570,507	(626,302) ^{d,e}		(97,000) ^f	4,041,240
Total equity attributable to equity shareholders of the Company	3,432,703	1,780,002	1,715,032				4,279,908
Non-controlling interests	(11,679)	–	–	47,094 ^b			35,415
Total equity	<u>3,421,024</u>	<u>1,780,002</u>	<u>1,715,032</u>				<u>4,315,323</u>

3. Unaudited pro forma consolidated income statement for the year ended 31 December 2012

	The Group HK\$'000	CTM Group MOP'000	CTM Group HK\$'000	Pro forma adjustments HK\$'000	Pro forma adjustments HK\$'000	Pro forma adjustments HK\$'000	Pro forma adjustments HK\$'000	Pro forma adjustments HK\$'000	The Enlarged Group HK\$'000
Turnover	3,609,810	4,922,192	4,742,532				(22,664) ^j		8,329,678
Other revenue	545	12,035	11,596						12,141
Other net loss	(6,432)	(1,643)	(1,583)						(8,015)
Network, operations and support expenses	3,603,923	4,932,584	4,752,545						8,333,804
Depreciation and amortisation	(2,527,843)	(3,079,177)	(2,966,787)						(5,471,966)
Staff costs	(154,282)	(270,518)	(260,644)			(269,776) ^h	22,664 ⁱ		(684,702)
Other operating expenses	(353,003)	(211,341)	(203,627)						(556,630)
	(219,985)	(270,447)	(260,576)					(97,000) ^k	(577,561)
Profit from operations	348,810	1,101,101	1,060,911						1,042,945
Finance costs	(3,063)	–	–						(3,063) ^m
Share of profit of an associate	158,295	–	–	(158,295) ^s					–
Share of profit of a jointly controlled entity	1,179	–	–						1,179
Gain on deemed disposal of equity interest in an associate	–	–	–						957,499 ^l
Profit before taxation	505,221	1,101,101	1,060,911						1,998,560
Income tax	(40,232)	(131,838)	(127,026)			32,373 ^h			(134,885)
Profit for the year	464,989	969,263	933,885						1,863,675
Attributable to:									
Equity shareholders of the Company	461,283	969,263	933,885	(158,295)	(237,403)			(6,965)	1,853,004
Non-controlling interests	3,706	–	–					6,965 ⁱ	10,671
Profit for the year	464,989	969,263	933,885						1,863,675

4. Unaudited pro forma consolidated cash flow statement for the year ended 31 December 2012

	The Group	CTM Group		Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	The Enlarged Group
	HK\$'000	MOP'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating activities							
Cash generated from operations	328,751	1,411,294	1,359,783		1,081 ^p	349 ^q	1,689,964
Tax paid:							
– Hong Kong Profits Tax paid	(34,379)	–	–				(34,379)
– Macau income tax paid	–	(126,602)	(121,981)				(121,981)
– Overseas tax paid	(3,392)	(15)	(14)				(3,406)
Tax refunded:							
– Hong Kong Profits Tax refunded	168	–	–				168
Net cash generated from operating activities	<u>291,148</u>	<u>1,284,677</u>	<u>1,237,788</u>				<u>1,530,366</u>
Investing activities							
Payment for the purchase of property, plant and equipment	(160,347)	(339,024)	(326,650)				(486,997)
Proceeds from sale of property, plant and equipment	584	485	467				1,051
New loans to affiliates of shareholders	–	(831,600)	(801,247)		801,247 ^p		–
New loans to affiliates of former shareholders of a subsidiary	–	–	–		(639,379) ^p		(639,379)
Payment for acquisition of subsidiaries (net of cash and cash equivalents acquired)	(43,845)	–	–	(8,921,659) ^q			(8,965,504)
Advance payment for the acquisition of the remaining equity interest in a subsidiary	(75,988)	–	–				(75,988)
Transaction costs for acquisition of subsidiaries	(2,361)	–	–	(97,000) ^o			(99,361)
Increase in pledged deposits	(111)	–	–				(111)
Interest received	549	6,758	6,511				7,060
Dividend received from an associate	180,708	–	–			(180,708) ^q	–
Net cash used in investing activities	<u>(100,811)</u>	<u>(1,163,381)</u>	<u>(1,120,919)</u>				<u>(10,259,229)</u>

	The Group	CTM Group		Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	The Enlarged Group
	HK\$'000	MOP'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financing activities							
Proceeds from new bank loans	100,000	–	–				100,000
Proceeds from new loans from an associate	162,949	–	–		(162,949) ^p		–
Repayment of loans from an associate	(124,091)	–	–			124,091 ^q	–
Proceeds from new shares issued under share option plan	1,051	–	–				1,051
Borrowing costs paid	(5,207)	–	–				(5,207)
Dividends paid to equity shareholders of the Company	(229,055)	(298,400)	(287,508)			287,508 ^{q,r,s}	(229,055)
Dividends paid to former shareholders of a subsidiary	–	–	–			(222,260) ^s	(222,260)
Dividends paid to holders of non-controlling interests	–	–	–			(8,980) ^r	(8,980)
Net cash used in financing activities	<u>(94,353)</u>	<u>(298,400)</u>	<u>(287,508)</u>				<u>(364,451)</u>
Net increase/ (decrease) in cash and cash equivalents	95,984	(177,104)	(170,639)				(9,093,314)
Cash and cash equivalents at 1 January	253,326	738,678	711,716	(711,716) ⁿ			253,326
Effect of foreign exchange rate changes	<u>1,698</u>	<u>–</u>	<u>–</u>				<u>1,698</u>
Cash and cash equivalents at 31 December	<u>351,008</u>	<u>561,574</u>	<u>541,077</u>				<u>(8,838,290)</u>

Note: Reconciliation of profit before taxation to cash generated from operations:

	The Group	CTM Group		Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	The Enlarged Group
	<i>HK\$'000</i>	<i>MOP'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	505,221	1,101,101	1,060,911	432,428			1,998,560
Adjustments for:							
Depreciation and amortisation	154,282	270,518	260,644	269,776 ^h			684,702
Expense recognised in respect of defined benefit retirement plan	–	8,230	7,930				7,930
Net loss/(gain) on disposal of property, plant and equipment	4,654	(481)	(463)				4,191
Share of profit of an associate	(158,295)	–	–	158,295 ^g			–
Share of profit of a jointly controlled entity	(1,179)	–	–				(1,179)
Transaction costs for acquisition of subsidiaries	2,361	–	–	97,000 ^k			99,361
Finance costs	3,063	–	–				3,063
Interest income	(545)	(12,035)	(11,596)				(12,141)
Gain on deemed disposal of equity interest in an associate	–	–	–	(957,499) ^l			(957,499)
Equity-settled share-based payment expenses	12,800	–	–				12,800
Foreign exchange gain	(1,559)	–	–		1,081 ^p	349 ^q	(129)
	<u>520,803</u>	<u>1,367,333</u>	<u>1,317,426</u>				<u>1,839,659</u>
Changes in working capital:							
Decrease in inventories	–	4,240	4,085				4,085
Decrease/(increase) in trade receivables, other receivables and deposits	11,895	(3,863)	(3,722)				8,173
Decrease in net defined benefit retirement obligations	–	(11,248)	(10,837)				(10,837)
(Decrease)/increase in trade and other payables	(203,947)	54,832	52,831				(151,116)
Cash generated from operations	<u>328,751</u>	<u>1,411,294</u>	<u>1,359,783</u>				<u>1,689,964</u>

5. Notes to the unaudited pro forma financial information of the Enlarged Group

For the purpose of this unaudited pro forma financial information, conversion of United States dollars (“US\$”) into Hong Kong dollars (“HK\$”) is based on the exchange rate of US\$1.00 to HK\$7.80 and conversion of Macau Patacas (“MOP”) into HK\$ is based on the exchange rate of MOP1.00 to HK\$0.9635 for the unaudited pro forma consolidated balance sheet, the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated cash flow statement.

5.1 Notes to the unaudited pro forma consolidated balance sheet as at 31 December 2012

- a. Pursuant to the terms of the Sable Sale and Purchase Agreement and the PT Sale and Purchase Agreement to acquire 79% interest in CTM Group, the total cash consideration for the Acquisitions amounts to US\$1,161,300,000 (approximately HK\$9,058,140,000), subject to adjustments, including net cash adjustment and working capital adjustment, as described in the VSA Announcement.

Based on the audited consolidated balance sheet of CTM Group as at 31 December 2012, the upward net cash adjustment on a pro-rata basis for 79% interest of CTM Group amounted to approximately HK\$427,451,000 and the downward working capital adjustment on a pro-rata basis for 79% interest of CTM Group amounted to approximately HK\$28,725,000. The consideration was adjusted to approximately HK\$9,456,866,000 as if the Acquisitions had taken place at 31 December 2012.

The Group has already obtained commitments on a certain funds basis for short and long-term loan facilities from a group of banks and other financial institutions to cover all of its funding requirements in relation to the Acquisitions. The Company may consider refinancing part or all of such facilities through a combination of equity issuance (including via a rights issue) and/or bond issuance. The actual funding for the Acquisitions may consist of different forms of funding (including bank borrowings, equity issuance, bond issuance, etc).

- b. Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in CTM Group and the fair value of the Group’s previously held equity interest in CTM Group; over the net fair value of CTM Group’s identifiable assets and liabilities measured at the date of Acquisitions.

The identifiable assets and liabilities of CTM Group will be accounted for under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) “Business Combinations” (“HKFRS 3”) issued by HKICPA.

For the purpose of the unaudited pro forma consolidated balance sheet, the allocation of the purchase price is determined based on the Directors' estimates of the fair value of the identifiable assets and liabilities of CTM Group as at 31 December 2012.

Goodwill is estimated as follows:

	<i>HK\$'000</i>
Adjusted consideration	9,456,866 ^a
Estimated fair value of previously held 20% interest in CTM Group	<u>2,394,143</u>
Total consideration	<u>11,851,009</u>
Carrying amount of CTM Group's net assets as at 31 December 2012	1,715,032
Estimated fair value adjustments with relevant tax impact	<u>2,994,382</u>
Estimated fair value of net identifiable assets and liabilities of CTM Group	4,709,414
Less: Non-controlling interests arising from the Acquisitions (i.e. 1% on estimated fair value of net identifiable assets and liabilities of CTM Group)	<u>(47,094)</u>
Net identifiable assets and liabilities acquired	<u>4,662,320</u>
Goodwill	<u>7,188,689</u>

The fair value of previously held 20% interest in CTM Group of approximately HK\$2,394,143,000 is estimated primarily from the adjusted consideration for the Acquisitions, which is determined with reference to CTM Group's historical financial performance and comparable trading and transaction multiples applied to CTM Group's annualised adjusted EBITDA (defined as earnings before interest, tax, depreciation, amortisation and gain/loss on disposal of fixed assets) and net income in the first half of 2012.

The fair value adjustments relate to intangible assets (including trade name, customer relationships, etc.) and property, plant and equipment of CTM Group of approximately HK\$3,093,932,000 and HK\$308,775,000 respectively and the corresponding deferred tax liabilities of approximately HK\$408,325,000 which is calculated at the Macau Income Tax rate applicable to CTM Group of 12%.

Non-controlling interests represent the equity in CTM Group not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holder of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. The amount of approximately HK\$47,094,000 represents non-controlling shareholder's share of interests in CTM Group's net fair value of identifiable assets and liabilities.

The amounts of goodwill and fair value of the identifiable assets and liabilities (including intangible assets and deferred tax thereon) of the CTM Group are subject to change upon the completion of (i) the valuation of the fair value of the identifiable assets and liabilities of CTM Group, (ii) the financial position of CTM Group on the date of completion, and (iii) the valuation of the previously held interest in CTM Group on the date of completion. The amounts may be different from the estimates used in the preparation of the unaudited pro forma financial information presented above.

For the purpose of this unaudited pro forma financial information, the Directors have assessed whether there is any impairment in respect of goodwill and intangible assets of CTM Group in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" which is consistent with the accounting policies of the Group. Based on the Directors' assessment, the Directors consider that there is no impairment on the goodwill and intangible assets with assumed values set out above.

- c. The adjustments represent the elimination of (i) the Group's trade receivables and trade payables with CTM Group amounting to approximately HK\$11,168,000, and (ii) intercompany loan between the Group and CTM Group amounting to approximately HK\$161,868,000, and the re-classification of loans to related parties of HK\$639,379,000 to loans to affiliates of the former shareholders of a subsidiary.
- d. The adjustments represent the elimination of (i) interest in an associate amounting to approximately HK\$1,449,938,000, (ii) share capital of CTM Group amounting to approximately HK\$144,525,000, and (iii) pre-acquisition reserves of CTM Group amounting to approximately HK\$1,570,507,000 on consolidation.
- e. The adjustments represent (i) gain on deemed disposal of previously held 20% interest in CTM Group amounting to approximately HK\$934,114,000, and (ii) release of the share of a debit balance reserve of CTM Group in previous years amounting to approximately HK\$10,091,000 in relation to the deemed disposal of interest in an associate.

- f. The adjustment represents estimated transaction costs for the Acquisitions of approximately HK\$97,000,000 which are expensed in profit or loss as incurred.

5.2 Notes to the unaudited pro forma consolidated income statement for the year ended 31 December 2012

For presentation purposes, network, operations and support expenses included direct cost of sales of CTM Group, and other net loss included net foreign exchange losses of CTM Group.

- g. The adjustment represents the reversal of share of profit of an associate (CTM Group) of approximately HK\$158,295,000 for the year ended 31 December 2012, since the results of CTM Group are consolidated into the unaudited pro forma consolidated income statement of the Group as if the Acquisitions had taken place at 1 January 2012. The adjustment is not expected to have a continuing effect on the Enlarged Group.
- h. The adjustments represent the annual additional depreciation and amortisation of approximately HK\$269,776,000 arising from the fair value adjustments to property, plant and equipment and intangible assets (including trade name, customer relationships, etc.) of approximately HK\$3,402,707,000 on a straight-line basis over the estimated useful lives of 5 to 30 years and the reversal of the corresponding deferred tax liabilities of approximately HK\$32,373,000 calculated at the Macau Income Tax rate applicable to CTM Group of 12%. The actual depreciation and amortisation may be different from the estimated amounts shown in the unaudited pro forma financial information depending on the actual fair value adjustments to property, plant and equipment and intangible assets, as discussed in Note b above. The adjustments are expected to have a continuing effect on the Enlarged Group.
- i. The adjustment represents the non-controlling shareholder's share of CTM Group's profit for the year (including the effects of depreciation and amortisation in respect of the fair value adjustments to property, plant and equipment and intangible assets and the corresponding deferred tax impact (see Note h) for the year) of approximately HK\$6,965,000, being 1% on profit for the year of CTM Group of HK\$933,885,000, less effects of depreciation and amortisation in respect of the fair value adjustments to property, plant and equipment and intangible assets offset by the corresponding deferred tax impact for the year, amounting to HK\$269,776,000 and HK\$32,373,000, respectively. The adjustment is expected to have a continuing effect on the Enlarged Group.
- j. The adjustment represents the elimination of sales and purchase transactions between the Group and CTM Group amounting to approximately HK\$22,664,000 for the year.

- k. The adjustment represents estimated transaction costs for Acquisitions of approximately HK\$97,000,000 which are expensed in profit or loss as incurred. The adjustment is not expected to have a continuing effect on the Enlarged Group.
- l. The adjustment represents the gain on deemed disposal of previously held 20% interest in an associate (CTM Group) measured as the excess of the fair value of the 20% interest in CTM Group of approximately HK\$2,438,829,000 at 1 January 2012 over the carrying amount of the 20% interest previously held in CTM Group of approximately HK\$1,472,414,000 at 1 January 2012 and the share of reserve of CTM Group in previous years of a negative balance of approximately HK\$8,916,000 in accordance with HKFRS 3. The fair value of the 20% interest in CTM Group is estimated primarily from the adjusted consideration for the Acquisitions, which is determined with reference to CTM Group's historical financial performance and comparable trading and transaction multiples applied to CTM Group's annualised adjusted EBITDA (defined as earnings before interest, tax, depreciation, amortisation and gain/loss on disposal of fixed assets) and net income in the first half of 2012. The amount may be different from the estimated amounts shown in the unaudited pro forma financial information, as discussed in Note b above. The adjustment is not expected to have a continuing effect on the Enlarged Group.
- m. The Group will fund the Acquisitions with its existing cash resources and new bank loan facilities. The Group has already obtained commitments on a certain funds basis for short and long-term loan facilities from a group of banks and other financial institutions to cover all of its funding requirements in relation to the Acquisitions. The Company may consider refinancing part or all of such facilities through a combination of equity issuance (including via a rights issue) and/or bond issuance. The actual funding for the Acquisitions may consist of different forms of funding (including bank borrowings, equity issuance, bond issuance, etc). As a result, the Group may incur borrowing costs arising from the different forms of funding for the Acquisitions.

5.3 Notes to the unaudited pro forma consolidated cash flow statement for the year ended 31 December 2012

- n. Pursuant to the terms of the Sable Sale and Purchase Agreement and the PT Sale and Purchase Agreement to acquire 79% interest in CTM Group, the total cash consideration for the Acquisitions amounts to approximately HK\$9,058,140,000, subject to adjustments, including net cash adjustment and working capital adjustment, as described in the VSA Announcement.

Based on the audited consolidated balance sheet of CTM Group at 31 December 2011, the upward net cash adjustment on a pro-rata basis for 79% interest of CTM Group amounted to approximately HK\$562,256,000 and the upward working capital adjustment on a pro-rata basis for 79% interest of CTM Group was approximately HK\$12,979,000. The consideration was adjusted to approximately HK\$9,633,375,000 as if the Acquisitions had taken place at 1 January 2012.

The adjustment represents the cash consideration of approximately HK\$9,633,375,000 as described above, net of cash and cash equivalents acquired of approximately HK\$711,716,000 at 1 January 2012. The adjustment is not expected to have a continuing effect on the Enlarged Group.

- o. The adjustment represents the payment for the estimated transaction costs for the Acquisitions of approximately HK\$97,000,000 which would be expensed in profit or loss as incurred. The adjustment is not expected to have a continuing effect on the Enlarged Group.
- p. The adjustment represents the elimination of “new loans to affiliates of shareholders” of approximately HK\$161,868,000 and “proceeds from new loans from an associate” of approximately HK\$162,949,000 for a loan from CTM Group to the Group, the difference of approximately HK\$1,081,000 represents the exchange difference arising from the conversion of MOP to HK\$ at exchange rate ruling at the transaction date and the exchange rate adopted for this announcement. The remaining balance of “new loans to affiliates of shareholders” of CTM Group of approximately HK\$639,379,000 will be re-classified to “new loans to affiliates of former shareholders of a subsidiary” (see Note c).
- q. The adjustment represents the elimination of “dividend received from an associate” of HK\$180,708,000, “repayment of loans from an associate” of approximately HK\$124,091,000 and “dividends paid to equity shareholders of the Company” of approximately HK\$56,268,000 for the dividends paid by CTM Group to the Group and the repayment of loan by the Group to CTM Group, the difference of approximately HK\$349,000 represents the exchange difference arising from the conversion of MOP to HK\$ at exchange rate ruling at the transaction date and the exchange rate adopted for this announcement.
- r. The adjustment represents the dividend paid by CTM Group to the non-controlling shareholder of HK\$8,980,000.

- s. The remaining balance of “dividends paid to equity shareholders of the Company” of CTM Group of HK\$222,260,000 will be re-classified to “dividends paid to former shareholders of a subsidiary”.

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

Hong Kong, 18 February 2013

As at the date of this announcement, the executive directors of the Company are Messrs Xin Yue Jiang (Chairman), Yuen Kee Tong and Chan Tin Wai, David; the non-executive directors of the Company are Messrs Liu Jifu and Fei Yiping; and the independent non-executive directors of the Company are Messrs Yang Xianzu, Liu Li Qing and Kwong Che Keung, Gordon.