THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in CITIC Pacific Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and is being provided to you solely for the purposes of considering the resolutions to be voted upon at the EGM of CITIC Pacific to be held on June 3, 2014. This circular does not constitute an offer to issue or sell, or the solicitation of an offer to acquire, purchase or subscribe for securities referred to in this circular in the United States (including its territories and possessions, any state of the United States, and the District of Columbia) or elsewhere. The securities referred to herein may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"). There is no intention to register any securities referred to in this circular in the United States, or to conduct a public offering of such securities in the United States.

CITIC PACIFIC

CITIC Pacific Limited
中信泰富有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00267)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
(2) PROPOSED ISSUE OF THE CONSIDERATION SHARES AND THE SPECIFIC MANDATE FOR THE ISSUE OF THE PLACING SHARES
(3) PROPOSED CHANGE OF COMPANY NAME AND CORRESPONDING AMENDMENT TO THE ARTICLES OF ASSOCIATION
(4) RE-ELECTION OF A DIRECTOR
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Advisers to CITIC Pacific

中信証券國際 CITIC Securities International

中信建投國際 CSCI

Independent Financial Adviser to Independent Board Committee and Independent Shareholders

SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 38 to 86 of this circular, and a letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 89 to 135 of this circular and a letter from the Independent Board Committee is set out on pages 87 to 88 of this circular.

A notice convening the EGM of CITIC Pacific to be held at Granville and Nathan Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, June 3, 2014 at 11:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same to the registered office of CITIC Pacific at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

May 14, 2014

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The following expected timetable may be subject to change and further announcement(s) in relation to any revised timetable will be published as and when appropriate.

EGM . . . . June 3, 2014 (Tuesday)

Announcement of the results of the EGM
to be published . . . . June 3, 2014 (Tuesday)

Completion and issue of the Consideration Shares and
the Placing Shares . . . . on or before
August 29, 2014 (Friday)

Announcement of the Completion
to be published . . . . on or before
August 29, 2014 (Friday)

This summary aims to give you an overview of the information contained in this circular. As it is a summary, it does not contain all the information that may be important to you. You should read the complete circular before you decide to vote on the Acquisition or take proper actions at the EGM.

There are risks associated with any business. You should read the section headed "Risk Factors" of this circular carefully before you decide on the Acquisition.

A. THE ACQUISITION

We refer to the announcement of CITIC Pacific dated April 16, 2014 in connection with, among other things, the Acquisition. On April 16, 2014, CITIC Pacific, CITIC Group and CITIC Enterprise Management entered into the Share Transfer Agreement, pursuant to which CITIC Pacific has agreed to acquire 100% of the total issued share capital of CITIC Limited from CITIC Group and CITIC Enterprise Management.

As approved by the MOF, the Appraised Value is RMB226,995.6609 million. As such, the final Transfer Consideration is RMB226,995.6609 million (equivalent to approximately HK$286,585.3534 million). The Transfer Consideration is increased by RMB65.7879 million (equivalent to approximately HK$83.0582 million) as compared with the initial Transfer Consideration of RMB226,929.8730 million (equivalent to approximately HK$286,502.2953 million) as disclosed in the announcement made by CITIC Pacific on April 16, 2014.

The Transfer Consideration shall be satisfied as set out in paragraphs (A) and (B) below.

(A) Cash Consideration

The Cash Consideration portion of the Transfer Consideration, namely RMB49,982.5609 million, will be paid by CITIC Pacific on or before the Closing Date in an equivalent HK$ amount to be calculated by reference to the median exchange rate of RMB against HK$ announced by PBOC on the Pricing Date (namely approximately HK$63,103.7167 million, based on the exchange rate of HK$1.00 to RMB0.79207). Subject to the applicable laws, the Purchaser may, with the written consent of the Vendors, pay all or part of the Cash Consideration within one year from the Closing Date.

(B) Share Consideration

The Share Consideration portion of the Transfer Consideration, namely RMB177,013.1000 million, will be satisfied by the issue of Consideration Shares by CITIC Pacific to CITIC Group or CITIC Group's designated wholly-owned subsidiaries on or before the Closing Date at the Price per Consideration Share of HK$13.48 (subject to the adjustment mechanism as set out in the Share Transfer Agreement) and the total amount of the Share Consideration will be calculated by reference to the median exchange rate of RMB against HK$ announced by the PBOC on the Pricing Date (namely approximately HK$223,481.6368 million, based on the exchange rate of HK$1.00 to RMB0.79207). Based on a Share Consideration of RMB177,013.1000 million, the total number of Consideration Shares to be issued on or before the Closing Date is 16,578,756,438 Consideration Shares.

The total amount of the Cash Consideration can be adjusted at the discretion of CITIC Pacific. If the Cash Consideration portion is reduced, the difference between the adjusted and the original amount of the Cash Consideration will be satisfied by CITIC Pacific through issuing additional Consideration Shares or other means pursuant to the Share Transfer Agreement.

The Cash Consideration will be financed by CITIC Pacific primarily through equity fund raising and if required, internal cash resources, bank borrowings or other means.

The Transfer Consideration was arrived at after arm's length negotiations between the Vendors and the Purchaser. In determining the Transfer Consideration, the following factors were taken into consideration:

a. the Appraised Value;

b. current situation and future development prospects of the industries in which the Target Group operates;

c. historical financial performance and future development potential of the Target Group;

d. current situation and future development prospects of the industries in which CITIC Pacific operates; and

e. historical financial performance and future development potential of CITIC Pacific.

The payment of the 2013 final dividends by CITIC Pacific has been considered by the parties when determining the Price per Consideration Share and no adjustment will be made to the Price per Consideration Share in respect of such dividend payment.

B. THE PROPOSED ISSUE OF CONSIDERATION SHARES AND THE SPECIFIC MANDATE FOR THE ISSUE OF THE PLACING SHARES AND SHAREHOLDING STRUCTURE UPON COMPLETION

Apart from the proposed issue of the Consideration Shares, CITIC Pacific also proposes to issue the Placing Shares to raise cash funding for the purpose of settling all or part of the Cash Consideration for the Acquisition. The Placing Shares will be issued to professional and institutional investors. The Placing, if proceeded, is expected to be completed simultaneously with the issue of the Consideration Shares.

Based on the issued share capital of CITIC Pacific as enlarged by the issue of 16,578,756,438 Consideration Shares, assuming CITIC Pacific is to maintain a public float of 25% following the Completion, 4,675,123,032 Placing Shares will need to be issued. In the event that, upon Completion, CITIC Pacific cannot maintain a minimum public float as required by the Listing Rules, the Stock Exchange has granted, pursuant to Rule 8.08(1)(d) of the Listing Rules, a waiver to allow CITIC Pacific to have a public float percentage of less than 25% after the Completion, provided that the minimum public float should be at the higher of: (i) 15% of the total issued share capital of CITIC Pacific with a market capitalization of not less than HK$10 billion; or (ii) such a percentage of the Shares held by the public immediately after the Completion. The final number of Placing Shares to be issued pursuant to the Placing is subject to, among other things, the then market conditions.

CITIC Pacific proposes to issue no more than 21,253,879,470 Consideration Shares and Placing Shares in aggregate.

Upon Completion, CITIC Pacific will hold 100% equity interest in the Target Company. At the same time, assuming 16,578,756,438 Consideration Shares (subject to adjustment) and 4,675,123,032 Placing Shares (subject to adjustment) are issued, CITIC Group or the overseas wholly-owned subsidiary of CITIC Group will hold 18,677,492,723 Shares of CITIC Pacific, representing 75% of the enlarged share capital of CITIC Pacific with a total of 24,903,323,630 issued Shares.

CITIC Pacific is in discussion with a number of strategic partners with long-term cooperative relationship in respect of their participation in the Placing with an estimated aggregate subscription amount of over HK$30 billion. After the signing of the relevant subscription agreements, upon Completion, CITIC Pacific will have a public float percentage of more than 15%, which will satisfy the minimum public float requirement of the Stock Exchange and the requirements for the Placing pursuant to the Share Transfer Agreement. On such basis, CITIC Pacific can proceed to complete the Acquisition after the fulfillment of other conditions of the Acquisition.

C. BUSINESS OF THE TARGET GROUP

CITIC Group was founded in 1979. After 30 years of rapid development, CITIC Group has become the largest international conglomerate in China. In *Fortune* magazine's lists of "Top 500 Global Companies" for 2011, 2012 and 2013, CITIC Group ranked 221st, 194th and 172nd, respectively, and ranked 21st, 20th and 20th among all Chinese enterprises included in the list for 2011, 2012 and 2013, respectively. CITIC Group conducts its business mainly through CITIC Limited Group, whose businesses extend globally covering financial services, real estate and infrastructure, engineering contracting, resources and energy, manufacturing and other businesses segments. The assets, revenue and net profit of CITIC Limited Group accounted for a significant proportion of the total assets, total revenue and net profit of CITIC Group during the Track Record Period.

The following table sets out the principal operational entities of each business segment of CITIC Limited Group:

Business Segments	Financial Services	Real Estate and Infrastructure	Engineering Contracting	Resources and Energy	Manufacturing	Others
Principal operational entities	CITIC Bank	CITIC Real Estate	CITIC Construction	CITIC Resources	CITIC Heavy Industries	CITIC Telecom International
	CITIC Securities *(Note 1)*	CITIC Heye	CITIC Engineering Design	CITIC United Asia	CITIC Dicastal	AsiaSat *(Note 3)*
	CITIC Trust	CITIC Industrial Investment		CITIC Metal		COHC
	CITIC Prudential *(Note 2)*					CITIC Press
	CITIC Kingview Capital					CITIC Tianjin
	CITIC Finance					CITIC Tourism
						Guoan Club

Notes:

1. As of the Latest Practicable Date, CITIC Limited held a 20.30% equity interest in CITIC Securities and was the largest shareholder of CITIC Securities.

2. As of the Latest Practicable Date, CITIC Limited held a 50% equity interest in CITIC Prudential.

3. As of the Latest Practicable Date, Bowenvale Limited held a 74.43% equity interest in AsiaSat. CITIC Limited indirectly held a 50.50% equity interest in Bowenvale Limited.

The main businesses of CITIC Limited Group include the following:

Financial Services

CITIC Limited Group operates financial services businesses in different segments, including banking, securities, trust and insurance. CITIC Limited Group provides domestic and overseas banking business through CITIC Bank and its subsidiaries, securities services through CITIC Securities, trust services through CITIC Trust, and insurance services through CITIC Prudential.

Real Estate and Infrastructure

The real estate and infrastructure business of CITIC Limited Group consists mainly of development, sales and investment of properties, and the investment and management of infrastructure projects such as expressways and port terminals. The real estate business of CITIC Limited Group is predominately operated through CITIC Real Estate and CITIC Heye, while the infrastructure business of CITIC Limited Group is operated through CITIC Industrial Investment.

Engineering Contracting

The engineering contracting business of CITIC Limited Group consists mainly of contracting of infrastructure, housing and industrial construction, as well as engineering design. The engineering contracting business of CITIC Limited Group is operated through CITIC Construction and its engineering design business is operated through CITIC Engineering Design.

Resources and Energy

The resources and energy business of CITIC Limited Group is categorized into three segments: resources development, which includes the exploration and production of crude oil, coal and other resources; resources processing, which includes the production and processing of electrolytic aluminium in Australia; and the resources trading, which includes the trading of ferroniobium, iron ore, aluminium ingots, coal, platinum and other resources products. CITIC Limited Group predominately operates its resources and energy business through CITIC Resources, CITIC United Asia and CITIC Metal.

Manufacturing

The manufacturing business of CITIC Limited Group consists mainly of the manufacturing of heavy machinery, power electronic equipments, automobile aluminium wheels, automobile aluminium castings and others. CITIC Limited Group conducts the manufacturing and contracting services of heavy machinery and power electronic equipments through CITIC Heavy Industries, while the manufacturing of automobile aluminium wheels and automobile aluminium castings is conducted through CITIC Dicastal.

Other Businesses

The other businesses of CITIC Limited Group include, among others, telecommunications, leasing and sales of satellite transponders, general aviation, publishing, comprehensive outsourcing services, tourism and football club. These businesses are operated through CITIC Telecom International, AsiaSat, COHC, CITIC Press, CITIC Tianjin, CITIC Tourism and Guoan Club, respectively.

For detailed information on the Target Group's businesses, please refer to "Business of the Target Group" section of this circular.

D. REASONS AND BENEFITS FOR THE ACQUISITION

The Directors consider that the terms of the Acquisition and the Share Transfer Agreement are fair and reasonable, and are in the interests of CITIC Pacific and the Shareholders taken as a whole, and believe that CITIC Pacific will derive the following benefits from the Acquisition:

(A) Opportunity to Acquire the Largest Multi-industry Platform in China

The Acquisition provides CITIC Pacific with a unique opportunity to own a business that has evolved to be the largest multi-industry conglomerate in China.

Great size and scale

The Target Group is the primary business operating arm of its parent company, CITIC Group, which ranked 221st, 194th and 172nd in *Fortune*'s "Top 500 Global Companies" for 2011, 2012 and 2013 respectively. CITIC Group ranked 21st, 20th and 20th among all Chinese enterprises that were listed for 2011, 2012 and 2013 respectively, in terms of revenue. CITIC Group ranked 20th in the "Top 500 Enterprises of China" selected by the China Enterprise Confederation and China Enterprise Directors Association in 2013. The Target Group's businesses extend globally covering financial services, real estate and infrastructure, engineering contracting, resources and energy, manufacturing and other segments.

As of December 31, 2013, the total assets of the Target Group was RMB3,965,703 million, equity attributable to equity shareholders of the Target Company was RMB225,051 million, and the total revenue of the Target Group for the year ended December 31, 2013 was RMB251,789 million. As of December 31, 2013, the total number of employees in the Target Group was 90,588.

Sustained, strong financial performance

Over the past 30 years, the Target Group has demonstrated sustained and strong financial performance. As of December 31, 2011, 2012 and 2013, the total equity attributable to equity shareholders of the Target Company was RMB162,338 million, RMB192,800 million and RMB225,051 million respectively, representing a CAGR of 17.7%, and exceeding CAGR of China's nominal GDP, which was 10.5% during the corresponding period. For the years ended December 31, 2011, 2012 and 2013, the net profit attributable to equity shareholders of the Target Company was RMB31,700 million, RMB28,404 million and RMB34,260 million, respectively, with a CAGR of 4.0%.

Multi-sector business with leading positions in many of its principal business segments

The Target Group operates across a broad range of business sectors, including financial services, real estate and infrastructure, engineering contracting, resources and energy, manufacturing and others, many of them are with leading positions in their fields.

- CITIC Bank ranked 47th and 57th among banks globally in terms of tier one capital and total assets, respectively, according to the world rankings of top banks published by British magazine, the *Banker* in 2013.

- CITIC Securities is the largest securities company in China and maintains leading market positions in investment banking, brokerage, asset management as well as margin financing and securities lending businesses. According to *Wind*, in 2013, CITIC Securities ranked first in the industry in terms of the aggregate equity and debt securities underwriting value.

- According to statistical data from the China Trustee Association and the published information of major trust companies in China, CITIC Trust maintained a leading position in terms of trust AUM, revenue and net profit from 2011 to 2013.

- CITIC Prudential ranked sixth among foreign-invested life insurance companies in China in terms of gross premium income in 2013, according to CIRC.

- CITIC Real Estate ranked 14th by sales value and 17th by sales area among Chinese real estate enterprises in 2013 according to China Real Estate Information Corporation.

- CITIC Construction ranked 43rd in 2013 according to "The Top 250 International Contractors" list released by the American publication *Engineering News-Record*, and ranked 6th among Chinese enterprises on the list.

- The platinum trading business of China Platinum, which is a consolidated entity of CITIC United Asia, ranked first in China in 2013 in terms of its sales volume according to the statistics from the General Administration of Customs of the PRC.

- CITIC Metal held the largest market share in the ferroniobium trade industry in China in 2013 in terms of its sales volume according to the statistics from the General Administration of Customs of the PRC.

- CITIC Heavy Industries is one of China's leading integrated, environmental friendly, international, hi-tech manufacturers of mining and construction machinery equipment.

- CITIC Dicastal has been the world's largest automobile aluminium wheel manufacturer by sales volume from 2009 to

2013 and is also one of the largest automobile aluminium castings suppliers by sales volume.

- A subsidiary of CITIC Telecom International is one of the few value-added telecommunications operators which independently hold a national VPN license in China, other than the three largest telecommunications operators, namely, China Mobile, China Unicom and China Telecom.

- COHC's market share ranked first in the offshore oil helicopter flight service market in China in terms of flying operation hours.

Proven track record of value creation by leveraging China's evolution and growth opportunities through innovation

The development of CITIC Group has been closely aligned with reform in China and the opening up of the country's economy. CITIC Group was the first company in China to operate under free market-based principles and international business practices. CITIC Group has been a pioneer in many areas including the first enterprise issuing bonds overseas, the first red chip company listed on the Stock Exchange, as well as the first securities company listed on both A and H share markets. This pioneering track record demonstrates CITIC Group's ability to seize the opportunity and potential in the growth and transformation of the Chinese economy to create value.

Leading and experienced management team with proven track record

The senior executives of the Target Group have over 30 years' management experience and more than half of the senior executives have worked in CITIC Group for over 20 years. The management team has a proven track record of operating businesses both in China and overseas successfully. Furthermore, many of the senior executives have international working experience and overseas education background, helping to ensure an international approach and mind-set. The Target Group has created a robust corporate governance structure designed to ensure risk mitigation, optimize decision making and improve efficiency.

(B) Expand the Group's Breadth and Scale and Improve its Overall Competitiveness

According to the unaudited pro forma financial information, following the Completion, the total equity attributable to ordinary shareholders of CITIC Pacific will expand 4.2 times as compared with that as of December 31, 2013. The greater size and scale resulting from this Acquisition will enhance the Group's competitiveness and enable it to be better positioned to capture the growth opportunities in China with the following specific examples:

- Upon Completion, the Enlarged Group will own a financial services business segment with healthy and stable growth, as well as real estate and infrastructure, engineering contracting, resources and energy, manufacturing and other businesses with leading positions in each of the fields, thus greatly improving the Group's overall business strength.

- The businesses of the Enlarged Group will include a number of core and emerging industries in China. The overall strength and diversified nature of the business portfolio will allow the Enlarged Group to capitalize the opportunities arising from China's economic development. The diversification helps to mitigate the cyclical effects on profitability during different economic phases.

(C) Strengthen CITIC Pacific's Capital Base and Enhance its Financing Capabilities and Flexibility

Strengthening capital base and improving credit rating

According to the unaudited pro forma financial information, the unaudited pro forma consolidated equity attributable to the ordinary shareholders of the enlarged CITIC Pacific would have been increased to HK$371,776 million, representing a significant expansion of CITIC Pacific's capital base. As of the end of 2013, according to Moody's and Standard & Poor's, CITIC Pacific's credit rating was Ba2 and BB respectively, and CITIC Group's credit rating was Baa2 and BBB+ respectively. The increase in capital base is expected to improve CITIC Pacific's credit rating which will enhance its debt financing capability.

Enhancing CITIC Pacific's financing flexibility

The Acquisition will also broaden CITIC Pacific's debt financing channels. In addition to current financing channels, CITIC Pacific can utilize the Target Company as an additional domestic debt financing platform and raise debt financing through various bond products and channels in China's domestic securities market.

The enhanced financing capability should enable CITIC Pacific to continue the funding of existing capital intensive projects such as the Sino Iron project in Western Australia.

Larger market capitalization

As a result of the proposed issue of New Shares upon Completion, total market capitalization of CITIC Pacific is expected to increase substantially, making it a constituent stock in the Hang Seng Index with much greater index weighting and making it more appealing to potential investors who favour companies with larger market capitalization.

(D) Enhance Earnings Profile of CITIC Pacific and Increase its Shareholders' Value

Profit pressure on the Group

Due to volatility of the results in certain industries and the increased cost of financing the business in Australia, the profit from continuing operations attributable to ordinary shareholders of CITIC Pacific has declined since 2012, with a 25.5% decrease and 17.3% decrease in 2012 and 2013 respectively. The iron ore business in Western Australia is capital-intensive. In recent years, the iron ore business has been in the developmental stage which has placed great pressure on CITIC Pacific's financial performance. Additional time is required to complete the installation and commission of the remaining production lines to enable us to gradually achieve the designed annual production capacity of 24 million tonnes. Although CITIC Pacific's iron ore project has commenced operations and started generating revenue, it also means that significant costs will begin to migrate from the balance sheet to the income statement. As stated in the Chairman's Letter to Shareholders in the annual report of CITIC Pacific for the year 2013, there will be significant increased interest expenses and depreciation. CITIC Pacific may also face impairment pressure. Accordingly, the profit of the Group will be affected for the year 2014.

Strengthening the profitability of CITIC Pacific

The main businesses of CITIC Pacific include special steel manufacturing, iron ore mining and property development in mainland China. In relation to the special steel business, there was an adverse impact on its profitability in 2012 due to weakness in the China economy in the second half of that year, but, while profitability in 2013 improved dramatically, it did not regain its level of earlier years. The iron ore business began shipping ore in late December 2013 and suffered operating losses in 2011, 2012 and 2013. These are likely to continue as it will not reach the planned production capacity and realize economies of scale for some years. Therefore, the unit cost per tonne will stay at a high level in the near term. The property business' profitability has been affected by uneven recognition of the delivery of properties built for sale, which were particularly high in 2011. Given the cyclical nature of CITIC Pacific's main businesses, the performance of CITIC Pacific is greatly influenced by economic cycles and may fluctuate during the downward cycles.

The Target Group has a diversified portfolio across multiple business segments and is therefore able to better withstand the adverse impact on its profit due to economic cycles. This has resulted in the Target Group's profitability having remained stable. The table below sets out the profitability comparison between CITIC Pacific and the Target Group in the past three years:

	For the year ended December 31,		
	2011	2012	2013
	(in millions, except for percentages)		
CITIC Pacific *(HK$)*			
Revenue	96,890	93,272	88,041
Profit attributable to ordinary shareholders of CITIC Pacific from continuing operations	8,934	6,655	5,505
Profit attributable to ordinary shareholders of CITIC Pacific	9,233	6,954	7,588
Return on ordinary shareholders' funds *(Note 1)*	13%	9%	9%
Target Group *(RMB)*			
Total revenue	198,763	222,590	251,789
Net profit attributable to equity shareholders of the Target Company	31,700	28,404	34,260
Return on equity attributable to equity shareholders (ROE) of the Target Company *(Note 2)*	22%	16%	16%

Notes:

1. Return on ordinary shareholders' funds = Net profit attributable to ordinary shareholders of CITIC Pacific/average of the opening and closing of ordinary shareholders' funds of CITIC Pacific

2. Return on equity attributable to equity shareholders (ROE) of the Target Company = net profit attributable to equity shareholders of the Target Company/average total equity attributable to equity shareholders of the Target Company

Stabilizing profitability on a per share basis

Since 2012, CITIC Pacific has experienced industry-related volatility in various business segments in which we operate. Although CITIC Pacific has focused its attention on its core businesses, we still experienced a decline in the earnings per share.

For the financial year ended December 31, 2013, CITIC Pacific recorded profit attributable to ordinary shareholders in the amount of HK$7,588 million, among which profit attributable to ordinary shareholders from continuing operations amounted to HK$5,505 million, and profit attributable to ordinary shareholders from discontinued operations amounted to HK$2,083 million. The profit from discontinued operations was mainly due to the gain on disposal of 18.55% interest in CITIC Telecom International and a fair value gain of the remaining interest which have been eliminated at the pro forma Enlarged Group level. The earnings in the remaining interest from the date of sale are recorded as earnings of joint venture. CITIC Pacific's earning per share from continuing operations for the year ended December 31, 2013 was HK$1.51. The return on ordinary shareholders' funds of CITIC Pacific was 13%, 9% and 9% in 2011, 2012 and 2013, respectively.

The Target Group's businesses, such as commercial banking, infrastructure and manufacturing, have delivered consistent and sustainable profitability. The CAGR of the Target Group's total revenue and net profit attributable to equity shareholders of the Target Company for the last three years were 12.6% and 4.0%, respectively.

According to the unaudited pro forma financial information, the unaudited pro forma earnings per share from continuing operations of the Enlarged Group for the year ended December 31, 2013 would have been HK$1.94, representing an increase of HK$0.43 and 28.5% compared to profit per share from continuing operations of CITIC Pacific as of December 31, 2013. The ROE of the enlarged CITIC Pacific would have been 13%, representing an increase of four percentage points compared to the return on ordinary shareholders' funds of CITIC Pacific as of December 31, 2013.

(E) Creating Further Synergies as Part of the Enlarged Group

Synergy potential within the Target Group

The Target Group has significant synergy potential as it has operations in different industries and with accesses to various resources in different sectors. There is a dedicated team in the Target Group focusing on the exploration and driving of synergy plans within the Target Group. Synergy can be created through more efficient capital allocation and enhanced integration of business networks, sharing of customer base, talents and professional experience and also by enhancing and leveraging the overall CITIC brand.

Given the Target Group has many businesses that have leading position in their respective sectors, large enterprises and provincial and municipal governments are willing to enter into overall strategic cooperation agreements with the Target Group, enabling different units within the Target Group to develop their businesses with the counterparties in a more effective and efficient manner.

Leveraging the advantages in integrating the businesses of CITIC Pacific and the Target Group

Upon Completion, the Target Group will become a subsidiary of CITIC Pacific, which would enable CITIC Pacific, as its holding company, to fully utilize and integrate the strong business networks, customer base, government relationships and other resources of the Target Group. There are examples of complementary businesses in the Target Group and CITIC Pacific:

- CITIC Pacific and the Target Group are both engaged in the development of and investment in real estate. Upon Completion, CITIC Pacific would have closer cooperation with the Target Group in its real estate business in China, leading to improved efficiency and reduced costs and expenses. In terms of geographic location and asset type, the current real estate projects of CITIC Pacific are mostly mid to high-end properties concentrated in the Yangtze River Delta region and Hainan, while the real estate business of the Target Group involve mostly mid-end commercial residential housing projects concentrated in the Pearl River Delta, Beijing, Tianjin and the Bohai Rim regions. The real estate products provided by CITIC Pacific and the Target Group are complementary to each other to create an enlarged customer base.

- The resources business of CITIC Pacific is mainly focused on its iron ore projects, while the Target Group is engaged in all upstream, midstream and downstream segments of the resources industry. Upon Completion, CITIC Pacific could utilize the international trade capabilities of the Target Company to further develop upstream suppliers and downstream customers in the resources industry in order to lower costs and improve operating efficiency of CITIC Pacific's resources and energy businesses.

(F) Shared Corporate Culture Will Encourage Fast and Effective Integration and Allow Synergies and Benefits to Be Realized Quickly

With a history of shared management and cross-business collaboration, shared corporate value and vision, and minimal expected operational changes, CITIC Pacific will immediately benefit from the Acquisition. The integration is expected to be fast and effective for the following reasons:

- As both the Target Company and CITIC Pacific are subsidiaries of CITIC Group prior to the Completion, the management teams of both companies share a common understanding in relation to business objectives, and there already exists a highly efficient communication mechanism between the two management teams.

- A number of CITIC Pacific's senior management team members also concurrently serve as members of Target Group's senior management team and are familiar with the business and internal management of the Target Group. Upon Completion, the management team of CITIC Pacific will be able to manage the businesses of the Target Group effectively and smoothly.

E. FINANCIAL INFORMATION OF THE TARGET GROUP

As of December 31, 2013, the total assets of the Target Group were approximately RMB3,965,703 million. For the year ended December 31, 2013, the total revenue of the Target Group was approximately RMB251,789 million, and the net profit attributable to equity shareholders of CITIC Limited was approximately RMB34,260 million.

(A) Combined Income Statements for the Periods Indicated:

	For the year ended December 31,		
	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Interest income	107,481	139,723	164,139
Interest expenses	(40,855)	(62,819)	(77,576)
Net interest income	66,626	76,904	86,563
Fee and commission income	12,445	15,922	23,123
Fee and commission expenses	(627)	(984)	(1,508)
Net fee and commission income	11,818	14,938	21,615
Sales of goods and services	117,519	127,762	141,356
Other revenue	2,800	2,986	2,255
	120,319	130,748	143,611
Total revenue	198,763	222,590	251,789

	For the year ended December 31,		
	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Cost of sales and services	(102,908)	(112,202)	(125,340)
Other net income	8,758	5,288	6,094
Impairment loss on assets			
– Loans and advances to customers	(6,220)	(12,709)	(10,739)
– Others	(3,027)	(3,105)	(2,933)
Other operating expenses	(37,760)	(44,452)	(51,923)
Net valuation gain on investment properties	69	80	118
Share of profit of associates, net of tax	4,568	1,050	1,824
Share of profit of joint ventures, net of tax	603	1,044	750
Profit before net finance charges and tax	62,846	57,584	69,640
Finance costs	(2,659)	(3,859)	(4,615)
Finance income	635	1,276	1,152
Net finance charges	(2,024)	(2,583)	(3,463)
Profit before tax	60,822	55,001	66,177
Income tax	(15,366)	(14,242)	(16,500)
Profit for the year	45,456	40,759	49,677
Attributable to:			
Equity shareholders of the Target Company	31,700	28,404	34,260
Non-controlling interests	13,756	12,355	15,417

(B) Combined Balance Sheets for the Dates Indicated:

	As of December 31,		
	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Assets			
Cash and deposits	785,580	713,323	680,285
Placements with banks and non-bank financial institutions	151,004	151,803	122,314
Financial assets at fair value through profit or loss	8,617	14,057	12,310
Derivative financial assets	4,741	4,254	7,768
Trade and other receivables	52,880	58,032	59,645
Amount due from customers for contract work	2,284	1,416	1,374
Inventories	73,627	88,564	83,695
Financial assets held under resale agreements	162,210	69,082	287,247
Loans and advances to customers and other parties	1,416,691	1,634,293	1,903,049
Available-for-sale financial assets	144,174	228,306	215,396
Held-to-maturity investments	107,827	134,405	154,792
Investments classified as receivables	–	56,435	300,158
Interests in associates	30,050	31,479	35,696
Interests in joint ventures	8,313	9,066	9,324
Fixed assets	33,498	36,144	47,038
Investment properties	5,298	4,500	4,681
Intangible assets	7,283	9,606	12,414
Goodwill	3,030	3,045	2,967
Deferred tax assets	5,381	8,427	10,930
Other assets	12,209	14,757	14,620
Total assets	3,014,697	3,270,994	3,965,703
Liabilities			
Deposits from banks and non-bank financial institutions	535,067	369,403	557,904
Placements from banks and non-bank financial institutions	3,865	17,165	41,372
Derivative financial liabilities	4,002	3,592	6,944
Trade and other payables	94,396	128,317	138,633
Amount due to customers for contract work	844	4,142	6,322
Financial assets sold under repurchase agreements	1,806	11,732	7,949
Deposits from customers	1,949,300	2,233,122	2,632,152
Employee benefits payables	11,732	13,673	13,967
Income tax payable	6,922	5,828	5,773
Bank and other loans	73,239	75,296	95,280
Debt securities issued	82,525	115,155	132,403
Provisions	1,316	474	500
Deferred tax liabilities	2,181	2,369	1,804
Other liabilities	3,176	3,851	5,062
Total liabilities	2,770,371	2,984,119	3,646,065

	As of December 31,		
	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Equity			
Share capital	128,000	128,000	128,000
Reserves	34,338	64,800	97,051
Total equity attributable to equity shareholders of the Target Company	162,338	192,800	225,051
Non-controlling interests	81,988	94,075	94,587
Total equity	244,326	286,875	319,638
Total liabilities and equity	3,014,697	3,270,994	3,965,703

(C) Combined Condensed Cash Flow Statements for the Periods Indicated:

	For the year ended December 31,		
	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Net cash generated from/(used in) operating activities	306,175	(34,860)	(121,997)
Net cash used in investing activities	(2,300)	(124,585)	(35,753)
Net cash generated from financing activities	8,590	26,536	25,153
Net increase/(decrease) in cash and cash equivalents	312,465	(132,909)	(132,597)
Cash and cash equivalents at January 1,	199,987	509,189	376,375
Effect of exchange rate changes	(3,263)	95	(1,567)
Cash and cash equivalents at December 31,	509,189	376,375	242,211

(D) Financial Performance by Business Segments:

The following chart sets out revenue of each business segment of the Target Group for the period indicated:

Business Segments	For the year ended December 31, 2011 Revenue	2011 % of total	2012 Revenue	2012 % of total	2013 Revenue	2013 % of total
	(in millions of RMB, except percentages)					
Financial Services	80,424	40.5	93,033	41.8	108,328	43.0
Real Estate and Infrastructure	16,635	8.4	12,926	5.8	27,202	10.8
Engineering Contracting	17,626	8.9	16,674	7.5	18,385	7.3
Resources and Energy	60,710	30.5	69,772	31.3	67,971	27.0
Manufacturing	16,385	8.2	19,757	8.9	19,121	7.6
Others *(Note)*	9,229	4.6	12,395	5.6	12,784	5.1
Unallocated	2,761	1.4	3,418	1.5	3,733	1.5
Elimination	(5,007)	(2.5)	(5,385)	(2.4)	(5,735)	(2.3)
Total	**198,763**	**100.0**	**222,590**	**100.0**	**251,789**	**100.0**

Note: Others include various businesses including aviation services, publishing services and others

The following table sets out the profit before tax of each business segment of Target Group for the periods indicated:

Business Segments	2011 Profit before tax	2011 % of total	2012 Profit before tax	2012 % of total	2013 Profit before tax	2013 % of total
	(in millions of RMB, except percentages)					
Financial Services	49,140	80.8	46,259	84.1	57,805	87.3
Real Estate and Infrastructure	3,872	6.4	4,402	8.0	4,390	6.6
Engineering Contracting	1,367	2.2	2,654	4.8	2,481	3.8
Resources and Energy	5,321	8.7	(363)	(0.7)	(128)	(0.2)
Manufacturing	1,356	2.2	1,313	2.4	1,001	1.5
Others (Note)	608	1.0	670	1.2	899	1.4
Unallocated	(315)	(0.5)	433	0.8	(337)	(0.5)
Elimination	(527)	(0.8)	(367)	(0.6)	66	0.1
Total	**60,822**	**100.0**	**55,001**	**100.0**	**66,177**	**100.0**

For the year ended December 31,

Note: Others include various businesses including aviation services, publishing services and others

For detailed financial information of the Target Group, please refer to Appendix I in this circular.

F. RISK FACTORS

Risks Relating to the Acquisition

The Completion is subject to the fulfillment of conditions precedent. CITIC Pacific cannot assure you that these conditions precedent can be fulfilled and/or the Acquisition will be completed as contemplated

The shareholding percentages of the existing Shareholders will be diluted following the issue of the New Shares upon the Completion, and any increase in value of the Shares as a result of the Acquisition may not offset the dilutive effect to the Shareholders

The share price of CITIC Pacific may fluctuate leading to investment risks to CITIC Pacific's existing Shareholders

The Acquisition faces integration risks

Other risks relating to the Acquisition

For detailed information on risks relating to the Acquisition, risks relating to the businesses and industries where the Enlarged Group has operations, risks relating to China, and risks relating to this circular, please refer to section headed "Risk Factors" set out in this circular.

G. PROPOSED CHANGE OF COMPANY NAME AND CORRESPONDING AMENDMENT TO THE ARTICLES OF ASSOCIATION

CITIC Pacific proposes to change its English name from "CITIC Pacific Limited" to "CITIC Limited" and change its Chinese name from "中信泰富有限公司" to "中國中信股份有限公司" after the Completion. The Articles of Association will be required to be amended in accordance with the proposed change of the company name. The proposed change of the company name and the corresponding amendment to the Articles of Association are subject to the approval of the Shareholders at the EGM.

H. LISTING RULES IMPLICATION

As the applicable percentage ratios of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition of CITIC Pacific under Chapter 14 of the Listing Rules. As CITIC Group is a connected person of CITIC Pacific by virtue of it being the controlling shareholder of CITIC Pacific, the Acquisition also constitutes a connected transaction of CITIC Pacific under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders at the EGM.

CITIC Group and its associates are required to abstain from voting on relevant resolutions in relation to the Acquisition and the specific mandate to issue the Consideration Shares and the Placing Shares at the EGM.

I. RE-ELECTION OF A DIRECTOR

Reference is made to the announcement dated February 28, 2014 of CITIC Pacific, Mr. Zeng Chen has been appointed as an executive director of CITIC Pacific with effect from the conclusion of the annual general meeting of CITIC Pacific held on May 14, 2014. Pursuant to the letter of appointment entered into between Mr. Zeng Chen and CITIC Pacific and the Articles of Association, Mr. Zeng Chen will retire and be eligible for re-election at the EGM.

For detailed information of the re-election of the Director, please refer to Appendix VII in this circular.

J. POTENTIAL CONTINUING CONNECTED TRANSACTIONS

Immediately following the Completion, CITIC Group will continue to be the controlling shareholder of CITIC Pacific and will therefore, continue to be a connected person of CITIC Pacific. As the Target Group will become part of the Group upon Completion, transactions between the Enlarged Group and its connected persons (including CITIC Group and its associates) will constitute connected transactions of the Enlarged Group after the Completion. CITIC Pacific will comply with the reporting, announcement and independent shareholders' approval requirements under the Listing Rules (if applicable) in respect of those continuing connected transactions.

K. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising Mr. Alexander Reid Hamilton, Mr. Francis Siu Wai Keung and Dr. Xu Jinwu, all of whom are independent non-executive Directors) has been formed to advise and provide recommendations to the Independent Shareholders in respect of the Acquisition (including the issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares). Mr. Gregory Lynn Curl, an independent non-executive Director, is a President of Temasek International. Given Temasek Holdings (Private) Limited ("Temasek"), through one of its affiliates, is one of the potential investors with whom CITIC Pacific is in discussion in relation to their possible participation in the Placing, to avoid the perception of a conflict of interest arising from his position within Temasek and Temasek's possible participation in the Placing, Mr. Gregory Lynn Curl has not joined the Independent Board Committee.

CITIC Pacific has appointed Somerley Capital Limited as the Independent Financial Adviser according to the Listing Rules. The Independent Financial Adviser provides recommendation about the Acquisition (including issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares) to the Independent Board Committee and the Independent Shareholders.

L. RECOMMENDATIONS

The Independent Board Committee, having considered the terms and conditions of the Share Transfer Agreement, in addition to the advice from the Independent Financial Adviser, considers that the terms and conditions of the Acquisition (including issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares) are fair and reasonable and in line with the interests of CITIC Pacific and the Shareholders as a whole, therefore recommends that the Independent Shareholders vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition (including issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares). The Directors recommend that the Independent Shareholders vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition, the issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares as well as other resolutions to be proposed at the EGM.

The letter containing detailed advices to the Independent Shareholders from the Independent Board Committee is set out in the section "Letter from the Independent Board Committee" of this circular. The letter containing detailed advices to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser in relation to the Acquisition (including issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares) and the principal factors and reasons taken into consideration in arriving at its recommendations is set out in the section "Letter from the Independent Financial Adviser" of this circular.

In this circular, unless the context otherwise requires, the following terms and expression have the meaning set forth below.

"Acquisition"	the purchase by the Purchaser of the Target Shares from the Vendors pursuant to the Share Transfer Agreement;
"Appraised Value"	the total net asset value of the Target Company as of the Reference Date as appraised by the PRC Valuer;
"Articles of Association"	the articles of association of CITIC Pacific;
"AsiaSat"	Asia Satellite Telecommunications Holdings Limited, a company incorporated in Bermuda in 1988 with its shares listed on the Stock Exchange (Stock Code: 1135), and 37.59% of its equity interest was held by the Target Company as of the Latest Practicable Date;
"associate(s)"	has the meanings as ascribed thereto under the Listing Rules;
"Auditors"	KPMG, auditors of CITIC Pacific;
"AUD"	Australian dollars, the lawful currency of Commonwealth of Australia;
"AUM"	asset under management;
"Board"	board of Directors of CITIC Pacific;
"CAGR"	compound annual growth rate;
"Cash Consideration"	portion of the Transfer Consideration to be satisfied in cash;
"CBI"	China CITIC Bank International Limited, a company incorporated in Hong Kong and a subsidiary of the Target Company;
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會);
"China AMC"	China Asset Management Co., Ltd., a company incorporated in the PRC in 1998 and a subsidiary of CITIC Securities;

"China International Economic Consultants"	China International Economic Consultants Co., Ltd., a company incorporated in the PRC in 1982 and a subsidiary of the Target Company;
"China Platinum"	China Platinum Company, a company incorporated in the PRC in 2003 and a subsidiary of the Target Company;
"CIFH"	CITIC International Financial Holdings Limited, a company incorporated in Hong Kong in 2002 upon the restructuring of its predecessor, CITIC Ka Wah Bank Limited, and a subsidiary of the Target Company;
"CIRC"	China Insurance Regulatory Commission (中國保險監督管理委員會);
"CITIC Australia "	CITIC Australia Pty. Ltd., a company incorporated in Australia in 1985 and a subsidiary of the Target Company;
"CITIC Automobile"	CITIC Automobile Co., Ltd., a company incorporated in the PRC in 1993 and a subsidiary of the Target Company;
"CITIC Bank"	China CITIC Bank Corporation Limited, a company incorporated in the PRC in 1987, with its H shares listed on the Stock Exchange (Stock Code: 0998) and its A shares listed on the SSE (Stock Code: 601998), and a subsidiary of the Target Company;
"CITIC Building"	CITIC Building Property Management Co., Ltd., a company incorporated in the PRC in 1985 and a subsidiary of the Target Company;
"CITIC Capital"	CITIC Capital Holdings Limited, a company incorporated in Hong Kong in 2002, and 20.03% of its equity interest was held by each of CITIC Pacific and CIFH as of the Latest Practicable Date;
"CITIC Capital Mansion"	CITIC Capital Mansion Co., Ltd., a company incorporated in the PRC in 1990 and a subsidiary of the Target Company;

"CITIC Construction"	CITIC Construction Co., Ltd., a company incorporated in the PRC in 2002 and a subsidiary of the Target Company;
"CITIC-CP"	CITIC-CP Asset Management Company, a company incorporated in the PRC in 2013 and a subsidiary of the Target Company;
"CITIC Dameng"	CITIC Dameng Holdings Limited, a company incorporated in Bermuda in 2005 with limited liability, with its shares listed on the Stock Exchange (Stock Code: 1091), and 49.26% equity interest in which is indirectly held by the Target Company as of the Latest Practicable Date;
"CITIC Design"	CITIC General Institute of Architecture Design and Research Co., Ltd., a company incorporated in the PRC in 1990 and a subsidiary of the Target Company;
"CITIC Dicastal"	CITIC Dicastal Co., Ltd., a company incorporated in the PRC in 1988 and a subsidiary of the Target Company;
"CITIC Engineering Design"	CITIC Engineering Design and Construction Co., Ltd., a company incorporated in the PRC in 2013 and a subsidiary of the Target Company;
"CITIC Enterprise Management"	Beijing CITIC Enterprise Management Co., Ltd., a company incorporated in the PRC in 2009 and held 0.1% equity interest of the Target Company as of the Latest Practicable Date;
"CITIC Finance"	CITIC Finance Company Limited, a company incorporated in the PRC in 2012 and a subsidiary of the Target Company;
"CITIC Futures"	CITIC Futures Company Limited, formerly CITIC Securities Futures Company Limited, a company incorporated in the PRC in 1993 and a subsidiary of CITIC Securities;
"CITIC Group"	CITIC Group Corporation, a wholly state-owned company established in the PRC in 1979 and the controlling shareholder of CITIC Pacific, and directly and indirectly held 100% equity interest in the Target Company as of the Latest Practicable Date;

"CITIC Heavy Industries"	CITIC Heavy Industries Co., Ltd., a company incorporated in the PRC in 2008 with its shares listed on the SSE (Stock Code: 601608), and a subsidiary of the Target Company;
"CITIC Heye"	CITIC Heye Investment (Beijing) Co., Ltd., a company incorporated in the PRC in 2011 and a subsidiary of the Target Company;
"CITIC Holdings"	CITIC Holdings Co., Ltd., a company incorporated in the PRC in 2002 and a subsidiary of the Target Company;
"CITIC Hong Kong"	CITIC Hong Kong (Holdings) Limited, a company incorporated in Hong Kong in 1987 and a subsidiary of the Target Company;
"CITIC Industrial Investment"	CITIC Industrial Investment Group Corp., Ltd., a company incorporated in the PRC in 1997 and a subsidiary of the Target Company;
"CITIC Investment Holdings"	CITIC Investment Holdings Ltd., a company incorporated in the PRC in 2006 and a subsidiary of the Target Company;
"CITIC Kazakhstan"	CITIC Kazakhstan Limited Liability Partnership, a company incorporated in Kazakhstan in 2009 and a subsidiary of the Target Company;
"CITIC Kingview Capital"	CITIC Kingview Capital Management Co., Ltd., a company incorporated in the PRC in 2007 and a subsidiary of the Target Company;
"CITIC Limited" or "Target Company"	CITIC Limited, a company incorporated in the PRC in 2011;
"CITIC Limited Group" or "Target Group"	CITIC Limited and its subsidiaries, and for the purpose of this circular, excluding the Group;
"CITIC Metal"	CITIC Metal Co., Ltd., a company incorporated in the PRC in 1988 and a subsidiary of the Target Company;
"CITIC Pacific" or "Company" or "Purchaser"	CITIC Pacific Limited, a company incorporated in Hong Kong in 1985 with its shares listed on the Stock Exchange (Stock Code: 00267);

"CITIC Press"	CITIC Press Corporation, a company incorporated in the PRC in 1993 and a subsidiary of the Target Company;
"CITIC Prudential"	CITIC Prudential Life Insurance Co., Ltd., a company incorporated in the PRC in 2000 and 50% of its equity interest was held by the Target Company as of the Latest Practicable Date;
"CITIC Prufunds"	CITIC-Prudential Fund Management Co., Ltd., a company incorporated in the PRC in 2005 and 49% of its equity interest was held by CITIC Trust as of the Latest Practicable Date;
"CITIC Real Estate"	CITIC Real Estate Co., Ltd., a company incorporated in the PRC in 1986 and a subsidiary of the Target Company;
"CITIC Resources"	CITIC Resources Holdings Limited, a company incorporated in Bermuda in 1997 with its shares listed on the Stock Exchange (Stock Code: 1205), and a subsidiary of the Target Company;
"CITIC Securities"	CITIC Securities Co., Ltd., a company incorporated in the PRC in 1995 with its H shares listed on the Stock Exchange (Stock Code: 6030) and A shares listed on the SSE (Stock Code: 600030), and 20.30% of its equity interest was held by the Target Company as of the Latest Practicable Date;
"CITIC Securities International"	CITIC Securities International Co., Ltd., a company incorporated in Hong Kong in 1998 and a subsidiary of CITIC Securities;
"CITIC Securities (Zhejiang)"	CITIC Securities (Zhejiang) Co., Ltd., a company incorporated in the PRC in 2002 and a subsidiary of CITIC Securities;
"CITIC Telecom International"	CITIC Telecom International Holdings Limited, a company incorporated in Hong Kong in 1997 with its shares listed on the Stock Exchange (Stock Code: 01883), and 18.33% and 41.27% of its equity interest was indirectly held by the Target Company and CITIC Pacific, respectively, as of the Latest Practicable Date;

"CITIC Tianjin"	CITIC Tianjin Investment Holding Co., Ltd., a company incorporated in the PRC in 2007 and a subsidiary of the Target Company;
"CITIC Tourism"	CITIC Tourism Group Co., Ltd., a company incorporated in the PRC in 1987 and a subsidiary of the Target Company;
"CITIC Trust"	CITIC Trust Co., Ltd., a company incorporated in the PRC in 1988 and a subsidiary of the Target Company;
"CITIC United Asia"	CITIC United Asia Investments Limited, a company incorporated in Hong Kong in 1991 and a subsidiary of the Target Company;
"CITIC Wantong"	CITIC Wantong Securities Co., Ltd., a company incorporated in the PRC in 1988 and a subsidiary of CITIC Securities;
"CITIC Zhonghaizhi"	CITIC Zhonghaizhi Corporation, a company incorporated in the PRC in 1983 and a subsidiary of the Target Company;
"Closing Date"	a date to be agreed in writing between the Purchaser and the Vendors following the fulfilment of all the conditions precedent to the Acquisition pursuant to the Share Transfer Agreement to the reasonable satisfaction of the Purchaser (or otherwise waived, if applicable);
"CLSA"	CLSA B.V., a company incorporated in the Netherlands in 1987 and a subsidiary of CITIC Securities;
"COHC"	CITIC Offshore Helicopter Co., Ltd., a company incorporated in the PRC in 1999, with its shares listed on the SZSE (Stock Code: 000099), and 42.18% of its equity interest was held by CITIC Zhonghaizhi as of the Latest Practicable Date;
"Company Law"	Company Law of the PRC (中華人民共和國公司法), adopted by the Standing Committee of National People's Congress on October 27, 2005 and became effective on January 1, 2006, as amended, supplemented and otherwise modified from time to time;

"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Share Transfer Agreement;
"Consideration Shares"	Shares to be allotted and issued by CITIC Pacific to CITIC Group or its designated wholly-owned subsidiaries to settle the Share Consideration pursuant to the Share Transfer Agreement;
"controlling shareholder"	has the meanings as ascribed thereto under the Listing Rules;
"CSMDI"	Central and Southern China Municipal Engineering Design and Research Institute Co., Ltd., a company incorporated in the PRC in 1991 and a subsidiary of the Target Company;
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會);
"CTM"	Companhia de Telecomunicações de Macau, S.A.R.L., a company incorporated in Macau in 1981 and a subsidiary of CITIC Telecom International;
"Director(s)"	director(s) of CITIC Pacific;
"EGM"	extraordinary general meeting of CITIC Pacific to be held at Granville and Nathan Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, June 3, 2014 at 11:00 a.m., including any adjournment thereof, for the purpose of approving, inter alia, the Acquisition, the issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares, the change of company name, the corresponding amendment to the Articles of Association, and re-election of Director;
"Enlarged Group"	CITIC Pacific and its subsidiaries upon Completion, which would include the Target Group;
"Financial Advisers"	CITIC Securities Corporate Finance (HK) Limited and China Securities (International) Corporate Finance Company Limited, the financial advisers to CITIC Pacific in respect of the Acquisition;

"Framework Agreement"	framework agreement dated March 26, 2014, entered into between the Vendors and the Purchaser in respect of the Acquisition, particulars of which were disclosed in the announcement of CITIC Pacific made on the same date;
"GDP"	Gross Domestic Product;
"Goldstone Investment"	Goldstone Investment Ltd., a company incorporated in the PRC in 2007 and a subsidiary of CITIC Securities;
"Group"	CITIC Pacific and its subsidiaries;
"Guoan Club"	Beijing Guoan Football Club Co., Ltd., a company incorporated in the PRC in 1993 and a subsidiary of the Target Company;
"HK dollar", "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China;
"Independent Board Committee"	an independent committee of the Board, comprising Mr. Alexander Reid Hamilton, Mr. Francis Siu Wai Keung and Dr. Xu Jinwu, all of whom are independent non-executive Directors, to provide recommendations to the Independent Shareholders in respect of the Acquisition (including issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares);
"Independent Financial Adviser"	Somerley Capital Limited, a corporation licensed by the SFC to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, appointed by CITIC Pacific to make recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition (including issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares);

"Independent Shareholders"	shareholders of CITIC Pacific (which exclude CITIC Group and its associates) who are not required to abstain from voting under the Listing Rules at the EGM on the resolutions in respect of the Acquisition (including issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares);
"KSM Castings"	KSM Castings Group GmbH;
"Latest Practicable Date"	May 9, 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Long Stop Date"	12 months from the execution date of the Share Transfer Agreement (or such longer period as may be agreed upon among the Purchaser and the Vendors);
"Macau"	Macau Special Administrative Region of the People's Republic of China;
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部);
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部);
"NAO"	National Audit Office of the PRC (中華人民共和國審計署);
"New Shares"	Consideration Shares and Placing Shares to be issued under the specific mandate;
"Parties"	Purchaser and the Vendors;
"PBOC"	People's Bank of China (中國人民銀行), the central bank of the PRC;
"Placing"	placing of the Placing Shares pursuant to the terms as set out in this circular and the specific mandate;
"Placing Price"	price per Placing Share;

"Placing Shares"	Shares to be placed pursuant to the terms as set out in this circular and the specific mandate;
"PRC" or "China"	People's Republic of China, which shall, for the purposes of this circular, exclude Hong Kong, Macau and Taiwan;
"PRC Valuer"	China Enterprise Appraisals Co., Ltd., an independent third party of the Purchaser, the Vendors and the Target Company;
"Price per Consideration Share"	unit price of the Shares issued by the Purchaser to satisfy the Share Consideration, which will be HK$13.48 (subject to adjustment);
"Pricing Date"	March 24, 2014, being the last trading day of the Shares on the Stock Exchange prior to the date of the Framework Agreement;
"Purchaser's Equity Transfer"	the transfer of all of CITIC Limited's shareholdings in CITIC Pacific by overseas wholly-owned subsidiaries of CITIC Limited which hold shares of CITIC Pacific, based on their business needs, to CITIC Group or CITIC Group's overseas wholly-owned subsidiaries, which had been completed as of the Latest Practicable Date;
"Reference Date"	December 31, 2013;
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC;
"ROE"	return on equity;
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局);
"SAIC"	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局);
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會);
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局);

"SFC"	Hong Kong Securities and Futures Commission;
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
"Share(s)"	share(s) of CITIC Pacific;
"Shareholder(s)"	shareholder(s) of CITIC Pacific;
"Share Consideration"	the portion of the Transfer Consideration to be satisfied by the issue of the Consideration Shares;
"Share Transfer Agreement"	Share Transfer Agreement entered into among the Purchaser and the Vendors dated April 16, 2014, pursuant to which the Purchaser conditionally agrees to purchase and the Vendors conditionally agree to sell the Target Shares;
"SSE"	Shanghai Stock Exchange;
"State Council"	State Council of the PRC (中華人民共和國國務院);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"SZSE"	Shenzhen Stock Exchange;
"Target Group Members"	Target Company and its principal subsidiaries as set out in note 53 to the Accountants' Report of the Target Group as disclosed in this circular;
"Target Shares"	139,000,000,000 shares of the Target Company at a par value of RMB1.00 per share held by the Vendors, representing 100% of the total issued share capital of the Target Company;
"Track Record Period"	the period comprising the three financial years ended December 31, 2011, 2012 and 2013;
"Transfer Consideration"	total price to be paid by the Purchaser to the Vendors for the Target Shares in an aggregate amount of RMB226,995.6609 million;
"United States" or "USA" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction;

"US dollars" or "US$"	United States dollars, the lawful currency of the United States;
"Vendors"	CITIC Group and CITIC Enterprise Management; and
"Wind"	Wind Information Co., Ltd., a company with limited liability incorporated in the PRC in 1994 and an integrated service provider of financial data, information and software.

Notes:

1. All times and dates in this circular refer to Hong Kong local time and dates.

2. Certain amounts and percentage figures included in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

CORPORATE INFORMATION

Registered Office	32nd Floor, CITIC Tower 1 Tim Mei Avenue Central, Hong Kong
Headquarters and principal place of business	32nd Floor, CITIC Tower 1 Tim Mei Avenue Central, Hong Kong
Company Secretary	Mr. Ricky Choy Wing Kay *(Qualified Solicitor in Hong Kong)*
Audit Committee	Mr. Francis Siu Wai Keung *(Committee Chairman)* Mr. Alexander Reid Hamilton Mr. Yin Ke
Nomination Committee	Mr. Chang Zhenming *(Chairman)* *(Committee Chairman)* Mr. Alexander Reid Hamilton Mr. Gregory Lynn Curl
Remuneration Committee	Mr. Francis Siu Wai Keung *(Committee Chairman)* Mr. Alexander Reid Hamilton Mr. Gregory Lynn Curl
Authorized Representative	Mr. Vernon Francis Moore Mr. Ricky Choy Wing Kay
Principal Banks	China Development Bank Beijing Branch 8/F, Ocean Plaza 158 Fuxingmennei Street, Xicheng District Beijing, PRC Bank of China (Hong Kong) Ltd. 9/F, Bank of China Tower 1 Garden Road Hong Kong Hongkong Shanghai Banking Corporation Limited 16/F, 1 Queen's Road, Central Hong Kong

	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Hong Kong Branch 8/F, AIA Central 1 Connaught Road, Central Hong Kong
	OCBC Bank, Hong Kong Branch 17/F, 9 Queen's Road, Central Hong Kong
Share Registrar	Tricor Tengis Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Company Website	http://www.citicpacific.com

A. DIRECTORS

Position	**Name**
Executive Directors	Mr. Chang Zhenming (常振明) *(Chairman)*
	Mr. Zhang Jijing (張極井) *(President)*
	Mr. Vernon Francis Moore (莫偉龍) *(Chief Financial Officer)*
	Mr. Liu Jifu (劉基輔)
Non-executive Directors	Mr. André Desmarais (德馬雷)
	Mr. Ju Weimin (居偉民)
	Mr. Yin Ke (殷可)
	Mr. Carl Yung Ming Jie (榮明杰)
	Mr. Peter Kruyt (彼得•克萊特) *(alternate Director to Mr. André Desmarais)*
Independent Non-executive Directors	Mr. Alexander Reid Hamilton (韓武敦)
	Mr. Gregory Lynn Curl (科爾)
	Mr. Francis Siu Wai Keung (蕭偉強)
	Dr. Xu Jinwu (徐金梧)

B. PARTIES INVOLVED IN THE ACQUISITION

Financial Advisers to CITIC Pacific	CITIC Securities Corporate Finance (HK) Limited China Securities (International) Corporate Finance Company Limited
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Somerley Capital Limited
PRC Valuer	China Enterprise Appraisals Co., Ltd.
Hong Kong and US Legal Advisers to CITIC Pacific	Freshfields Bruckhaus Deringer
PRC Legal Adviser to CITIC Pacific	Jia Yuan Law Offices
Auditors and Reporting Accountants	KPMG

CITIC PACIFIC

CITIC Pacific Limited
中信泰富有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00267)

Directors:
Chang Zhenming* *(Chairman)*
Zhang Jijing* *(President)*
Vernon Francis Moore* *(Chief Financial Officer)*
Liu Jifu*
André Desmarais**
Ju Weimin**
Yin Ke**
Carl Yung Ming Jie**
Alexander Reid Hamilton#
Gregory Lynn Curl#
Francis Siu Wai Keung#
Xu Jinwu#
Peter Kruyt^

Registered Office:
32nd Floor CITIC Tower
1 Tim Mei Avenue
Central Hong Kong

* *Executive Directors*
** *Non-executive Directors*
\# *Independent Non-executive Directors*
^ Alternate Director to André Desmarais

May 14, 2014

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
(2) PROPOSED ISSUE OF THE CONSIDERATION SHARES AND THE SPECIFIC MANDATE FOR THE ISSUE OF THE PLACING SHARES
(3) PROPOSED CHANGE OF COMPANY NAME AND CORRESPONDING AMENDMENT TO THE ARTICLES OF ASSOCIATION
(4) RE-ELECTION OF A DIRECTOR
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

A. INTRODUCTION

We refer to the announcement of CITIC Pacific dated April 16, 2014 in connection with, among other things, the Acquisition. On April 16, 2014, CITIC Pacific, CITIC Group and CITIC Enterprise Management entered into the Share Transfer Agreement, pursuant to which CITIC Pacific has agreed to acquire 100% of the total issued share capital of CITIC Limited from CITIC Group and CITIC Enterprise Management.

B. EXPECTED TIMETABLE

The following expected timetable may be subject to change and further announcement(s) in relation to any revised timetable will be published as and when appropriate.

EGM	June 3, 2014 (Tuesday)
Announcement of the results of the EGM to be published	June 3, 2014 (Tuesday)
Completion and issue of the Consideration Shares and the Placing Shares	on or before August 29, 2014 (Friday)
Announcement of the Completion to be published	on or before August 29, 2014 (Friday)

C. THE ACQUISITION

(A) Principal Terms of the Share Transfer Agreement and the Acquisition

Date: April 16, 2014

Parties: CITIC Pacific (as the Purchaser);

CITIC Group and CITIC Enterprise Management (as the Vendors).

Subject Matter: 139,000,000,000 shares of CITIC Limited at a par value of RMB1.00 per share held by the Vendors, representing 100% of the total issued shares of CITIC Limited.

Consideration: The final Transfer Consideration is RMB226,995.6609 million (equivalent to approximately HK$286,585.3534 million), which will be satisfied as set out in paragraphs (a) and (b) below. The Transfer Consideration is increased by RMB65.7879 million (equivalent to approximately HK$83.0582 million) as compared with the initial Transfer Consideration of RMB226,929.8730 million (equivalent to approximately HK$286,502.2953 million) as disclosed in the announcement made by CITIC Pacific on April 16, 2014. For the summary of the valuation report with the Appraised Value approved by MOF, please refer to Appendix III in this circular.

a. Cash Consideration

The Cash Consideration portion of the Transfer Consideration, namely RMB49,982.5609 million, will be paid by CITIC Pacific on or before the Closing Date in an equivalent HK$ amount to be calculated by reference to the median exchange rate of RMB against HK$ announced by PBOC on the Pricing Date (namely approximately HK$63,103.7167 million, based on the exchange rate of HK$1.00 to RMB0.79207). Subject to the applicable laws, the Purchaser may, with the written consent of the Vendors, pay all or part of the Cash Consideration within one year from the Closing Date.

The Cash Consideration will be financed by CITIC Pacific primarily through equity fund raising and if required, internal cash resources, bank borrowings or other means.

b. ***Share Consideration***

The Share Consideration portion of the Transfer Consideration, namely RMB177,013.1000 million, will be satisfied by the issue of 16,578,756,438 Consideration Shares by CITIC Pacific to CITIC Group or CITIC Group's designated wholly-owned subsidiaries on or before the Closing Date at the Price per Consideration Share of HK$13.48 (subject to the adjustment mechanism as set out in the Share Transfer Agreement) and the total amount of the Share Consideration will be calculated by reference to the median exchange rate of RMB against HK$ announced by the PBOC on the Pricing Date (namely approximately HK$223,481.6368 million, based on the exchange rate of HK$1.00 to RMB0.79207).

In summary, the number of the Consideration Shares equals to:

$$\frac{\text{Share Consideration (as converted into HK\$ as described above)}}{\text{Price per Consideration Share (as adjusted, if applicable)}}$$

Based on a Share Consideration of RMB177,013.1000 million, the total number of Consideration Shares to be issued on or before the Closing Date is 16,578,756,438 Consideration Shares.

Adjustment of Price per Consideration Share: If CITIC Pacific makes any payments or distributions of dividends to the Shareholders between the date of the Share Transfer Agreement and the Closing Date (excluding any cash dividends declared prior to the date of the Share Transfer Agreement), the Price per Consideration Share will be adjusted in accordance with the terms and conditions of the Share Transfer Agreement.

Further announcement(s) will be made by CITIC Pacific in the event of an adjustment.

Maximum number of New Shares which may be issued: For detailed information with regard to the maximum number of New Shares (being the aggregate of the Consideration Shares and the Placing Shares) which may be issued, please refer to the section headed "Proposed Issue of the Consideration Shares and the Specific Mandate for the Issue of the Placing Shares" set out in this letter.

Adjustment to the Payment Methods of the Transfer Consideration: The total amount of the Cash Consideration can be adjusted at the discretion of CITIC Pacific. If the Cash Consideration portion is reduced, the difference between the adjusted and the original amount of the Cash Consideration will be satisfied by CITIC Pacific through issuing additional Consideration Shares or other means pursuant to the Share Transfer Agreement.

The following conditions must be met (unless unanimously waived by all the Parties) before any adjustment can be made:

a. such adjustment will not alter the total Transfer Consideration;

b. such adjustment will not have any material adverse impact on the tax payable by each party to the Share Transfer Agreement;

c. such adjustment will not prevent or unreasonably delay the Completion and/or the issue of the Consideration Shares;

d. such adjustment will not result in an insufficient public float of CITIC Pacific to the extent that CITIC Pacific cannot comply with the minimum public float requirements of the Stock Exchange (Please refer to the section headed "Proposed Issue of the Consideration Shares and the Specific Mandate for the Issue of the Placing Shares – Waiver from Strict Compliance with Public Float Requirements" in this letter) or an issue of Shares which exceeds the maximum number of New Shares that can be issued (i.e. 21,253,879,470 New Shares); and

e. such adjustment will not result in the shareholding of CITIC Group in CITIC Pacific being less than 51% upon Completion.

In determining the final allocation between the Cash Consideration and the Share Consideration, CITIC Pacific will take into consideration, among other things, (i) the prevailing market conditions at the time of Placing; and (ii) the public float of CITIC Pacific at the relevant time.

Conditions Precedent: The Completion will be conditional upon the fulfilment of the following conditions:

a. approval from Shareholders of the Purchaser: Independent Shareholders passing resolutions to approve (i) the transactions contemplated under the Share Transfer Agreement; and (ii) the issue of the Consideration Shares;

b. approvals from regulatory authorities: all necessary regulatory approvals by the relevant regulatory authorities in relation to the transactions contemplated under the Share Transfer Agreement having been granted, including but not limited to the approvals from MOF, MOFCOM, CSRC and other PRC regulatory authorities, the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange, and the SFC having granted the waiver from making a mandatory general offer by CITIC Pacific, and all such regulatory approvals not having been revoked before the Closing Date;

c. Purchaser's Equity Transfer: the completion of the Purchaser's Equity Transfer, as a result of which CITIC Limited will no longer directly or indirectly hold any equity interest of CITIC Pacific (the Purchaser's Equity Transfer had been completed as of the Latest Practicable Date);

d. cash funding resources: the availability of sufficient funding of CITIC Pacific raised through the Placing or other means to settle the Cash Consideration (as adjusted, if applicable); and

e. representations and warranties: each representation and warranty of the Vendors set out in the Share Transfer Agreement will be true and accurate as of the date of the Share Transfer Agreement and as of the Closing Date.

Other material terms: If CITIC Limited conducts any bonus issue, conversion of capital reserve into equity, and/or other ex-right corporate actions after the date of the Share Transfer Agreement and before the Closing Date, the number of Target Shares will be all the shares of CITIC Limited that are held by the Vendors after such bonus issue, conversion of capital reserve into equity, and/or other ex-right corporate actions (if applicable).

All the accumulated public reserves, undistributed profits, dividends and bonuses (including cash dividends, if any) of CITIC Limited accruing in respect of the Target Shares prior to the Closing Date will belong to CITIC Pacific.

Subject to the written consent of CITIC Pacific, CITIC Limited may distribute cash dividends after the date of the Share Transfer Agreement and before the Closing Date, the amount of which will be deducted from the Cash Consideration.

CITIC Group should procure Target Group Members to obtain necessary third party consents in respect of the transactions contemplated under the Share Transfer Agreement.

CITIC Pacific should make all reasonable endeavours to obtain all third party consents necessary for the completion of the transactions contemplated under the Share Transfer Agreement.

Completion: The sale and purchase of the Target Shares will be completed on the Closing Date.

Upon Completion, CITIC Group will remain as the controlling shareholder of CITIC Pacific under the Listing Rules, and CITIC Limited will become a wholly-owned subsidiary of CITIC Pacific and its financial results will be consolidated into the financial statements of the Enlarged Group.

Long Stop Date: The Parties agreed that they will use their best efforts to procure all of the conditions precedent to be fulfilled within 12 months of the date of the Share Transfer Agreement (or any longer period as may be agreed upon by the Parties). If any condition precedent under the Share Transfer Agreement has not been fulfilled (or waived) before the Long Stop Date, the Share Transfer Agreement will be terminated automatically.

(B) Basis of the Consideration

As approved by the MOF, the Appraised Value is RMB226,995.6609 million. As such, the final Transfer Consideration is RMB226,995.6609 million (equivalent to approximately HK$286,585.3534 million), comprising the Cash Consideration in the amount of RMB49,982.5609 million and the Share Consideration in the amount of RMB177,013.1000 million. The Transfer Consideration is increased by RMB65.7879 million (equivalent to approximately HK$83.0582 million) as compared with the initial Transfer Consideration of RMB226,929.8730 million (equivalent to approximately HK$286,502.2953 million) as disclosed in the announcement made by CITIC Pacific on April 16, 2014.

The Transfer Consideration payable by CITIC Pacific to the Vendors for the Target Shares amounts to RMB226,995.6609 million (equivalent to approximately HK$286,585.3534 million). The Transfer Consideration was arrived at after arm's length negotiations between the Vendors and the Purchaser. In determining the Transfer Consideration, the following factors were taken into consideration:

a. the Appraised Value;

b. current situation and future development prospects of the industries in which the Target Group operates;

c. historical financial performance and future development potential of the Target Group;

d. current situation and future development prospects of the industries in which CITIC Pacific operates; and

e. historical financial performance and future development potential of CITIC Pacific.

The payment of the 2013 final dividends by CITIC Pacific has been considered by the Parties when determining the Price per Consideration Share and no adjustment will be made to the Price per Consideration Share in respect of such dividend payment.

The valuation report of the PRC Valuer was prepared based on the asset-based approach and the market approach as the fundamental valuation approaches and it also used the income approach for the valuation of certain long term investments of the Target Company. Such income approach-based valuation of certain long term investments of the Target Company is regarded as a profit forecast under Rule 14.61 of the Listing Rules.

The principal assumptions upon which the valuation is based are set out below:

- after the Reference Date, the appraised entity continues operating as a going concern;
- after the Reference Date, there have been no material changes of political, economic and social environment of the countries and regions where the appraised entity is located;
- after the Reference Date, there have been no material changes of macroeconomic policies, industrial policies and regional development policies of the countries and regions where the appraised entity is located except for what is publicly known;
- after the Reference Date, there have been no material changes of tax bases, tax rates, and policy-driven charges related to the appraised entity except for what is publicly known;
- after the Reference Date, the management team of the appraised entity remains responsible, stable and capable of performing their duties;
- the appraised entity has been in compliance with relevant laws and regulations, and there have been no material non-compliance incidents that may affect the development of the company and realisation of its profit;
- after the Reference Date, the accounting policies adopted by the appraised entity remain consistent in material aspects with the accounting policies adopted by the appraised entity when preparing the valuation report;
- after the Reference Date, there have been no material changes in the business scope and operating model of the appraised entity based on the existing management model and management standards except as otherwise disclosed in the valuation report; and

- after the Reference Date, there have been no force majeure incidents which will have a material adverse effect on the appraised entity.

The Directors consider that the above principal assumptions were made after due and careful enquiry. CITIC Pacific has engaged KPMG to review the calculations for the income approach-based valuation of certain long term investments of the Target Company. CITIC Pacific's Financial Advisers have discussed with CITIC Pacific the valuation.

CITIC Pacific has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 14.62 and 14A.56(8) of the Listing Rules. The letter from CITIC Pacific's Auditors and the letter from CITIC Pacific's Financial Advisers for the purposes of Rules 14.62 and 14A.56(8) of the Listing Rules are set out in Appendix IV in this circular.

(C) The Consideration Shares

a. Basic Information on the Consideration Shares

The Consideration Shares will be issued as fully paid, and will rank *pari passu* in all respects with the Shares of CITIC Pacific in issue on the Closing Date.

b. Issue Price of the Consideration Shares

The issue price of the Consideration Shares is HK$13.48 per Share, representing:

(a) a premium of approximately 6.48% to the closing price of HK$12.66 per Share as quoted on the Stock Exchange on the Pricing Date;

(b) a premium of approximately 14.82% to the average closing price of approximately HK$11.74 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Pricing Date;

(c) a premium of approximately 21.99% to the average closing price of approximately HK$11.05 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Pricing Date; and

(d) a premium of approximately 25.86% to the average closing price of approximately HK$10.71 per Share as quoted on the Stock Exchange for the last 60 consecutive trading days up to and including the Pricing Date.

The Price per Consideration Share was determined after arm's length negotiations between CITIC Pacific and the Vendors with reference to the prevailing market prices of the Shares of CITIC Pacific at the relevant time as disclosed in the announcement of CITIC Pacific dated March 26, 2014 in respect of the Framework Agreement.

c. Application for Listing of the Consideration Shares

CITIC Pacific will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange.

(D) Reasons for and Benefits of the Acquisition

The Directors consider that the terms of the Acquisition and the Share Transfer Agreement are fair and reasonable, and in the interests of CITIC Pacific and the Shareholders, taken as a whole, and believe that CITIC Pacific will derive the following benefits from the Acquisition:

a. Opportunity to Acquire the Largest Multi-industry Platform in China

The Acquisition provides CITIC Pacific with a unique opportunity to own a business that has evolved to be the largest multi-industry conglomerate in China.

Great size and scale

The Target Group is the primary business operating arm of its parent company, CITIC Group, which ranked 221st, 194th and 172nd in *Fortune*'s "Top 500 Global Companies" for 2011, 2012 and 2013 respectively. CITIC Group ranked 21st, 20th and 20th among all Chinese enterprises that were listed for 2011, 2012 and 2013 respectively, in terms of revenue. CITIC Group ranked 20th in the "Top 500 Enterprises of China" selected by the China Enterprise Confederation and China Enterprise Directors Association in 2013. The Target Group's businesses extend globally covering financial services, real estate and infrastructure, engineering contracting, resources and energy, manufacturing and other segments.

As of December 31, 2013, the total assets of the Target Group was RMB3,965,703 million, equity attributable to equity shareholders of the Target Company was RMB225,051 million, and the total revenue of the Target Group for the year ended December 31, 2013 was RMB251,789 million. As of December 31, 2013, the total number of employees in the Target Group was 90,588.

Sustained, strong financial performance

Over the past 30 years, the Target Group has demonstrated sustained and strong financial performance. As of December 31, 2011, 2012 and 2013, the total equity attributable to equity shareholders of the Target Company was RMB162,338 million, RMB192,800 million and RMB225,051 million respectively, representing a CAGR of 17.7%, and exceeding CAGR of China's nominal GDP, which was 10.5% during the corresponding period. For the years ended December 31, 2011, 2012 and 2013, the net profit attributable to equity shareholders of the Target Company was RMB31,700 million, RMB28,404 million and RMB34,260 million, respectively, with a CAGR of 4.0%.

Multi-sector business with leading positions in many of its principal business segments

The Target Group operates across a broad range of business sectors, including financial services, real estate and infrastructure, engineering contracting, resources and energy, manufacturing and others, many of them are with leading positions in their fields.

- CITIC Bank ranked 47th and 57th among banks globally in terms of tier one capital and total assets, respectively, according to the world rankings of top banks published by British magazine the *Banker* in 2013.

- CITIC Securities is the largest securities company in China and maintains leading market positions in investment banking, brokerage, asset management as well as margin financing and securities lending businesses. According to *Wind*, in 2013, CITIC Securities' aggregate equity and debt securities underwriting value ranked first in the industry.

- According to statistical data from the China Trustee Association and the published information of major trust companies in China, CITIC Trust maintained a leading position in terms of trust AUM, revenue and net profit from 2011 to 2013.

- CITIC Prudential ranked sixth among foreign-invested life insurance companies in China in terms of gross premium income in 2013, according to CIRC.

- CITIC Real Estate ranked 14th by sales value and 17th by sales area among Chinese real estate enterprises in 2013 according to China Real Estate Information Corporation.

- CITIC Construction ranked 43rd in 2013 according to "The Top 250 International Contractors" list released by the American publication *Engineering News-Record*, and ranked 6th among Chinese enterprises on the list.

- The platinum trading business of China Platinum, which is a consolidated entity of CITIC United Asia, ranked first in China in 2013 in terms of its sales volume according to the statistics from the General Administration of Customs of the PRC.

- CITIC Metal held the largest market share in the ferroniobium trade industry in China in 2013 in terms of its sales volume according to the statistics from the General Administration of Customs of the PRC.

- CITIC Heavy Industries is one of China's leading integrated, environmental friendly, international, hi-tech manufacturers of mining and construction machinery equipment.

- CITIC Dicastal has been the world's largest automobile aluminium wheel manufacturer by sales volume from 2009 to 2013 and is also one of the largest automobile aluminium castings suppliers by sales volume.

- A subsidiary of CITIC Telecom International is one of the few value-added telecommunications operators which independently hold a national VPN license in China, other than the three largest telecommunications operators, namely, China Mobile, China Unicom and China Telecom.

- COHC's market share ranked first in the offshore oil helicopter flight service market in China in terms of flying operation hours.

Proven track record of value creation by leveraging China's evolution and growth opportunities through innovation

The development of CITIC Group has been closely aligned with reform in China and the opening up of the country's economy. CITIC Group was the first company in China to operate under free market-based principles and international business practices. CITIC Group has been a pioneer in many areas including the first enterprise issuing bonds overseas, the first red chip company listed on the Stock Exchange, as well as the first securities company listed on both A and H share markets. This pioneering track record demonstrates CITIC Group's ability to seize the opportunity and potential in the growth and transformation of the Chinese economy to create value.

Leading and experienced management team with proven track record

The senior executives of the Target Group have over 30 years' management experience and more than half of the senior executives have worked in CITIC Group for over 20 years. The management team has a proven track record of operating businesses both in China and overseas successfully. Furthermore, many of the senior executives have international working experience and overseas education background, helping to ensure an international approach and mind-set. The Target Group has created a robust corporate governance structure designed to ensure risk mitigation, optimize decision making and improve efficiency.

b. Expand the Group's Breadth and Scale and Improve its Overall Competitiveness

According to the unaudited pro forma financial information, following the Completion, the total equity attributable to ordinary shareholders of CITIC Pacific will expand 4.2 times as compared with that as of December 31, 2013. The greater size and scale resulting from this Acquisition will enhance the Group's competitiveness and enable it to be better positioned to capture the growth opportunities in China with the following specific examples:

- Upon Completion, the Enlarged Group will own a financial services business segment with healthy and stable growth, as well as real estate and infrastructure, engineering contracting, resources and energy, manufacturing and other businesses with leading positions in each of the fields, thus greatly improving the Group's overall business strength.

- The businesses of the Enlarged Group will include a number of core and emerging industries in China. The overall strength and diversified nature of the business portfolio will allow the Enlarged Group to capitalize the opportunities arising from China's economic development. The diversification helps to mitigate the cyclical effects on profitability during different economic phases.

c. Strengthen CITIC Pacific's Capital Base and Enhance its Financing Capabilities and Flexibility

Strengthening capital base and improving credit rating

According to the unaudited pro forma financial information, the unaudited pro forma consolidated equity attributable to the ordinary shareholders of the enlarged CITIC Pacific would have been increased to HK$371,776 million, representing a significant expansion of CITIC Pacific's capital base. As of the end of 2013, according to Moody's and Standard & Poor's, CITIC Pacific's credit rating was Ba2 and BB respectively, and CITIC

Group's credit rating was Baa2 and BBB+ respectively. The increase in capital base is expected to improve CITIC Pacific's credit rating which will enhance its debt financing capability.

Enhancing CITIC Pacific's financing flexibility

The Acquisition will also broaden CITIC Pacific's debt financing channels. In addition to current financing channels, CITIC Pacific can utilize the Target Company as an additional domestic debt financing platform and raise debt financing through various bond products and channels in China's domestic securities market.

The enhanced financing capability should enable CITIC Pacific to continue the funding of existing capital intensive projects such as the Sino Iron project in Western Australia.

Larger market capitalization

As a result of the proposed issue of New Shares upon Completion, total market capitalization of CITIC Pacific is expected to increase substantially, making it a constituent stock in the Hang Seng Index with much greater index weighting and making it more appealing to potential investors who favour companies with larger market capitalization.

d. Enhance Earnings Profile of CITIC Pacific and Increase its Shareholders' Value

Profit pressure on the Group

Due to volatility of the results in certain industries and the increased cost of financing the business in Australia, the profit from continuing operations attributable to ordinary shareholders of CITIC Pacific has declined since 2012, with a 25.5% decrease and 17.3% decrease in 2012 and 2013 respectively. The iron ore business in Western Australia is capital-intensive. In recent years, the iron ore business has been in the developmental stage which has placed great pressure on CITIC Pacific's financial performance. Additional time is required to complete the installation and commission of the remaining production lines to enable us to gradually achieve the designed annual production capacity of 24 million tonnes. Although CITIC Pacific's iron ore project has commenced operations and started generating revenue, it also means that significant costs will begin to migrate from the balance sheet to the income statement. As stated in the Chairman's Letter to Shareholders in the annual report of CITIC Pacific for the year 2013, there will be significant increased interest expenses and depreciation. CITIC Pacific may also face impairment pressure. Accordingly, the profit of the Group will be affected for the year 2014.

Strengthening the profitability of CITIC Pacific

The main businesses of CITIC Pacific include special steel manufacturing, iron ore mining and property development in mainland China. In relation to the special steel business, there was an adverse impact on its profitability in 2012 due to weakness in the China economy in the second half of that year, but, while profitability in 2013 improved dramatically, it did not regain its level of earlier years. The iron ore business began shipping ore in late December 2013 and suffered operating losses in 2011, 2012 and 2013. These are likely to continue as it will not reach the planned production capacity and realize economies of scale for some years. Therefore, the unit cost per tonne will stay at a high level in the near term. The property business' profitability has been affected by uneven recognition of the delivery of properties built for sale, which were particularly high in 2011. Given the cyclical nature of CITIC Pacific's main businesses, the performance of CITIC Pacific is greatly influenced by economic cycles and may fluctuate during the downward cycles.

The Target Group has a diversified portfolio across multiple business segments and is therefore able to better withstand the adverse impact on its profit due to economic cycles. This has resulted in the Target Group's profitability having remained stable. The table below sets out the profitability comparison between CITIC Pacific and the Target Group in the past three years:

	For the year ended December 31,		
	2011	**2012**	**2013**
	(in millions, except for percentages)		
CITIC Pacific *(HK$)*			
Revenue	96,890	93,272	88,041
Profit attributable to ordinary shareholders of CITIC Pacific from continuing operations	8,934	6,655	5,505
Profit attributable to ordinary shareholders of CITIC Pacific	9,233	6,954	7,588
Return on ordinary shareholders' funds *(Note 1)*	13%	9%	9%
Target Group *(RMB)*			
Total revenue	198,763	222,590	251,789
Net profit attributable to equity shareholders of the Target Company	31,700	28,404	34,260
Return on equity attributable to equity shareholders (ROE) of the Target Company *(Note 2)*	22%	16%	16%

Notes:

1. Return on ordinary shareholders' funds = Net profit attributable to ordinary shareholders of CITIC Pacific/average of the opening and closing of ordinary shareholders' funds of CITIC Pacific

2. Return on equity attributable to equity shareholders (ROE) of the Target Company = net profit attributable to equity shareholders of the Target Company/average total equity attributable to equity shareholders of the Target Company

Stabilizing profitability on a per share basis

Since 2012, CITIC Pacific has experienced industry-related volatility in various business segments in which we operate. Although CITIC Pacific has focused its attention on its core businesses, we still experienced a decline in the earnings per share.

For the financial year ended December 31, 2013, CITIC Pacific recorded profit attributable to ordinary shareholders in the amount of HK$7,588 million, among which profit attributable to ordinary shareholders from continuing operations amounted to HK$5,505 million, and profit attributable to ordinary shareholders from discontinued operations amounted to HK$2,083 million. The profit from discontinued operations was mainly due to the gain on disposal of 18.55% interest in CITIC Telecom International and a fair value gain of the remaining interest which have been eliminated at the pro forma Enlarged Group level. The earnings in the remaining interest from the date of sale are recorded as earnings of joint venture. CITIC Pacific's earning per share from continuing operations for the year ended December 31, 2013 was HK$1.51. The return on ordinary shareholders' funds of CITIC Pacific was 13%, 9% and 9% in 2011, 2012 and 2013, respectively.

The Target Group's businesses, such as commercial banking, infrastructure and manufacturing, have delivered consistent and sustainable profitability. The CAGR of the Target Group's total revenue and net profit attributable to equity shareholders of the Target Company for the last three years were 12.6% and 4.0%, respectively.

According to the unaudited pro forma financial information, the unaudited pro forma earnings per share from continuing operations of the Enlarged Group for the year ended December 31, 2013 would have been HK$1.94, representing an increase of HK$0.43 and 28.5% compared to profit per share from continuing operations of CITIC Pacific as of December 31, 2013. The ROE of the enlarged CITIC Pacific would have been 13%, representing an increase of four percentage points compared to the return on ordinary shareholders' funds of CITIC Pacific as of December 31, 2013.

e. Creating Further Synergies as Part of the Enlarged Group

Synergy potential within the Target Group

The Target Group has significant synergy potential as it has operations in different industries and with accesses to various resources in different sectors. There is a dedicated team in the Target Group focusing on the exploration and driving of synergy plans within the Target Group. Synergy can be created through more efficient capital allocation and enhanced integration of business networks, sharing of customer base, talents and professional experience and also by enhancing and leveraging the overall CITIC brand.

Given the Target Group has many businesses that have leading position in their respective sectors, large enterprises and provincial and municipal governments are willing to enter into overall strategic cooperation agreements with the Target Group, enabling different units within the Target Group to develop their businesses with the counterparties in a more effective and efficient manner.

Leveraging the advantages in integrating the businesses of CITIC Pacific and the Target Group

Upon Completion, the Target Group will become a subsidiary of CITIC Pacific, which would enable CITIC Pacific, as its holding company, to fully utilize and integrate the strong business networks, customer base, government relationships and other resources of the Target Group. There are examples of complementary businesses in the Target Group and CITIC Pacific:

- CITIC Pacific and the Target Group are both engaged in the development of and investment in real estate. Upon Completion, CITIC Pacific would have closer cooperation with the Target Group in its real estate business in China, leading to improved efficiency and reduced costs and expenses. In terms of geographic location and asset type, the current real estate projects of CITIC Pacific are mostly mid to high-end properties concentrated in the Yangtze River Delta region, while the real estate business of the Target Group involve mostly mid-end commercial residential housing projects concentrated in the Pearl River Delta, Beijing, Tianjin and the Bohai Rim regions. The real estate products provided by CITIC Pacific and the Target Group are complementary to each other to create an enlarged customer base.

- The resources business of CITIC Pacific is mainly focused on its iron ore projects, while the Target Group is engaged in all upstream, midstream and downstream segments of the resources industry. Upon Completion, CITIC Pacific could utilize the international trade capabilities of the Target Company to further develop upstream suppliers and downstream customers in the resources industry in order to lower costs and improve operating efficiency of CITIC Pacific's resources and energy businesses.

f. ***Shared Corporate Culture Will Encourage Fast and Effective Integration and Allow Synergies and Benefits to Be Realized Quickly***

With a history of shared management and cross-business collaboration, shared corporate value and vision, and minimal expected operational changes, CITIC Pacific will immediately benefit from the Acquisition. The integration is expected to be fast and effective for the following reasons:

- As both the Target Company and CITIC Pacific are subsidiaries of CITIC Group prior to the Completion, the management teams of both companies share a common understanding in relation to business objectives, and there already exists a highly efficient communication mechanism between the two management teams.

- A number of CITIC Pacific's senior management team members also concurrently serve as members of Target Group's senior management team and are familiar with the business and internal management of the Target Group. Upon Completion, the management team of CITIC Pacific will be able to manage the businesses of the Target Group effectively and smoothly.

(E) Financial Effects on the Acquisition

Assuming 16,578,756,438 Consideration Shares will be issued at a price of HK$13.48 per Share, 4,675,123,032 Placing Shares will be placed at a price of HK$13.48 per Share and the rest of the Cash Consideration will be paid to CITIC Group by CITIC Pacific in cash, the financial effects of the Acquisition on CITIC Pacific are as follows. The unaudited pro forma financial information of the Enlarged Group is set out in Appendix II in this circular. The Placing Price used herein is only for the purpose of illustrating the financial effects of the Acquisition, and no representation is made that the Placing will be completed at such price.

a. Assets

As of December 31, 2013, the consolidated total assets of the Group were HK$267,779 million. According to the unaudited pro forma financial information, the unaudited pro forma consolidated total assets of the Enlarged Group would have been increased to HK$5,321,709 million.

b. Liabilities

As of December 31, 2013, the consolidated total liabilities of the Group were HK$159,466 million. According to the unaudited pro forma financial information, the unaudited pro forma consolidated total liabilities of the Enlarged Group would have been increased to HK$4,805,157 million.

c. Total Equity

As of December 31, 2013, the total equity of the Group was HK$108,313 million. According to the unaudited pro forma financial information, the unaudited pro forma total equity of the Enlarged Group would have been increased to HK$516,552 million. As of December 31, 2013, the total equity attributable to ordinary shareholders of CITIC Pacific was HK$87,925 million. According to the unaudited pro forma financial information, the unaudited pro forma total equity attributable to ordinary shareholders of the Enlarged Group would have been increased to HK$371,776 million.

d. Earnings

For the year ended December 31, 2013, the consolidated net profit of CITIC Pacific was HK$9,126 million, the profit attributable to ordinary shareholders of CITIC Pacific was HK$7,588 million and the profit from continuing operations attributable to ordinary shareholders of CITIC Pacific was HK$5,505 million. According to the unaudited pro forma financial information, the unaudited pro forma profit of the Enlarged Group would have been increased to HK$70,459 million, the unaudited pro forma profit of the Enlarged Group attributable to ordinary shareholders of CITIC Pacific would have been increased to HK$48,430 million and the unaudited pro forma profit from continuing operations of the Enlarged Group attributable to ordinary shareholders of CITIC Pacific would have been increased to HK$48,430 million.

e. ***Information on A Per Share Basis and Other Financial Indicators (Unaudited Pro Forma Financial Ratios)***

	The Group (pre-Acquisition)	**The Enlarged Group (post-Acquisition)**	**Change**
Basic earnings per Share *(HK$)*	2.08	1.94	-0.14
Basic earnings per Share from continuing operations attributable to ordinary Shareholders *(HK$)*	1.51	1.94	+0.43
Equity per Share attributable to ordinary shareholders *(HK$)*	24.09	14.93	-9.16
Return on equity *(%)*	9	13	+4
Net profit margin *(%)*	10	17	+7

Notes:

Basic earnings per Share = net profit attributable to the shareholders of CITIC Pacific/ number of shares issued

Basic earnings per Share from continuing operations attributable to ordinary shareholders = net profit from continuing operations attributable to ordinary shareholders of CITIC Pacific / number of shares issued

Equity per Share attributable to ordinary shareholders = equity attributable to ordinary shareholders of CITIC Pacific / number of shares issued

Return on equity = net profit attributable to ordinary shareholders of CITIC Pacific/ equity attributable to ordinary shareholders of CITIC Pacific

Net profit margin = net profit for the year/revenue for the year

For unaudited pro forma financial information of the Enlarged Group, please refer to Appendix II in this circular

(F) Information on CITIC Pacific

CITIC Pacific's operational focus is on China, both the mainland and Hong Kong. Its major businesses are special steel manufacturing, iron ore mining and property development in mainland China. Other businesses include energy and civil infrastructure. As of the Latest Practicable Date, CITIC Pacific held a controlling interest in Dah Chong Hong Holdings Limited and an approximately 41.27% equity interest in CITIC Telecom International.

(G) Information on CITIC Group and CITIC Enterprise Management

CITIC Group (formerly known as China CITIC Group) is a state-owned enterprise, established in 1979 with the approval of the State Council. It was restructured and transformed to a solely state-owned company in 2011 and changed its name to CITIC Group Corporation. CITIC Group has developed to become a large-scale comprehensive multinational conglomerate with businesses in financial services, real estate and infrastructure, engineering contracting, resources and energy, manufacturing and other segments in which CITIC Group has leading positions in each of the fields.

CITIC Enterprise Management is a wholly-owned subsidiary of CITIC Group and was established in 2009. Its business scope includes business management, project investment and asset management.

(H) Information on the Target Group

a. Overview of the Target Group

CITIC Group was founded in 1979. After 30 years of rapid development, CITIC Group has become the largest international conglomerate in China. In *Fortune* magazine's lists of "Top 500 Global Companies" for 2011, 2012 and 2013, CITIC Group ranked 221st, 194th and 172nd, respectively, and ranked 21st, 20th and 20th among all Chinese enterprises included in the list for 2011, 2012 and 2013, respectively. CITIC Group conducts its business mainly through CITIC Limited Group, whose businesses extend globally covering financial services, real estate and infrastructure, engineering contracting, resources and energy, manufacturing and other business segments. The assets, revenue and net profit of CITIC Limited Group accounted for a large proportion of the total assets, total revenue and net profit of CITIC Group during the Track Record Period.

The following table sets out the principal operational entities of each business segment of CITIC Limited Group:

Business Segments	**Financial Services**	**Real Estate and Infrastructure**	**Engineering Contracting**	**Resources and Energy**	**Manufacturing**	**Others**
Principal operational entities	CITIC Bank	CITIC Real Estate	CITIC Construction	CITIC Resources	CITIC Heavy Industries	CITIC Telecom International
	CITIC Securities *(Note 1)*	CITIC Heye	CITIC Engineering Design	CITIC United Asia	CITIC Dicastal	AsiaSat *(Note 3)*
	CITIC Trust	CITIC Industrial Investment		CITIC Metal		COHC
	CITIC Prudential *(Note 2)*					CITIC Press
	CITIC Kingview Capital					CITIC Tianjin
	CITIC Finance					CITIC Tourism
						Guoan Club

Notes:

1. As of the Latest Practicable Date, CITIC Limited held a 20.30% equity interest in CITIC Securities and was the largest shareholder of CITIC Securities.

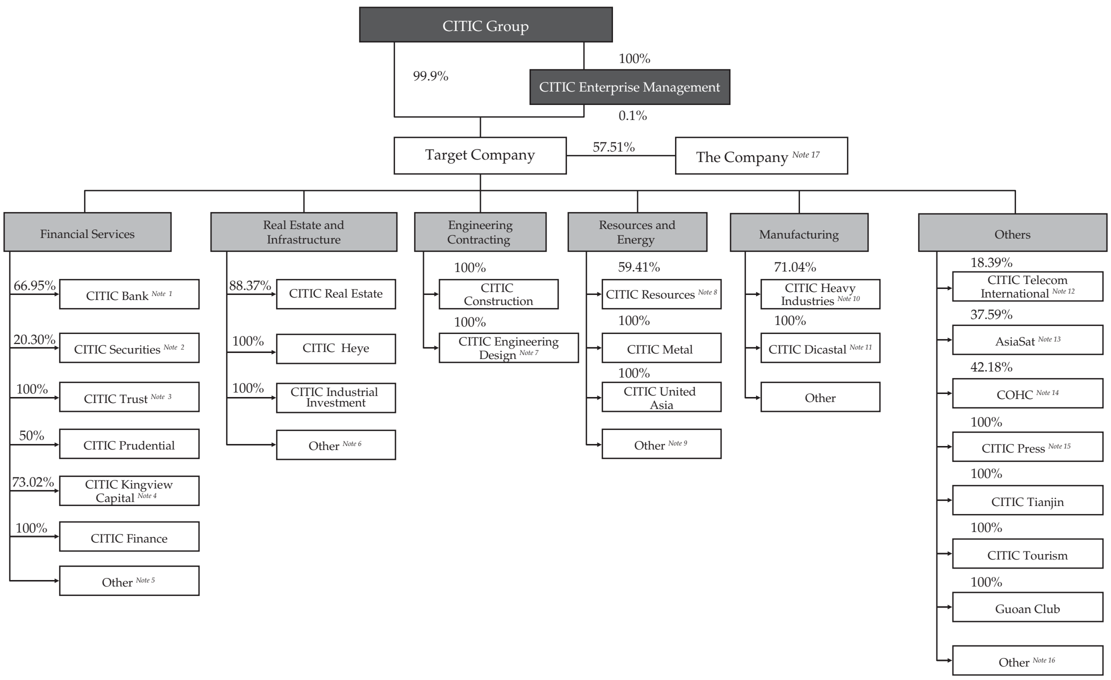
2. As of the Latest Practicable Date, CITIC Limited held a 50% equity interest in CITIC Prudential.

3. As of the Latest Practicable Date, Bowenvale Limited held a 74.43% equity interest in AsiaSat. CITIC Limited indirectly held a 50.50% equity interest in Bowenvale Limited.

b. *Shareholding Structure of the Target Group*

Set out below are simplified corporate structure charts showing the principal operating entities of the Target Group at the relevant time for illustration purpose only.

(a) Shareholding Structure of the Target Group as of the Reference Date:



Notes:

1: CITIC Bank holds a 70.32% equity interest in CIFH. CIFH holds a 100% equity interest in CBI

2: CITIC Securities holds 62.2%, 100%, and 100% of the equity interest of ChinaAMC, CITIC Futures, and Goldstone Investment, respectively

3: CITIC Limited holds an 80% equity interest in CITIC Trust directly, and holds a 20% equity interest in CITIC Trust indirectly through its wholly-owned subsidiary CITIC Industrial Investment. CITIC Trust holds a 49% equity interest in CITIC Prufunds

4: CITIC Limited, CITIC Trust, and CITIC Capital holds 30%, 40%, and 30% of the equity interest of CITIC Kingview Capital respectively. Each of CITIC Pacific and CIFH holds a 20.03% equity interest in CITIC Capital

5: Including financial services business of CITIC Industrial Investment and CITIC Holdings

6: Including CITIC Hong Kong and CITIC-POWER Investments Co., Limited

7: CITIC Engineering Design wholly owns CITIC Design and CSMDI

8: CITIC Limited holds 49.50%, 0.37% and 9.54% of the equity interest of CITIC Resources, respectively, through its wholly-owned subsidiaries CITIC Projects Management (HK) Limited, Extra Yield International Ltd. and CITIC Australia. The domestic approval of the equity transfer in CITIC Australia from CITIC Group to CITIC Limited has been completed in China, and it is now pending for the completion of the equity transfer registration procedures in place where CITIC Australia is incorporated

9: Including CITIC Australia, CITIC Kazakhstan and CITIC Projects Management (HK) Limited

10: CITIC Limited, CITIC Investment Holdings and CITIC Automobile holds 63.87%, 4.78% and 2.39% of the equity interest of CITIC Heavy Industries, respectively. CITIC Investment Holdings and CITIC Automobile are both wholly-owned subsidiaries of CITIC Limited

11: CITIC Investment Holdings, CITIC Industrial Investment, Hong Kong Top Winner Development Limited and VMC Holdings Limited holds 65.3%, 20.06%, 11.65% and 2.99% of the equity interest in CITIC Dicastal, respectively. CITIC Investment Holdings and CITIC Industrial Investment are wholly-owned subsidiaries of CITIC Limited, while Hong Kong Top Winner Development Limited is a wholly-owned subsidiary of CITIC Projects Management (HK) Limited which is wholly-owned by CITIC Limited and VMC Holdings Limited is a wholly-owned subsidiary of CITIC Hong Kong which is wholly-owned by CITIC Limited

12: CITIC Limited indirectly holds an 18.39% equity interest in CITIC Telecom International, and CITIC Pacific indirectly holds a 41.42% equity interest in CITIC Telecom International. CITIC Limited and CITIC Pacific together holds a 59.81% equity interest in CITIC Telecom International

13: Bowenvale Limited holds a 74.43% equity interest in AsiaSat. CITIC Limited indirectly held a 50.50% equity interest in Bowenvale Limited

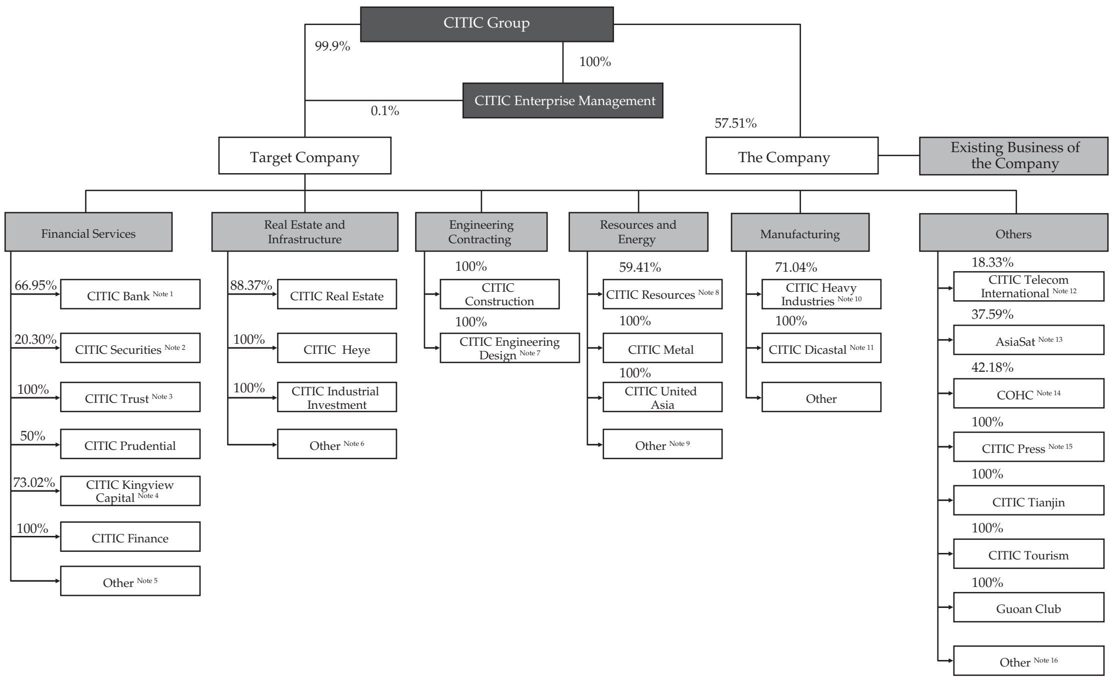
14: CITIC Limited holds the equity interest of COHC through CITIC Zhonghaizhi. CITIC Limited holds a 51.03% equity interest in CITIC Zhonghaizhi

15: CITIC Limited directly holds a 95% equity interest in CITIC Press and indirectly holds a 5% equity interest therein through its wholly-owned subsidiary CITIC Investment Holdings

16: Including CITIC Investment (HK) Ltd., China International Economic Consultants, CITIC Capital Mansion and CITIC Building

17: CITIC Limited indirectly holds a 57.51% equity interest in CITIC Pacific. The Purchaser's Equity Transfer had been completed as of the Latest Practicable Date

(b) *Shareholding Structure of the Target Group Immediately Prior to the Completion:*



Notes:

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3: CITIC Limited holds an 80% equity interest in CITIC Trust directly, and holds a 20% equity interest in CITIC Trust indirectly through its wholly-owned subsidiary CITIC Industrial Investment. CITIC Trust holds a 49% equity interest in CITIC Prufunds

4: CITIC Limited, CITIC Trust, and CITIC Capital holds 30%, 40%, and 30% of the equity interest of CITIC Kingview Capital respectively. Each of CITIC Pacific and CIFH holds a 20.03% equity interest in CITIC Capital

5: Including financial services the business of CITIC Industrial Investment and CITIC Holdings

6: Including CITIC Hong Kong and CITIC-POWER Investments Co., Limited

7: CITIC Engineering Design wholly owns CITIC Design and CSMDI

8: CITIC Limited holds 49.50%, 0.37% and 9.54% of the equity interest of CITIC Resources, respectively, through its wholly-owned subsidiaries CITIC Projects Management (HK) Limited, Extra Yield International Ltd. and CITIC Australia. The domestic approval of the equity transfer in CITIC Australia from CITIC Group to CITIC Limited has been completed in China, and it is now pending for the completion of the equity transfer registration procedures in place where CITIC Australia is incorporated

9: Including CITIC Australia, CITIC Kazakhstan and CITIC Projects Management (HK) Limited

10: CITIC Limited, CITIC Investment Holdings and CITIC Automobile holds 63.87%, 4.78% and 2.39% of the equity interest of CITIC Heavy Industries, respectively. CITIC Investment Holdings and CITIC Automobile are both wholly-owned subsidiaries of CITIC Limited

11: CITIC Investment Holdings, CITIC Industrial Investment, Hong Kong Top Winner Development Limited and VMC Holdings Limited holds 65.3%, 20.06%, 11.65% and 2.99% of the equity interest in CITIC Dicastal, respectively. CITIC Investment Holdings and CITIC Industrial Investment are wholly-owned subsidiaries of CITIC Limited, while Hong Kong Top Winner Development Limited is a wholly-owned subsidiary of CITIC Projects Management (HK) Limited which is wholly-owned by CITIC Limited and VMC Holdings Limited is a wholly-owned subsidiary of CITIC Hong Kong which is wholly-owned by CITIC Limited

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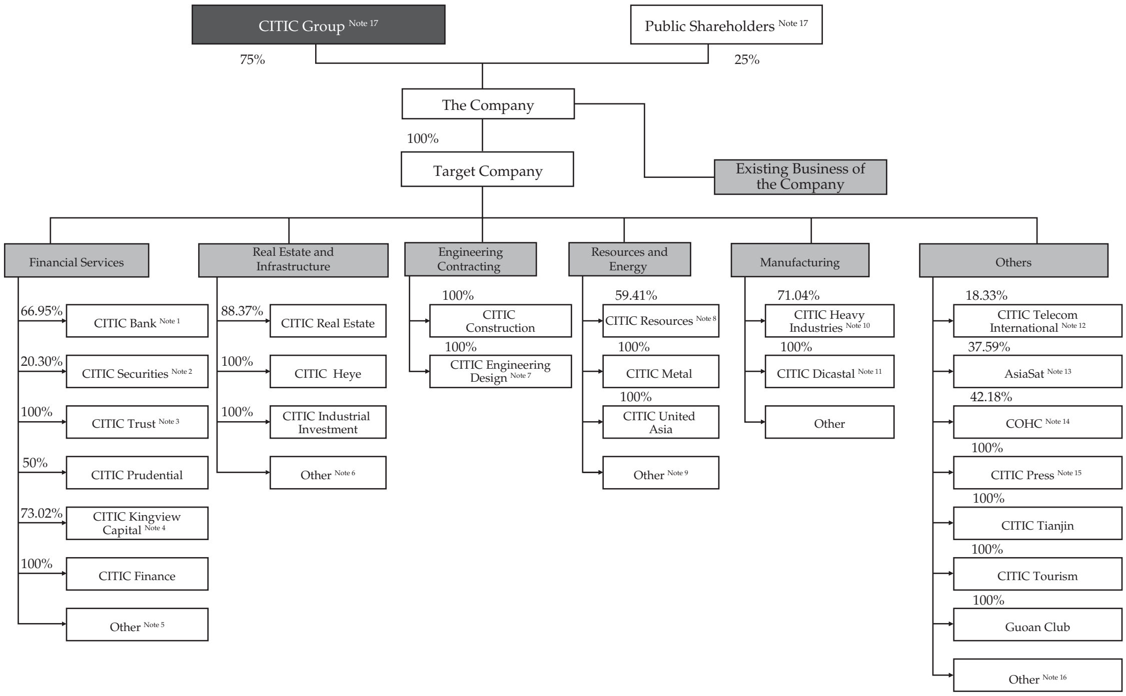
13: Bowenvale Limited holds a 74.43% equity interest in AsiaSat. CITIC Limited indirectly held a 50.50% equity interest of Bowenvale Limited

14: CITIC Limited holds the equity interest of COHC through CITIC Zhonghaizhi. CITIC Limited holds a 51.03% equity interest in CITIC Zhonghaizhi

15: CITIC Limited directly holds a 95% equity interest in CITIC Press and indirectly holds a 5% equity interest therein through its wholly-owned subsidiary CITIC Investment Holdings

16: Including CITIC Investment (HK) Ltd., China International Economic Consultants, CITIC Capital Mansion and CITIC Building

17: The Target Company's shareholding percentages in the relevant entities as shown in the chart above are based on the assumption that there are no changes to the Target Company's shareholdings nor to the total issued share capital of the relevant entities since the Latest Practicable Date *(c) Shareholding Structure of the Target Group Immediately Following the Completion:*



Notes:

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5: Including financial services the business of CITIC Industrial Investment and CITIC Holdings

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8: CITIC Limited holds 49.50%, 0.37% and 9.54% of the equity interest of CITIC Resources, respectively, through its wholly-owned subsidiaries CITIC Projects Management (HK) Limited, Extra Yield International Ltd. and CITIC Australia. The domestic approval of the equity transfer in CITIC Australia from CITIC Group to CITIC Limited has been completed in China, and it is now pending for the completion of the equity transfer registration procedures in place where CITIC Australia is incorporated

9: Including CITIC Australia, CITIC Kazakhstan and CITIC Projects Management (HK) Limited

10: CITIC Limited, CITIC Investment Holdings and CITIC Automobile holds 63.87%, 4.78% and 2.39% of the equity interest of CITIC Heavy Industries, respectively. CITIC Investment Holdings and CITIC Automobile are both wholly-owned subsidiaries of CITIC Limited

11: CITIC Investment Holdings, CITIC Industrial Investment, Hong Kong Top Winner Development Limited and VMC Holdings Limited holds 65.3%, 20.06%, 11.65% and 2.99% of the equity interest in CITIC Dicastal, respectively. CITIC Investment Holdings and CITIC Industrial Investment are wholly-owned subsidiaries of CITIC Limited, while Hong Kong Top Winner Development Limited is a wholly-owned subsidiary of CITIC Projects Management (HK) Limited which is wholly-owned by CITIC Limited and VMC Holdings Limited is a wholly-owned subsidiary of CITIC Hong Kong which is wholly-owned by CITIC Limited

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15: CITIC Limited directly holds a 95% equity interest in CITIC Press and indirectly holds a 5% equity interest therein through its wholly-owned subsidiary CITIC Investment Holdings

16: Including CITIC Investment (HK) Ltd., China International Economic Consultants, CITIC Capital Mansion and CITIC Building

17: The shareholding structure set out above is only for the purposes of illustration and is based on the assumption of an issue of 4,675,123,032 Placing Shares and 16,578,756,438 Consideration Shares upon Completion and will not be deemed as the actual shareholding structure of the Group upon Completion

18: The Target Company's shareholding percentages in the relevant entities as shown in the chart above are based on the assumption that there are no changes to the Target Company's shareholdings nor to the total issued share capital of the relevant entities since the Latest Practicable Date

c. Main Businesses of the Target Group

The main businesses of CITIC Limited Group include the following:

(a) Financial Services

CITIC Limited Group operates financial services businesses in different segments, including banking, securities, trust and insurance. CITIC Limited Group provides domestic and overseas banking services through CITIC Bank and its subsidiaries, securities services through CITIC Securities, trust services through CITIC Trust, and insurance services through CITIC Prudential.

(b) Real Estate and Infrastructure

The real estate and infrastructure business of CITIC Limited Group consists mainly of development, sales and investment of properties, and the investment and management of infrastructure projects such as expressways and port terminals. The real estate business of CITIC Limited Group is predominately operated through CITIC Real Estate and CITIC Heye, while the infrastructure business of CITIC Limited Group is operated through CITIC Industrial Investment.

(c) Engineering Contracting

The engineering contracting business of CITIC Limited Group consists mainly of contracting of infrastructure, housing and industrial construction, as well as engineering design. The engineering contracting business of CITIC Limited Group is operated through CITIC Construction and its engineering design business is operated through CITIC Engineering Design.

(d) Resources and Energy

The resources and energy business of CITIC Limited Group is categorized into three segments: the resources development, which includes the exploration and production of crude oil, coal and other resources; the resources processing, which includes the production and processing of electrolytic aluminium in Australia; and the resources trading, which includes the trading of ferroniobium, iron ore, aluminium ingots, coal, platinum and other resources products. CITIC Limited Group predominately operates its resources and energy business through CITIC Resources, CITIC United Asia and CITIC Metal.

(e) Manufacturing

The manufacturing business of CITIC Limited Group consists mainly of the manufacturing of heavy machinery, power electronic equipment, automobile aluminium wheels, automobile aluminium castings and others. CITIC Limited Group conducts the manufacturing and contracting services of heavy machinery and power electronic equipments through CITIC Heavy Industries, while the manufacturing of automobile aluminium wheels and automobile aluminium castings is conducted through CITIC Dicastal.

(f) Other Businesses

The other businesses of CITIC Limited Group include, among others, telecommunications, leasing and sales of satellite transponders, general aviation, publishing, comprehensive outsourcing services, tourism and football club. These businesses are operated through CITIC Telecom International, AsiaSat, COHC, CITIC Press, CITIC Tianjin, CITIC Tourism and Guoan Club, respectively.

For detailed information on the Target Group's businesses, please refer to section headed "Businesses of the Target Group" set out in this circular.

d. Financial Information of the Target Group

As of December 31, 2013, the total assets of the Target Group were approximately RMB3,965,703 million. For the year ended December 31, 2013, the total revenue of the Target Group was approximately RMB251,789 million, and the net profit attributable to equity shareholders of CITIC Limited was approximately RMB34,260 million.

(a) Combined Income Statements for the Periods Indicated:

	For the year ended December 31,		
	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Interest income	107,481	139,723	164,139
Interest expenses	(40,855)	(62,819)	(77,576)
Net interest income	66,626	76,904	86,563
Fee and commission income	12,445	15,922	23,123
Fee and commission expenses	(627)	(984)	(1,508)
Net fee and commission income	11,818	14,938	21,615
Sales of goods and services	117,519	127,762	141,356
Other revenue	2,800	2,986	2,255
	120,319	130,748	143,611
Total revenue	**198,763**	**222,590**	**251,789**

	For the year ended December 31,		
	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Cost of sales and services	(102,908)	(112,202)	(125,340)
Other net income	8,758	5,288	6,094
Impairment loss on assets			
– Loans and advances to customers	(6,220)	(12,709)	(10,739)
– Others	(3,027)	(3,105)	(2,933)
Other operating expenses	(37,760)	(44,452)	(51,923)
Net valuation gain on investment properties	69	80	118
Share of profit of associates, net of tax	4,568	1,050	1,824
Share of profit of joint ventures, net of tax	603	1,044	750
Profit before net finance charges and tax	62,846	57,584	69,640
Finance costs	(2,659)	(3,859)	(4,615)
Finance income	635	1,276	1,152
Net finance charges	(2,024)	(2,583)	(3,463)
Profit before tax	60,822	55,001	66,177
Income tax	(15,366)	(14,242)	(16,500)
Profit for the year	45,456	40,759	49,677
Attributable to:			
Equity shareholders of the Target Company	31,700	28,404	34,260
Non-controlling interests	13,756	12,355	15,417

(b) *Combined Balance Sheets for the Dates Indicated:*

	As of December 31,		
	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Assets			
Cash and deposits	785,580	713,323	680,285
Placements with banks and non-bank financial institutions	151,004	151,803	122,314
Financial assets at fair value through profit or loss	8,617	14,057	12,310
Derivative financial assets	4,741	4,254	7,768
Trade and other receivables	52,880	58,032	59,645
Amount due from customers for contract work	2,284	1,416	1,374
Inventories	73,627	88,564	83,695
Financial assets held under resale agreements	162,210	69,082	287,247
Loans and advances to customers and other parties	1,416,691	1,634,293	1,903,049
Available-for-sale financial assets	144,174	228,306	215,396
Held-to-maturity investments	107,827	134,405	154,792
Investments classified as receivables	–	56,435	300,158
Interests in associates	30,050	31,479	35,696
Interests in joint ventures	8,313	9,066	9,324
Fixed assets	33,498	36,144	47,038
Investment properties	5,298	4,500	4,681
Intangible assets	7,283	9,606	12,414
Goodwill	3,030	3,045	2,967
Deferred tax assets	5,381	8,427	10,930
Other assets	12,209	14,757	14,620
Total assets	3,014,697	3,270,994	3,965,703

	As of December 31,		
	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Liabilities			
Deposits from banks and non-bank financial institutions	535,067	369,403	557,904
Placements from banks and non-bank financial institutions	3,865	17,165	41,372
Derivative financial liabilities	4,002	3,592	6,944
Trade and other payables	94,396	128,317	138,633
Amount due to customers for contract work	844	4,142	6,322
Financial assets sold under repurchase agreements	1,806	11,732	7,949
Deposits from customers	1,949,300	2,233,122	2,632,152
Employee benefits payables	11,732	13,673	13,967
Income tax payable	6,922	5,828	5,773
Bank and other loans	73,239	75,296	95,280
Debt securities issued	82,525	115,155	132,403
Provisions	1,316	474	500
Deferred tax liabilities	2,181	2,369	1,804
Other liabilities	3,176	3,851	5,062
Total liabilities	2,770,371	2,984,119	3,646,065
Equity			
Share capital	128,000	128,000	128,000
Reserves	34,338	64,800	97,051
Total equity attributable to equity shareholders of the Target Company	162,338	192,800	225,051
Non-controlling interests	81,988	94,075	94,587
Total equity	244,326	286,875	319,638
Total liabilities and equity	3,014,697	3,270,994	3,965,703

(c) *Combined Condensed Cash Flow Statements for the Periods Indicated:*

	For the year ended December 31, 2011 *RMB million*	2012 *RMB million*	2013 *RMB million*
Net cash generated from/(used in) operating activities	306,175	(34,860)	(121,997)
Net cash used in investing activities	(2,300)	(124,585)	(35,753)
Net cash generated from financing activities	8,590	26,536	25,153
Net increase/(decrease) in cash and cash equivalents	312,465	(132,909)	(132,597)
Cash and cash equivalents at January 1,	199,987	509,189	376,375
Effect of exchange rate changes	(3,263)	95	(1,567)
Cash and cash equivalents at December 31,	509,189	376,375	242,211

(d) *Financial Performance by Business Segments:*

The following chart sets out revenue of each business segment of the Target Group for the period indicated:

Business Segments	**For the year ended December 31, 2011**		**2012**		**2013**	
	Revenue	**% of total**	**Revenue**	**% of total**	**Revenue**	**% of total**
	(in millions of RMB, except percentages)					
Financial Services	80,424	40.5	93,033	41.8	108,328	43.0
Real Estate and Infrastructure	16,635	8.4	12,926	5.8	27,202	10.8
Engineering Contracting	17,626	8.9	16,674	7.5	18,385	7.3
Resources and Energy	60,710	30.5	69,772	31.3	67,971	27.0
Manufacturing	16,385	8.2	19,757	8.9	19,121	7.6
Others *(Note)*	9,229	4.6	12,395	5.6	12,784	5.1
Unallocated	2,761	1.4	3,418	1.5	3,733	1.5
Elimination	(5,007)	(2.5)	(5,385)	(2.4)	(5,735)	(2.3)
Total	**198,763**	**100.0**	**222,590**	**100.0**	**251,789**	**100.0**

Note: Others include various businesses including aviation services, publishing services and others

The following table sets out the profit before tax of each business segment of the Target Group for the periods indicated:

Business Segments	For the year ended December 31, 2011 Profit before tax	% of total	2012 Profit before tax	% of total	2013 Profit before tax	% of total
	(in millions of RMB, except percentages)					
Financial Services	49,140	80.8	46,259	84.1	57,805	87.3
Real Estate and Infrastructure	3,872	6.4	4,402	8.0	4,390	6.6
Engineering contracting	1,367	2.2	2,654	4.8	2,481	3.8
Resources and Energy	5,321	8.7	(363)	(0.7)	(128)	(0.2)
Manufacturing	1,356	2.2	1,313	2.4	1,001	1.5
Others *(Note)*	608	1.0	670	1.2	899	1.4
Unallocated	(315)	(0.5)	433	0.8	(337)	(0.5)
Elimination	(527)	(0.8)	(367)	(0.6)	66	0.1
Total	**60,822**	**100.0**	**55,001**	**100.0**	**66,177**	**100.0**

Note: Others include various businesses including aviation services, publishing services, and others

For detailed financial information of the Target Group, please refer to Appendix I in this circular.

e. ***Risks Relating to the Acquisition***

The Completion is subject to the fulfillment of conditions precedent. CITIC Pacific cannot assure you that these conditions precedent can be fulfilled and/or the Acquisition will be completed as contemplated

The conditions precedent to the Completion as set out in the section headed "Acquisition – Principal Terms of the Share Transfer Agreement and the Acquisition – Conditions Precedent" in this letter involve the decisions of third parties, in particular, the relevant regulatory authorities. As fulfillment of these conditions precedent is not within the control of the contracting parties involved in the Acquisition, CITIC Pacific cannot assure you that these conditions precedent can be fulfilled and/or the Acquisition will be completed as contemplated.

The shareholding percentages of the existing Shareholders will be diluted following the issue of the New Shares upon the Completion, and any increase in value of the Shares as a result of the Acquisition may not offset the dilutive effect to the Shareholders

Pursuant to the Share Transfer Agreement, CITIC Pacific will issue the Consideration Shares. CITIC Pacific also proposes to issue the Placing Shares for the purpose of settling all or part of the Cash Consideration for the Acquisition. An aggregate of no more than 21,253,879,470 New Shares (including the Placing Shares) will be issued upon the Completion, which represents approximately 582.39% of the issued share capital of CITIC Pacific as of the Latest Practicable Date and approximately 85.35% of the maximum issued share capital of CITIC Pacific as enlarged by the issue of the New Shares. For details on CITIC Pacific's shareholding structure upon the Completion, please refer to the section headed "Proposed Issue of the Consideration Shares and the Specific Mandate for the Issue of the Placing Shares" of this letter.

Therefore, the shareholding percentages of the existing Shareholders would be diluted when CITIC Pacific issues the Consideration Shares and the Placing Shares. Any increase in value of the Shares as a result of the Acquisition may not necessarily be reflected in their market price and may not offset the dilutive effect to the Shareholders.

The share price of CITIC Pacific may fluctuate leading to investment risks to CITIC Pacific's existing Shareholders

If the Acquisition cannot be implemented, the share price of CITIC Pacific may fluctuate, leading to the potential investment loss to CITIC Pacific's existing Shareholders. If the Acquisition can be successfully implemented, the share price of CITIC Pacific may also fluctuate, causing CITIC Pacific's existing Shareholders suffering investment loss.

The Acquisition involves the issue of New Shares. After the issue of New Shares, the share price of CITIC Pacific may fluctuate and CITIC Pacific cannot assure you that there will be sufficient future trading volume, both of which may lead to investment loss to CITIC Pacific's existing Shareholders.

The Acquisition faces integration risks

To integrate the Target Group successfully, CITIC Pacific needs to, among other things: (i) hire, train or retain competent staff; (ii) formulate and maintain standards, control, procedures and policies consistent to those of CITIC Pacific; and (iii) retain the existing suppliers and customers of the Target Group.

If the expected benefits of the Acquisition cannot be realized or the relevant integration risks cannot be satisfactorily managed by the Enlarged Group, CITIC Pacific may face risks including losing key employees, customers and/or significant relations, and the financial condition and the results of operations of the Enlarged Group may be adversely affected.

Other risks relating to the Acquisition

CITIC Pacific cannot assure you that the due diligence conducted by CITIC Pacific prior to the Acquisition is able to comprehensively and fully capture the financial, business and other information of the Target Group. As a result, CITIC Pacific could (i) have made inaccurate assumptions regarding the operations of the Target Group including the consistency of the regulatory framework in which the Target Group operates; and (ii) have made inaccurate assumptions regarding intangible assets, contingent liability, share capital and debt. In addition, there might be limitations on enforcing the indemnity undertakings made by the Vendors which may lead to delays to, or limitations on, the claims that CITIC Pacific may have against the Vendors. All of the above factors may affect the market value of the Enlarged Group and lead to changes in the Enlarged Group's operation performance.

The Acquisition also involves other risks, including but not limited to: CITIC Pacific may be required to pay a large amount of cash in the Acquisition, which increases the pressure to raise funds and lower its flexibility in the use of capital.

For detailed information on risks relating to the businesses and industries where the Enlarged Group has operations, risks relating to China, and risks relating to this circular, please refer to section headed "Risk Factors" set out in this circular.

(I) Listing Rules Implications

As the applicable percentage ratios of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition of CITIC Pacific under Chapter 14 of the Listing Rules. As CITIC Group is a connected person of CITIC Pacific by virtue of it being the controlling shareholder of CITIC Pacific, the Acquisition also constitutes a connected transaction of CITIC Pacific under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders at the EGM.

CITIC Group and its associates are required to abstain from voting on relevant resolutions in relation to the Acquisition, the issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares at the EGM.

D. PROPOSED ISSUE OF THE CONSIDERATION SHARES AND THE SPECIFIC MANDATE FOR THE ISSUE OF THE PLACING SHARES

Apart from the proposed issue of the Consideration Shares, CITIC Pacific also proposes to issue the Placing Shares to raise cash funding for the purpose of settling all or part of the Cash Consideration for the Acquisition. The Placing Shares will be issued to professional and institutional investors. The Placing, if proceeded, is expected to be completed simultaneously with the issue of the Consideration Shares.

Based on the issued share capital of CITIC Pacific as enlarged by the issue of 16,578,756,438 Consideration Shares, assuming CITIC Pacific is to maintain a public float of 25% following the Completion, 4,675,123,032 Placing Shares will need to be issued. In the event that, upon Completion, CITIC Pacific cannot maintain a minimum public float as required by the Listing Rules, the Stock Exchange has granted, pursuant to Rule 8.08(1)(d) of the Listing Rules, a waiver to allow CITIC Pacific to have a public float percentage of less than 25% after the Completion (further details of which are set out in the section headed "Waiver from Strict Compliance with Public Float Requirements" below). The final number of Placing Shares to be issued pursuant to the Placing is subject to, among other things, the then market conditions.

CITIC Pacific proposes to issue no more than 21,253,879,470 Consideration Shares and Placing Shares in aggregate, representing approximately 85.35% of the enlarged issued share capital of CITIC Pacific.

Upon Completion, assuming 16,578,756,438 Consideration Shares (subject to adjustment) and 4,675,123,032 Placing Shares (subject to adjustment) are issued, CITIC Group or the overseas wholly-owned subsidiary of CITIC Group will hold 18,677,492,723 Shares of CITIC Pacific, representing 75% of the enlarged share capital of CITIC Pacific with a total of 24,903,323,630 Shares issued.

CITIC Group and its associates are required to abstain from voting on relevant resolutions in relation to the proposed issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares at the EGM.

(A) The Consideration Shares

For detailed information with regard to the issue of the Consideration Shares, please refer to the section headed "The Acquisition" in this letter.

(B) The Placing Shares

CITIC Pacific will seek Independent Shareholders' approval at the EGM in relation to issue of the Placing Shares based on the following parameters:

Type of Shares to be issued:	Shares
Target subscribers:	Professional and institutional investors who are independent third parties
Number of Shares to be issued:	No more than 21,253,879,470 Consideration Shares and Placing Shares in aggregate.
Method of issue:	Non-public issue of the Placing Shares. The subscription price will be paid in cash.
Basis for determining the Placing Price:	The Placing Price will be determined through negotiations between CITIC Pacific and the placing agents and/or subscribers of the Placing Shares, taking into account a number of factors, including prevailing market conditions at the relevant time, share price of CITIC Pacific, and investors' demand for the Shares. The Placing Price shall not be less than the higher (the "**Price Limit**") of: (a) the Price per Consideration Share; and (b) 80% of the closing price of the Shares as quoted on the Stock Exchange on the last trading day prior to the date of the relevant placing agreement or subscription agreement. Any issue of the Placing Shares at a Placing Price less than the Price Limit shall be subject to separate approval of the Independent Shareholders.
Rights attached to the Placing Shares:	The new Placing Shares to be issued will rank *pari passu* in all respects with the existing Shares.
Reasons for the Placing:	The Placing can broaden the shareholder base of CITIC Pacific, maintain the minimum public float immediately following the Completion and raise extra funds for the Acquisition.

Plan of the Placing:	The Placing, if proceeded, is expected to be completed simultaneously with the issue of the Consideration Shares. Subject to the prevailing market conditions at the relevant time, the Placing may be conducted through (i) placing agent(s), and/or (ii) direct subscriptions by potential investors. As such, the relevant agreements may be entered into by CITIC Pacific at different points of time prior to the completion of the Placing. Such placing and/or subscription as part of the Placing will all be completed at the same time when the Consideration Shares are issued.
Validity period of the Specific Mandate:	The specific mandate will be valid until the earlier of the Closing Date or the date falling 12 months after the passing of the resolution of the Independent Shareholders approving the specific mandate.
Listing Application:	CITIC Pacific will apply to the Stock Exchange for the listing of, and permission to deal in, all of the Placing Shares to be issued pursuant to the Placing.

CITIC Pacific is in discussion with a number of strategic partners with long-term cooperative relationship in respect of their participation in the Placing with an estimated aggregate subscription amount of over HK$30 billion. After the signing of the relevant subscription agreements, upon Completion, CITIC Pacific will have a public float percentage of more than 15%, which will satisfy the minimum public float requirement of the Stock Exchange and the requirements for the Placing pursuant to the Share Transfer Agreement. On such basis, CITIC Pacific can proceed to complete the Acquisition after the fulfillment of other conditions of the Acquisition.

CITIC Pacific will announce the details of the Placing as soon as the terms and conditions of the Placing are finalized.

(C) Effect of the Acquisition and the Placing on the Shareholding Structure of CITIC Pacific

Details of the shareholding structure of CITIC Pacific as of the date of this circular and immediately after the Completion and the Placing are set out below:

	As of the date of this circular		Immediately after the Completion and the Placing assuming 21,253,879,470 Consideration Shares and Placing Shares (in aggregate) have been issued	
	Number of Shares held	*Approximate percentage of total issued share capital*	*Number of Shares held*	*Approximate percentage of total issued share capital (Note 2)*
CITIC Group *(Note 1)*	2,098,736,285	57.51%	18,677,492,723	75%
Public	1,550,707,875	42.49%	6,225,830,907	25%
Total	**3,649,444,160**	**100%**	**24,903,323,630**	**100%**

Notes:

1 As of the date of this circular, CITIC Group indirectly holds Shares of CITIC Pacific through one of its overseas wholly-owned subsidiaries.

2 Assuming none of the outstanding share options of CITIC Pacific will be exercised from the date of this circular and up to the Closing Date.

(D) Change in Control of CITIC Pacific

CITIC Pacific is incorporated in Hong Kong, the Shares of which are listed on the Stock Exchange. As of the Latest Practicable Date, CITIC Group held 57.51% equity interest in CITIC Pacific and was the controlling shareholder of CITIC Pacific. As of the date of this circular and immediately following the Completion and the completion of the Placing, the controlling shareholder of CITIC Pacific will remain unchanged.

As of the date of this circular, CITIC Group held equity interest of CITIC Pacific through one of its overseas wholly-owned subsidiaries.

(E) Waiver from Strict Compliance with Public Float Requirements

Taking into account the Consideration Shares that CITIC Pacific will issue to its controlling shareholder as part of the Transfer Consideration, the total public float percentage of the Shares after the Completion will be lower than the minimum public float requirements under Rule 8.08(1) of the Listing Rules. CITIC Pacific has applied for, and the Stock Exchange has granted, pursuant to Rule 8.08(1)(d), a waiver to allow CITIC Pacific to have a public float percentage of less than 25% after the Completion, provided that the minimum public float should be at the higher of (i) 15% of the total issued share capital of CITIC Pacific with a market capitalization of not less than HK$10 billion; or (ii) such a percentage of the Shares held by the public immediately after the Completion.

The waiver application is based on the following principal grounds:

(a) the market capitalisation of CITIC Pacific and the value of its public float is significant;

(b) there will be sufficient liquidity in CITIC Pacific's shares to ensure an orderly market in the securities on the Stock Exchange upon Completion;

(c) it is unduly burdensome for CITIC Pacific to adhere to the 25% minimum public float requirement upon Completion;

(d) the change of the public float is not a result of CITIC Pacific's positive act to reduce the number of the Shares in public hands, but rather, a result of the issue of new Shares;

(e) as a result of the Acquisition and the Placing, CITIC Pacific will increase the value of Shares in public hands notwithstanding the reduction of public float in percentage terms; and

(f) the Acquisition represents a strategic and unique opportunity to CITIC Pacific's public Shareholders and is in the interest of all the Shareholders as a whole.

E. PROPOSED CHANGE OF THE COMPANY NAME AND CORRESPONDING AMENDMENT TO THE ARTICLES OF ASSOCIATION

CITIC Pacific proposes to change its English name from "CITIC Pacific Limited" to "CITIC Limited", and its Chinese name from "中信泰富有限公司" to "中國中信股份有限公司". The Articles of Association will be required to be amended in relation to the proposed change of company name. The proposed change of the company name and the corresponding amendment to the Articles of Association are subject to the approval of the Shareholders at the EGM.

(A) Reasons for the Proposed Change of the Company Name

The Board considers that, given the business scale of the Enlarged Group after the Completion will extend to the main businesses of CITIC Limited Group, the proposed company name of "CITIC Limited 中國中信股份有限公司" will better reflect the new business scale. Therefore, the Board considers that the proposed change of the company name is in the interest of CITIC Pacific and its Shareholders as a whole.

(B) Conditions for the Proposed Change of Company Name

The proposed change of the company name is subject to the following conditions:

a. the passing of a special resolution by the Shareholders approving the proposed change of the company name and the corresponding amendment to the Articles of Association at the EGM;

b. all relevant approvals, authorizations, permissions and consent by relevant governmental authorities having been obtained and all necessary filings being completed in connection with the use of the proposed company name of "CITIC Limited 中國中信股份有限公司"; and

c. the Completion.

The proposed change of the company name will take effect after the satisfaction of the conditions set out above. The effective date of the change of company name will be the date on which the Certificate of Change of Name is issued by the Registrar of Companies in Hong Kong.

In addition, subject to confirmation by the Stock Exchange, the English and Chinese stock short names of CITIC Pacific for trading in the securities on the Stock Exchange will also be changed after the proposed change of the company name becomes effective. Further announcement(s) will be made by CITIC Pacific in relation to the effective date of the proposed change of the company name and the English and Chinese stock short name.

Upon Completion, the Target Company will be re-named "CITIC Corporation Limited 中國中信有限公司".

(C) Effects of the Proposed Change of the Company Name

The change of the company name will not affect any rights of the Shareholders. All existing share certificates in issue bearing the current name of CITIC Pacific will, upon the change of the company name becoming effective, continue to be evidence of title to such Shares and will remain valid for trading, settlement, registration and delivery purposes. There will not be any arrangement for the exchange of the existing share certificates for new certificates bearing the new English and Chinese names of CITIC Pacific. New share certificates to be issued after the proposed change of the company name becomes effective will be issued in the new name.

(D) Amendment to the Articles of Association of CITIC Pacific

The Articles of Association will be required to be amended in relation to the proposed change of name. The Board resolved to submit the following proposal in connection with amendment to the Articles of Association to be considered at the EGM.

Original Article	Modified Article
Article 1A of the Articles of Association: *(Note)*	Article 1A of the Articles of Association:
The name of the Company is "CITIC PACIFIC LIMITED 中信泰富有限公司"	The name of the Company is "CITIC Limited 中國中信股份有限公司"

Note: As set out in the circular of CITIC Pacific dated March 25, 2014, CITIC Pacific is seeking the Shareholders' approval to certain amendments to the existing memorandum and articles of association of CITIC Pacific to align them with the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which came into effect on March 3, 2014. Subject to the approval by the Shareholders at the forthcoming annual general meeting of CITIC Pacific to be held on May 14, 2014, a new Article 1A will be inserted into the Articles of Association as "The name of the Company is 'CITIC PACIFIC LIMITED 中信泰富有限公司".

The proposed amendment to the Articles of Association is conditional upon Completion. CITIC Pacific will consider further amendments to the Articles of Association after the Completion according to applicable laws of Hong Kong and market norms.

F. RE-ELECTION OF A DIRECTOR

Reference is made to the announcement dated February 28, 2014 of CITIC Pacific. Mr. Zeng Chen has been appointed as an executive director of CITIC Pacific with effect from the conclusion of the annual general meeting of CITIC Pacific held on May 14, 2014. Pursuant to the letter of appointment entered into between Mr. Zeng Chen and CITIC Pacific and the Articles of Association, Mr. Zeng Chen will retire and be eligible for re-election at the EGM.

For detailed information of the re-election of the Director, please refer to Appendix VII in this circular.

G. POTENTIAL CONTINUING CONNECTED TRANSACTIONS

Immediately following the Completion, CITIC Group will continue to be the controlling shareholder of CITIC Pacific and will therefore, continue to be a connected person of CITIC Pacific. As the Target Group will become part of the Group upon Completion, transactions between the Enlarged Group and its connected persons (including CITIC Group and its associates) will constitute connected transactions of the Enlarged Group after the Completion. CITIC Pacific will comply with the reporting, announcement and independent shareholders' approval requirements under the Listing Rules (if applicable) in respect of those continuing connected transactions.

Save as disclosed in this circular, "中信", "CITIC" and "" trademarks, trademarks containing words or patterns of "中信","CITIC" and "", and trademarks of variant design on words or patterns of "中信", "CITIC" and "", have all been applied for registration and legally owned by CITIC Group, rather than CITIC Pacific. CITIC Group has entered into a trademark licensing agreement with CITIC Pacific, pursuant to which CITIC Group has authorized CITIC Pacific to use the trademarks above for its business activities with nil consideration. The license period of the trademark licensing agreement starts from the Closing Date and ends on the date when CITIC Group ceases to control CITIC Pacific, directly or indirectly. Pursuant to the trademark licensing agreement, in the event that CITIC Group considers to transfer or dispose of the ownership of such trademarks, CITIC Pacific undertakes to take steps to purchase such trademarks with consideration in order to acquire legal ownership, subject to compliance with the applicable laws, regulations and the Listing Rules. The transaction under the trademark licensing agreement constitutes a continuing connected transaction of CITIC Pacific upon Completion. According to Rule 14A.33(3)(a) of the Listing Rules, the transaction contemplated under the trademark licensing agreement is exempted from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

H. THE EXCHANGE RATE CONVERSIONS

Unless otherwise provided, amounts denominated in RMB/HK$ have been converted, for the purpose of illustration only, into HK$/RMB in this circular at the exchange rate of HK$1.00 to RMB0.79207, being the median exchange rate announced by the PBOC on the Pricing Date.

I. EGM

The EGM of CITIC Pacific will be held at Granville and Nathan Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, June 3, 2014 at 11:00 a.m. for the purpose of considering and, if thought fit, approving (a) the Acquisition which constitutes a very substantial acquisition and a connected transaction; (b) the proposed issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares; (c) the proposed change of company name and the corresponding amendment to the Articles of Association; and (d) the re-election of a Director.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the registered office of CITIC Pacific at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong and received by CITIC Pacific at least 48 hours before the time appointed for the holding of the EGM or any adjournment thereof, and for a poll taken more than 48 hours after it was demanded, at least 24 hours before the time appointed for taking the poll. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the EGM or any adjournment thereof if you so desire and, in such event, the instrument appointing a proxy will be deemed to be revoked.

In order to determine the list of shareholders who will be entitled to attend and vote at the EGM, the register of members of CITIC Pacific will be closed for registration of transfer of Shares from Tuesday, May 27, 2014 to Tuesday, June 3, 2014 (both days inclusive) and during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of CITIC Pacific on Tuesday, June 3, 2014 shall be entitled to attend and vote at the EGM. In order for the Shareholders to be qualified for attending and voting at the EGM, all transfer documents, accompanied by the relevant Share certificates, should be lodged for registration with Tricor Tengis Limited, CITIC Pacific's share registrar and transfer office at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, May 26, 2014.

J. VOTING AT THE BOARD MEETINGS AND THE EGM

Mr. Chang Zhenming, Mr. Zhang Jijing, Mr. Liu Jifu, Mr. Ju Weimin and Mr. Yin Ke all have offices in CITIC Group and/or CITIC Limited Group, in order to avoid the perception of a conflict of interest, each of them has abstained from voting on the Board resolutions approving the Acquisition (including issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares). CITIC Group and their respective associates are required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Acquisition (including issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares). As of the Latest Practicable Date, CITIC Group, through one of its wholly-owned subsidiaries, was interested in 57.51% of the equity interest of CITIC Pacific.

All of the Shareholders shall be entitled to vote on the relevant resolutions to be proposed at the EGM to approve the change of CITIC Pacific's company name, corresponding amendment to the Articles of Association, and re-election of a Director.

Voting on the resolutions at the EGM will be taken by poll.

K. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to CITIC Pacific. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

L. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising Mr. Alexander Reid Hamilton, Mr. Francis Siu Wai Keung and Dr. Xu Jinwu, all of whom are independent non-executive Directors) has been formed to advise and provide recommendations to the Independent Shareholders in respect of the Acquisition (including the issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares). Mr. Gregory Lynn Curl, an independent non-executive Director, is a President of Temasek International. Given Temasek Holdings (Private) Limited ("Temasek"), through one of its affiliates, is one of the potential investors with whom CITIC Pacific is in discussion in relation to their possible participation in the Placing, to avoid the perception of a conflict of interest arising from his position within Temasek and Temasek's possible participation in the Placing, Mr. Gregory Lynn Curl has not joined the Independent Board Committee.

CITIC Pacific has appointed Somerley Capital Limited as the Independent Financial Adviser according to the Listing Rules. The Independent Financial Adviser provides recommendation about the Acquisition (including issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares) to the Independent Board Committee and the Independent Shareholders.

M. RECOMMENDATIONS

The Independent Board Committee, having considered the terms and conditions of the Share Transfer Agreement, in addition to the advice from the Independent Financial Adviser, considers that the terms and conditions of the Acquisition (including issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares) are fair and reasonable and in the interests of CITIC Pacific and the Shareholders as a whole, and therefore recommends that the Independent Shareholders vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition (including issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares). The Directors recommend that the Independent Shareholders vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition, issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares as well as other resolutions to be proposed at the EGM.

The letter containing detailed advices to the Independent Shareholders from the Independent Board Committee is set out in the section "Letter from the Independent Board Committee" of this circular. The letter containing detailed advices to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser in relation to the Acquisition (including issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares) and the principal factors and reasons taken into consideration in arriving at its recommendations is set out in the section headed "Letter from the Independent Financial Adviser" of this circular.

N. OTHER INFORMATION

Your attention is drawn to the other sections of and appendices to this circular.

Yours faithfully,
By order of the Board
CITIC Pacific Limited
Chang Zhenming
Chairman

The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in connection with the Acquisition (including issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares) for inclusion in this circular.

CITIC PACIFIC

CITIC Pacific Limited
中信泰富有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00267)

May 14, 2014

To the Independent Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION AND (2) PROPOSED ISSUE OF THE CONSIDERATION SHARES AND THE SPECIFIC MANDATE FOR THE ISSUE OF THE PLACING SHARES

We refer to the circular dated May 14, 2014 issued by CITIC Pacific (the "Circular"), of which this letter forms part. Unless otherwise specified, capitalized terms defined in the Circular shall have the same meanings when used herein.

The Independent Board Committee has been formed to advise you in relation to the terms of the Acquisition (including issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares (collectively, the "**Specific Mandate**")), details of which are set out in the section headed "Letter from the Board" contained in the Circular. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The text of the letter of advice from the Independent Financial Adviser containing its recommendation and the principal factors and reasons it has taken into account in arriving at its recommendation is set out in the section "Letter from the Independent Financial Adviser" of the Circular.

Having considered the terms of the Share Transfer Agreement as well as the advice and recommendations of the Independent Financial Adviser set out in its letter of advice, we consider that the terms of the Acquisition (including issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares (i.e. the Specific Mandate)) are fair and reasonable as far as the Independent Shareholders are concerned and the Acquisition is in the interests of CITIC Pacific and its Shareholders as a whole.

On the basis above, we recommend that the Independent Shareholders vote in favor of the resolutions to be proposed at the EGM to approve the Acquisition (including issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares (i.e. the Specific Mandate)).

Yours faithfully,
For and on behalf of
Independent Board Committee of
CITIC Pacific Limited
Alexander Reid Hamilton
Francis Siu Wai Keung
Xu Jinwu
Independent Non-executive Directors

The following is the text of a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition (including the issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares) for inclusion in this circular.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

14 May 2014

To: *The Independent Board Committee and the Independent Shareholders of CITIC Pacific Limited*

Dear Sirs,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION AND (2) PROPOSED ISSUE OF THE CONSIDERATION SHARES AND THE SPECIFIC MANDATE FOR THE ISSUE OF THE PLACING SHARES

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Acquisition (including issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares (collectively, the "**Specific Mandate**")). Details of the Acquisition and the Specific Mandate are contained in the circular issued by CITIC Pacific to the Shareholders dated 14 May 2014 (the **"Circular"**), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 16 April, 2014, CITIC Pacific, CITIC Group and CITIC Enterprise Management entered into the Share Transfer Agreement, pursuant to which CITIC Pacific has conditionally agreed to acquire, and CITIC Group and CITIC Enterprise Management have conditionally agreed to sell, the entire issued share capital of CITIC Limited at the initial Transfer Consideration of RMB226,929.8730 million (equivalent to approximately HK$286,502.2953 million), subject to the approval from the MOF of the final Appraised Value. Subsequently, the MOF approved the Appraised Value of RMB226,995.6609 million (equivalent to approximately HK$286,585.3534 million) which was RMB65.7879 million (equivalent to approximately HK$83.0582 million) higher than the initial Transfer Consideration and became the final Transfer Consideration.

Upon Completion, CITIC Pacific will hold a 100% equity interest in the Target Company which, through its subsidiaries, is engaged in (1) financial services, (2) real estate and infrastructure, (3) engineering contracting, (4) resources and energy, (5) manufacturing, and (6) others. Independent Shareholders' attention is drawn to the further details of the Target Group as set out in the paragraph headed "(H) Information on the Target Group" under the section headed "C. The Acquisition" in the letter from the Board in the Circular and the section headed ''Business of the Target Group'' in the Circular. Upon Completion, CITIC Group will continue to be the controlling shareholder of CITIC Pacific. The Target Company will become a wholly-owned subsidiary of CITIC Pacific and its financial results will be consolidated into the financial statements of the Enlarged Group.

The Transfer Consideration shall be satisfied by (a) the Cash Consideration; and (b) the Share Consideration. Details of the Transfer Consideration (including the details of adjustment of the payment methods of the Transfer Consideration) are set out in the section headed "(III) Principal terms of the Share Transfer Agreement" below. The Cash Consideration will be financed by CITIC Pacific principally through equity fund raising and, if required, internal cash resources for, among other things, the increase in the final Transfer Consideration of RMB65.7879 million (equivalent to approximately HK$83.0582 million) and the commission arising from the fund raising exercise. The Placing Shares will be issued to professional and institutional investors. The Placing, if it proceeds, is expected to be completed simultaneously with the issue of the Consideration Shares. CITIC Pacific will issue of a maximum of 21,253,879,470 Consideration Shares and Placing Shares in aggregate. The specific mandate for the issue of the Placing Shares, which has a 12-month duration, is subject to the approval of the Independent Shareholders at the EGM.

Further details of the Transfer Consideration, including the Placing and the Specific Mandate, are set out in the sections headed "C. The Acquisition" and "D. Proposed issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares" in the letter from the Board in the Circular and in the sections headed "(III) Principal terms of the Share Transfer Agreement" and "(V) Payment method" below.

As the applicable percentage ratios of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition of CITIC Pacific under Chapter 14 of the Listing Rules. As CITIC Group is a connected person of CITIC Pacific by virtue of it being the controlling shareholder of CITIC Pacific, the Acquisition also constitutes a connected transaction of CITIC Pacific under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders at the EGM.

CITIC Group and its associates are required to abstain from voting on relevant resolutions in relation to the Acquisition and the Specific Mandate at the EGM.

The Independent Board Committee comprising three independent non-executive Directors, namely Mr. Alexander Reid Hamilton, Mr. Francis Siu Wai Keung and Dr. Xu Jinwu, has been established to give advice and a recommendation as to voting to the Independent Shareholders as to whether the terms of the Acquisition and the Specific Mandate are fair and reasonable as far as the Independent Shareholders are concerned and in the interests of CITIC Pacific and its Shareholders as a whole. Mr. Gregory Lynn Curl, an independent non-executive Director, is a President of Temasek International. Given Temasek Holdings (Private) Limited ("**Temasek**"), through one of its affiliates, is one of the potential investors with whom CITIC Pacific is in discussion in relation to their possible participation in the Placing, to avoid the perception of a conflict of interest arising from his position within Temasek and Temasek's possible participation in the Placing, Mr. Gregory Lynn Curl has not joined the Independent Board Committee. We, Somerley Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard, in addition to as to whether the terms of the Acquisition and the Specific Mandate are on normal commercial terms and in the ordinary and usual course of business of the Group.

We are not associated with CITIC Pacific, the Vendors, or their respective substantial shareholders and/or associates, and accordingly, are considered eligible to give independent advice and a recommendation on the terms of the Acquisition and the Specific Mandate. Apart from normal professional fees payable to us in connection with this or any similar appointment, no arrangement exists whereby we will receive any fees or benefits from CITIC Pacific, the Vendors or their respective substantial shareholders and/or associates.

In formulating our opinion and recommendation, we have reviewed, among other things, the Framework Agreement, the Share Transfer Agreement, the valuation report with the Appraised Value approved by MOF in respect of the Target Group (the **"PRC Valuation Report"**), the annual reports of CITIC Pacific for the years ended 31 December 2013 (the **"2013 Annual Report"**), 2012 and 2011 and the information as set out in the Circular.

In addition, we have relied on the information and facts supplied, and the statements, representations and opinions made, by the Directors and the management of the Group and have assumed that they are true, accurate and complete in all material respects as at the date of the Circular. We have no reason to believe that any of such information, facts, statements, representations or opinions relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material omissions which would render the information, facts, statements, representations or opinions supplied or expressed to us untrue, inaccurate or misleading. We have assumed that all such information, facts, statements, representations or opinions for matters relating to the Group supplied or expressed to us by the Directors and the management of the Group have been reasonably made after due and careful enquiry. We have relied on such information, facts, statements, representations and opinions and consider these sufficient for us to reach our advice and recommendation as set out in this letter. However, we have not conducted any independent investigation into the business, financial conditions, affairs and future prospects of any member of the Group or the Target Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the following principal factors and reasons:

(I) INFORMATION ON THE GROUP

1. History

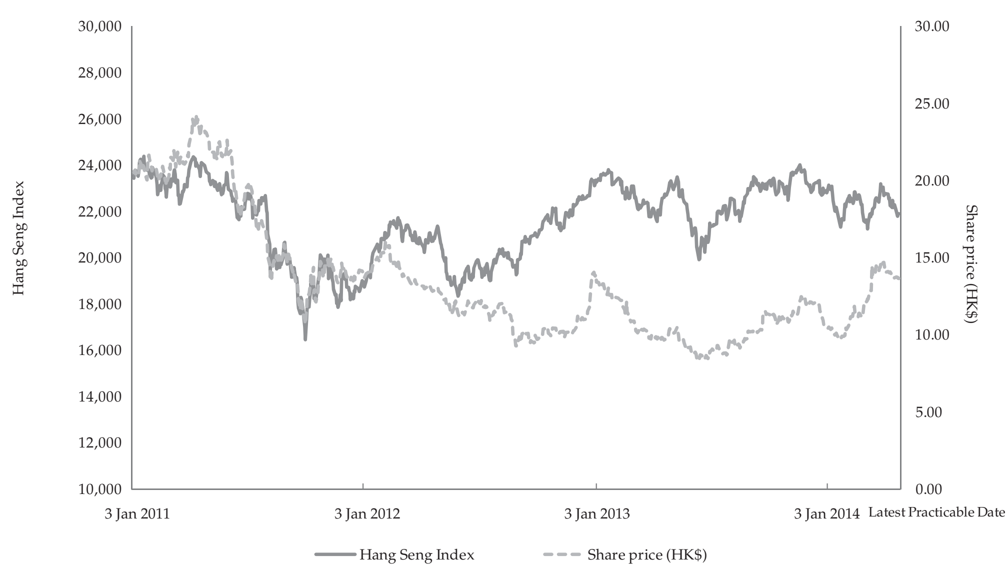
CITIC Pacific has been recognised as a pioneer among Chinese enterprises and a flagship company of CITIC Group. CITIC Pacific's origins can be traced back to 1987 when the Beijing-based China International Trust and Investment Corporation, now known as CITIC Group, formed CITIC Hong Kong (Holdings) Limited as its wholly-owned subsidiary in Hong Kong.

Since the injection of assets of CITIC Hong Kong (Holdings) Limited into CITIC Pacific (formerly known as Tylfull Company Limited) by CITIC Group to achieve listing of a "red chip" company in Hong Kong, CITIC Pacific became one of the few Hong Kong listed conglomerates with significant PRC exposure. It has been a constituent of the Hang Seng Index since 1992.

In April and October 2007 respectively, CITIC Pacific successfully spun off CITIC Telecom International and Dah Chong Hong Holdings Limited ("**Dah Chong Hong**") on the Main Board of the Stock Exchange, raising a total of approximately HK$6 billion. By 2008, CITIC Pacific had completed the acquisition of a project with the right to extract 2 billion tonnes of magnetite ore and options to acquire another 4 billion tonnes (the "**Sino Iron Project**").

In recent years, the Group has gradually recovered from the events in late 2008 following unsuccessful hedges against the Australian dollar. The Group was recapitalised with assistance from CITIC Group shortly after the incident. In 2008, CITIC Group completed subscription of convertible bonds issued by CITIC Pacific and subsequently increased its interest in CITIC Pacific from 29.4% to 57.6% upon conversion of the convertible bonds. In 2009, the Group disposed of a 14.5% interest in Cathay Pacific Limited. The Group performed well financially in 2010 and 2011, with a record performance from the special steel business and a strong property sector. However, the cyclical nature of the business, which will be discussed below, and in particular the difficulties associated with ramping up full production of the Sino Iron Project, have given rise to great challenges to the Group. Since 2012, the Group's profit from continuing operations attributable to the Shareholders have declined, falling 26% in 2012 compared to 2011 and a further 17% in 2013 compared to 2012. In 2013, CITIC Pacific acquired the whole 25% minority stake in Silver Wings Enterprises Inc., a special steel maker, which became its wholly-owned subsidiary upon completion.

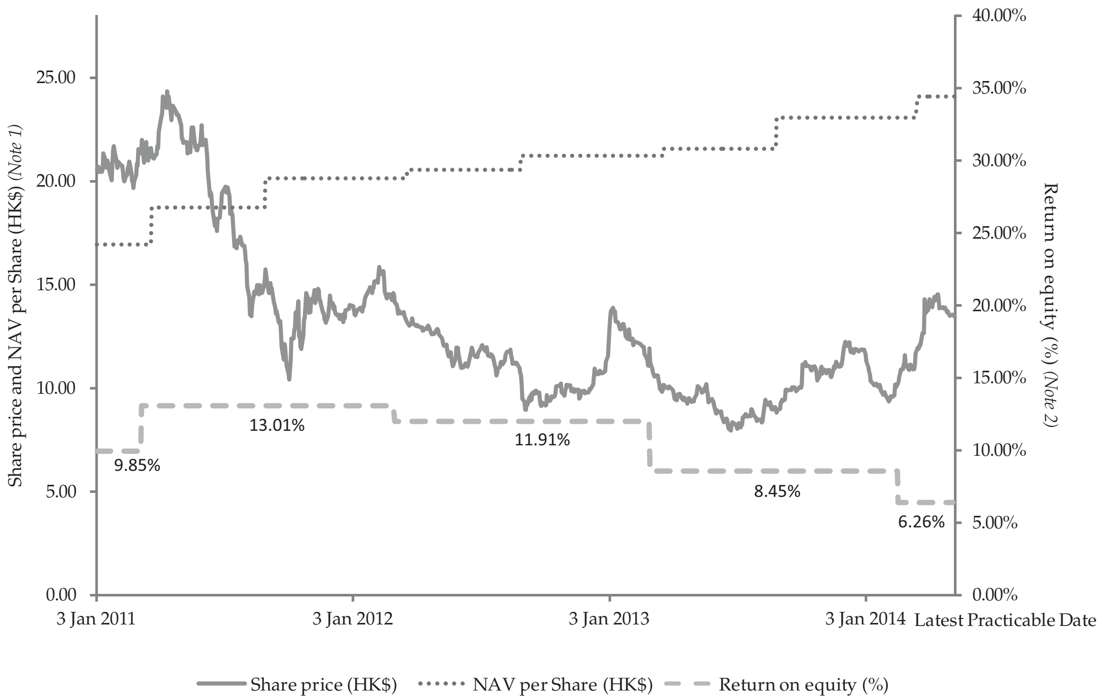
FIGURE 1: CITIC PACIFIC'S SHARE PRICE VERSUS HANG SENG INDEX (FROM 2011 TO THE LATEST PRACTICABLE DATE)



Source: Bloomberg

CITIC Pacific's Share price has mostly underperformed the Hang Seng Index since the beginning of 2012, a period which has seen a decline in profits and a series of announcements of cost overruns and delays for the Sino Iron Project. The volatility of the special steel business may also have been a factor. The under-performance compared to the Hang Seng Index is illustrated above.

FIGURE 2: SHARE PRICE, NAV PER SHARE AND RETURN ON EQUITY (FROM 2011 TO THE LATEST PRACTICABLE DATE)



Source: Bloomberg and CITIC Pacific's annual results and interim results announcements

Notes:

1. The NAV per Share shown above represents the net asset value of the Group attributable to the Shareholders (excluding perpetual capital securities) as at the period or year end as stated in CITIC Pacific's annual or interim results announcements during the period under review.

2. The return on equity shown above represents the profit attributable to the Shareholders from continuing operations during the year over the net asset value of the Group attributable to the Shareholders (excluding perpetual capital securities) as at the year end as stated in CITIC Pacific's annual results announcements during the period under review.

Apart from under-performance against the Hang Seng Index, the difficulties and challenges faced by the Group have also resulted in the Shares being traded below their book value commencing from June 2011, as illustrated in Figure 2 above, whereas previously in early 2011 they had traded at a premium. Return on equity has also dropped while net asset value of the Group attributable to the Shareholders, excluding perpetual capital securities (the "**NAV**"), increased. This may be because of the resources devoted to the Sino Iron Project have resulted in the

Group holding a highly capital intensive asset which has not been contributing to earnings. In these circumstances, in our opinion, the market rating of the Shares has tended to be based on the underlying operating and financial performance of CITIC Pacific, rather than the NAV per Share. In the last few months, the Shares have begun to reverse the under-performance somewhat, as shown in Figure 1 above. The management of CITIC Pacific is not aware of any particular reasons for such increase in Share price, other than the announcements of the Framework Agreement and the Acquisition.

The announcement of the Acquisition has brought the Group back to the market's attention and in our view has the potential to be transformative and improve the asset and earnings quality and market ratings of the Enlarged Group, as discussed below.

2. Main businesses of the Group

The following is a brief outline of the main businesses of the Group:

Special steel

With an annual production capacity of 9 million tonnes, the Group's special steel business is the largest dedicated manufacturer of special steel in the PRC. Major products produced by two production plants located in Jiangsu Province and Hubei Province include special steel bars, special steel plates, medium-to-thick wall seamless steel tubes, special wires and special forging steel. For the year ended 31 December 2013, approximately 91% of the special steel products were sold to customers in auto components, machinery manufacturing, power generation, oil and petrochemical, shipbuilding and metal works industries.

Iron ore

The Sino Iron Project run by Sino Iron Pty Ltd, a wholly-owned subsidiary of CITIC Pacific, is the largest magnetite iron ore development project in Australia and, when completed, will have six production lines with the designed capacity to produce a total of 24 million tonnes of magnetite concentrate a year from its mine at Cape Preston 100 kilometres southwest of Karratha in Western Australia's Pilbara region. The project currently has a remaining mine life of 25 years. Sino Iron Project is China's largest single investment in Australia so far.

Property in mainland China

The Group focuses on developing high-end urban complexes, commercial properties and large scale resort projects in the PRC. Properties are located in prime areas of Shanghai and major cities in the Yangtze River delta area and Hainan Province. Key projects currently under development include the Shenzhou Peninsula resort project in Hainan Province, a number of mix-use urban complex projects known as the Lujiazui Harbour City, the Centre and the Zhujiajiao New Town in Shanghai.

Listed holdings

As at the Latest Practicable Date, CITIC Pacific held an approximately 55.61% equity interest in Dah Chong Hong and an approximately 41.27% equity interest in CITIC Telecom International. Dah Chong Hong is engaged in the sales of motor vehicles and related business and services, sales of food and consumer products, as well as logistics services, serving the markets of the Greater China, Japan and Singapore. CITIC Telecom International provides telecommunication services with its key markets in China, Hong Kong and Macau.

Energy

The energy segment is represented by joint venture interests in 4 power plants in Inner Mongolia, Hebei Province, Anhui Province and Jiangsu Province with a total installed capacity of 6,260 MW as at 31 December 2013 as well as a 30% stake in Xin Julong coal mine in Shandong. This segment has provided steady and significant profit contribution to the Group over the years.

3. Segmental revenue and results of the Group

Set out below is a summary of the Group's segmental revenue and results.

TABLE 1: SUMMARY SEGMENTAL REVENUE AND RESULTS OF THE GROUP

	For the year ended 31 December											
	2013				2012				2011			
	Revenue		Profit/(Loss) attributable to the Shareholders		Revenue		Profit/(Loss) attributable to the Shareholders		Revenue		Profit/(Loss) attributable to the Shareholders (Restated)	
	(HK$ million)	*%*	*(HK$ million)*	*%*	*(HK$ million)*	*%*	*(HK$ million)*	*%*	*(HK$ million)*	*%*	*(HK$ million)*	*%*
Continuing operations:												
Special steel	41,332	47.0%	1,762	32.0%	40,358	43.2%	211	3.1%	44,043	45.5%	1,994	22.3%
Iron ore	389	0.4%	(1,619)	(29.4)%	213	0.2%	(781)	(11.7)%	83	0.1%	(423)	(4.7)%
Property												
Mainland China	2,807	3.2%	1,045	19.0%	3,523	3.8%	911	13.7%	5,459	5.6%	2,324	26.0%
Hong Kong	302	0.3%	483	8.8%	243	0.3%	734	11.0%	249	0.3%	708	7.9%
Energy	34	0%	1,822	33.1%	18	0%	1,136	17.1%	23	0%	1,588	17.8%
Tunnels	834	1.0%	611	11.1%	812	0.9%	561	8.4%	797	0.8%	518	5.8%
Dah Chong Hong	42,261	48.0%	492	8.9%	48,014	51.5%	536	8.1%	46,109	47.6%	617	6.9%
CITIC Telecom International	–	–	415	7.5%	–	–	–	–	–	–	–	–
Other investments	82	0.1%	318	5.8%	91	0.1%	2,699	40.6%	127	0.1%	168	1.9%
Change in fair value of investment properties	–	–	1,652	30.0%	–	–	1,547	23.2%	–	–	1,891	21.1%
Corporate	–	–	(1,476)	(26.8)%	–	–	(899)	(13.5)%	–	–	(451)	(5.0)%
Total	88,041	100.0%	5,505	100.0%	93,272	100.0%	6,655	100.0%	96,890	100.0%	8,934	100.0%
Discontinued operations:												
CITIC Telecom International	523	–	2,083	–	3,610	–	299	–	3,196	–	299	–

Continuing operations

Segmental revenue of the special steel business declined from approximately HK$44,043 million in 2011 to approximately HK$40,358 million in 2012 as the overall steel market, in particular for the second half of 2012, was weak as a result of uncertainties in the global economy and slower growth in China, causing a decline of approximately 13% of the overall price of steel products when compared to 2011. A total of approximately 6.55 million tonnes of special steel products were sold in 2012, approximately 4% less than 2011. The net profit contribution from this segment therefore has decreased from approximately HK$1,994 million in 2011 to approximately HK$211 million in 2012. A total of approximately 7.24 million tonnes of special steel products were sold in 2013, representing an increase of approximately 11% when compared to 2012, as improvements in the European and Asian markets created greater demand for high quality special steel products during the year as well as the increase in a new product – special steel plates. Despite a reduction of approximately 7% in the overall price of special steel products for 2013 as compared with 2012, margins were enhanced by a lower cost of major raw materials utilised in production. As a result, the revenue and net profit contribution from the special steel segment increased from HK$40,358 million in 2012 to HK$41,332 million in 2013 and HK$211 million in 2012 to HK$1,762 million in 2013 respectively.

The Sino Iron Project achieved progress in 2012, as the first production line and common facilities for all six lines commenced load commissioning in November 2012. The loss from iron ore segment in 2012 was approximately HK$781 million representing an increase of approximately 85% compared to 2011, reflecting increased provision for the potential mismatch between gas delivery under contracts and the production schedule and increases in non-capitalised bank loan interest and other operating expenses. The segmental revenue from the Sino Iron Project remains insignificant although the project has achieved a milestone by delivering its first shipment of magnetite concentrate to China in late 2013. The loss from this segment in 2013 was approximately HK$838 million higher than 2012, reflecting an increase in loan interest associated with equipment now completed, as well as a HK$381 million impairment loss provision due to cancellation of construction of a pellet plant for the mining project.

Segmental revenue and segmental profit from the mainland China property business declined by approximately 35% and 61% in 2012 respectively compared with 2011, as CITIC Pacific adjusted the development pace of its projects, with limited deliveries of completed properties in response to measures instituted by the Chinese Government to moderate the rapid rise of property prices in the PRC. Segmental revenue decreased by a further approximately 20% in 2013 as fewer properties were delivered and the Chinese Government continued policies and measures to regulate the real estate market.

CITIC Pacific's energy business, comprising power plants generating electricity and heat as well as a coal mine in the PRC, is conducted through joint ventures. The energy segment is therefore not material as regards revenue but contributes significant profits to CITIC Pacific, in particular in 2013 as a result of more units of electricity being generated and a lower price of coal as compared to the previous year.

Segmental revenue of Dah Chong Hong for 2012 increased by an approximately 4% as compared to 2011, mainly driven by robust sales growth of super luxury passenger cars and strong demand for food and consumer products in Dah Chong Hong's target markets. The segmental revenue for 2013 dropped by approximately 12% as a result of the discontinuation of the Bentley distributorship in China at the end of 2012. During the period under review, Dah Chong Hong delivered a relatively stable performance and continued to contribute steadily to the Group's profit.

Discontinued operations – CITIC Telecom International

In February 2013, the Group completed a disposal of approximately 18.55% interest in CITIC Telecom International to CITIC Group for a consideration of approximately HK$773 million, reducing its holding to approximately 41.76%. The proceeds from the disposal were used for the Group's working capital. The main reason for the disposal was to facilitate direct management involvement by CITIC Group in CITIC Telecom International. Upon completion of the disposal, CITIC Telecom International ceased to be a subsidiary of CITIC Pacific and the remaining interest in CITIC Telecom International held by the Group has been accounted for by the equity method. As a result, the financial results of CITIC Telecom International are no longer consolidated with those of the Group and have been restated as discontinued operations prior to completion of the disposal.

As the financial results of CITIC Telecom International have been accounted for by the equity method upon the Group completing its disposal of approximately 18.55% interest in CITIC Telecom International to CITIC Group, there was a significant decline in revenue contributed by CITIC Telecom International in 2013 as compared to 2012. An amount of approximately HK$2,055 million comprising a disposal gain on the approximately 18.55% interest in CITIC Telecom International and a fair value gain on the remaining shares was recognised in 2013, contributing to the significant increase in "one off" profit attributable to the Shareholders in 2013 as compared to prior years. Such disposal and fair value gains have been eliminated at the pro forma Enlarged Group level.

4. Financial effects of the Acquisition on earnings and return on equity

Set out below is an analysis of the financial effects of the Acquisition on earnings and return on equity of the Group. On Completion, the Target Company will be wholly owned by CITIC Pacific and accordingly the financial results of the Target Group will be consolidated into the financial statements of CITIC Pacific. Independent Shareholders should note that the discussion of the financial effects of the Acquisition on the Group is based on the illustrative scenario provided in the unaudited pro forma financial information of the Enlarged Group in Appendix II to the Circular, which is based, inter alia, on the assumption that Completion had taken place on 1 January 2013.

(i) Earnings

We set out below the pro forma earnings and pro forma earnings per Share of the Enlarged Group with reference to the unaudited pro forma consolidated income statement and unaudited pro forma financial ratios as shown in Appendix II to the Circular.

	The Group for the year ended 31 December 2013 (audited)	**Unaudited pro forma of the Enlarged Group for the year ended 31 December 2013**
Profit for the year attributable to the Shareholders *(HK$ million)*	5,505 *(Note)*	48,430
Total number of Shares in issue *(million)*	3,649.4	24,903.3
Earnings per Share *(HK$)*	1.51 *(Note)*	1.94
Earnings per Share accretion		28.5%

Note: The profit for the year attributable to the Shareholders from continuing operations for the year ended 31 December 2013 was HK$5,505 million. HK$2,083 million was generated from discontinued operations, mainly in respect of one-off gains. The analysis in the table above is based on profit attributable to the Shareholders from continuing operations.

As shown in the table above, the profit attributable to the Shareholders from continuing operations increases from approximately HK$5,505 million to approximately HK$48,430 million. The increase was primarily due to the contribution of net profit of approximately HK$42,937 million by the Target Group.

Based on the maximum number of approximately 24,903.3 million Shares as enlarged by the issue of new Shares pursuant to the Acquisition, the earnings per Share from continuing operations immediately upon Completion would be enhanced from HK$1.51 by approximately HK$0.43 to HK$1.94. This is an increase of 28.5%.

(ii) Return on equity

We set out below the pro forma return on equity of the Enlarged Group with reference to the unaudited pro forma consolidated income statement and unaudited pro forma financial ratios as shown in Appendix II to the Circular.

	The Group for the year ended 31 December 2013 (audited)	**Unaudited pro forma of the Enlarged Group for the year ended 31 December 2013**
Profit for the year attributable to the Shareholders *(HK$ million)*	5,505 *(Note 1)*	48,430
Increase in profits (times)		7.8 *(Note 2)*
Total equity attributable to the Shareholders *(HK$ million)*	87,925	371,776
Return on equity	6.3% *(Note 1)*	13.0%
Increase in return on equity (by percentage points)		6.7%

Notes:

1. Based on profit for the year attributable to the Shareholders for the year ended 31 December 2013 of HK$5,505 million generated from continuing operations.

2. The unaudited pro forma profit for the year attributable to the Shareholders of the Enlarged Group for the year ended 31 December 2013 of HK$48,430 million represents approximately 8.8 times the profit attributable to the Shareholders of the Group for the year ended 31 December 2013 of HK$5,505 million generated from continuing operations.

As shown in the table above, the profit attributable to the Shareholders from continuing operations increases from approximately HK$5,505 million to approximately HK$48,430 million. As explained in paragraph (i) above, the increase was primarily due to the contribution of net profit of approximately HK$42,937 million by the Target Group.

Based on the maximum number of approximately 24,903.3 million Shares expected to be in issue upon Completion, the issue price per Consideration Share and minimum issue price of the Placing Shares (i.e. HK$13.48 (the "Issue Price" and the "Minimum Placing Price",

respectively)), total equity attributable to the Shareholders increases from approximately HK$87,925 million to approximately HK$371,776 million immediately upon Completion and the return (from continuing operations) on equity would be enhanced from 6.3% to 13.0%.

5. Segmental net asset value of the Group

Total assets of the Group were mainly comprised of assets of the three main businesses, namely special steel, iron ore and mainland China property, which altogether accounted for approximately 69%, 73% and 72% of the total net asset value of the Group (from continuing operations but excluding corporate) as at the end of 2011, 2012 and 2013 respectively. Continuing construction and installation of equipment for the iron ore mine were the main drivers of the increase in total net asset value. Set out below is the breakdown of the Group's net asset value by principal business activities:

TABLE 2: SUMMARY SEGMENTAL NET ASSET VALUE OF THE GROUP

	As at 31 December					
	2013		**2012**		**2011**	
	Net asset value (HK$ million)	*%*	*Net asset value (HK$ million)*	*%*	*Net asset value (HK$ million)*	*%*
Continuing operations:						
Special steel	31,618	29.2%	29,564	33.1%	28,978	33.8%
Iron ore	52,506	48.5%	41,184	46.1%	24,938	29.0%
Property						
Mainland China	33,928	31.3%	32,157	36.0%	30,736	35.8%
Hong Kong	16,416	15.1%	15,248	17.0%	13,721	16.0%
Energy	9,300	8.6%	9,293	10.4%	8,558	10.0%
Tunnels	2,060	1.9%	2,064	2.3%	1,824	2.1%
Dah Chong Hong	9,373	8.7%	8,904	10.0%	8,475	9.9%
CITIC Telecom International	3,893	3.6%	–	–	–	–
Other investments	3,766	3.5%	3,508	3.9%	5,294	6.2%
Corporate	(54,547)	(50.4)%	(52,529)	(58.8)%	(36,712)	(42.8)%
Sub-total	108,313	100.0%	89,393	100.0%	85,812	100.0%
Discontinued operations:						
CITIC Telecom International	–	–	2,473	–	2,201	–
Total *(Note)*	108,313	–	91,866	–	88,013	–

Note: The amounts represent the total equity of the Group, i.e. sum of Shareholders' funds, perpetual capital securities and non-controlling interests. CITIC Pacific issued US$750 million in perpetual capital securities in the first half of 2011. These securities have been accounted for as equity instruments. Perpetual capital securities are unsecured and subordinated to all other classes of capital, except common shares. The securities pay 7.875% p.a. of the face value semi-annually. They may be redeemed at the option of CITIC Pacific on 15 April 2016, 15 April 2021 and semi-annually following that date by providing prior notice to the holders. CITIC Pacific also has an option to redeem the securities in the event of changes to the accounting standards or the 50% equity credit given by Standard & Poor's or Moody's in their calculations. As at 31 December 2013, the perpetual capital securities amounted to approximately HK$13,838 million.

The total net assets of the Group, comprising the net asset value attributable to the Shareholders, perpetual capital securities and non-controlling interests, as at 31 December 2011, 2012 and 2013 was approximately HK$88,013 million, HK$91,866 million and HK$108,313 million respectively. The net asset value attributable to the Shareholders (excluding non-controlling interests and perpetual capital securities) as at 31 December 2011, 2012 and 2013 was approximately HK$75,007 million, HK$78,725 million and HK$87,925 million respectively.

6. Financial effects of the Acquisition on leverage and credit rating

Set out below is an analysis of the financial effects of the Acquisition on leverage and the credit rating of the Enlarged Group. Upon Completion, the Target Company will be wholly owned by CITIC Pacific and accordingly the assets and liabilities of the Target Group will be consolidated into the financial statements of CITIC Pacific. Prior to the Acquisition, the Target Company and CITIC Pacific were under common control of CITIC Group. Upon Completion, the Acquisition is treated as a combination of businesses under common control and the assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group using merger accounting.

Independent Shareholders should note that the discussion of the balance sheet effects of the Acquisition on the Group is based on the illustrative scenario provided in the unaudited pro forma financial information of the Enlarged Group in Appendix II to the Circular, which is based, inter alia, on the assumption that Completion had taken place on 31 December 2013.

We set out below the pro forma leverage of the Enlarged Group with reference to the unaudited pro forma consolidated balance sheet of the Enlarged Group as shown in Appendix II to the Circular.

	The Group as at 31 December 2013 (audited)	**Unaudited pro forma of the Enlarged Group as at 31 December 2013**
Total debt *(HK$ million) (Note 1)*	120,730	418,669
Cash and bank deposits *(HK$ million) (Note 2)*	35,070	97,612
Net debt *(HK$ million) (Note 3)*	85,660	321,057
Total equity attributable to the Shareholders and perpetual capital securities *(HK$ million)*	101,763	385,614
Total capital *(HK$ million) (Note 4)*	187,423	706,671
Leverage *(Note 5)*	45.7%	45.4%

Notes:

1. For the avoidance of doubt, total debt of the Enlarged Group does not include any liability in relation to the deposits and placements from banks and non-bank financial institutions.

2. Cash and bank deposits of the Enlarged Group exclude deposits with central banks, banks and non-bank financial institutions related to financial services segment.

3. Net debt represents total debt less cash and bank deposits.

4. Total capital represents net debt plus total equity attributable to the Shareholders and perpetual capital securities.

5. Leverage represents net debt divided by total capital.

As at 31 December 2013, the Group had net debt of approximately HK$85,660 million and total equity attributable to the Shareholders and perpetual capital securities of approximately HK$101,763 million. The leverage of the Group, defined as net debt divided by total capital, was approximately 45.7%. As shown in the table above, on Completion, the leverage of the Enlarged Group (which has not taken into account the assets and liabilities of the financial services segment arising from its deposit taking and lending businesses) stays at around the same level, at approximately 45.4%. The fact that the leverage of the Enlarged Group does not increase significantly is because of, among other things, the issue of new Shares to satisfy the Transfer Consideration.

As set out in the letter from the Board, although leverage as calculated above remains broadly unchanged, CITIC Pacific expects that the magnitude of the increase in capital base will improve CITIC Pacific's credit rating and so enhance its debt financing capability. After the publication of the announcement of the Acquisition, **Standard and Poor's Rating Services ("S&P") placed the rating of CITIC Pacific on its watch list with positive implication and commented that it is highly likely that CITIC Pacific's credit rating will be raised upon Completion on the basis that the Acquisition will significantly strengthen CITIC Pacific's business and financial position. Similarly, Moody's Investors Service has also indicated that CITIC Pacific's rating will likely be upgraded on Completion for similar reasons.**

7. Financial effects of the Acquisition on NAV and NAV per Share

We set out below the pro forma NAV and pro forma NAV per Share of the Enlarged Group with reference to the unaudited pro forma consolidated balance sheet and unaudited pro forma financial ratios as shown in Appendix II to the Circular.

	The Group as at 31 December 2013 (audited)	**Unaudited pro forma of the Enlarged Group as at 31 December 2013**
NAV *(HK$ million)*	87,925	371,776
NAV increase (times)		3.2 *(Note)*
Total number of Shares in issue *(million)*	3,649.4	24,903.3
NAV per Share *(HK$)*	24.09	14.93
NAV per Share reduction *(%)*		38.0%

Note: The unaudited pro forma NAV of the Enlarged Group as at 31 December 2013 of HK$371,776 million represents approximately 4.2 times the NAV of the Group as at 31 December 2013 of HK$87,925 million.

The NAV of CITIC Pacific was approximately HK$87,925 million as at 31 December 2013 and the unaudited pro forma NAV of the Enlarged Group upon Completion is approximately HK$371,776 million. **The 3.2 times increase in the NAV is mainly due to the consolidation of the assets and liabilities of the Target Group and the issue of the Consideration Shares and the Placing Shares.**

On a per Share basis, the NAV per Share would drop from HK$24.09 by approximately HK$9.16, or 38.0%, to HK$14.93. The 38% dilution in the NAV per Share is mainly because the issue price, which is assumed to be HK$13.48 for both the Consideration Shares and the Placing Shares, is significantly below the NAV per Share of HK$24.09 prior to the Acquisition.

Independent Shareholders should note that, for the purpose of the unaudited pro forma financial information as set out in the Appendix II of the Circular, the fair values of each Consideration Share and each Placing Share are deemed to be HK$13.48 per Share. Since the fair values of the Consideration Shares and the Placing Shares to be issued at the relevant issue dates may be different from their fair values used in preparing the unaudited pro forma financial information, the fair value of the Transfer Consideration at the date of Completion may be significantly different from the amounts presented above.

8. Comment

The financial effects of the Acquisition on CITIC Pacific are mixed. As the size of the Target Group is significantly larger than CITIC Pacific, the Acquisition will increase the CITIC Pacific's profits and net assets (on a 2013 pro forma basis) by over

7 times and over 3 times respectively. Both the earnings per Share and return on equity from continuing operations would be enhanced, while the NAV per Share will be reduced. Leverage (as defined) will stay largely unchanged but the credit standing of CITIC Pacific is likely to improve upon completion of the Acquisition on the basis that the Acquisition will significantly strengthen CITIC Pacific's business and financial position.

We have researched all placings carried out by companies listed on the main board of the Stock Exchange during a three-month period on and preceding 26 March 2014, being the date of the Framework Agreement. In total, there have been 57 placings of which 11 placings involved the placing of substantial amounts, i.e. with gross proceeds over HK$1 billion. Based on our research, it is rare to achieve a substantial placing of shares to third parties in the Hong Kong market at a placing price which is above the price prevailing at, or shortly before, the date of agreeing the placing price. The norm is a discount, with the average discounts for all placings and placing of substantial amounts, based on the 10-day average closing prices being 10.8%, and 11.9%.

Dilution in NAV per Share is unavoidable given the size of the Acquisition and the need to fund it by equity which trades at a discount to its current NAV per Share. As discussed above, it is common to fix a placing price at a discount to the market price in a substantial placing of shares in the market. Dilution in NAV per Share is a single aspect of the Acquisition, which overall has a wide variety of impacts on the Group, as discussed below. In particular, the Acquisition will change the balance of the Group's assets from such highly capital intensive projects as the Sino Iron Project, where a heavy discount to net assets has been illustrated in Figure 2 above, to financial services, where valuations tend to be closer to net assets. For instance, shares of CITIC Bank were traded at approximately 0.9 times net assets while shares of CITIC Securities were traded at approximately 1.5 times net assets (based on the weighted average of the A-shares and H-shares in issue) as at the Latest Practicable Date.

(II) INFORMATION ON THE TARGET GROUP

CITIC Group (formerly known as China CITIC Group) is a state-owned enterprise, established in 1979 with the approval of the State Council. It was restructured into a solely state-owned company in 2011 and changed its name to CITIC Group Corporation. CITIC Group has developed to become a large-scale comprehensive multinational conglomerate with businesses in financial services, real estate and infrastructure, engineering contracting, resources and energy, manufacturing and other segments. CITIC Group has leading positions in most of these fields. CITIC Group conducts its business mainly through the Target Group.

1. Structure

The Target Group's businesses can be categorised into six segments, namely (1) financial services, which is by far the most significant, (2) real estate and infrastructure, (3) engineering contracting, (4) resources and energy, (5) manufacturing, and (6) others.

The following table sets out the principal operational entities of each business segment of the Target Group, of which seven are companies listed on the Stock Exchange, the SSE and/or the SZSE:

TABLE 3: BUSINESS SEGMENTS AND OWNERSHIP PERCENTAGES OF THE TARGET GROUP

Business segments	Financial services	Real estate and infrastructure	Engineering contracting	Resources and energy	Manufacturing	Others
Principal operational entity (CITIC Limited's attributable interests are shown in brackets)	CITIC Bank (66.95%)	CITIC Real Estate (88.37%)	CITIC Construction (100%)	CITIC Resources (59.41%)	CITIC Heavy Industries (71.04%)	CITIC Telecom International (18.33%)
	CITIC Securities (20.30%)	CITIC Heye (100%)	CITIC Engineering Design (100%)	CITIC United Asia (100%)	CITIC Dicastal (100%)	AsiaSat (37.59%) *(Note 5)*
	CITIC Trust (100%)	CITIC Industrial Investment (100%)		CITIC Metal (100%)		COHC (21.52%) *(Note 6)*
	CITIC Prudential (50%)					CITIC Press (100%)
	CITIC Kingview Capital (73.02%)					CITIC Tianjin (100%)
	CITIC Finance (100%)					CITIC Tourism (100%)
						Guoan Club (100%)

Notes:

1. refers to the companies listed on both the Stock Exchange and the SSE.
2. refers to the companies listed on the Stock Exchange.
3. refers to the company listed on the SSE.
4. refers to the company listed on the SZSE.
5. This refers to CITIC Limited's attributable interest in AsiaSat through Bowenvale Limited, CITIC Limited's 50.50%-owned entity, where Bowenvale Limited holds a 74.43% equity interest in AsiaSat.
6. This refers to CITIC Limited's attributable interest in COHC through CITIC Zhonghaizhi, CITIC Limited's 51.03%-owned subsidiary, where CITIC Zhonghaizhi holds a 42.18% equity interest in COHC.

The simplified corporate structures of the Target Group (and minority-held associates) (i) as at the Reference Date; (ii) immediately prior to Completion; and (iii) immediately upon Completion are set out in the paragraph headed "(H) Information on the Target Group" under the section headed "C. The Acquisition" in the letter from the Board in the Circular.

2. Main businesses of the Target Group

The main businesses of CITIC Limited Group include the following:

Financial services

This is by far the largest business of the Target Group, as illustrated by Tables 4 and 6 below. CITIC Limited Group's financial services businesses include banking, securities, trust and insurance. CITIC Limited Group provides domestic and overseas banking services through CITIC Bank and its subsidiaries, securities services through CITIC Securities, trust services through CITIC Trust, and insurance services through CITIC Prudential.

CITIC Bank

CITIC Bank's main businesses comprise (i) corporate banking, i.e. provision of corporate loans, trade financing services, deposit, agency services, remittance and settlement services and guarantee services to corporations, government agencies and financial institutions; (ii) retail banking, i.e. provision of personal deposits and loans, wealth management, credit cards, consumption financing and small enterprise financing to retail customers; and (iii) treasury business, i.e. provision of capital products and services to corporate and individual customers, and proprietary asset management and trading. In 2013, CITIC Bank was one of the top 10 banks listed in the PRC in terms of profit attributable to shareholders, total assets, total deposits from customers and total loans and advances to customers.

CITIC Bank is exposed to various credit, interest rate, exchange rate and liquidity risks as well as compliance risk of various regulatory requirements. The credit risks include non-performing loans, significant decline in value of collateral or deterioration of financial condition of guarantors and concentration of loans to customers, industries or regions. The interest rate and exchange rate risks arise as a result of the gradual liberalisation of certain interest rates and RMB exchange rates and changes in deposit and lending rates. The reliance of CITIC Bank on customers' demand deposits as a primary source of funding may result in liquidity risks. Changes in the amount or pattern of customers' demand deposits will affect the source of funding to CITIC Bank. Similar to other banks, CITIC Bank is subject to various compliance and regulatory requirements such as capital adequacy ratios and changes in these requirements may require CITIC Bank to replenish capital from time to time.

CITIC Securities

CITIC Securities' main businesses comprise (i) provision of brokerage services of trading of stocks, bonds, mutual fund rights, warrants, futures and other tradeable securities to companies, institution and individual customers; (ii) provision of investment banking services in relation to initial public offering, follow-on offerings and issuance of convertible bonds, underwriting of bonds, structured financing and asset-backed securities to various institutions in China and abroad; (iii) trading such as sale and trade of stocks and fixed income products, alternative investment, quantitative investment, and margin financing and securities lending; and (iv) assets management. CITIC Securities is the largest securities company in China and maintains leading market positions in investment banking, brokerage, asset management as well as margin financing and securities lending businesses. According to Wind, in 2013, CITIC Securities' ranked first in the industry in terms of the aggregate equity and debt securities underwriting value. According to statistics published in Bloomberg, in 2013, CITIC Securities ranked first in the world both in terms of transaction value and number of deals completed for mergers and acquisitions involving Chinese enterprises. In 2013, CITIC Securities ranked first in brokerage services in China in terms of its market share of the trading turnover of stocks and funds and in terms of debt trading turnover. CITIC Securities acquired a 19.9% stake and the remaining 80.1% of CLSA, an Asian brokerage and investment group, from Crédit Agricole in 2012 and 2013 respectively.

CITIC Securities is exposed to certain risks as a result of market fluctuations since the principal businesses of CITIC Securities are highly dependent on economic and market conditions in China, Hong Kong and other major global securities markets. CITIC Securities is also subject to interest rate risk and exchange rate risk as it engages in derivatives transactions such as interest rate swaps and uses derivative instruments. However, the limited derivative products available in China may put constraints on CITIC Securities' ability to hedge against its interest rate and exchange rate risks.

CITIC Trust

CITIC Trust's business consists of trust business, inherent business and intermediary business. Trust business and inherent business are similar in assets utilisation and differ mainly in the assets source. The assets managed in trust business originate from clients.

CITIC Trust's trust business can be classified into investment related trust business, financing-related trust business, non-discretionary trust business and other businesses based on capital utilisation methods. Investment related trust business is divided into the equity investment business, which involves investment of trust funds, exercise of shareholders' rights and participation in the operational management of the invested company for the benefit of the beneficiaries, and securities investment business, which comprises investment activities of trust capital in stocks and other securities. Financing-related trust business mainly provides mid to long-term loan facilities to borrowers with additional full guarantee and a fixed interest rate and maturity date. CITIC Trust acts as a trustee, lender and loan servicer and is responsible for the due diligence of financing projects' screening and recommendation, deal structuring, and the management of creditors' rights and collaterals. In non-discretionary trust business, CITIC Trust is mainly responsible for account management, clearing and distribution and coordination of the management of the client's trust property. CITIC Trust mainly acts as a trustee, account manager and financial consultant, executing or providing suggestions according to the trust agreement and clients' instruction.

The inherent business is similar to the trust business in terms of assets utilisation process. The major difference is the assets of the inherent business originate from funds owned by CITIC Trust itself. The intermediary business mainly consists of the financial consultancy business.

According to statistical data from the China Trustee Association and the published information of major trust companies in China, CITIC Trust maintained a leading position in China in terms of trust AUM, revenue and net profit from 2011 to 2013.

CITIC Trust faces credit risk when its counterparties or financing parties default when conducting business involving their own funds and also when operating their trust business. If credit risk arises from inherent businesses, it may have an adverse impact on the assets and income of the trust company. If the credit risk arises from the trust businesses, it may result in the loss of trust assets. Although this kind of risk does not have a direct impact on the shareholders' equity of CITIC Trust, it may lead to an adverse effect on the credibility, management capabilities and brand of CITIC Trust. In addition, CITIC Trust is subject to risks relating to price fluctuations in securities prices and interest rates. Fluctuations in security prices and interest rates will directly affect the yield of the trust products with fixed income as well as the commission income of CITIC Trust.

CITIC Prudential

CITIC Prudential is a joint venture set up by CITIC Limited Group and Prudential plc, both of whom hold a 50% equity interest. CITIC Prudential is primarily engaged in the business of providing life insurance, health insurance and accident insurance, as well as reinsurance of the above categories. According to CIRC, CITIC Prudential ranked sixth among foreign-invested life insurance companies in terms of gross premium income in 2013.

CITIC Prudential is exposed to risks relating to reliance on certain distribution channels for its insurance products. It is also subject to risks of policy surrenders or concentrated surrenders caused by radical emergencies, major changes in national policy, significant changes in the market environment or other causes. Such surrenders of policies may lead to insufficient asset liquidity and forced disposal of assets at unfavourable prices, causing deterioration in the financial condition of CITIC Prudential. Also, CITIC Prudential transfers a portion of its business to reinsurance companies to reduce its own underwriting risk. Adverse changes in the reinsurance market or the failure of reinsurance companies to perform their contractual obligations for CITIC Prudential may adversely affect CITIC Prudential's results of operations and financial condition.

Real estate and infrastructure

The real estate and infrastructure business consists mainly of development, sales and investment of properties, and the investment and management of infrastructure projects such as expressways and port terminals. Real estate is predominately carried on through CITIC Real Estate and CITIC Heye, while the infrastructure business is operated through CITIC Industrial Investment. The real estate division is engaged in development and sales of residential and commercial properties with a total planned GFA of projects planned or under construction of 32.41 million square meters, spanning 29 cities in China as at 31 December 2013. It is also developing "Zhongguo Zun" (「中國尊」), a super high-rise commercial office building with a designed height of 528 meters, which will be the tallest structure in Beijing on expected completion in 2019. The infrastructure division currently operates three PRC expressways and five port terminal projects in Ningbo, China.

Engineering contracting

The engineering contracting business consists mainly of contracting of infrastructure, housing and industrial construction, as well as engineering design. CITIC Construction has a significant international presence. Its completed and ongoing projects span 14 countries, including Kazakhstan, Belarus, Angola, Brazil, Algeria and Venezuela. CITIC Construction was also involved in the construction of National Stadium (commonly known as Bird's Nest) located in Beijing.

Resources and energy

The resources and energy business contributes significantly to the revenue of the Target Group (27%), though its contribution to profits and net asset value is much smaller. This activity can be categorised into three segments: resources development, which includes the exploration and production of crude oil, coal and other resources; resources processing, which includes the production and processing of electrolytic aluminium in Australia; and resources trading, which includes the trading of ferroniobium, iron ore, aluminium ingots, coal, platinum and other resource products.

Manufacturing

The manufacturing business consists mainly of the manufacturing of heavy machinery, power electronic equipment, automobile aluminium wheels, automobile aluminium castings and others.

Other businesses

The other businesses include, among other things, telecommunications, leasing and sales of satellite transponders, general aviation, publishing, comprehensive outsourcing services, tourism and ownership of a football club. These businesses are operated through CITIC Telecom International, AsiaSat, COHC, CITIC Press, CITIC Tianjin, CITIC Tourism and Guoan Club, respectively.

For more detailed information on the Target Group's businesses, please refer to the section headed "Business of the Target Group" in the Circular.

3. Analysis of financial information of the Target Group

(a) Segmental revenue and results of the Target Group

The revenue of the Target Group mainly comprises net interest income, net fee and commission income and net trading gain from its financial services segment, and total invoiced value of goods supplied net of taxes, service fee income and construction contracts revenue from its non-financial services segments. Set out below is a summary of the Target Group's segmental revenue and segmental results:

TABLE 4: SUMMARY SEGMENTAL REVENUE AND PROFIT/(LOSS) BEFORE TAX OF THE TARGET GROUP

	For the year ended 31 December											
	2013				2012				2011			
	Revenue *(RMB million)*	%	Profit/(loss) before tax *(RMB million)*	%	Revenue *(RMB million)*	%	Profit /(loss) before tax *(RMB million)*	%	Revenue *(RMB million)*	%	Profit /(loss) before tax *(RMB million)*	%
Financial services	108,328	43.0%	57,805	87.3%	93,033	41.8%	46,259	84.1%	80,424	40.5%	49,140	80.8%
Real estate and infrastructure	27,202	10.8%	4,390	6.6%	12,926	5.8%	4,402	8.0%	16,635	8.4%	3,872	6.4%
Engineering contracting	18,385	7.3%	2,481	3.8%	16,674	7.5%	2,654	4.8%	17,626	8.9%	1,367	2.2%
Resources and energy	67,971	27.0%	(128)	(0.2)%	69,772	31.3%	(363)	(0.7)%	60,710	30.5%	5,321	8.7%
Manufacturing	19,121	7.6%	1,001	1.5%	19,757	8.9%	1,313	2.4%	16,385	8.2%	1,356	2.2%
Others	12,784	5.1%	899	1.4%	12,395	5.6%	670	1.2%	9,229	4.6%	608	1.0%
Unallocated	3,733	1.5%	(337)	(0.5)%	3,418	1.5%	433	0.8%	2,761	1.4%	(315)	(0.5)%
Elimination	(5,735)	(2.3)%	66	0.1%	(5,385)	(2.4)%	(367)	(0.6)%	(5,007)	(2.5)%	(527)	(0.8)%
Total	251,789	100.0%	66,177	100.0%	222,590	100.0%	55,001	100.0%	198,763	100.0%	60,822	100.0%

Financial services

The revenue of the Target Group is mainly contributed by its financial services business, which amounted to RMB80,424 million, RMB93,033 million and RMB108,328 million for the years ended 31 December 2011, 2012 and 2013, representing 40.5%, 41.8% and 43.0% of total revenue of the Target Group respectively. Continuing growth of the segmental revenue over the past three years was primarily due to the increase in the net interest income of CITIC Bank as a result of the increase in both the average balance and the average yield of its interest-bearing assets. Net fee and commission income from the financial services business has also been growing steadily during the last three years, resulting from the increase in income from bank card fees, commission for wealth management services, trustee fees and consultancy and advisory fees.

Profit before tax from the financial services business decreased by approximately 5.9% from RMB49,140 million in 2011 to RMB46,259 million in 2012, which was mainly attributable to (i) the decrease in the share of net profit of CITIC Securities, an associated company of the Target Company, which recognised a significant gain on disposal of a subsidiary, China Asset Management Co., Ltd., in 2011; and (ii) increase in impairment losses on loans and advances to customers and other parties (non-performing loans increased by around 43% from 2011 to 2012) recognised by CITIC Bank. As the operating income of CITIC Bank continued to expand and the impairment losses on its assets decreased, the profit before tax of the financial services business turned around in 2013 and increased to RMB57,805 million.

Unaudited results of the listed Chinese banks which have been announced for the first quarter of 2014 have generally shown improvements over the same period of 2013. CITIC Bank in particular announced an increase in net profit attributable to its shareholders of 16.1%.

Because of the importance of this segment in the Target Group, a further breakdown of the revenue and profit of the financial services segment is set out below:

TABLE 5: BREAKDOWN OF THE REVENUE AND PROFIT OF THE FINANCIAL SERVICES SEGMENT OF THE TARGET GROUP

	For the year ended 31 December					
	2013		2012		2011	
(RMB million)	Revenue	Net profit attributable to equity shareholders	Revenue	Net profit attributable to equity shareholders	Revenue	Net profit attributable to equity shareholders
CITIC Bank	104,813	39,175	89,711	31,032	77,092	30,819
CITIC Securities *(Note 1)*	20,279	5,244	13,071	4,237	26,371	12,576
CITIC Trust	5,119	3,144	4,265	2,717	3,634	1,920
CITIC Prudential *(Note 2)*	5,185	204	4,455	298	4,144	321
CITIC Kingview Capital	127	70	285	161	54	43
CITIC Finance	127	56	8	4	–	–

Notes:

1. As at the Latest Practicable Date, CITIC Limited held 20.30% of CITIC Securities' equity interest and was its largest shareholder.

2. As at the Latest Practicable Date, CITIC Limited held 50% of CITIC Prudential's equity interest. The data set out in the table refers to gross written premium and net profit of CITIC Prudential.

The majority of the revenue of CITIC Bank was generated from corporate banking, which contributed RMB68,116 million, representing approximately 65.0% of CITIC Bank's total revenue, for the year ended 31 December 2013. Retail banking came second in terms of revenue contribution to CITIC Bank. It provided RMB20,470 million, representing 19.5% of CITIC Bank's total revenue for the year ended 31 December 2013. Treasury business further generated revenue of RMB13,184 million, representing approximately 12.6% of CITIC Bank's total revenue, for the year ended 31 December 2013. The CAGR of revenue from corporate banking, retail banking and treasury business was 10.9%, 40.1% and 21.1% respectively during the three-year period ended 31 December 2013. In addition, net non-interest income generated from the aforesaid three major segments of CITIC Bank were RMB10,357 million, RMB6,856 million and RMB1,818 million for the year ended 31 December 2013, respectively.

Brokerage has been the largest contributor of net fee and commission income to CITIC Securities. It has generated RMB4,518 million, RMB3,603 million and RMB6,493 million, representing 52.3%, 57.3% and 67.4% of CITIC Securities' total net fee and commission income, for the years ended 31 December 2011, 2012 and 2013 respectively. The drop in 2012 was largely in line with the weakness of PRC stock markets during that year. Net fee and commission income of the investment banking and asset management divisions of CITIC Securities have been fluctuating during the period. Net fee and commission income from investment banking increased from RMB1,983 million in 2011 to RMB2,754 million in 2012 and dropped back to RMB2,217 million in 2013, while net fee and commission income from asset management decreased from RMB3,097 million in 2011 to RMB320 million in 2012 and rebounded to RMB1,489 million in 2013.

The outstanding trust AUM of CITIC Trust were RMB399,969 million, RMB591,349 million and RMB729,661 million for 2011, 2012 and 2013 respectively. As the outstanding trust AUM increased, the revenue also went up from RMB3,634 million in 2011 to RMB4,265 million in 2012 and further to RMB5,119 million in 2013, representing approximately 0.9%, 0.7% and 0.7% of the outstanding trust AUM respectively. The net profit attributable to shareholders of CITIC Trust was generally in line with revenue, being RMB1,920 million, RMB2,717 million and RMB3,144 million, and the return on equity of CITIC Trust was maintained at 26.9%, 27.3% and 24.1%, for the years ended 31 December 2011, 2012 and 2013 respectively.

Real estate and infrastructure

Segmental revenue contributed by the real estate and infrastructure business amounted to RMB16,635 million, RMB12,926 million, and RMB27,202 million for the years ended 31 December 2011, 2012 and 2013 respectively. The decrease in revenue by approximately 22.3% in 2012 when compared to 2011 was the result of the drop in property sales recorded for the CITIC Town project in Beijing developed by CITIC Real Estate, which rebounded by 110.4% in 2013 when the property sales volume picked up for this and the CITIC Hang Town project in Shenzhen.

The profit before tax recorded by the real estate and infrastructure business amounted to RMB3,872 million, RMB4,402 million, and RMB4,390 million for the years ended 31 December 2011, 2012 and 2013 respectively. The variances of the segmental results during the past three years were primarily influenced by the fluctuation in non-operating income of CITIC Industrial Investment which focuses on infrastructure investment.

Engineering contracting

For the years ended 31 December 2011, 2012 and 2013, the engineering contracting business recorded revenue of RMB17,626 million, RMB16,674 million and RMB18,385 million, and profit before tax of RMB1,367 million, RMB2,654 million and RMB2,481 million respectively. The slight decrease in segmental revenue from the engineering contract business by approximately 5.4% in 2012 was primarily due to the Angola Social Housing Project Kilamba Kiaxi Phase I developed by CITIC Construction entering its last stage of development during the year, which however decreased the cost of sales and services for the project and resulted in an increase in profit for 2012 compared to 2011.

The increase in segmental revenue by approximately 10.3% in 2013 was mainly contributed by the increase in the settlement of construction contracts of CITIC Construction based on the percentage of construction work completed for the Angola project. Nevertheless, segmental profit for 2013 declined by approximately 6.5% compared to 2012 as the major engineering contracting projects of CITIC Construction were at an early stage of development when the construction costs are relatively higher.

Resources and energy

The resources and energy business, focusing on resources development, processing and trading, is a major revenue contributor to the Target Group. Segmental revenue from the business amounted to RMB60,710 million, RMB69,772 million and RMB67,971 million for the years ended 31 December 2011, 2012 and 2013, representing 30.5%, 31.3% and 27.0% of total revenue of the Target Group. The segmental revenue increased by approximately 14.9% in 2012 when compared to 2011 due to the substantial increase in sales of aluminium ingots and coal that CITIC Resources imported from Australia and other countries to China during the year, but fell by approximately 2.6% in 2013 as a result of the decline in revenue contributed by the trading businesses of CITIC Resources and CITIC Metal.

The Target Group's resources and energy business reported a loss before tax of RMB363 million in 2012, compared to profit before tax of RMB5,321 million in 2011. This was mainly due to (i) the pre-tax gain of RMB4,506 million recorded by the Target Group from the disposal of its entire 25.2% equity interest in Macarthur Coal Limited in 2011; and (ii) the impairment loss recognised by CITIC Resources' interest in CITIC Dameng in the amount of RMB1,536 million in 2012 as a result of CITIC Dameng's performance and with reference to CITIC Dameng's market share price. The segmental results for the resources and energy business improved slightly in 2013 with its loss before tax reduced to RMB128 million, as CITIC Metal completed the acquisition of Tianjin Precious Metal Exchange Co., Ltd., a precious metal trading platform located at Tianjin, in December 2012 and began to consolidate the results of its operations.

Manufacturing

The manufacturing business recorded revenue of RMB16,385 million, RMB19,757 million and RMB19,121 million for the years ended 31 December

2011, 2012 and 2013 respectively. The increase in segmental revenue in 2012 by approximately 20.6% when compared to 2011 was due to (i) the consolidation of financial results of KSM Castings, a leading automobile aluminium castings manufacturer and powertrain segment supplier in Europe, following its acquisition by CITIC Dicastal in October 2011; and (ii) the increase in sales of complete-set equipment project and mining equipment by CITIC Heavy Industries.

The increase in revenue of CITIC Dicastal in 2013 due to the growth of the automobile industry in China was offset by the decrease in revenue of CITIC Heavy Industries under challenging market conditions and resulted in a slight decline in segmental revenue by approximately 3.2% for the year. The unfavourable performance of CITIC Heavy Industries also resulted in a decrease in profit before tax of the manufacturing business by approximately 23.8% from RMB1,313 million in 2012 to RMB1,001 million in 2013.

(b) Segmental net asset value of the Target Group

TABLE 6: SUMMARY SEGMENTAL NET ASSET VALUE OF THE TARGET GROUP

	As at 31 December					
	2013		2012		2011	
	Net asset value *(RMB billion)*	%	Net asset value *(RMB billion)*	%	Net asset value *(RMB billion)*	%
Financial services	262	81.9%	232	80.8%	187	76.6%
Real estate and infrastructure	21	6.6%	19	6.6%	15	6.1%
Engineering contracting	6	1.9%	3	1.0%	3	1.2%
Resources and energy	13	4.0%	16	5.6%	15	6.1%
Manufacturing	13	4.0%	12	4.2%	5	2.1%
Others	(9)	(2.8)%	(11)	(3.8)%	7	2.9%
Unallocated	15	4.7%	16	5.6%	12	5.0%
Elimination	(1)	(0.3)%	0	0.0%	0	0.0%
Total *(Note)*	320	100.0%	287	100.0%	244	100.0%

Note: The total net asset value of the Target Group include the amount attributable to the non-controlling interests.

Financial services segment makes up the largest category of net asset value of the Target Group.

The principal components of the assets in financial services segment include (i) loans and advances to customers and other parties including corporate and personal loans; (ii) cash and deposits with central banks, banks and non-bank financial institutions; (iii) investments classified as receivables such as trust investment plans, investment management products managed by securities companies, wealth management products issued by financial institutions, corporate bonds and other investments; and (iv) financial assets held under resale agreements including debt securities and discounted bills.

The principal components of the total liabilities include (i) deposits from customers such as demand deposits, time and call deposits and outward remittance and remittance payables from corporate and personal customers; and (ii) deposits from banks and non-bank financial institutions including inter-bank time deposits (including call deposits) and inter-bank demand deposits.

Further information and analysis on the financial performance, financial position and other financial information are set out in the sections headed "Business of the Target Group" and "Financial information of the Target Group" in the Circular.

4. Comments

The Target Group is engaged in financial services, real estate and infrastructure, engineering contracting, resources and energy, and manufacturing. Almost 90% of its profit before tax derives from financial services business to which CITIC Bank is the biggest contributor. The Target Group owns a 67% interest in CITIC Bank which contributed a steady growth in terms of profitability over the years. Other businesses are also among the leaders in their fields.

On Completion, the Group will become the largest conglomerate in China, with financial services as its dominant business, counter-balancing existing mining, steelmaking and property development interests. The overall strength and diversified nature of the business portfolio will allow the Enlarged Group to capitalise on the opportunities arising from China's economic development. The diversification will also help mitigate the cyclical effects on profitability during different economic phases.

(III) PRINCIPAL TERMS OF THE SHARE TRANSFER AGREEMENT

Independent Shareholders' attention is drawn to the paragraph headed "(D) Reasons for and benefits of the Acquisition" under the section headed "C. The Acquisition" in the letter from the Board in the Circular.

1. Assets to be acquired

CITIC Pacific has conditionally agreed to acquire from CITIC Group and CITIC Enterprise Management the entire issued shares of CITIC Limited.

2. Transfer Consideration and payment terms

The final Transfer Consideration is RMB226,995.6609 million (equivalent to approximately HK$286,585.3534 million), which, according to CITIC Pacific's intention, shall be satisfied or financed as follows:

TABLE 7: TRANSFER CONSIDERATION SCENARIOS

	Scenario 1(1)(2)	Scenario 2(2)	Financing method
(a) Cash Consideration	RMB49,982.5609 million or HK$63,103.7166 million (subject to adjustment)	RMB23,393.0242 million or HK$29,534.0363 million (subject to adjustment)	To be raised by way of Placing of Placing Shares at not less than HK$13.48 each (subject to adjustment)
To be financed by:			
– New Shares to be issued by way of Placing(3)	4,675,123,032 Placing Shares	Minimum of 2,184,790,670 Placing Shares	
– Internal resources(4)	RMB65.7879 million or HK$83.0582 million	RMB65.7879 million or HK$83.0582 million	
(b) Share Consideration	RMB177,013.1000 million or HK$223,481.6368 million (subject to adjustment)	RMB203,602.6367 million or HK$257,051.3171 million (subject to adjustment)	Consideration Shares to be issued at HK$13.48 each (subject to adjustment) by CITIC Pacific to CITIC Group or its designated wholly-owned subsidiaries
To be satisfied:			
– New Shares to be issued	16,578,756,438 Consideration Shares	Maximum of 19,069,088,800 Consideration Shares	
TOTAL	RMB226,995.6609 million or HK$286,585.3534 million		

Notes:

(1) Based on the terms of the Share Transfer Agreement before any adjustment is made.

(2) It is assumed that the public float of CITIC Pacific upon Completion will be 25% under scenario 1 and 15% under scenario 2.

(3) It is assumed that no adjustment will be made to the Issue Price and the Minimum Placing Price. CITIC Pacific intends to finance the Placing commission by its internal resources.

(4) It is assumed the issue price of the Placing Shares to be HK$13.48.

(5) Pursuant to the Share Transfer Agreement, CITIC Group shall hold not less than 51% interest in CITIC Pacific upon Completion.

Subject to compliance with the applicable laws, CITIC Pacific may, with the written consent of the Vendors, pay all or part of the Cash Consideration within one year from the Closing Date. We consider the ability to delay payment for a maximum of one year offers flexibility on the part of CITIC Pacific in financing the payment of the Cash Consideration. However, as stated in the letter from the Board in the Circular, CITIC Pacific could proceed to complete the Acquisition after signing of the subscription agreements raising over HK$30 billion and fulfillment of other conditions of the Acquisition and therefore delay payment might not be necessary.

3. Adjustments

(a) Split between Cash Consideration and Share Consideration

Subject to CITIC Group's shareholding in CITIC Pacific upon Completion being not less than 51% and the minimum public float requirement (i.e. 15% pursuant to the waiver granted to CITIC Pacific by the Stock Exchange) being satisfied, the total amount of the Cash Consideration and the Share Consideration can be adjusted as agreed at the discretion of CITIC Pacific. In the event that the Cash Consideration portion is reduced, the difference between the adjusted and the original amount of the Cash Consideration will be satisfied by CITIC Pacific through issuing additional Consideration Shares pursuant to the Share Transfer Agreement. In the event that the Share Consideration portion is reduced, the difference between the adjusted and the original amount of the Share Consideration will be satisfied by CITIC Pacific in cash primarily from the Placing pursuant to the Share Transfer Agreement.

(b) Price per Consideration Share / Minimum Placing Price

Pursuant to the Share Transfer Agreement, the Price per Consideration Share is subject to adjustment for dividends declared by CITIC Pacific (other than the cash dividend declared by CITIC Pacific before the signing of the Share Transfer Agreement) before the Closing Date. Hence, the number of the Consideration Shares is equal to:

$$\frac{\text{Share Consideration (in HK\$)}}{\text{Price per Consideration Share (as adjusted, if applicable)}}$$

4. Conditions precedent

Completion is subject to, among other things, the approval of Independent Shareholders in respect of (a) the transactions contemplated under the Share Transfer Agreement; and (b) the issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares; and CITIC Pacific having successfully raised sufficient funds through the Placing or other means to settle the Cash Consideration. The specific mandate is sought for the purposes of allotment and issuance of the Placing Shares to raise the necessary cash. The Acquisition is also subject to the various PRC regulatory conditions and other conditions as set out in the letter from the Board in the Circular.

We consider the other conditions precedent of the Share Transfer Agreement are normal for transactions of this type. However, the conditions precedent to the Share Transfer Agreement may remain open for a significant period of time. The 12-month period of the specific mandate for the issue of the Placing Shares is longer than the usual, although Shareholders should note the remarks in the letter from the Board on the progress of the Placing to-date. Regulatory conditions precedent involve the decisions of third parties such as the relevant authorities, and are not within the control of the contracting parties. Consequently, the Company cannot guarantee that these conditions precedent can be fulfilled and/or the Acquisition will be completed as contemplated.

(IV) ANALYSIS OF THE TRANSFER CONSIDERATION

As discussed in the letter from the Board in the Circular, the Transfer Consideration was arrived at after arm's length negotiations between the Vendors and the Purchaser and was principally based on the Appraised Value of RMB226,995.6609 million. The Appraised Value is the total net asset value of the Target Company as at the Reference Date as appraised by China Enterprise Appraisals Co., Ltd., the PRC Valuer, which is an independent firm of qualified PRC valuers (employed by CITIC Group and accepted by the MOF to conduct valuation of state-owned assets).

1. PRC valuation

A summary of the PRC Valuation Report issued by the PRC Valuer dated 2 April 2014 containing the Appraised Value approved by the MOF is set out in Appendix III to the Circular. The PRC Valuation Report has been prepared in compliance with the relevant PRC regulatory requirements and professional standards as required to obtain the relevant approvals for the Acquisition.

We have discussed the expertise of the PRC Valuer with its relevant staff members. We understand that the PRC Valuer is certified with the relevant PRC qualifications required to perform this valuation exercise and the person in-charge of the valuation of the Target Company has approximately 14 years' industry experience in conducting valuation exercises. In the course of our review, we have discussed with the PRC Valuer the methodologies, bases and assumptions adopted in the PRC Valuation Report.

As set out in Appendices III and II to the Circular, as at 31 December 2013 (i.e. the Reference Date) the Appraised Value and the net asset value attributable to the shareholders of CITIC Limited in the Target Company are as follow:

TABLE 8: APPRAISED VALUE AND NET ASSET VALUE ATTRIBUTABLE TO SHAREHOLDERS OF CITIC LIMITED

	As at 31 December 2013	
	Appraised Value *(RMB million)*	**Net asset value** *(RMB million)*
Interest attributable to shareholders of CITIC Limited	226,996	225,051

Based on our discussion with the PRC Valuer and review of the PRC Valuation Report, we note that the PRC valuation was primarily based on the "asset-based approach".

The "asset-based approach" is essentially a combination of valuation methodologies used to derive the enterprise value of the valuation subject by appraising the value of the various assets and liabilities based on the balance sheet of the valuation subject at the valuation reference date. The "asset-based approach" is based on a judgment of the amount of investment needed to re-build an enterprise identical to the valuation target on the appraisal date. In particular, the enterprise value is arrived at by summing up the appraised values of each asset component forming the enterprise and then deducting the appraised values of its liabilities. Under this approach, we note that, in performing the valuation for the Target Company, the PRC Valuer categorised the various groups of interests held by the Target Company and applied what it considers the most relevant valuation methodologies to value each group (details of which can be found in Appendix III to the Circular). These methodologies include, among others, market, income capitalisation (i.e. "income approach" as quoted in the PRC Valuation Report), discounted cash flow ("**DCF**") (i.e. "income approach using DCF for firm model" as quoted in the PRC Valuation Report) and cost:

(a) For listed companies accounted for as long-term equity investment, the appraised value is determined by multiplying (i) value per share, which is the 30-day weighted average closing share prices before the Reference Date; or the closing share prices on the Reference Date, whichever is higher; and (ii) the number of shares held by CITIC Limited on the Reference Date. In respect of shares subject to restrictions of trading and held as non-controlling interests, a discount in the range of approximately 15% to 30% has been applied to take into account the restriction of trading and its length. The appraised value of shares held as trading financial assets and available-for-sale financial assets was determined based on the closing share prices on the Reference Date. We note that the PRC Valuer is essentially using the prevailing market prices of the relevant shares as at the Reference Date to form the basis of determining the valuation of the valuation subject.

(b) For unlisted companies held by the Target Company, the PRC Valuer valued the equity interests based on (i) DCF; (ii) income capitalisation; (iii) market; and (iv) cost methodologies to value the valuation subjects.

a. The PRC Valuer considers it appropriate to appraise the valuation subjects with stable and predictable operating profit and cash flow by either DCF or income capitalisation, as future cashflows or income of the valuation subject can be reasonably estimated with confidence. DCF is a valuation method that discounts future projected cash flows to a single present value. Under both methodologies, the PRC Valuer studied the future earnings potential of the subject companies, and conducted discussions with the management team of the valuation subject to understand its budgets/projections for future years, together with industry research and government data research to cross check the reasonableness of the inputs used by the management team of the valuation subject. The PRC Valuer then translated this understanding into bases and assumptions used in financial models to derive the present value of the valuation subject. Income capitalisation has tended to be adopted where the financial model reflects stable income streams, such as rentals, taking into account interest reversion and assuming only one terminal value.

Unlisted companies held by CITIC Limited where the PRC Valuer adopted DCF include (i) financial services companies; (ii) infrastructure companies principally engaged in the investment in and operation of expressways and other infrastructure facilities; (iii) manufacturing companies; (iv) resources trading companies; (v) construction contracting companies; and (vi) other unlisted companies in publishing, financial outsourcing, tourism and logistics.

Unlisted companies held by CITIC Limited where the PRC Valuer adopted the income capitalisation include companies holding investment properties for the purpose of collecting rental income.

b. For property development companies controlled by the Target Company, the PRC Valuer applied a combination of market and cost methodologies. The reason for choosing the combination of market and cost methodologies to value property development companies is because the projects of property development companies are usually held under separate project companies and the corporate registration of the project companies is revoked once the sales of their projects are completed and settled. This is unlike those companies subject to DCF or income capitalisation where there is a long time span of projected earnings or cashflows. The combination of market and cost methodologies of property development companies involves identifying, analysing and appraising the core assets of property development companies, being the property inventories completed or under construction, as well as the relevant development costs. This valuation methodology takes into account all relevant costs, expenses, taxes and levies involved in developing and selling the property inventory. In respect of projects for which pre-sale contracts have been entered into, the appraised value of the property assets would equal the contracted property sales amount. In respect of projects for which pre-sale contracts are yet to be entered into, the appraised value of the property assets would equal the estimated sales amount of saleable properties after the development of the project.

(c) For other unlisted companies held by the Target Group that do not meet the criteria in (b) above, the PRC Valuer adopted the respective attributable net asset values as the market values of the equity interests held by the Target Company as at the Reference Date.

(d) The headquarters of CITIC Limited refer to the remaining assets and liabilities of CITIC Limited (other than those appraised assets in (a), (b) and (c) above). On this basis, the PRC Valuer adopted the cost methodology to value the remaining assets and liabilities of CITIC Limited.

We note that the PRC Valuer elected the "asset-based approach" to determine the final Appraised Value and used the comparison approach (i.e. "market approach" as quoted in the PRC Valuation Report) by making reference to the market values of the comparable listed companies in selected developed countries to cross-check the results. The PRC Valuer noted that the comparison approach yielded a slightly higher valuation than the "asset-based approach", attributing the difference in valuation to the fact that comparison approach uses certain developed countries' comparable listed companies for reference, where capital markets in general had performed better than the Chinese capital markets in the recent past.

Having discussed these methods with the PRC Valuer and reviewed with them the reasons for adopting the various valuation methodologies and the bases and assumptions used for valuing the companies held by the Target Company, we are of the opinion that the chosen valuation methodologies in establishing the Appraised Value as at the Reference Date are in line with the market practice for valuation of similar businesses.

2. Sum-of-the-parts analysis

As a cross-check, we have carried out our own analysis to assess the fairness of the Transfer Consideration. Given the conglomerate nature of the Target Group and that a large part of the subject assets are made up of listed companies, we have performed a computation of the valuation of the Target Group based on the sum of (i) the market value of the shares of the listed subsidiaries and associates held by the Target Group; (ii) the assessed value of unlisted major entities of the Target Group; and (iii) the book value of other unlisted assets and liabilities of the Target Group attributable to shareholders of CITIC Limited (excluding all Target Group's assets and liabilities associated with the aforementioned entities in (i) and (ii)) as at 31 December 2013 (the **"Other Net Assets"**).

In computation of the sum-of-the-parts valuation of the companies listed in both Hong Kong and the PRC, the relevant market prices of the respective A shares and H shares (which commonly differ) are used to value the A shares and H shares held by the Target Group. For example, as the Target Group only holds A shares of CITIC Securities, the value shown in the table below is based only on the A share price of CITIC Securities.

TABLE 9: SUM-OF-THE-PARTS ANALYSIS

		Conservative scenario *(RMB million)* *(Note 1)*	**Base case scenario** *(RMB million)* *(Note 2)*
(i)	Market value of the shares of listed subsidiaries and associates held by the Target Group		
	– CITIC Bank (H share)	7,219.8	7,978.1
	– CITIC Bank (A share)	103,890.8	129,397.9
	– CITIC Securities (A share)	25,746.6	25,214.9
	– CITIC Heavy Industries *(Note 3)*	6,091.7	6,277.4
	– CITIC Resources	3,554.5	3,690.5
	– CITIC Dameng	140.4	140.7
	– AsiaSat	3,598.9	3,698.2
	– COHC	937.7	1,011.1
	– CITIC Telecom International	1,229.6	1,274.9
	– Frontier Services Group Limited *(Note 4)*	255.9	201.2
	– Sinopec Yizheng Chemical Fibre Company Limited ("**Sinopec Yizheng**") (A share) *(Note 5)*	2,804.9	3,002.6
	– China CSSC Holdings Limited	444.9	427.9
	– CITIC 21CN Company Limited	29.0	142.1
	– Alumina Limited	1,012.1	999.9
		156,956.8	183,457.4
(ii)	Assessed value of unlisted major entities of the Target Group *(Note 6)*	61,716.8 *(Note 7)*	79,445.2 *(Note 8)*
(iii)	Other Net Assets *(Note 9)*	1,728.5	1,728.5
Total		**220,402.1**	**264,631.1**

Notes:

1. The lowest market value of the entire portfolio of the shares of listed subsidiaries and associates held by the Target Group, being the conservative scenario, during the period from 1 January 2014 to the Latest Practicable Date, was on 20 January 2014.

2. The market value of the shares of listed subsidiaries and associates held by the Target Group in the base case scenario are based on the average market value of the entire portfolio of the listed subsidiaries and associates held by the Target Group, which was determined with reference to the average closing prices of the respective listed subsidiaries and associates as quoted on the relevant stock exchanges during the period from 1 January 2014 to the Latest Practicable Date.

3. Out of the 1,946,214,663 shares of CITIC Heavy Industries held by the Target Group as at the Latest Practicable Date, 1,921,073,145 shares were subject to restriction of trading.

4. Frontier Services Group Limited was formerly known as DVN (Holdings) Limited.

5. All of the 1,035,000,000 A shares of Sinopec Yizheng held by the Target Group as at the Latest Practicable Date were subject to restriction of trading.

6. The unlisted major entities of the Target Group includes CITIC Trust, CITIC Prudential, CITIC Kingview Capital, CITIC Real Estate, CITIC Construction, CITIC Engineering Design, CITIC Metal and CITIC Dicastal.

7. The assessed value of unlisted major entities held by the Target Company is based on the lower bound of either the price-earnings ratios ("**PERs**") or price-to-book ratios ("**PBRs**") of the respective comparable peers.

8. The assessed value of unlisted major entities held by the Target Company is based on the mean of either the PERs or PBRs of the respective comparable peers.

9. The Other Net Assets, being the book value of other unlisted assets and liabilities of the Target Group attributable to the shareholders of CITIC Limited, are arrived at by subtracting (i) all the net asset value of the listed subsidiaries and associates of the Target Group attributable to the shareholders of CITIC Limited as at 31 December 2013; and (ii) all the net asset value of the unlisted major entities of the Target Group attributable to the shareholders of CITIC Limited as at 31 December 2013, from the audited consolidated net asset value attributable to the shareholders of CITIC Limited as at 31 December 2013 of approximately RMB225,051 million.

Since the majority of the subject assets of the Acquisition are equity interests in listed companies, we consider the use of the prevailing share prices of these companies provides a reasonable and objective measure of how the market appraises these subject assets.

During the period from 1 January 2014 to the Latest Practicable Date, based on the above conservative scenario and base case scenario, the respective total market value of the shares of the listed subsidiaries and associates held by the Target Group were RMB156,956.8 million and RMB183,457.4 million respectively, accounting for 71.2% and 69.3% of the total sum-of-the-parts valuation. Under the above scenarios, the assessed value of the unlisted major entities owned by the Target Group, ranging from RMB61,716.8 million to RMB79,445.2 million, is arrived at based on the PERs or PBRs (as we consider appropriate in the context of valuation for the industry in which each company operates) of the comparable peers listed in Hong Kong or China. Together with the Other Net Assets as at 31 December 2013, the range of sum-of-the-parts valuation is from RMB220,402.1 million to RMB264,631.1 million. The Transfer Consideration of approximately RMB227.0 billion falls within such range and is close to the lower bound of such range.

3. Analysis of recent transactions for control of Hong Kong listed banks

The financial services segment of the Target Group is the most important element of the Acquisition, accounting for approximately 81.9% and 87.3% of the segmental net assets (including non-controlling interests) and profit before tax, respectively, of the Target Group in 2013. Accordingly, we have reviewed listed financial services companies in Hong Kong and China with a prominent banking business segment and a similar net assets and net profit scale to that of the Target Group for comparison purposes. The PERs and the PBRs represented by comparable companies are calculated based on their prevailing share prices as quoted on the respective stock exchanges. Such transactions by their nature, however, only relate to small minority stakes in the respective comparable companies.

As the Target Company owns 66.95% of CITIC Bank, it is relevant, in our opinion, to consider recent transactions involving a controlling stake of PRC or Hong Kong listed banking companies. We have identified two comparable transactions involving a change of control, i.e. Wing Hang Bank Limited and Chong Hing Bank Limited, details of which are set out below:

	Chong Hing Bank Limited	**Wing Hang Bank Limited**
Announcement month	October 2013	April 2014
Percentage stake subject to the offer	75%	100%
By way of	Voluntary conditional cash partial offer	Voluntary conditional cash offer
PBR implied by the offer price	2.1 times	1.9 times

On this basis, it is reasonable to assume that a 66.95% interest in CITIC Bank would attract a substantial premium over book value for control. The Acquisition not only provides a very rare opportunity for CITIC Pacific to acquire control of a substantial PRC banking business but allows it to do so without paying any premium for control.

(V) PAYMENT METHOD

1. Issue of Consideration Shares and Placing Shares

The Transfer Consideration for the Acquisition will essentially be funded by the issue of the new Shares.

The Transfer Consideration is divided into (i) Share Consideration; and (ii) Cash Consideration, subject to adjustments, as detailed in section headed "(III) Principal terms of the Share Transfer Agreement" above. The Share Consideration will be satisfied by the issuance of Consideration Shares by CITIC Pacific at a price per Consideration Share of HK$13.48; and the Cash Consideration will be substantially funded by cash from the net proceeds of the Placing. CITIC Pacific will issue no more than 21,253,879,470 Consideration Shares and Placing Shares in aggregate, representing approximately 85.35% of the enlarged issued share capital of CITIC Pacific.

The price for the Placing will not be less than the HK$13.48 per Placing Share. The Placing Shares will be placed to professional and institutional investors who are independent third parties at a price not less than the higher (the "**Price Limit**") of:

(a) the price of HK$13.48 per Consideration Share; and

(b) 80% of the closing price of the Shares as quoted on the Stock Exchange on the last trading day prior to the date of the relevant placing agreement or subscription agreement.

Any change to the proposals involving the issue of the Placing Shares at a price less than the Price Limit shall be subject to separate approval of the Independent Shareholders.

The Placing, if it proceeds, is expected to be completed simultaneously with the issue of the Consideration Shares. Subject to the prevailing market conditions at the relevant time, the Placing may be conducted through (i) placing agent(s), and/or (ii) direct subscriptions by potential investors. As such, the relevant agreements may be entered into by CITIC Pacific at different points of time prior to the completion of the Placing. Such placing and/or subscription as part of the Placing will all be completed at the same time when the Consideration Shares are issued.

2. Share price and trading volume analysis

The Issue Price of HK$13.48 per Share represents:

(a) a premium of approximately 6.48% over the closing price of the Shares of HK$12.66 per Share as quoted on the Stock Exchange on the Pricing Date;

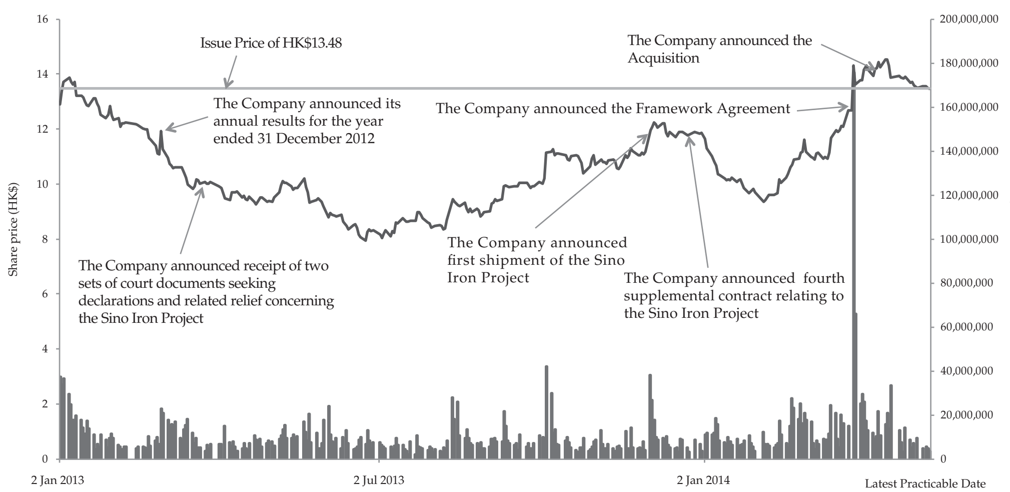
(b) a premium of approximately 14.82% over the average closing price of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Pricing Date of approximately HK$11.74 per Share;

(c) a premium of approximately 21.99% over the average closing price of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Pricing Date of approximately HK$11.05 per Share; and

(d) a premium of approximately 25.86% over the average closing price of the Shares as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Pricing Date of approximately HK$10.71 per Share.

We have also reviewed the Share price movements from 1 January 2013 to the Latest Practicable Date. As shown in the chart below, the Shares closed between HK$7.95 and HK$13.88 from 1 January 2013 to the date of the announcement of the Framework Agreement on 26 March 2014 (the "**Announcement**"). The Shares have closed between HK$13.46 and HK$14.54 thereafter and on the Latest Practicable Date closed at HK$13.46, over which the Minimum Placing Price represents a 0.14% premium.

FIGURE 3: SHARE PRICE AND VOLUME SINCE THE BEGINNING OF 2013



Sources: website of the Stock Exchange (www.hkex.com.hk) and Bloomberg

The price of the Shares was weak in the first half of 2013, corresponding with announcements of problems regarding the Sino Iron Project. CITIC Pacific announced on 22 March 2013 that Mineralogy Pty Ltd, the Australian owner of land where the Sino Iron Project is located, was seeking declarations and related relief from the courts of Australia in an aggregate amount of approximately US$202.8 million (approximately HK$1,581.8 million). A provision of HK$1,524 million has already been made in the Group's accounts. Apart from legal difficulties, the Sino Iron Project also experienced a number of technical and operational issues which hampered the commissioning of the production lines. In this context, the Share price closed at HK$7.95 on 24 June 2013, down from the closing Share price of HK$13.88 on 7 January 2013.

In the second half of the 2013, both the Hang Seng Index and the Share price showed a stronger trend. Towards the last quarter of the year, CITIC Pacific announced more encouraging news on the commissioning of the Sino Iron Project productions lines, with the first production line running well and producing good quality concentrate. On 2 December 2013, CITIC Pacific announced the shipment of the first batch of magnetite concentrate to the Group's special steel mill in China. These positive announcements coincided with an ascending trend for the Shares and the Share price closed at HK$12.24 on 4 December 2013.

Since the beginning of 2014, the Share price fluctuated between HK$9.36 and HK$12.66, before trading of the Shares was suspended on 24 March 2014 following the release of the Announcement on 26 March 2014. Since then, up to the Latest Practicable Date, the Shares have closed between HK$13.46 and HK$14.54, the recent performance of the Share price is, in our opinion, due to the Announcement. The Issue Price of HK$13.48 is relatively attractive being at a premium over the Share prices prior to the Announcement, which is unusual for transactions involving large placing of shares. As discussed above, it is common market practice to price a substantial placing of shares at a discount, not a premium, to recent share prices of the issuer.

3. The Specific Mandate and minimum public float requirement under Rule 8.08 of the Listing Rules

CITIC Pacific will issue an aggregate of no more than 21,253,879,470 Consideration Shares and Placing Shares in aggregate, representing approximately 85.35% of the enlarged issued share capital of CITIC Pacific. If, on Completion, 16,578,756,438 Consideration Shares (subject to adjustment) and 4,675,123,032 Placing Shares (subject to adjustment) are issued, CITIC Group will hold 18,677,492,723 Shares, representing 75% of the enlarged share capital of CITIC Pacific of 24,903,323,630 Shares.

In the event that, upon Completion, CITIC Pacific cannot maintain a minimum public float as required by the Listing Rules, the Stock Exchange has granted, pursuant to Rule 8.08(1)(d) of the Listing Rules, a waiver to allow CITIC Pacific to have a public float percentage of less than 25% (with a 15% minimum) after the Completion. The final number of Placing Shares to be issued pursuant to the Placing is subject to, among other things, the then market conditions.

The specific mandate for the issue of the Placing Shares will be valid until the earlier of the Closing Date or the date falling 12 months after the passing of the resolution of the Independent Shareholders approving the specific mandate. However, it is commented in the Circular that the Placing is expected to be closed significantly earlier. CITIC Group and its associates are required to abstain from voting on relevant resolutions in relation to the proposed issue of the Consideration Shares and the Placing Shares at the EGM.

(VI) SHAREHOLDING STRUCTURE OF CITIC PACIFIC

The following table illustrates the shareholding structures of CITIC Pacific (i) as at the Latest Practicable Date; and (ii) immediately after Completion and the Placing under the following scenarios (assuming that there is no other change in the issued share capital and shareholding structure of CITIC Pacific from the Latest Practicable Date up to the occurrence of the events mentioned below):

	As at the Latest Practicable Date		Immediately after Completion and the Placing: Assuming 4,675,123,032 Placing Shares have been fully placed to public Shareholders		Immediately after Completion and the Placing: Assuming 2,184,790,670 Placing Shares have been fully placed to public Shareholders	
	Number of Shares	*%*	*Number of Shares*	*% (Note 2)*	*Number of Shares*	*% (Note 2)*
CITIC Group *(Note 1)*	2,098,736,285	57.51%	18,677,492,723	75.00%	21,167,825,085	85.00%
Public:						
Existing Shareholders	1,550,707,875	42.49%	1,550,707,875	6.23%	1,550,707,875	6.23%
Placees	–	–	4,675,123,032	18.77%	2,184,790,670	8.77%
Sub-total	1,550,707,875	42.49%	6,225,830,907	25.00%	3,735,498,545	15.00%
Total	3,649,444,160	100.00%	24,903,323,630	100.00%	24,903,323,630	100.00%

Notes:

1. As at the Latest Practicable Date, CITIC Group indirectly holds Shares of CITIC Pacific through one of its overseas wholly-owned subsidiaries.

2. Assuming none of the outstanding share options of CITIC Pacific will be exercised from the Latest Practicable Date up to the Closing Date.

The above scenarios have been prepared on the assumption that CITIC Group will hold 75% and 85% of the enlarged issued share capital of CITIC Pacific upon Completion. Under both scenarios, the existing Independent Shareholders' shareholdings will be diluted from approximately 42.49% as at the Latest Practicable Date to approximately 6.23% immediately after Completion and the Placing.

The degree of dilution for the existing Independent Shareholders is, in our opinion, substantial. However, significant dilution is unavoidable given the size of the Acquisition and the need therefore to fund it substantially by equity. In this instance, the dilution is, in our view, mitigated by the fact that (i) Independent Shareholders will benefit from the increase in earnings per Share and return on equity of the Enlarged Group as discussed in the section headed "(I) Information on the Group" above; (ii) as discussed above, the Issue Price is relatively high, being at a premium of approximately 14.8% to the average 10-day closing Share price compared to an average discount of 11.9% for Hong Kong main board placings of substantial amounts in the three months before the date of the Framework Agreement; and (iii) the Acquisition will not proceed without a placing of a minimum of approximately 2.2 billion new Shares, which will broaden the shareholder base of the Company and increase the trading liquidity of the Shares.

DISCUSSION AND ANALYSIS

CITIC Pacific has been recognised as a pioneer among Chinese enterprises and a flagship company of CITIC Group. After the injection of assets into CITIC Pacific (formerly known as Tylfull Company Limited) by CITIC Group to achieve listing of a "red chip" company in Hong Kong, CITIC Pacific became one of the few Hong Kong listed conglomerates with significant PRC exposure and it has been a constituent of the Hang Seng Index since 1992.

CITIC Pacific's current main businesses are special steel manufacturing, iron ore mining and property development in the PRC, all cyclical and to some extent linked. It suffered a financial and reputational setback in 2008 regarding its exposure to the Australian dollar. That exposure was itself related to its investment in the West Australian Sino Iron Project which has experienced significant delays and cost overruns. Although the Sino Iron Project has commenced operations and started generating revenue, CITIC Pacific has said that cost and impairment pressures of the project may well worsen in the near term due to costs migration from the balance sheet to the income statement.

The Group's results from continuing operations in 2012–2013 have been disappointing, with profits from continuing operations attributable to the Shareholders showing decreases over the previous year of 26% and 17% in 2012 and 2013 respectively. CITIC Pacific's Shares have also underperformed the Hang Seng Index during most of this period.

The Acquisition has attracted substantial comment from the press and analysts since it was announced. It has, in our opinion, the potential to restore the Group's momentum and its pioneer status, this time as a leader of reform of State-owned enterprises.

The Acquisition has been called a "landmark deal" by the Chairman of CITIC Pacific and in our view it is transformative in a number of ways. On Completion, the Group will become the largest conglomerate in China, with financial services as its dominant business, counter-balancing existing mining, steelmaking and property development interests. The Acquisition will increase the Group's profits and net assets (on a 2013 pro forma basis) by over 7 times and over 3 times respectively with potential benefits to the Group's credit standing. On the above basis, we consider the Acquisition will enlarge, diversify and strengthen the Group.

The profits of the Group attributable to the Shareholders from continuing operations have, as stated above, been declining in the period 2012-13. The special steel business has recorded volatile results and for 2013 iron ore mining incurred a loss of HK$1.6 billion. Owing to lower than expected production, unit costs remain high and as production increases, more depreciation and interest will be charged to profit and loss instead of being capitalised. 2013 audited earnings of the Group from continuing operations were HK$5.5 billion and earnings per share were HK$1.51. Unaudited pro forma earnings of the Enlarged Group from continuing operations were HK$48.4 billion and earnings per Share would be HK$1.94. This represents an increase of over 7 times in total earnings and 28.5% in earnings per share. Return on equity would improve from 6.3% to 13.0%. On this basis, the effect of the Acquisition on earnings is in our view positive for Shareholders.

The audited balance sheet of the Group as at 31 December, 2013 shows total assets of HK$267.8 billion and NAV of HK$87.9 billion. Net assets relating to iron ore mining were HK$52.5 billion. CITIC Pacific has stated it may face future impairment pressure in coming years on these mining assets and as shown in Figure 2, the Share price has been trading at a significant discount to NAV per Share. One reason for this may be because the resources devoted to the Sino Iron Project have resulted in the Group holding a highly capital intensive asset which has not been contributing to earnings. On the basis set out in Appendix II to this Circular, unaudited pro forma NAV of the Enlarged Group were approximately HK$371.8 billion and NAV per Share would be HK$14.93. Pro forma net assets increased by over 3 times of the audited 2013 NAV and two prominent rating agencies have indicated that there is potential for CITIC Pacific's current credit rating to improve towards CITIC Group's higher rating. The pro forma NAV per Share would be HK$14.93, 38% below the audited NAV per share of HK$24.09, but on the other hand the financial assets being injected are typically rated at close to NAV. The effect of the Acquisition as regards net assets is therefore mixed. Total net assets and capital base increase substantially but the significant decrease in NAV per Share is an unfavourable factor for the Shareholders. However, the pro forma return on equity will improve as the Target Group is holding a portfolio of assets which has been contributing to earnings satisfactorily whereas the Group's current most capital intensive asset has not yet operated profitably. On balance, we consider the decrease in NAV per Share is offset by the potential improvement in credit rating and the increase in return on equity and earnings per Share referred to above.

As stated above, the Acquisition of the Target Group will increase the profit and NAV of the Group by over 7 times and over 3 times respectively.

While there is some overlapping business scope between the two, the Target Group has a broader business coverage than CITIC Pacific, including financial services, real estate and infrastructure, engineering contracting, resources and energy, manufacturing and is among the leaders in each of these fields. The financial services segment, including CITIC Bank and CITIC Securities, contributed almost half of the revenue and almost 90% of the profit of the Target Group for 2013. The opportunity to acquire control of substantial PRC financial services businesses is both rare and sufficiently large to diversify current activities substantially.

The Transfer Consideration is based on the Appraised Value. This basis of valuation is required for obtaining the necessary approval from the MOF. We have discussed with the PRC Valuer the methodologies, bases and assumptions adopted in the PRC valuation, which we consider are in line with market practice for similar valuations.

In addition, we have carried out our own analysis to assess the value of the Target Group. The conglomerate nature of the Target Group makes it difficult to identify a close comparable. As most of the assets are held through listed entities, a sum-of-the-parts valuation, based chiefly on average market prices, provides, in our opinion, a useful cross-check to the Appraised Value. Our sum-of-the-parts valuation ranges from RMB220,402.1 million to RMB264,631.1 million, of which the market value of the listed entities, ranging from RMB156,956.8 million to RMB183,457.4 million, accounts for 71.2% and 69.3% respectively. The final Transfer Consideration of RMB227.0 billion falls within this range and is close to the lower bound. Our valuation does not include any conglomerate discount, but it also does not include any premium for control. We note that in two recent transactions relating to control of Hong Kong listed banks, the price paid was approximately double net assets compared to less than net assets payable for a controlling stake in CITIC Bank in the context of the Acquisition. Based on the Appraised Value and our own analysis, we consider the amount of the Transfer Consideration to be fair and reasonable.

The Issue Price of the Consideration Shares and the Minimum Placing Price of the Placing Shares has been fixed at HK$13.48. Prior to the signing of the Framework Agreement on 26 March 2014, the last dealt price was HK$12.66, at the end of a period during which the Shares performed relatively strongly. The Issue Price of HK$13.48 represents a premium of 6.5% over such price. The Issue Price of HK$13.48 also represents respective premiums of 15%, 22% and 26% over the 10, 30 and 60 days' average closing Share prices prior to the Announcement. This contrasts with the normal market practice for substantial placings of shares in Hong Kong, which are usually carried out at a discount to the price prevailing at the date of agreement. On this basis, we consider the Issue Price to be a favourable aspect to Shareholders. The Acquisition will not proceed unless at least approximately 2.2 billion Placing Shares can be placed at at least HK$13.48 per Share. This will more than double the Shares in public hands which should increase market attention and trading liquidity for the Shares.

The resolution to be proposed at the EGM allows for the issue up to a further 21,253,879,470 new Shares, compared to 3,649,444,160 Shares in issue at present. This is a very substantial degree of dilution for the Shareholders, other than CITIC Group. CITIC Group will not be subject to the same degree of dilution as it will receive Consideration Shares and maintain its holding at not less than 51%. CITIC Pacific has considered other equity financing alternatives such as a rights issue or an open offer but due to the significant scale of the Acquisition has found it difficult to obtain commercial underwriting at a reasonable discount for a rights issue or an open offer which requires a long timetable for completion.

Given the leverage of CITIC Pacific and the amount of cash and bank deposits held by and committed facilities available to CITIC Pacific, financing the Acquisition principally by way of equity is in practical terms the only possible method for such a large transaction. On this basis and the practical difficulties for the Independent Shareholders to participate, it is inevitable that the issue of the Consideration Shares and the Placing Shares will result a reduction of the percentage holding for the Independent Shareholders. As a principle, we consider this is one of the less favourable aspects for the Independent Shareholders, but we consider it is acceptable bearing in mind the benefits of the Acquisition as a whole (summarised above) and that in practical terms the Issue Price is at a slight premium over the closing Share price on the Latest Practicable Date.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, and assessing the Acquisition and its method of financing as a whole, we consider that the terms of the Acquisition (including issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares (i.e. the Specific Mandate)) are on normal commercial terms and, while the Acquisition may not be in the ordinary and usual course of business of the Group because of its size, in our opinion the terms of the Acquisition are fair and reasonable as far as its Independent Shareholders are concerned and the Acquisition is in the interests of CITIC Pacific and its Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition (including issue of the Consideration Shares and the specific mandate for the issue of the Placing Shares (i.e. the Specific Mandate)).

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
M.N. Sabine
Chairman

This circular contains forward-looking statements that state the intentions, beliefs, expectations or predictions of the Group, the Target Group and the Enlarged Group for the future that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this circular. These forward-looking statements include all statements in this circular that are not historical facts, including, without limitation, statements relating to:

- the Enlarged Group's operations and business prospects;
- the Enlarged Group's scale, nature, potential, future developments;
- the Enlarged Group's business, results of operations, anticipation financial matters of financial position;
- the Enlarged Group's future capital needs and capital expenditure plans;
- the strategies, plans, purpose, goals, implementation strategies, ability of achieving the plans, purpose and goals of the Enlarged Group;
- the Target Group consistently review the strategies related to its specific business;
- the future development, trend and conditions of economy in the PRC;
- the regulatory environment and overall prospects in the PRC; and
- the general political and economic environment in the PRC.

When used in this circular, the words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and similar expressions, as they relate to the Group, the Target Group and/or the Enlarged Group, are intended to identify forward-looking statements. Such forward-looking statements reflect the views of the management of the Group or the Target Group (as the case may be) as of the date of this circular with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this circular. Although the Directors believe that the expectations reflected in such forward-looking statements are reasonable, actual results and events may differ materially from information contained in the forward-looking statements as a result of a number of factors, including:

- the Enlarged Group's ability to integrate all its businesses;
- the Enlarged Group's ability to obtain adequate financing on terms acceptable to it;
- the Enlarged Group's levels of indebtedness and interest payment obligations;
- the Enlarged Group's ability to effectively manage its expansion plans;

- the Enlarged Group's ability to stay abreast of market trends;
- the Enlarged Group's ability to retain core team members and attract qualified and experienced personnel;
- the Enlarged Group's ability to liquidate assets in response to changes in economic and financial condition, as necessary;
- the Enlarged Group's ability to maintain and renew the permits and licenses it requires to undertake its business operations;
- prospective financial information of the Enlarged Group; and
- other factors beyond CITIC Pacific's control.

Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove to be incorrect, the results of operations and financial condition of the Group, the Target Group and/or the Enlarged Group may be adversely affected and may vary materially from those described herein as anticipated, believed or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking statements. Moreover, the forward-looking statements should not be regarded as representations by CITIC Pacific that its plans and objectives will be achieved or realized. The forward-looking statements in this circular reflect the views of the management of CITIC Pacific as of the date of this circular and are subject to change in light of future developments. Subject to the requirements of the Listing Rules, CITIC Pacific does not intend to update or otherwise revise the forward looking statements in this circular, whether as a result of new information, future events or otherwise.

When considering the Acquisition, please carefully consider the risk factors set out below and other materials set out in this circular. If any possible event set out below occurs, the Enlarged Group's business, financial condition, results of operations, and prospects may be adversely affected. The risks and uncertainties set out below are not the only risks confronting the Enlarged Group. Other risks and uncertainties CITIC Pacific is not aware of or deems as unimportant at present are likely to have an adverse effect on the Enlarged Group's business, financial condition, results of operations, and prospects as well.

A. RISKS RELATING TO THE ACQUISITION

The Completion is subject to the fulfillment of conditions precedent. CITIC Pacific cannot assure you that these conditions precedent can be fulfilled and/or the Acquisition will be completed as contemplated

The conditions precedent to the Completion as set out in the section headed "Letter From the Board – Acquisition – Principal Terms of the Share Transfer Agreement and the Acquisition – Conditions Precedent" in this circular involve the decisions of third parties, in particular, the relevant regulatory authorities. As fulfillment of these conditions precedent is not within the control of the contracting parties involved in the Acquisition, CITIC Pacific cannot assure you that these conditions precedent can be fulfilled and/or the Acquisition will be completed as contemplated.

The shareholding percentages of the existing Shareholders will be diluted following the issue of the New Shares upon the Completion, and any increase in value of the Shares as a result of the Acquisition may not offset the dilutive effect to the Shareholders

Pursuant to the Share Transfer Agreement, CITIC Pacific will issue the Consideration Shares and the Placing Shares. CITIC Pacific also proposes to issue the Placing Shares for the purpose of settling all or part of the Cash Consideration for the Acquisition. An aggregate of no more than 21,253,879,470 New Shares (including the Placing Shares) will be issued upon the Completion, which represents approximately 582.39% of the issued share capital of CITIC Pacific as of the Latest Practicable Date and approximately 85.35% of the maximum issued share capital of CITIC Pacific as enlarged by the issue of the New Shares. For details on CITIC Pacific's shareholding structure upon the Completion, please refer to the section headed "Letter From the Board – Proposed Issue of the Consideration Shares and the Specific Mandate for the Issue of the Placing Shares" of this circular.

Therefore, the shareholding percentages of the existing Shareholders would be diluted when CITIC Pacific issues the Consideration Shares and the Placing Shares. Any increase in value of the Shares as a result of the Acquisition may not necessarily be reflected in their market price and may not offset the dilutive effect to the Shareholders.

The share price of CITIC Pacific may fluctuate leading to investment risks to CITIC Pacific's existing Shareholders

If the Acquisition cannot be implemented, the share price of CITIC Pacific may fluctuate, leading to the potential investment loss to CITIC Pacific's existing Shareholders. If the Acquisition can be successfully implemented, the share price of CITIC Pacific may also fluctuate, causing CITIC Pacific's existing Shareholders suffering investment loss.

The Acquisition involves the issue of New Shares. After the issue of New Shares, the share price of CITIC Pacific may fluctuate and CITIC Pacific cannot assure you that there will be sufficient future trading volume, both of which may lead to investment loss to CITIC Pacific's existing Shareholders.

The Acquisition faces integration risks

To integrate the Target Group successfully, CITIC Pacific needs to, among other things: (i) hire, train or retain competent staff; (ii) formulate and maintain standards, control, procedures and policies consistent to those of CITIC Pacific; and (iii) retain the existing suppliers and customers of the Target Group.

If the expected benefits of the Acquisition cannot be realized or the relevant integration risks cannot be satisfactorily managed by the Enlarged Group, CITIC Pacific may face risks including losing key employees, customers and/or significant relations, and the financial condition and the results of operations of the Enlarged Group may be adversely affected.

Other risks relating to the Acquisition

CITIC Pacific cannot assure you that the due diligence conducted by CITIC Pacific prior to the Acquisition is able to comprehensively and fully capture the financial, business and other information of the Target Group. As a result, CITIC Pacific could (i) have made inaccurate assumptions regarding the operations of the Target Group including the consistency of the regulatory framework in which the Target Group operates; and (ii) have made inaccurate assumptions regarding intangible assets, contingent liability, share capital and debt. In addition, there might be limitations on enforcing the indemnity undertakings made by the Vendors which may lead to delays to, or limitations on, the claims that CITIC Pacific may have against the Vendors. All of the above factors may affect the market value of the Enlarged Group and lead to changes in the Enlarged Group's operation performance.

The Acquisition also involves other risks, including but not limited to: CITIC Pacific may be required to pay a large amount of cash in the Acquisition, which increases the pressure to raise funds and lower its flexibility in the use of capital.

B. RISKS RELATING TO THE BUSINESSES AND INDUSTRIES WHERE THE ENLARGED GROUP HAS OPERATIONS

(A) Overall risks of the Enlarged Group's businesses

The Enlarged Group comprises subsidiaries and investee companies operating in various industries, and therefore, is exposed to a wider variety of challenges as compared to companies operating in a single business segment

The Enlarged Group's subsidiaries and investee companies operate various businesses, including financial services, real estate and infrastructure, engineering contracting, resources and energy, manufacturing and other businesses. However, there may be internal resources that the Enlarged Group cannot effectively integrate, which may result in risks such as internal inefficiency and higher management costs, and in particular:

- The Enlarged Group needs a significant amount of resources to monitor the changes in different operating environments to implement its overall business strategies in response to the risks in relation to the business, the market and the regulation in the various industries in which the Enlarged Group operates. If the Enlarged Group does not effectively monitor these changes in the operational environment, the Enlarged Group's results of operations, financial condition and development prospects would be adversely affected;

- The Enlarged Group has many listed company members which are subject to different regulatory regimes. These regulations impose obligations related to the transferring funds in or out of such companies, including issuing announcements, obtaining independent shareholders' approval at general meetings and disclosing the events in the annual reports. The listed companies which require funds may not obtain the financial support from the Enlarged Group in a timely manner. In addition, the market prices and trading volumes of the listed companies' shares may fluctuate significantly, which could in turn affect the market price of the Enlarged Group's shares;

- The Enlarged Group's voting rights in its subsidiaries may be diluted. The non-listed subsidiaries of the Enlarged Group may become listed. If the Enlarged Group chooses not to or is unable to subscribe the additional equity or equity-linked securities issued by its listed and non-listed subsidiaries, the Enlarged Group's voting rights in these entities may be diluted;

- The Enlarged Group may face risks of managing and controlling the subsidiaries and investee companies. As a large conglomerate, the Enlarged Group's businesses are operated by its subsidiaries and investee companies. The Enlarged Group's operating success requires effective management. The Enlarged Group also prescribes financial policies for subsidiaries and investee companies, as well as performance incentives for management personnel. The business model results in management and control risks including business, finance, funds and human resources aspects;

- The Enlarged Group has no control over certain investee companies. The Enlarged Group's ability to manage and supervise certain investee companies mainly depends on its contractual rights under the relevant shareholders' agreements and its shareholder rights under the Company Law and other relevant laws and regulations. Any dispute with other shareholders of an investee company of the Enlarged Group could have an adverse effect on such investee company's operation; and

- The Enlarged Group's earnings and cash flow primarily come from the dividends from its subsidiaries and investee companies. Any failure of the Enlarged Group's subsidiaries or investee companies to pay cash dividends could in turn have an adverse effect on the Enlarged Group's ability to pay dividends to its shareholders.

The Enlarged Group plans to further strengthen its cost control measures and increase its overall productivity and efficiency to engage in more projects and businesses with high return rates. However, CITIC Pacific cannot assure you that these efforts will be successful, nor can it assure you that it will improve the profitability of the businesses in the future.

The Enlarged Group's business is subject to economic fluctuation in the industries in which it has operations

Certain business operations of the Enlarged Group rely on the overall activity level in the industries in which it operates and the relevant upstream and downstream industries. The volatility of the international financial markets; more cautious market sentiment towards corporate investment; slow-downs in the growth of market demand; and fluctuations in the prices of commodities, major raw material prices, and exchange rates of major currencies may affect the Enlarged Group's various businesses.

In addition, the Chinese government adjusts its monetary, fiscal and other policies and measures from time to time to manage economic growth or overheating and the excess capacity in a specific industry or market. Therefore, changes in China's overall economy or the industries in which the Enlarged Group operates may result in a lower-than-expected growth rate or even negative growth of the Enlarged Group. Such changes may also have an adverse effect on the Enlarged Group's business, results of operations and financial condition.

Intense competition in the markets in which the Enlarged Group has operations may lead to a decrease in market share and profitability

The Enlarged Group's businesses face intense competition in its operating markets. Its financial services business faces competition from domestic and international commercial banks and other financial institutions; its engineering contracting business faces competition from global companies in the industry as well as the challenges from large Chinese state-owned enterprises and private companies; its real estate and infrastructure, resources and energy, manufacturing and other businesses face competition in terms of resources, technology, price and service.

Competitors may have greater access to capital, technology, management and other resources than the Enlarged Group does, and may be capable of providing a wider range of services. These competitors may also merge or form joint ventures with the other domestic or foreign competitors, which may intensify the competition the Enlarged Group faces.

The Enlarged Group's market share depends on its ability to anticipate and respond to many competitive factors, including competitors' pricing strategy, change in customer preferences, funding and financing resources, introduction of new or improved technology, products or services in the related industries or markets. CITIC Pacific cannot assure you that incumbent or potential competitors of the Enlarged Group will not provide similar products or services with comparable or even better quality at the same or even lower prices, or be more adaptable to industry trends or market changes. Increased competition may lead to lower prices, a decrease in profit margins and shrink of market share.

The Enlarged Group may not effectively carry out the original business strategy of the Target Group

As a conglomerate, the Enlarged Group has a broad business scope, covering various business segments and industries. The Enlarged Group's strategy implementation in relation to its financial and other industrial businesses may vary from business to business. To ensure its success, the Enlarged Group needs to proscribe and implement business strategies accordingly. Upon the Completion, CITIC Pacific cannot assure you that it can execute the Target Group's original business strategy accurately and effectively. The Enlarged Group may not successfully integrate and operate the businesses or make the best judgement in conducting its businesses.

The Enlarged Group is subject to litigation risk

The Enlarged Group's businesses are wide-spread in terms of industry and geographical scope. In light of such wide business scope, the Enlarged

Group may not be able to improve and adjust its business practice, management and code of conduct in response to the relevant changes in domestic and foreign laws and regulations in a timely manner. The Enlarged Group's business and operations may be subject to litigation and regulatory actions from time to time. In addition, the Enlarged Group is subject to periodical inspections from Chinese and overseas regulatory authorities, and may subject to potential punishments, fines or other penalties imposed by such regulatory authorities. CITIC Pacific cannot assure you that the relevant Chinese or overseas regulatory authorities will not impose punishments, fines or other penalties, or issue negative reports or opinion in the future which would have an adverse effect on the reputation, business, results of operations, financial condition of the Enlarged Group.

For details regarding pending material litigation and other regulatory matters of the Target Group that may affect the Enlarged Group, please refer to section headed "Business of the Target Group – Legal and Regulatory Proceedings" set out in this circular. The final outcomes of the Enlarged Group's pending litigation and other regulatory matters cannot be predicted reasonably and accurately, primarily due to the different levels of uncertainty and complexity of these litigation and regulatory matters.

In addition, the Enlarged Group may be sued by customers or other third parties in relation to the Enlarged Group's newly-built facilities or products. The Enlarged Group attempts to mitigate against such risk of potential claims by introducing liability limitation, compensation guarantees and insurance clauses in the relevant contracts. These attempts may not bring sufficient protection due to factors beyond the control of the Enlarged Group, including:

- In various jurisdictions where the Enlarged Group has operations (including China), the Enlarged Group's potential legal liability in relation to environmental or labor matters is subject to applicable laws and regulations, which may not be limited by contracts;

- Customers and subcontractors may not have sufficient financial resources to fulfil their obligations owed to the Enlarged Group;

- Losses may result from risks not covered by the Enlarged Group's compensation guarantee contractual arrangement; and

- The scope of the insurance may not be sufficient to the Enlarged Group because certain matters cannot be insured with reasonable commercial clauses or at all. The Enlarged Group has not yet obtained insurance covering or been fully paid for all of the potential or actual losses in relation to environmental liabilities, business interruption, profit loss, or losses due to operating interruption, industrial accidents, employee or third party protest or other activities.

The Enlarged Group is subject to reputation risk

The Enlarged Group may not be able to maintain the existing credit rating and reputation of the Target Group. Failure of any subsidiary or branch of the Enlarged Group to effectively avoid or mitigate adverse consequences in relation to the Enlarged Group's operations caused by safety accidents, inadequate quality control, or other reasons could have an adverse effects on the Enlarged Group, its reputation, results of operations, financial condition and profitability.

The Enlarged Group's historical financial information is not indicative of future results of operations. CITIC Pacific cannot assure you that its future growth rate will maintain at the historical level

The Enlarged Group operates businesses in diverse areas. To maintain the steady business growth, the Enlarged Group reviews and adjusts its strategies from time to time. Therefore, the Enlarged Group's historical financial information must be read in conjunction with the effect on business due to strategic adjustments during the period as reflected in financial reports. CITIC Pacific cannot assure you that the historical or pro forma financial information will reflect the results of operations, financial condition or cash flows of the Enlarged Group in the future. The Enlarged Group may be unable to maintain a growth rate comparable to the historical level of CITIC Pacific or the Target Group in terms of revenue or net profit in the future.

Major capital expenditure items of the Enlarged Group may not be completed on schedule or within budget, if at all, or may not achieve the expected economic or commercial results

As a business growth strategy, the Enlarged Group has been implementing and has plans to implement certain important capital expenditure projects. The Enlarged Group's major capital expenditure projects often entail substantial capital investments for years before completion.

The projects of the Enlarged Group may be delayed, or adversely affected by risks or uncertainties, including market conditions, policies and regulations adopted by the governments in China or in other relevant jurisdictions, capital adequacy levels, and disputes with business partners, technology and equipment suppliers, and other contractors, employees and the local government and community, natural disasters, electricity and other energy supplies, access to technological or human resources, any adverse changes in bilateral relations between China and the relevant foreign government, war or any other adverse development in international relations.

As a result, CITIC Pacific cannot assure you that all of the planned projects of the Enlarged Group will be completed successfully or in a profitable manner. Even if such project is completed, the actual costs may exceed the original budget due to many reasons, including delay and higher financing costs due to fluctuations in foreign exchange rates and interest rates, changes of original designs and the increasing costs of materials and other supplying goods and labor. The Enlarged Group may not be able to achieve the desired economic results and commercial success. As a result, the Enlarged Group's results of operations, financial condition, profitability and growth prospects may be adversely affected.

Certain businesses and operations of the Enlarged Group require substantial and steady capital injection; lack of adequate financing may have an adverse effect on the Enlarged Group's business, financial performance and growth prospects

Certain businesses of the Enlarged Group are capital-intensive and in need of substantial capital for their operations. The Enlarged Group's financial services business, and the banking business in particular, is required to maintain adequate capital to meet the CBRC's capital adequacy ratio requirements. The real estate and infrastructure business of the Enlarged Group also requires substantial funds for land acquisitions and property development. For engineering contracting, the Enlarged Group may need to pay advanced payments in engineering construction and other engineering activities before receiving payments from the customers. The resources and energy business requires significant capital expenditure for various purposes, including acquisitions and exploration of oil and mineral resources, obtaining mining permission and purchase and maintenance of the mining processing equipment in China and overseas. In addition, the Enlarged Group's manufacturing business also requires substantial capital for building, maintaining and managing production facilities, purchases of machinery and equipment and the development of new technology and products.

If capital requirements of the Enlarged Group exceed its financial resources, the Enlarged Group will need to incur additional debt or equity financing. CITIC Pacific and the Target Group in the past mainly relied on cash generated from the business operations, equity financing, bonds issue, bank loans and other borrowing to meet their capital requirements. CITIC Pacific cannot assure you that cash generated from business operations could sufficiently support the development and expansion plans of the Enlarged Group. The Enlarged Group's failure to obtain additional financing in a timely manner and at reasonable cost may adversely affect the Enlarged Group's business developments, financial performance and growth prospects. The availability of external funding is subject to various factors and uncertainties including governmental approval, market conditions, credit availability, interest rates and the Enlarged Group's results of operations in various businesses.

The Enlarged Group might experience unexpected difficulties in implementing its expansion plan

To develop the Enlarged Group's business and strengthen the Enlarged Group's competitiveness and profitability, the Enlarged Group plans to further expand its existing businesses to new industry sectors or geographical markets. Such expansion is subject various to risks, including the Enlarged Group's lack of operational experience in certain industries or markets, changes in government policies and regulations and other risks associated with such industries or markets. Market development could also tighten the Enlarged Group's funds, personnel and management resources. As a result, the Enlarged Group may not be able to effectively manage its development, which would have an adverse effect on its business, results of operations, financial condition and prospects of the Enlarged Group. In addition, the Enlarged Group may find it is difficult to win market share from companies with considerable size and market share in its corresponding industries and markets and may already take up a large portion of market share. Furthermore, the Enlarged Group's overseas target markets may have a higher threshold of establishment of foreign companies. CITIC Pacific cannot assure you that its expansion plan will succeed.

The Enlarged Group's acquisitions or strategic investments may not be integrated or managed effectively, or at all, which in turn could have an adverse effect on the Enlarged Group's results of operations and financial condition

The Enlarged Group may acquire or invest in businesses to expand its operations. There are many risks and difficulties in relation to acquisitions, including potential difficulties of retention and assimilation of personnel, the integration of operations and corporate cultures, distraction of management attention and other resources, and lack of knowledge and experience in new industries or markets. In addition, the Enlarged Group may be subject to debts, other obligations and potential legal obligations of the acquired companies as a result of the acquisition. The acquisition may also result in the impairment charges of goodwill and other intangible assets. Any of these factors may have an adverse effect on the results of operations and financial condition of the Enlarged Group. In particular, if the acquired companies' results of operations did not meet expectations, the Enlarged Group may be required to recognize significant impairment charges, resulting in an adverse effect on the Enlarged Group's results of operations. Therefore, CITIC Pacific cannot provide assurance that any acquisitions could achieve the desired strategic objectives, business integration, or the expected return on investment.

The Enlarged Group continues to consider and evaluate opportunities for further development. It may expand its business through acquisitions. However, CITIC Pacific cannot assure you that the Enlarged Group can identify attractive acquisition targets in the future; or the Enlarged Group can acquire the targets on commercially acceptable terms even if such target is identified. The Enlarged Group may fail to consummate an acquisition or investment due to the lack of governmental approvals or other necessary approvals for such acquisition or investment. Failure to identify proper acquisition or investment targets or inability to complete such transactions may have an adverse effect on the competitiveness and growth prospects of the Enlarged Group.

Part of the Enlarged Group's businesses comprise overseas operations, which are subject to risks in relation to uncertainties of foreign economy and politics, regulatory actions and safety issues

The Enlarged Group conducts engineering contracting, resource exploration, trading and other businesses overseas. In addition, export of machinery and auto parts and other products of the Enlarged Group's subsidiaries from China are also growing. The Enlarged Group also conducts financial service business, infrastructure business, telecommunications business, satellite business and other businesses overseas. These businesses are susceptible to the relevant country's political, economic, and social conditions. CITIC Pacific expects that the Enlarged Group will continue to derive revenue and profits from international operations and other businesses overseas in the future. As a result, the Enlarged Group is exposed to risks including but not limited to the followings:

- Political risk, including risks caused by riots, terrorism and war, local and global political or military tensions, diplomatic tension or changes, economic or trade sanctions and losses caused by embargoes;
- Economic, financial and market instability and credit risk;
- Policy changes or regulations changes by domestic or foreign government in relation to international business;
- Reliance on foreign governments or foreign state-controlled entities for the need of electricity, water, transport and other public use facilities or infrastructure;
- Unfamiliarity with the local business and market conditions which may cause adverse effects such as inadequate project bidding price;
- Inadequate understanding of local laws, regulations, standards and other stipulations on construction, taxation, foreign exchange, customs, trade and others;
- Risks and uncertainties relating to appointment of foreign agents in overseas operations;

- Anti-Chinese sentiments or protectionism, anti-dumping and others measures against Chinese companies;

- Competition from other international and local companies;

- Adverse working conditions or strikes;

- Failure to comply with environmental laws and regulations;

- Potential disputes with foreign partners, customers, subcontractors and suppliers or local residents and communities; and

- Confiscation or nationalization of the Enlarged Group's assets overseas.

Failure to maintain an effective quality control system could have an adverse effect on the business and operations of the Enlarged Group

The quality of the Enlarged Group's services and products is essential to the success of its businesses. To ensure its business success, the Enlarged Group endeavors to maintain an effective quality control system. The effectiveness of the quality control system depends on a series of factors, including the design of the system, the related training programs and the Enlarged Group's ability to ensure its employees compliance with the quality control policies and guidelines.

The Enlarged Group engages external contractors that are responsible for the construction and development of its real estate and infrastructure business, the resources and energy business and engineering contracting business. In respect of the resources and energy business, engineering contracting business, manufacturing business and real estate and infrastructure business, the Enlarged Group also relies on third-party manufacturers and other service providers in the manufacturing and supply of various spare parts, components and services.

The Enlarged Group may not effectively monitor the contractors and other third parties. In addition, the Enlarged Group may not find qualified contractors and other third parties for outsourcing in a timely manner. If the Enlarged Group fails to find qualified contractors and other third parties, its ability to complete the relevant project or other contracts could be adversely affected. If the required payment to the contractor and other third parties exceeds the Enlarged Group's estimates, especially in the event of having a fixed price contract with the Enlarged Group's customers, the Enlarged Group could suffer losses. Project outsourcing also exposes the Enlarged Group to risks of non-performance, delay of performance and non-compliance of contractors or other third parties, which may have an adverse effect on the

Enlarged Group's results of operations, financial condition, profitability, and reputation, and may lead to litigation or damage claims against the Enlarged Group.

The development of the Enlarged Group's management and internal control measures is consistent with the development of the Enlarged Group's business to a large extent. Some of the Enlarged Group's internal control and coordination measures on the group business may be not implemented at the Enlarged Group level due to a large amount of subsidiaries, a wide range of businesses and widely distributed medium-level management teams. As a result, difficulties may arise in supervising whether the subsidiaries, management team members and employees abide by the internal control policies and procedures of the Enlarged Group and related laws and regulations.

Any failure to comply with the quality control system, the deterioration of related systems or lack of supervision of the internal control mechanism may result in defects in the Enlarged Group's services, projects or products, which could lead to compensatory claims in contract, product liability and other compensatory requirements. Any such claims, whether with or without merit, could lead to significant costs, damages to the Enlarged Group's reputation and adverse effect on the Enlarged Group's business.

Reliance on the experience and industry expertise of management personnel, skilled personnel and other qualified staff and intense competition for talents may have an adverse effect on the Enlarged Group's business and prospects

Talented executives are essential for the rapid business development of the Enlarged Group. If the improvement of the internal motivation and incentive mechanism and discipline mechanism lag behind other businesses' development, the Enlarged Group's further development could be hampered. The Enlarged Group's business operation growth depends on the continued service of the senior management team. To implement the future growth plan, the Enlarged Group will need more management personnel with experience and talents. If any important management personnel leaves the Enlarged Group, and the Enlarged Group was unable to recruit or hire people with equivalent qualifications in a timely manner, the Enlarged Group's business management and growth could be adversely affected.

The Enlarged Group's businesses cover multiple industries and also depend on employment, training and retaining of skilled employees with different backgrounds, including management, finance, design, marketing, engineering and other technical professionals. In China and other markets where the Enlarged Group's businesses have operations, retaining qualified personnel is generally very competitive. Having high quality personnel is the key to meet the needs of future business competition. CITIC Pacific cannot assure you that the Enlarged Group will be able to hire the necessary manpower with the appropriate technical skills for operational activities.

CITIC Pacific also cannot assure you that the supply strains of skillful personnel will not increase the costs of employees. As a key enterprise having significant influence in the industries in which it operates, the Target Group has accumulated a large number of management personnel and technical personnel in the years of development. Despite the Target Group's various attempts to stabilize and attract the talented personnel, there are still certain risks of talent loss. At the same time, in the forthcoming operation process, as the Enlarged Group expands its business, there is also a risk of talent loss.

Any failure to attract and retain qualified employees as well as any inability to recruit experienced personnel on management, finance, technology, marketing and other professionals, or to maintain enough labors may lead to an adverse effect on the Enlarged Group's business operations, and the future development and expansion may be limited.

The Enlarged Group is subject to risks of technological innovation and update

There are continuously new technology developments in each industry. New services are frequently introduced and industrial standards are always evolving. Technological transformation reduces cost and price, and competitors in the same industry all try to provide more competitive and creative products and services. It is uncertain if the Enlarged Group will be able to effectively adapt evolving technology and respond technological transformation and industrial development. To maintain its competitiveness, the Enlarged Group must continuously invest, which will have demands on financing and cash flow of the Enlarged Group on the one hand, and expose the Enlarged Group to the risk of delayed return or declined return rate on the other hand.

The rapid change of technology is likely to increase competition and obsolete the Enlarged Group's technology, products or services, or result in a loss of market share. Research and development of the Enlarged Group may not be successful or generate economic interests at the expected level. Even if the research and development is successful, the Enlarged Group may not be able to apply the new technology to market acceptable products, or capture market opportunities. In addition, the expected market demand during the development phase of any product may not be realized, or when the Enlarged Group launches new products, the market may not accept the new products. If the Enlarged Group cannot predict the trend of technology or product development, and develop the new and innovative technology products required by customers, it may fail to produce sufficiently advanced products at competitive prices and may adversely affect on the Enlarged Group's results of operations, financial condition and profitability.

The lack of permits, licenses and certificates may be a serious impediment to the Enlarged Group's business and operations, and is subject to regular inspection, investigation, inquiry and audit of regulatory agencies

The Enlarged Group must obtain and maintain valid permits, licenses and certificates from government authorities to engage in certain businesses. The Enlarged Group is subject to the restrictions and conditions stipulated by government authorities, to maintain the Enlarged Group's permits, licenses and certificates. If the Enlarged Group fails to comply with the provisions or fails to meet the necessary conditions to maintain permits, licenses and certificates, the Enlarged Group's permits, licenses and certificates may be suspended or revoked. If the Enlarged Group extends such permits, licenses and certificates after the valid period, there may be delays or rejections on the applications and may lead to an adverse effect on the Enlarged Group's results of operations, financial condition and profitability.

To ensure the restrictions and conditions of relevant business permits, licenses and certificates are fulfilled, the government authorities have regular or special inspections, investigations, inquiries and audits of the Enlarged Group. If any noncompliance is found by the government authorities, the permits, licenses and certificates of the Enlarged Group may be suspended or revoked, and the Enlarged Group may receive fines or other penalties. Failure of the Enlarged Group to maintain, renew, or obtain certain permits, licenses or certificates pursuant to the applicable laws and regulations could have an adverse effect on certain business qualifications of the Enlarged Group.

The Target Group does not have land use right certificates, building ownership certificates or consent of the property owner or has not registered with respect to some owned or leased properties

As of December 31, 2013, with respect to some of the land it owns or uses, the Target Group had not fully obtained land use right certificates and/or building ownership certificates for both. The Target Group is in the process of applying for the relevant land use right certificates and building ownership certificates. However, the Target Group may not be able to obtain certificates for all of the properties due to various title defects or other reasons. CITIC Pacific cannot assure you that the Target Group's ownership rights would not be adversely affected in respect of properties for which the Target Group is unable to obtain the relevant title certificates. As a result, the Target Group may face the potential risk of litigation or other penalties. Please refer to the section headed "Business of the Target Group – Property" set out in this circular.

As of December 31, 2013, the Target Group had not registered certain of its leased properties, primarily because certain lessors have not cooperated with the Target Group for completing the registration procedures and certain local authorities do not provide registration services for lease agreements. With respect to some of the leased properties, the lessors were not able to provide the title certificates or documents evidencing the authorisation or consent of the owners of such properties to the lease or subletting. Please refer to the section headed "Business of the Target Group – Property" set out in this circular. As a result, third parties may be able to challenge the validity of these leases. In addition, CITIC Pacific cannot assure you that the Enlarged Group will be able to renew the leases on commercially acceptable terms, or at all, upon their expiration. If any of the leases were terminated as a result of challenges by third parties or expiration, the Enlarged Group may be forced to relocate affected properties. Under such circumstances, if the Enlarged Group is not able to find alternative locations with acceptable conditions, the Enlarged Group's operation may be adversely affected.

As of December 31, 2013, the owners of certain lands which the Target Group leased from independent third parties in China had not been able to provide the relevant land use right certificates or consent authorizing the lessors to lease or sublease the relevant land. Please refer to the section headed "Business of the Target Group - Property" set out in this circular. In the event that any third party challenges the ownership of such land, the Target Group may not be able to continue to lease such land.

The Enlarged Group is exposed to the risk of inadequate protection of its intellectual property

The Enlarged Group relies on patent right, copyright, trademark and contract rights to protect the Enlarged Group's intellectual property rights. The Enlarged Group uses "中信", "CITIC", and "" for brand management and marketing, and believes that the brand has always been central to the success of the Enlarged Group's competitiveness and the key to success. By entering into trademark license agreements, CITIC Group granted CITIC Limited, its relevant subsidiaries and CITIC Pacific, the rights to use these registered trademarks in their operations at nil consideration. In the event that CITIC Group decides to transfer or dispose of the ownership of such trademarks, CITIC Pacific undertakes to take steps to purchase such trademarks with consideration in order to obtain their legal ownership, subject to compliance with the applicable laws and regulations and the Listing Rules.

In addition, the Enlarged Group has developed many advanced systems, trade secrets, proprietary technology, equipment, process, process method and other intellectual property rights, which enhance production or operation efficiency. CITIC Pacific cannot assure you that the adopted measures are sufficient to prevent abuse of the Enlarged Group's intellectual property rights, or the competitors of the Enlarged Group's will not develop by themselves, or obtain equivalent or superior substitute technology of the Enlarged Group's intellectual property rights through obtaining licensing.

Intellectual property laws in China are still evolving and the levels of protection and means of enforcement of intellectual property rights in China differ from those in other jurisdictions. CITIC Pacific may not be able to immediately detect unauthorized use of the Enlarged Group's intellectual property and take the necessary steps to enforce the Enlarged Group's rights in such property. In the event that the measures taken by the Enlarged Group or the protection afforded by law do not adequately safeguard the Enlarged Group's proprietary technology and other intellectual property rights, the Enlarged Group could suffer losses in revenue and profit due to competing sales of products and services that exploit the Enlarged Group intellectual property. Furthermore, CITIC Pacific cannot assure you that any of the Enlarged Group's existing intellectual property rights will not be challenged by third parties. Adverse judgements in any litigation or proceeding could result in the loss of the Enlarged Group's proprietary rights and adversely affect the Enlarged Group's results of operations, financial condition and profitability.

Changes in tax policy may have an adverse effect on the Enlarged Group's business and financial performance

Prior to January 1, 2008, except for a number of preferential tax treatment schemes applicable to various enterprises, industries and locations, enterprises in China were subject to corporate income tax at the rate of 33%. The new corporate income tax law took effect on January 1, 2008, imposing a tax rate of 25% on businesses. Companies which enjoy the fixed term tax benefit before January 1, 2008 will continue to enjoy tax preferential treatment until the fixed term ends. Some of the Target Group's subsidiaries are entitled to preferential enterprise income tax treatment. If there is any adjustment or termination in the tax preferential treatment of the Target Group, or any increase in the effective tax rate, the tax obligations of the Enlarged Group will increase accordingly. Besides, the Chinese government also adjusts or changes its policies in value-added tax, business tax, resource tax and other taxes from time to time. Any uncertainty brought by such adjustment or change may have an adverse effect on the business and financial performance of the Enlarged Group.

The Enlarged Group operates in jurisdictions that may be subject to economic and trade sanctions imposed by the United States, the European Union and other jurisdictions, which may subject the Enlarged Group to legal and regulatory risks

The international operations of the Enlarged Group may expose it to trade and economic sanctions or other restrictions imposed by the United States or other governments or organizations, including the United Nations, the European Union and their member countries. Some major subsidiaries of the Enlarged Group provide goods and services, including broadcasting, international transit and roaming services to and from countries that are, or have been, subject to comprehensive sanctions administered by the US Office of Foreign Assets Control (OFAC), including Burma (Myanmar), Cuba, Iran, North Korea, Sudan, Syria and Zimbabwe. The Enlarged Group makes out-payments to and from telecommunications operators in such countries and receives broadcasting, roaming and other revenues from customers in such countries. Transactions involving these countries accounted for less than 0.01% of the Enlarged Group's sales value and 0.01% of its purchase value for the fiscal year ended 2013. Although CITIC Pacific believes that the business activities of the Enlarged Group in these countries are de minimis and do not violate applicable sanctions regulations, and currently has no plan to conduct a material portion of its business with sanctioned countries, CITIC Pacific cannot assure you that the Enlarged Group will not in the future engage in transactions with sanctioned parties. Any alleged violations of economic sanctions could adversely affect the public image and reputation of the Enlarged Group and have an adverse effect on its results of operations, financial condition.

The Enlarged Group may not be able to detect money laundering and other improper activities, which could expose it to additional liability and negatively affect its business

The Enlarged Group is required to comply with applicable anti-money laundering, anti-terrorism and other laws or regulations in China and other jurisdictions where the Enlarged Group has operations. These laws and regulations require the Enlarged Group to adopt and implement "know your customer" policies and procedures and to report suspiciously large transactions to the competent regulatory authorities of different jurisdictions. Some major subsidiaries of the Enlarged Group are implementing improvements to its anti-money laundering and anti-terrorism system. However, CITIC Pacific cannot assure the timing and effectiveness of the implementation of such improvements. Even though certain major subsidiaries of the Enlarged Group have adopted policies and procedures aimed at detecting and preventing the use of its networks for money-laundering activities and illegal or improper trades conducted by terrorists or terrorists-related organizations or individuals, such policies and procedures in some cases have only been recently adopted and may not completely eliminate instances where the Enlarged Group's networks may be used by other parties to engage in money-laundering and other illegal or improper activities. In the event the Enlarged Group fails to fully comply with applicable laws and regulations, the relevant government authorities to which members of the Enlarged Group report in different jurisdictions have the power and authority to impose fines or other penalties on the Enlarged Group. In addition, money laundering or other illegal or improper activities conducted by customers of the Enlarged Group using its networks may negatively affect business operations, financial condition and reputation of the Enlarged Group.

(B) Risks Relating to the Specific Businesses of the Enlarged Group

The Enlarged Group's businesses cover both financial and non-financial sectors. In addition to the general business risks described above, the Enlarged Group may face other risks in relation to the specific businesses operated by the Enlarged Group's subsidiaries in various industries.

a. Risks Relating to Financial Services Business

(a) Risks Relating to the Enlarged Group's Banking Business

The banking business of the Enlarged Group is subject to various credit risks

The Enlarged Group provides a wide range of financial products and services, including corporate loans and trade financing to its individual customers, corporate customers, government agencies and financial institutions. If the Enlarged Group's customers do not fulfil their obligations, thus leading to the increase of outstanding non-performing loans of the Enlarged Group's banking business, its results of operations, financial condition and profitability could be adversely affected.

- ***Portfolio Quality of the Enlarged Group*** Non-performing loans have an adverse effect on results of the operations of the Enlarged Group's banking business. The sustainable growth of the Enlarged Group's banking business mainly depends on the Enlarged Group's ability to effectively manage the credit risk and maintain the quality of its portfolio (including loans to connected parties). Any defect in the credit risk management policy of the Target Group or any risks beyond the control of the Target Group, may have an adverse effect on the results of operations, financial condition and profitability of the banking business of the Enlarged Group.

- ***Loan Portfolio Losses*** Although the Target Group has made allowance for impairment losses based on assessment on various factors affecting the quality of the Target Group's loan portfolio, the actual losses on the Enlarged Group's loan portfolio in the future may exceed the Target Group's current allowance for impairment losses. If the Target Group's allowance for impairment losses is inadequate to cover the actual losses and the Enlarged Group may need to make additional allowance for impairment losses, the results of operations, financial condition and profitability of the Enlarged Group's banking business may be adversely affected.

- ***Loan Security*** A substantial portion of the Enlarged Group's loans portfolio is secured by collateral or guarantees. Any significant decline in the value of the collateral or deterioration of the financial condition of the guarantors or any failure by the Enlarged Group to enforce its rights as a creditor may adversely affect the results of operations, financial condition and profitability of the Enlarged Group's banking business.

- ***Certain Loan Clauses*** The loan customers of the Target Group are often allowed to prepay the loans owed to the Target Group under conditions approved by the Target Group. If the loan customers decide to borrow from the competitors of Enlarged Group or use other methods of financing, these customers may prepay or not renew their loans upon maturity, thus the interest income of the banking business of the Enlarged Group would be adversely affected.

- ***Concentration Risk of Loans*** The Enlarged Group's banking business is facing risk of loans concentration. The Target Group provides loans to various groups of concentrated customers, industries and regions. If the credit profile of these concentrated customers deteriorates, the financial conditions of these concentrated industries experiences a significant or prolonged downturn, or the economy of these concentrated regions slows down, the assets quality, financial condition, and results of operations of the Target Group may be adversely affected. As a result, the results of operations, financial condition and profitability of the Enlarged Group's banking business may be adversely affected.

The banking business of the Enlarged Group is subject to interest and exchange rate risk

CITIC Bank's results of operations depend, to a great extent, on net interest income. Effective on July 20, 2013, the PBOC has removed the lower limit of interest rates of new loans provided by financial institution (not including new residential mortgage loans) and gave financial institutions more discretion to determine the interest rates. This may increase competition in China's banking industry, and may have an adverse effects on CITIC Bank's results of operations. CITIC Pacific cannot assure you that timely adjustments of the composition of asset and liability portfolios and the pricing mechanism could be made to effectively cope with the future liberalization of interest rates.

In recent years, the PBOC has repeatedly adjusted benchmark interest rates for deposits and loans. Significant adjustments of interest rates in the future, or market expectations of interest rate adjustment may lead to significant fluctuations in the price of financial products, which in turn could affect the profitability of the Enlarged Group's fixed interest rate loans, and investment in fixed income securities.

Historically, interest rates were subject to strict regulation in China. Regulations on interest rates have been gradually liberalized in recent years. As Chinese banks seek to provide customers with more attractive prices, the loan business of the Enlarged Group's banking business is likely to face increasing competition and its profitability may be decrease. The PBOC may further liberalize the existing interest rate regime on Renminbi-denominated loans and deposits, which may intensify competition in the banking industry in China. Further liberalization of the interest rate regime may result in the narrowing of the spread in the average interest rates between Renminbi-denominated loans and Renminbi-denominated deposits, which would affect the results of operation of the Enlarged Group's banking business. In addition, an increase in interest rates may result in increased financing costs of the Enlarged Group's banking business customers and thus reduce the overall demand for loans and, accordingly, adversely affect the growth of the loan portfolio of the Enlarged Group's banking business, and increase the risk of default by customers. As a result, changes in interest rates may adversely affect the net interest income, results of operations, financial condition and profitability of the Enlarged Group's banking business.

The Enlarged Group's banking business undertakes trading and investment of certain financial instruments both in China and overseas. The income from these businesses is subject to volatility caused by, among other things, changes in interest rates and foreign currency exchange rates. The exchange rates of Renminbi against the US dollar and other foreign currencies are influenced by various factors including the change of political and economic situations both in China and overseas. Fluctuations in exchange rates may adversely affect the results of operations, financial condition and profitability of the Enlarged Group's banking business.

The banking business of the Enlarged Group is subject to liquidity risk

Customer deposits have always been the primary funding source and the main component of liabilities of the Enlarged Group's banking business. As of December 31, 2013, the current deposits of CITIC Bank was RMB1.07 trillion, representing 40% of CITIC Bank's customers deposits. Due to lack of alternative investment products in China, the Enlarged Group's short-term customer deposits have generally not been withdrawn upon maturity and have thus represented a stable source of funding. However, CITIC Pacific cannot assure you that this will continue to be the case, especially as more alternative investment products become available. If a substantial portion of the Enlarged Group's depositors withdraw their current deposits or do not renew their fixed-term deposits upon maturity, the Enlarged Group may need to seek alternative sources of funding to meet liquidity requirements. The availability of alternative capital sources may be adversely affected by factors beyond the Enlarged Group's control, such as deterioration of market conditions and turmoil of the financial markets. Given the foregoing reasons, if the Enlarged Group fails to meet liquidity requirements through customer deposits and other capital sources, or if the Enlarged Group's cost of capital sources increases, the Enlarged Group's liquidity, results of operations, financial condition and profitability may be adversely affected.

The banking business of the Enlarged Group is subject to operational risk and risks relating to the improvement of information technology

Malfunctions in the operations and information technology system of the Enlarged Group's banking business may jeopardize liquidity, cause business interruptions and result in leakage of confidential information, which can damage the Enlarged Group's reputation and result in financial losses.

The banking business of the Enlarged Group relies heavily on the ability to process huge amounts of transactions on a daily basis, some of which are very complex and highly time sensitive. As a result, the Enlarged Group is extremely dependent on financial, accounting, data processing and other operating system and facilities. If any of these systems cannot operate normally or at all due to events partially or entirely beyond the Enlarged Group's control, it may have an adverse effect on the Enlarged Group's ability to deal with transactions. If the Enlarged Group's systems cannot accommodate the increased transaction volume, it may restrict the Enlarged Group's ability to further expand business. The Enlarged Group has invested and will continue to contribute a significant amount of resources in upgrading the systems of the Enlarged Group to reduce the risk of malfunction. CITIC Pacific cannot assure you that the upgrades will effectively prevent future system malfunction or that the upgrades could generate the adequate return on the Enlarged Group's investment.

The Enlarged Group relies on its information technology system in the process of services provided to customers, risk management, internal controls and the supervision on the Enlarged Group's business operations. The essential equipment and communication networks of the Enlarged Group's information technology system all have backups. The Enlarged Group has also established a disaster backup center which may maintain business continuity when disasters or major system malfunction occur. However, the Enlarged Group has not achieved real-time backup for some systems and the effectiveness of the backup system also depends on complex procedures and organizational structure. CITIC Pacific cannot assure you that the business of the Enlarged Group will not be interrupted due to partial or entire malfunction of the major information technology systems or communication networks. In addition, any threat caused by misappropriation of the Enlarged Group's staff or theft by unauthorized persons, any maliciously caused dysfunction or impairment of data, software, hardware or other computer equipment are all likely to have an adverse effect on the business, results of operations and financial condition of the Enlarged Group.

The Enlarged Group must regularly upgrade and optimize the information technology system in a cost-efficient manner. If the Enlarged Group cannot improve or upgrade information technology system successfully and timely in the future to satisfy customer's increasing demand on variety and quality of the products and services, the results of operations, financial condition and profitability and prospects of the Enlarged Group's banking business may be adversely affected.

The banking business of the Enlarged Group is required to comply with regulatory requirements relating to capital adequacy ratios

In accordance with *Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)* promulgated by the CBRC on June 7, 2012, the regulatory requirements relating to the capital adequacy ratio of the Enlarged Group include minimum capital requirements, reserve capital requirements, and countercyclical capital requirements, additional capital requirements of banks of systematic importance. According to the CBRC's transitional arrangements of capital adequacy ratios, the Enlarged Group's banking business must satisfy the minimum capital requirements by the end of 2013 (a minimum core tier-I capital adequacy ratio of 5.5%, a minimum tier-I capital adequacy ratio of 6.5% and a minimum capital adequacy ratio of 8.5%). As of December 31, 2013, the core first-tier capital adequacy ratio, first-tier capital adequacy ratio, and capital adequacy ratio of CITIC Bank were 8.78%, 8.78% and 11.24%, respectively, all of which satisfied regulatory requirements.

To continue to meet regulatory capital adequacy ratios, the banking business of the Enlarged Group may need to raise additional core capital or supplementary capital in the future. The continuing rapid growth of the banking business of the Enlarged Group will lead to an increase in risk-weighted assets. In the event that the Enlarged Group cannot replenish capital in time, the capital adequacy ratios of the banking business of the Enlarged Group may decline. In addition, if the CBRC increases the minimum capital adequacy ratio and core capital adequacy ratio or changes its regulations on capital requirements or computing method of capital adequacy ratios, the Enlarged Group may not be able to satisfy the new regulatory requirements in a timely manner. If the banking business of the Enlarged Group is unable to meet capital adequacy requirements, CBRC may require the Enlarged Group to take corrective measures including restrictions on the growth of loans and other assets of the Enlarged Group's banking, or the declaration or distribution of dividends. These measures may adversely affect the results of operations, financial condition and profitability of Enlarged Group's banking business.

The loan classification criteria adopted by the banking business of the Enlarged Group is different from criteria applied by banks in certain other countries and regions

The loans of the banking business of the Enlarged Group are classified in accordance with the CBRC's five-category loan classification system. The loan classification system of the Enlarged Group is different from the loan classification systems adopted by banks in certain other countries and regions in some respects. Therefore, the loan classification criteria applied by the banking business of the Enlarged Group towards loans and advances may differ from that adopted by other jurisdictions. If the Enlarged Group adopts the loan classification and the allowance for impairment losses policies in such countries and regions, the loan classification and provisioning policies reported by the Enlarged Group may differ from those that could be reported.

Emerging internet finance and mobile finance may impact the operations of the traditional banking business of the Enlarged Group

With the rise of internet finance, the financial service industry has experienced many changes in terms of payment methods, wealth management products and forms of financing which bring new challenges to the traditional banking business. For example, third-party payment organizations are growing rapidly, many new wealth management products have been launched and new internet financing forms have been developed. In addition, with the liberalization of the interest rates regime, internet financing companies can attract customers through higher deposit rate, raising the cost of deposits taken by banks. The increasing popularity of mobile phones and mobile internet device allows customers to reduce reliance on traditional banking websites. CITIC Pacific cannot assure you that the increasingly developed internet and mobile-finance will not adversely affect the existing banking business of the Enlarged Group.

(b) Risks Relating to the Enlarged Group's Securities Business

The securities business of the Enlarged Group may be exposed to risks of intensifying industry competition

The securities business of the Enlarged Group is mainly operated through CITIC Securities. The trend of mixed operations in finance business has led to a new competitive landscape in China's securities industry. Commercial banks, insurance companies and other financial institutions have entered the traditional securities industry and compete with the traditional business of securities companies through product and service innovation. Commercial banks compete with securities companies directly with their sales networks, customer resources and capital strength in businesses such as bond sales, financial advisory services and the sale of wealth management products. The increasingly relaxed CSRC supervision over the Chinese securities business provides new domestic and foreign competitors with the opportunity to engage in the securities business, which leads to more intense competition in securities industry. In addition, with the emerging innovative products and services, securities companies must be more professional and innovative to maintain market positions in this dynamic industry. In recent years, the overseas business of CITIC Securities has developed rapidly. As a result, it faces competition from overseas capital markets. If it cannot develop and implement effective strategic plans and develop new business in time, or due to insufficient internal operations and management experience, CITIC Securities may lose its competitive advantage. Failure of CITIC Securities in the execution of its strategies and the development of new businesses will adversely affect the results of operations, financial condition, profitability and development prospects of the Enlarged Group's securities business.

The securities business of the Enlarged Group may be exposed to risks brought by market fluctuations

CITIC Securities is principally engaged in investment banking, sales, trading and brokerage, asset management and investment businesses, all of which are highly dependent on economic and market conditions of China and other jurisdictions (including Hong Kong) in which CITIC Securities operates. As the Chinese capital market is still in the early stage of development, market conditions may change quickly and significantly, which may adversely affect the results of operations, financial condition and profitability of CITIC Securities. In addition, global market conditions may have uncertain or unfavourable effects on the Chinese market. With the continued development of the overseas business of CITIC Securities, it will also be directly affected by the global market conditions. Uncertain or unfavourable financial or economic conditions, in particular, global financial and economic crisis including the European debt crisis, may adversely affect the securities business of the Enlarged Group.

In recent years, the Chinese financial market has undergone a significantly expansion in innovation of financial products, such as margin trading, securities lending and stock index futures. These innovations presented the securities industry with even more opportunities and challenges. In this process, the performance of CITIC Securities will fluctuate with the capital market conditions and be exposed to uncertainties. The risks and challenges faced by CITIC Securities include: (i) its investment banking business is subject to the ability of CITIC Securities to acquire, execute and complete projects; (ii) its brokerage business might be affected by the decrease in brokerage fees and reduced customer trading activities; (iii) its asset management business might be affected by the asset management capabilities. If the investment performed poorly, CITIC Securities might lose customers or suffer a deterioration in performance results; and (iv) any mistakes in buying and selling strategies could lead to equity and bond trading losses.

The securities business of the Enlarged Group may not be able to completely and successfully control interest rate risk and exchange rate risk through the use of derivatives

CITIC Securities engages in derivatives transactions such as interest rate swaps to hedge interest rate exposure that arises from asset and liability positions, and uses derivative instruments such as stock index futures, to mitigate the influence of price volatility of its investment portfolio. However, as the derivatives market in China is still in the early stage of development, the ability to hedge the market risks associated with the Enlarged Group's securities business in China is constrained by the limited derivative products available in China. Therefore, CITIC Securities may not be able to successfully use available derivative instruments to reduce its exposure to fluctuation in the interest rates, foreign exchange rates, and price of its investment products or the derivatives it uses may not be completely effective.

The securities business of the Enlarged Group may be exposed to certain risks of liquidity shortage by reason of an inability to obtain timely financing

In response to changes and to improve profitability, CITIC Securities has gradually increased operating leverage. CITIC Securities engages in debt financing through domestic and overseas capital markets and the inter-bank lending markets. CITIC Securities provides financing services through margin trading and securities lending, repurchase agreements, stocks pledged repo and stock return swaps. If CITIC Securities cannot obtain new funding sources upon maturity of existing debts, or funding sources are adversely affected by factors beyond its control, such as deteriorating market conditions, instability in financial markets, or market liquidity shortage when CITIC Securities needs temporary inter-bank lending, the results of operations, financial condition and profitability of the Enlarged Group's securities business may be adversely affected.

The securities business of the Enlarged Group is subject to risks associated with employee misconduct

CITIC Securities has established its internal control system. However, CITIC Securities cannot provide assurance that it can avoid economic losses, legal disputes and default risk triggered by operational errors during all businesses and decision-making processes.

CITIC Securities operates in an industry that relies on the actions of skilled personal. As a result, moral risks among the employees are more prominent compared to manufacturing enterprises. To safeguard against moral risks and reduce system vulnerabilities, CITIC Securities has been implementing a mid-level management personnel rotation system for a long time, and will further strengthen internal control and standardized operation protocols and processes. However, CITIC Securities cannot provide assurance that it can fully avoid the risks associated with employee misconduct.

The securities business of the Enlarged Group is subject to the risks of operation and modification of information technology systems

Information technology is widely used in the modern securities industry in areas such as fund clearance, online trading and other businesses. The level of information technologies has become an important factor in measuring the competitiveness of securities companies. Due to the rapid development in information technology, CITIC Securities is subject to corresponding technology risks. To maintain its leadership in technology and its competitive position, CITIC Securities requires ongoing investments in technology upgrading, which will increase its operation costs.

The proprietary business, asset management business, and brokerage business of CITIC Securities are all dependent on the support of computer systems, networks and information management software. Unreliable computer systems and imperfect networks system will cause trading inefficiencies and loss of information, affecting its reputation and service quality, and may result in economic losses and legal disputes to CITIC Securities.

(c) Risks Relating to the Enlarged Group's Trust Business

The trust business of the Enlarged Group is subject to various competitive risks

The trust business of the Enlarged Group faces competition from other trust companies which may have competitive advantages in various aspects such as financial strength, management capability, resources, operation experience, market share and/or product sales channel. Since the business model of the industry participants and their products in this industry are largely the same, there is inevitable competition among them. With changes in regulatory policies, commercial banks, securities companies, insurance companies, and fund management companies are now permitted to offer a variety of financial products, some of which are similar to those offered by trust companies. As a result, trust companies may face competition from other financial institutions. Compared with commercial banks, securities companies, insurance companies and other financial institutions, trust companies do not have the comparative advantages in product sales channels. In addition to the above two aspects, competition among trust companies also include financial strength, innovation capacity, service quality and risk management capability. If the competitiveness of the Enlarged Group's trust business declines in one or more aforementioned aspects, the results of operations, financial condition and business prospects of the trust business of the Enlarged Group may be adversely affected, including reduction in market share, loss of customers and decrease in profitability.

The trust business of the Enlarged Group may be exposed to interest rate risk and market risk

The trust business of the Enlarged Group is subject to risks relating to price fluctuations in securities prices and interest rate. Fluctuations in securities prices and interest rates will directly affect the yield of the trust products with fixed income and the rate of return to trust beneficiaries. As fluctuations in the financial markets may cause losses to the relevant parties of the trust business, fluctuations in securities prices and interest rates may also affect the commission income of the trust business, which may adversely affect the results of operations, financial condition and profitability of the Enlarged Group's trust business.

The trust business of the Enlarged Group may be exposed to credit risk

The trust business of the Enlarged Group faces credit risk when its counterparties or financing parties in the inherent businesses or trust businesses default. If credit risks arise from inherent businesses, it may have an adverse impact on the assets and income of the trust company. If the credit risk arises from trust businesses, it may result in the loss of trust assets. Although this kind of risk does not have a direct effect on the shareholders' equity, it may lead to an adverse effect on the credibility, management capabilities and brand of the Enlarged Group's trust business.

Currently, trust businesses involving real estate, mineral resources and trust-government cooperation account for a certain portion of the trust business of the Enlarged Group. Regarding the real estate trust business, due to credit tightening and policies on purchase limits, some of the real estate trust projects lag behind the expected timetable, giving rise to pressure to meet payment deadlines. As for the mineral resources trust business, due to the increasing downward pressure on the domestic economy and slowdown in the real economy's demand for mineral resources, various mineral products including coals and iron ores are over-supplied and have suffered continuous decreases in market prices. As a result, the mining industry is facing problems such as insufficient production and slow sales, as well as tight liquidity. Enterprises operating in the mineral resources business are exposed to market risks, increasing the risk exposure of trust projects of the Enlarged Group in relation to mineral resources. With regard to trust-government cooperation businesses, due to the slowdown of the economy and real estate regulatory policies, local governments face considerable pressure from economic growth and financial budgeting. In addition, due to banks' credit tightening on local governments, governments in less developed areas with limited financial resources face risks of reduced financial resources, which increase the uncertainty of repayment for the trust-government cooperation businesses.

The trust business of the Enlarged Group may be exposed to risks relating to business innovation

With changes of industrial structure and regulatory environment, the trust business of the Enlarged Group has increasingly undertaken business innovation in various areas such as capital market and equity investment. It has explored business development opportunities in multiple markets and developed innovative businesses including equity index futures, private equity, offering innovative products including land circulation trusts and family trusts. The profit models of these new businesses are still in their rudimentary stage and face operating risks.

The trust business of the Enlarged Group may be exposed to moral risks

The trust business of the Enlarged Group may face moral risks, which mainly refers to the possibility of one party in a market transaction violating the general requirements or ethical principles of the market mechanism, taking advantage of various favorable conditions to maximize its self-interest and causing its counterparty in the transaction to bear any losses. If where employees of the trust business of the Enlarged Group violate professional ethics and internal management policies, the Enlarged Group may need to assume compensation liabilities. In addition, the development and reputation of the trust business of the Enlarged Group may be adversely affected.

(d) Risks Relating to the Enlarged Group's Insurance Business

The insurance business of the Enlarged Group is subject to various risks of competition

The insurance business of the Enlarged Group is mainly operated through CITIC Prudential. As there is substantial product homogeneity in the market, CITIC Prudential faces market threats arising from increased product competition and comprehensive product offerings by its industry counterparties which are highly versatile and up-to-date. In addition, through sales model and the application of new technologies, industry peers have expanded sales channels, improved service efficiency and reduced service costs, which causes CITIC Prudential to face challenges in relation to its cooperation models, sales system, business processes and management system.

The insurance business of the Enlarged Group may be exposed to risks relating to distribution of insurance products

The insurance business of CITIC Prudential primarily provides products to individual customers through individual insurance agents, bancassurance channels, direct sales and other channels, while it provides group insurance products to institutional customers primarily through CITIC Prudential's group insurance sales representatives, individual insurance agents and bancassurance channels. Any termination of, interference with or any adverse change to the relationships with these distribution channels may adversely affect the business of CITIC Prudential. Moreover, as competition intensifies, these sales agents may demand higher commission rates, which may increase CITIC Prudential's cost of sales, thus adversely affect the results of operations of the Enlarged Group's insurance business.

The insurance business of the Enlarged Group may be exposed to risks relating to insurance policy claims

If CITIC Prudential experiences deterioration in operations, or a downgrade in solvency and credit levels, customers' confidence in its insurance products may be negatively affected. This may lead to large numbers of insurance policy surrenders, especially within the long-term life insurance business segment, which will lead to a further deterioration of CITIC Prudential's financial condition. In addition, even when insurance business is carried out under normal circumstances, CITIC Prudential may still be exposed to risks of normal policy surrenders or concentrated surrenders caused by radical emergencies, major changes in national policy, significant changes in the market environment or other causes. If concentrated claims lead to insufficient asset liquidity, CITIC Prudential may be forced to dispose of assets at unfavourable prices, causing serious deterioration in the financial condition of CITIC Prudential and leading to operation difficulties. The occurrence of emergencies with significant impacts may also adversely affect the results of operations, financial condition and profitability of the Enlarged Group's insurance business.

The insurance business of the Enlarged Group may be exposed to certain risks relating to the inability in effective asset management

With the continuing expansion of premiums scale, insurance companies will experience more pressure on asset allocation. CITIC Prudential will face significant uncertainty on how to increase its return on assets in the environment of declining market returns. Fluctuations in the capital markets may also affect the achievement of stable return on the investment of CITIC Prudential. CITIC Prudential faces various inherent risks of the insurance market. Failing to effectively control these risks may adversely affect the financial performance of CITIC Prudential. CITIC Prudential is subject to relevant regulations of the CIRC on the maintenance of a required solvency ratio. If CITIC Prudential cannot meet the solvency ratio requirement, the CIRC may impose a series of regulatory sanctions.

The insurance business of the Enlarged Group may be exposed to certain risks relating to adverse changes in reinsurance market and the failure of reinsurance companies to perform their contractual obligations

CITIC Prudential transfers portion of its business to Chinese and international reinsurance companies to reduce its own underwriting risk. Adverse changes in the reinsurance market or the failure of reinsurance companies to perform their contractual obligations for CITIC Prudential may adversely affect CITIC Prudential's results of operations and financial condition. In accordance with the relevant regulatory requirements such as Insurance Law and *Provisions on the Administration of Reinsurance Business*, based on comprehensive assessment of business development scale, concentration of risks undertaken, and actual financial situation, CITIC Prudential developed and implemented a series of reinsurance arrangements to ensure that underwriting risks are dispersed. If CITIC Prudential cannot effectively identify the potential risk of existing insurance products, and fails to enter into reinsurance arrangements at reasonable costs or appropriately select a reinsurance company, in the event of a claim or reinsurer default, any loss compensation obligations incurred due to the occurrence of major trigger events will not be compensated by reinsurance companies and shall be borne by CITIC Prudential.

The insurance business of the Enlarged Group may be exposed to employee misconduct

Lack of credit and ethics among staff and other misconduct may be present in every aspect of an insurance company's operations, including: concealing risks to the insurance company, conducting transactions which are unauthorized or beyond the scope of authorization, improper use or disclosure of confidential information, reporting of false information and dereliction of duty. CITIC Prudential has developed a rigorous system and procedure for controlling and preventing employees' misconduct. However, such system and procedure may not completely eliminate the individual misconduct of employees. If such misconduct occurs and is not timely detected or prevented, it may have adverse impacts on the Enlarged Group's reputation and financial condition, and even result in lawsuits and regulatory sanctions against the Enlarged Group.

The insurance business of the Enlarged Group is subject to the risks relating to the operation and improvement of information technology systems

The standard operation of the insurance business of the Enlarged Group includes customer service, underwriting, claims, risk management, financial control, accounting and internal control. These aspects are supported by a strong support center and the relevant information technology systems. Due to the continuing expansion of business volume and the constant introduction of new products, the processing capabilities and function modules of the support center and the relevant information technology systems must also be constantly upgraded and expanded to meet CITIC Prudential's business development. If the information technology system of CITIC Prudential cannot be upgraded in line with its business development, CITIC Prudential's capabilities in business development, business value enhancement, customer development, risk management and internal control may be restricted.

CITIC Prudential's business is dependent on information technology systems to accurately and timely handle large amounts of transactions, and store and process large amounts of data relating to the business and operating activities. Any failure in the information technology systems and communication systems, serious disruption or potential unsound factors may cause disruption to the standard operations of CITIC Prudential or loss of data. For possible catastrophic events, although CITIC Prudential has taken appropriate precautions, such as data backup and establishment of an alternative communication system, CITIC Prudential can only make certain reasonable disaster recovery arrangements. If major information systems or communication systems used in conducting business activities cannot function properly, the standard business operation of CITIC Prudential may be adversely affected, which in turn can adversely affect the results of operations, financial condition and profitability of the Enlarged Group's insurance business.

(e) Risks Relating to the Other Financial Business

In addition to the above businesses, financial services of the Enlarged Group also include fund business, futures business and asset management business. In particular, China AMC and Goldstone Investment which are subsidiaries of CITIC Securities may face market risk, management risk, policy risk and other risks in their operations. The aforementioned businesses of the Enlarged Group are subject to greater influence from economic cycles. The differences in policy implementation progress among the regional management and compliance departments, or poor implementations of the policies in certain regions may cause difficulties for the Enlarged Group's business operation. Based on the actual experiences, the delay in implementation of the relevant laws and regulations by regional offices and compliance departments may result in adverse effects on business development or other legal risks.

b. Risks Relating to Real Estate and Infrastructure Business

The policies, laws and regulations, and the implementation measures adopted by the Chinese government to stop real estate speculation activities may have an adverse effect on the real estate business of the Enlarged Group

Enlarged Group's real estate business is subject to extensive laws and regulations and is sensitive to changes in regulatory measures and policies adopted by the Chinese government. In the past, the Chinese government had promulgated a series of policies and measures to control the overheating real estate development and the speculation activities of the residential property market. These measures include:

- Raising the requirements on real estate developers:
- Stipulating that at least 70% of the land approved by local government for residential property development in any year shall be used for the development of low-cost, small and medium-sized and low-rent properties;
- Adopting the "70/90" policy, which require that at least 70% of the total floor area of residential projects approved or constructed on or after June 1, 2006 shall be constituted by units with an area of less than 90 square meters each;
- For purchasers of their first residential property, the minimum down payment for unit over 90 square meters has been increased to 30% of the purchase price of the underlying property;

- For purchasers of their second residential property, who plan to use using mortgage loans, (i) the minimum down payment has been increased to 60% of the purchase price of the underlying property, and (ii) the lowest mortgage interest rate is 110% of the PBOC benchmark lending rate;

- Suspension of mortgage loans for the purchase of the third or subsequent residential properties;

- For purchasers of the dual-use (residential and commercial) properties, the minimum down payment has been increased to 45% of the purchase price of the underlying property and all other loan provisions are similar to that of commercial properties;

- For properties with a holding period of individual external transaction less than 5 years, business tax is levied on all sales proceeds from the resale; and

- For properties with a holding period of individual external transaction less than 5 years, income 20% tax is levied.

These existing policies and measures, any future policies and measures, or even any rumours related to new restriction policies and measures, may cause decline of customers demands and increase of operating cost, in which case the Enlarged Group's real estate business, results of operations and financial condition may be adversely affected.

The real estate business of the Enlarged Group may be exposed to the risk of its profitability being affected by property price fluctuations

Change in the supply and demand of property or property prices in China or unfavourable government actions may adversely affect the results of operations, financial condition and profitability of the Enlarged Group's real estate business. Policies and measures that have been or may be adopted by the Chinese government may lead to changes in market conditions, including unstable Chinese property prices and imbalanced supply and demand. CITIC Pacific cannot assure you that the real estate market in China will not experience sharp downturns in the future or there will not be any material decline in other real estate markets within the regions where the Enlarged Group operates. In addition, CITIC Pacific cannot assure you that the relevant Chinese government departments will not implement additional measures to limit the growth of the real estate market, or the Chinese economy and its real estate market will not experience any adverse changes due to policies implemented by the Chinese government. Any such changes may cause the property price to fluctuate and in turn may bring adverse effects on the Enlarged Group's results of operations.

The real estate business of the Enlarged Group may be exposed to the risk of fluctuations in market demand

Due to regional overheating of real estate markets, imbalance in supply and demand of real estate such as over-development and lack of demand in some regions contrasts with strong demand but lack of supply in other regions, Chinese government has strengthened control of the real estate market and implemented a series of policies to promote stable and healthy development of the real estate market in recent years. On February 20, 2013, the executive committee of the State Council issued five measures and further promulgated the *State Council Notice on the Regulation of the Continuing to Improve the Work of the Real Estate Market* (GUO BAN FA (2013) No. 17) ("State Five Rules") to further tighten controls of the real estate market. The new rules have been implemented according to the *State Council Notice of Certain Questions on the Regulation of Further Improving the Work of the Real Estate Market* promulgated on January 26, 2011 to continue to restrict purchases of real estate. These restrictions apply to primary and secondary commercial housing properties located in all administrative areas of designated cities, and stipulate the review of the purchasing eligibility of all potential purchasers prior to the signing of any purchase agreement. In addition, non-resident households, which have one or more residential property and cannot produce payment evidences of local taxes or social insurance contributions within the prescribed period, shall continue to be suspended from the purchase of any other commercial residential properties. Therefore, the scales of commercial bank credit and mortgage approvals are affected in various degrees. Factors such as macroeconomic fluctuations, regulatory changes in the local government financing platform and the implementation of *Capital Management Measures of Commercial Bank (Tentative)* may materially impact the financing environment. Policies and measures may also lead to changes in the real estate market conditions including unstable prices and imbalanced supply and demand of offices, residential area, retails, entertainment and cultural properties which could adversely affect the results of operations and financial condition of Enlarged Group's real estate business.

The real estate business of the Enlarged Group depends on whether the Enlarged Group could acquire land reserves that are suitable for development at reasonable prices

The Enlarged Group's real estate business depends on the Enlarged Group's ability to seek and acquire suitable land reserves at affordable prices. The Enlarged Group needs to acquire land reserves to achieve business growth. Substantial costs may be incurred when the Enlarged Group seeks, evaluates and acquires appropriate new land sites for future developments. Chinese government's land supply policy may affect the cost of land acquisition and the Enlarged Group's ability to purchase land for future properly developments. Chinese government controls the land supply and stipulates that public bidding, auction or listing must be used for any transfer of land-use rights in residential and commercial property development projects. In addition, Chinese government may restrict the land supply for the development of commercial housing in China or the cities in which the Enlarged Group operates or intends to operate its business. If the government policy changes and reduces the supply of land for future projects of the Enlarged Group or the Enlarged Group fails to bid for new land, locate new land at reasonable prices, or acquire sufficient new land for development, the results of operations of Enlarged Group's real estate business may be adversely affected.

There may be significant differences in the results of operations of real estate business of the Enlarged Group in different periods

Results of operations of the Enlarged Group's real estate business may fluctuate according to factors such as the property project development schedule, the popularity of the project among the target customers, sales timing, as well as the fluctuations in the cost of land and construction and other costs. If the Enlarged Group delays or fails to obtain relevant and necessary Chinese government approvals or licenses for the development projects, the project completion time may be delayed, which may adversely affect the results of operations of the Enlarged Group's real estate business.

In addition, when the properties are completed and delivered to the buyer (the Enlarged Group considers that the main risks and returns of ownership have been transferred to the buyer), the Enlarged Group will recognise its income from the sale of property. As the completion and delivery time may be different based on the construction schedule, the income and results of operations in different periods (depending on the completion and delivery time) may significantly differ. In addition, any completion and delivery of properties in development may be adversely affected by various factors, including bad weather conditions, delay in obtaining the permits and approvals from relevant government authorities and other factors that are beyond the Enlarged Group's control. Any such factor may affect the completion and delivery time, cash flows, project revenue recognition and the financial condition of the Enlarged Group's real estate business.

The increase in costs of construction and development may have an adverse effect on the results of operations of the real estate and infrastructure business of the Enlarged Group

The Enlarged Group's ability to profit from real estate projects and infrastructure projects depends on effective control on the construction and development costs. Competitive pricing construction costs in China generally continue to increase due to the increasing cost of building materials and labour costs. To obtain the competitive pricing from the contractors, the Target Group generally conducts project bidding. However, the Target Group will not contract out projects to the sub-contractor of the lowest bid price without considering factors including the required skills and professional knowledge of the contractor, required project design and project schedule requirements.

CITIC Pacific cannot assure you that the Enlarged Group can always obtain the most competitive price from the contractor or that the actual project construction cost is no more than the preliminary estimation. If the cost of labour or materials increases greatly and the Enlarged Group cannot reduce other costs to offset such increase or such increase in costs cannot be transferred to the buyer or tenant of the property, the results of operations, financial condition and profitability of the Enlarged Group's real estate and infrastructure business may be adversely affected.

The real estate and infrastructure business of the Enlarged Group may be exposed to certain risks of the increasing stringent environmental protection policy

The Enlarged Group engages in real estate and infrastructure business, which may have a certain effect on the ecological environment of surrounding areas. Currently China is paying an increasing attention to the impact of the engineering construction projects on the ecological environment. Other countries are also strengthening the protection of ecological environment. Increasing stringent environmental policies may increase the investment expenditure and operation costs of the related project of infrastructure business of the Enlarged Group.

The operations of certain infrastructure businesses of the Enlarged Group are restricted by the operating periods of local relevant industries

The operations of certain infrastructure businesses of the Enlarged Group, such as expressways, are subject to the operating periods of local relevant industries. According to a series of laws and regulations related to administration of toll roads that have promulgated by the Chinese national and local governments, the toll charging period for profit-making expressways is determined in accordance with the principle of investment recovery with reasonable returns, which shall not exceed 25 years. The toll charging period for profit-making expressways in the central and western provinces, autonomous regions and municipalities directly under the national government shall not exceed 30 years. The Chengdu-Chongqing Expressway, Chongqing-Guizhou Expressway and Shanghai-Chongqing Expressway projects run by the Enlarged Group will expire on December 22, 2024, March 16, 2037, and December 23, 2043, respectively. If the Enlarged Group does not build or acquire other profit-making expressways in a timely manner, the ability to sustain its operation in relation to expressways, the results of operations, financial condition, profitability and business prospects of the Enlarged Group's infrastructure business may be adversely affected.

Certain infrastructure businesses of the Enlarged Group are restricted by the industry's toll regulation

The income of certain infrastructure businesses of the Enlarged Group, such as the expressway toll, are governed by the relevant industry toll regulation. According to the China's *Highways Law* and the *Regulations on the*

Administration of Toll Roads, the determination and adjustment of the tolls regulation of all expressways operated by the Enlarged Group in China shall be submitted to the competent provincial traffic department and competent pricing department at the corresponding level for review and approval. If there are substantial changes to factors such as the operating environment, the price level and operating costs of the highway operated by the Enlarged Group, the Enlarged Group can apply for an adjustment to the toll regulation, but CITIC Pacific cannot assure you that such applications may be approved timely or at all. In addition, if the Chinese government issues new expressway toll policies, and the Enlarged Group should conduct its operations in accordance with these new provisions, which may adversely affect the stability of the Enlarged Group's profitability. If the toll regulation of the expressways operated by the Enlarged Group cannot be timely adjusted according to changes in market conditions, the results of operations, financial condition and business prospects of the real estate and infrastructure business of the Enlarged Group may be adversely affected.

c. Risks Relating to Engineering Contracting Business

Failure to accurately estimate overall risk or cost of the engineering contracting business of the Enlarged Group may result in cost overrun, declining profitability or even a loss

Most operating income of the engineering contracting business of the Enlarged Group comes from fixed price engineering contracting contracts and is expected to continue to be derived from the same source in the future. The cost estimation of the Enlarged Group involves a number of assumptions including future economic conditions, labour and material costs and supplies, performance of sub-contractor, equipment utilization rate and construction and technology standards specific to a particular project. However, such assumptions may not be always accurate. In addition, there are uncertainties and risks to the fulfilment of fixed price engineering contracting contracts, such as delay caused by bad weather, technical issues, and failing to obtain the necessary permits and approvals. Even if the increases in labour, materials, and other costs have been considered by the Enlarged Group during the bidding, these factors may still result in significant differences in the actual risk and costs incurred by the Enlarged Group as compared to the original estimation. Several project contracts of the Enlarged Group contain price adjustment provisions that allow the Enlarged Group to claim for additional costs attributed to certain unexpected rise in the costs of raw materials. However, the Enlarged Group usually still has to bear part of the increased costs. The risk of cost overrun for existing or future engineering contracting projects may adversely affect the financial conditions and the result of operations of the Enlarged Group's engineering contracting business.

The engineering contracting customers of the enlarged group pay funds according to project progress and ask for quality assurance deposit. The delay in payment and refund of cash deposits from the engineering contracting customers of the Enlarged Group will affect the operating capital and cash flows of the Enlarged Group

Most engineering contracting contracts of the Enlarged Group require customers to pay installment payments by reference to the project value that is completed at the specified deadlines. If the Enlarged Group fails to obtain favorable advance payment terms and fails to achieve a balance between advance payment deduction and progress payment disbursement, or if customers delay in paying the installment payments, or refunding the quality assurance deposits, the Enlarged Group's working capital may be adversely affected. If customers defer in the payments of projects in which the Enlarged Group has invested substantial resources, the liquidity of the Enlarged Group may be affected and it reduces the capital source that the Enlarged Group can use. The Enlarged Group may bring a claim based on the contract for its loss, but dispute resolution generally requires a significant amount of time, money and other resources, and the results are usually unpredictable. In general, the Enlarged Group makes provisions for bad debts originated from installment payments or refunds of quality assurance deposits mainly based on aging and other factors, including the specific circumstances of a particular customer. CITIC Pacific cannot assure you that customers can perform installment payments and refund the quality assurance deposits on schedule. CITIC Pacific also cannot assure you that the Enlarged Group may be able to effectively manage the bad debts level attributed to such payment failures.

The engineering contracting business of the Enlarged Group may be exposed to certain project implementation risks

Engineering contracting business of the Enlarged Group faces the following project implementation risks: (i) risk of project implementation, delivery and operation; (ii) risk relating to making the land ready for constructions and the quality of land (such as the costs and the time required for acquisition of the land, license requirements and right of the way assurance, the effects of geological conditions, or other conditions of the land and the costs pressure to satisfy environmental protection standards); (iii) risk of exceeding the time limit or budget for the process of design, construction and adjustment, and risks of the design or construction quality not meeting the requirements of the project and because the Enlarged Group usually appoints third party contractors to provide construction service, the construction quality of the construction done by third party contractors is not completely under control; and (iv) risk of service disruption and the risk of potential differences between the cost of operation and maintenance of the assets and the expected demand. The risks above may adversely affect the financial conditions and the result of operations of the Enlarged Group's engineering contracting business.

The engineering contracting business of the Enlarged Group may be exposed to certain design technique risks

Design companies of the Enlarged Group may need to conduct additional work or change the design according to the contract from time to time. Such process may require determination on whether such work is within the original project scope of work listed, or it is additional work for which the customer should pay additionally. Even if the customer agrees to pay for additional work, the Enlarged Group may still need to invest money and bear the costs of such work upfront for an extended period of time before such customer recognizes the change of design and delivers the payment. In addition, any delay caused by additional work may affect the project progress of the Enlarged Group and the ability to finish the specific contract and project timely. Additional costs may also be incurred when design changes are not recognized or when a contract dispute arises. CITIC Pacific cannot assure you that the Enlarged Group can fully recover costs of additional work or change of design related work, or at all, which may lead to commercial disputes, or may adversely affect the financial condition, results of operations and prospects of the Enlarged Group's engineering contracting business. In addition, the additional work on one project may lead to delays of other projects and may adversely affect the Enlarged Group's ability to finish other projects on time.

The engineering contracting business of the Enlarged Group may be exposed to certain risks of overseas business development

The Enlarged Group carries out engineering contracting business in many countries and regions in the world, which are affected by the changes in political, economic and social environments. In particular, the Enlarged Group may suffer from certain adverse effects resulted from increased costs, prolonged construction periods, and contradictions with anticipated targets caused by violation of laws and regulations of the host country or improper handling of the legal issues in the host country. The Enlarged Group may also suffer from certain political risks caused by regulatory or political decisions, the changes of industry regulatory framework, government intervention, nationalization, currency conversion restrict or depreciation, regional conflict, terrorism, changes in the legal system and other factors.

Certain subsidiaries of the Enlarged Group, which engage in engineering contracting business, may conduct valuation on some of their own assets and contracts targets in currencies other than Renminbi. Due to the state currency exchange controls and limited exchange tools, the engineering contracting business of the Enlarged Group may be exposed to exchange rate risk. If the Enlarged Group's assets valuated in currencies other than Renminbi do not correspond with liabilities currency, or its engineering contracting business fails to take appropriate methods, fluctuations of exchange rate may adversely affect the results of operations, financial condition and profitability of the Enlarged Group's engineering contracting business.

The engineering contracting business of the Enlarged Group may be exposed to certain risks of safe operation and natural disasters

The Enlarged Group's engineering contracting business is subject to production safety risks during production and operation. Various disasters and emergencies may bring potential risks to the Enlarged Group's production and operation, including aerial work, dangerous areas work, underground excavation engineering, and the use of heavy equipment and handling of inflammable and explosive materials. Therefore, the Enlarged Group may face the risks relating to these activities including geological disasters, poisonous gas and liquid leakage, equipment failure, industrial accidents, fire, explosion and leakage of groundwater. These risks and disasters have caused casualties, may damage to property or production facilities, pollution and other environmental damage in some cases, any of such serious consequences can affect the business of the Enlarged Group and lead to potential legal liability and damage the reputation and corporate image of the Enlarged Group.

The engineering contracting business of the Enlarged Group may be exposed to certain risks of the increasing strictness of environmental protection policy

The engineering contracting business of the Enlarged Group may have an impact on ecological environment of surrounding areas. Currently, many countries are paying increasing attention to the ecological environment effect from engineering contracting projects and are strengthening the protection of the ecological environment. Increasing strict environmental policy may increase the engineering contracting business of the Enlarged Group's investment expenditure and operating costs of the related projects.

The contract value and backlog of engineering contracting business of the Enlarged Group may not be a reliable indicator to the future results of operations

The contract value and backlog of engineering contracting business of Enlarged Group represent the total estimated contract value of work that remains to be completed pursuant to the terms of outstanding contracts as of a certain date. Any modification, termination suspension of these contracts by clients, especially with regard to any one or more sizeable contracts, may have a substantial and immediate effect on engineering contracting business of Enlarged Group's contract backlog. Projects may also remain in engineering contracting business of Enlarged Group's backlog for an extended period of time beyond what was initially anticipated due to various factors beyond control. Adding new contracts may also have a direct impact on the backlog. Moreover, backlog is not a measure defined by generally accepted accounting principles. Due to various reasons, including some projects commencing and ending within a short period of time, not all revenue will be recorded in the backlog information. Therefore, backlog information only reflects the general volume of future projects under contract and may not be indicative of future operating results. CITIC Pacific cannot assure you that the estimated amount of the backlog of Enlarged Group's engineering contracting business will be realized in a timely manner, or at all, or that even if realized, such amounts will result in profits. As a result, you shall not unduly rely on backlog information of Enlarged Group's engineering contracting business or consider it as are liable indicator of future profits or results of operations.

d. Risk relating to Resources and Energy Business

The resources and energy business of the Enlarged Group is subject to operating risks

The Enlarged Group has significant investments in its resources and energy business and operates various businesses overseas in Kazakhstan, Indonesia, Australia, Gabon, Brazil and other countries and regions. These overseas businesses involve the exploration of oil, iron ore, manganese, aluminium, niobium and other metal and mineral resources. The Enlarged Group has invested and will continue to invest substantial capital and other resources in its resources and energy projects, and must undertake various risks relating to these projects, including operational risks.

The Enlarged Group may continue to encounter various operational difficulties in implementing its resources and energy projects. Since some of the difficulties are beyond the control of the Enlarged Group, there could be resulting delays in the production process or an increase in production costs. These operating risks include deferred of payment from the government, less beneficial tax policies, labour disputes, unexpected technical and maintenance failures, production disruptions caused by adverse weather conditions and natural disasters, interruption in the energy and fuel supply, fire and other unusual and unexpected changes to the mineral, geological or mining conditions. These risks can cause damage and loss to the Enlarged Group's resources and energy business, resulting in an adverse impact on the Enlarged Group's results of operations, financial condition and profitability.

The resources and energy business of the Enlarged Group is subject to the influence of market price fluctuations

As the resources and energy industry is significantly influenced by the economic cycles, changes in supply and demand in the resources and energy market, currency fluctuations, speculation in the international market, the discovery of new resources and the related substitution effect will have a significant impact on the cost, revenue and results of operations in this industry and result in certain operational risks. Factors such as fluctuations in resources and energy prices, changes in supply and demand and currency fluctuations may have an adverse impact on the business and profitability of the Enlarged Group.

The resources and energy business of the Enlarged Group is subject to the risk that actual resource reserves and the production amount may be lower than expected

The resources and energy business of the Enlarged Group is exposed to the risk that the actual resource reserves may be lower than expected. For energy resources such as oil and minerals, the proven reserves, probable reserves and possible reserves are only estimates, and are not equivalent to the actual reserves available. In the mining process, there is the risk that the estimated of reserves may be significantly higher than the actual resources available. The estimated reserves amount and the estimation of potential production rate is a subjective process, which does not have a definitive measure. The Enlarged Group will inevitably encounter various uncertain factors, some of which are beyond the control of the Enlarged Group. The estimation of the life of mine may also be adjusted based on actual production experience, prevailing commodity prices and other factors. As a result, not all of estimated resources and energy supply can be converted into reserves. CITIC Pacific cannot assure you that the Enlarged Group will be able to realize the expected production volume. The actual production amount produced by the Enlarged Group is subject to many factors which are beyond the control of the Enlarged Group. Due to uncertainties surrounding the nature, scope and result of future activities, CITIC Pacific is unable to verify the estimations made by the Enlarged Group and these factors will likely lead to considerable differences between the actual and estimated production volume. The inability to realize its projected production volume may adversely affect the Enlarged Group's future cash flows, results of operations, financial condition and profitability.

The resources and energy business of the Enlarged Group is subject to the risk that the resource quality may be lower than expected

The resources and energy business of the Enlarged Group is exposed to the risk that the resource quality may be lower than expected. The accurate estimation of the resources and energy supply in exploration engineering depends on existing information, exploration efforts, engineering and geological understanding and judgment. Different engineers may have different estimations, and the Enlarged Group may need to revise the preliminary estimations based on the actual results of mining and production amounts in the future.

The resources and energy business of the Enlarged Group is subject to risks relating to overseas business development

The continuing success of the resources and energy business of the Enlarged Group depends on the policies and macro economy of the foreign invested country, whether new resources and energy can be continuously obtained and developed, and acquisition of the relevant mining rights and government approvals. The continuing success of the resources and energy business also depends on whether the Enlarged Group can successfully exploit and develop current mines and land, and expand oil reserves. The Enlarged Group may not be able to maintain its current profitability level in the future. In addition, if the Enlarged Group obtains new resources and energy, it may substantially amend the reserves estimation. The variations in recyclable rate caused by the geological environment and technology advancements may eventually lead to the adjustment of resources and energy reserve estimations. Fluctuation in commodity prices and changes in production costs may also affect the scope and scale of the mining process and the probability of success. These factors may lead to substantial decrease in recyclable reserves in the one or more main resources and energy development regions, the results of operations, financial condition, profitability and prospects of resources and energy business of the Enlarged Group may be adversely affected.

The Enlarged Group's strategy includes exploring and developing new oil reserves; obtaining mining rights for new resources; increasing resources and energy reserves through mergers and acquisitions, making joint venture investments in other oil production and mining regions; and cooperating with other resource operators. However, the Enlarged Group does not have a specific timetable for these plans. CITIC Pacific cannot assure you that the Enlarged Group's exploration and development projects and acquisition activities will lead to a substantial increase in its resources and energy reserves, and there is no assurance that the Enlarged Group will continue to develop its resources and energy business successfully. In addition, developing the resources and energy business requires obtaining approvals from different government authorities. The Enlarged Group cannot guarantee that it will continue to obtain the necessary licenses and authorizations to conduct economically- feasible operations in the various regions it operates in.

The resources and energy business of the Enlarged Group is subject to risks relating to operational safety and natural disasters

The resources and energy business is exposed to health, security and environmental protection risks. In part of its exploration, development and mining business, the Enlarged Group is involved in operating and storing explosives, poisonous substances and other dangerous goods. CITIC Pacific cannot assure you that the Enlarged Group's current on-site safety measures are sufficient to prevent accidents. If any on-site accidents occur, the results of operations, financial condition, profitability of the resources and energy business of the Enlarged Group may be adversely affected.

The resources and energy business of the Enlarged Group is subject to the risk of increasingly stringent environmental protection policies

The Enlarged Group's resources and energy business may impact the ecological environment of the areas it operates in. Many countries are paying increasing attention to the impacts on the ecological environment caused by resources and energy development projects. The strengthening environmental protection measures to reduce such impact and the increasingly stringent environment protection policies of the various regions in which the Enlarged Group's resources and energy business operates may increase the investment expenditures and operation costs associated with its projects.

e. Risks relating to Manufacturing Business

The manufacturing business of the Enlarged Group is subject to the risk of changing market demand

The manufacturing business of the Enlarged Group mainly includes the production and manufacturing of heavy machinery, power electronic equipments, automobile aluminium wheels and automobile aluminium casting. The Enlarged Group's business operations depend on the overall market activity level and growth rate of the upstream and downstream industries in which its customers conduct their businesses. CITIC Heavy Industries, a subsidiary of the Enlarged Group, engages in heavy machinery manufacturing and its customers are from various industries including coal, mining, building materials, metallurgy, power generation, nonferrous metals, power electronic equipments, energy conservation and environmental protection. CITIC Dicastal, a subsidiary of the Enlarged Group, engages in the manufacturing of automobile aluminium wheels and automobile aluminium casting. Its customers are mainly from the automobile industry, which is highly dependent on economic development and growth. Due to the recovering international financial markets and the slowdown in market demand, investors tend to be more cautious when making investment decisions in enterprises. Large fluctuations may occur in the prices of commodities and principal raw materials, the major foreign exchange rates, the money markets and the capital markets. Therefore, the growth rate of the overall economy and the industries in which customers of the manufacturing business operate in may be slower than expected or experience a decline, which may adversely affect the results of operations, financial condition and profitability of the manufacturing business of the Enlarged Group.

The Enlarged Group's manufacturing business depends on whether it can obtain sufficient raw materials supply at acceptable prices and in a timely manner

The successful operation of the manufacturing business depends on it obtaining a sufficient supply of raw materials in a timely manner, and obtaining supplementary materials, energy, water and other commodities from suppliers at acceptable prices and quality. Global fluctuations in the prices of raw materials and spare parts will directly influence the production capacity and profitability, while the import and export businesses, as well as their respective settlement methods, are affected by foreign exchange rates. In addition, the manufacturing business is exposed to market risks including price fluctuations of raw materials and other commodities. The manufacturing business involves the production of heavy machinery and auto parts, which are subject to the supply and demand of upstream and downstream industries in the short term. The manufacturing business' main raw materials include steel and aluminium alloy, which are subject to significant price fluctuations due to their respective production costs, market demand, short-term market speculations and other factors. In addition, an increase in energy prices (including fuel oil, natural gas, electricity and water prices) may also adversely affect the business operations of the Enlarged Group. Power outages, shortages of oil, natural gas and water and other factors may also have an adverse effect on the Enlarged Group's business operations.

In addition, changes in the global economic landscape have encouraged the domestic manufacturing industry to conduct industrial upgrades and structural adjustments, which in turn has affected the competitive landscape and future trends of the industry as a whole. CITIC Pacific cannot assure you that the Enlarged Group will continue to obtain sufficient raw materials in a timely manner or obtain energy and water supply from its existing suppliers at the prevailing or acceptable prices. There is also no guarantee that the Enlarged Group won't be adversely affected by a shortage of raw materials, energy or water supply, or that it will be able to pass the increasing costs of the raw materials, energy or water supply onto its customers. If the Enlarged Group cannot obtain sufficient raw materials, energy or water on commercially acceptable terms in a timely manner, the results of operations, financial condition and profitability of the manufacturing business of the Enlarged Group may be adversely affected.

The research and development activities of the Enlarged Group may not bring the expected benefits to the Enlarged Group

The future performance and reputation of the manufacturing business of the Enlarged Group depends on whether it can continuously develop new products. Research and development activities require a substantial input of labor and capital resources. The Enlarged Group's research and development activities may not be successful or generate the expected economic benefits. Even if such efforts are successful, the Enlarged Group may not be able to apply the newly-developed technology in products that will be accepted in the market, or apply such technology in a timely manner to capture commercial opportunities. In addition, the anticipated market demand during the development phase may not actualize. Alternatively, the market may not accept such new products upon their launch. The level of economic benefits that can be reaped from newly-developed technologies or products may be affected by the following factors:

- The rate at which competitors are able to copy the relevant technology or products, or the rate at which competitors are able to develop newer or cheaper substitute products; and

- If the Enlarged Group cannot predict the trend of technology or products development and promptly develop new model, including new technology or products required by its customers, the Enlarged Group may not be able to produce sufficiently advanced products at competitive prices, which will adversely affect the results of operations, financial condition and profitability of the manufacturing business of the Enlarged Group.

Certain new products, new processes, and new technologies that are currently under development by CITIC Heavy Industries are unprecedented, and there are risks that they may not be successfully developed, which may adversely affect CITIC Heavy Industries' results of operations. CITIC Dicastal engages in automobile aluminium wheels and automobile aluminium castings and must internally develop the various core industry technology upgrades required in its manufacturing process. If the Enlarged Group cannot successfully upgrade its industrial technologies or fails to obtain the prerequisites to achieve standardized production, the Enlarged Group may be unable to compete effectively with its competitors in the industry.

Anti-dumping measures and other non-tariff barriers adopted by countries of destination may affect the export sales of the Enlarged Group

A portion of the automobile aluminium wheels and automobile aluminium castings produced by CITIC Dicastal are exported. During the Track Record Period, CITIC Dicastal's products exported to Australia, Europe and India were partly regulated by anti-dumping measures. CITIC Pacific cannot assure you that the countries and regions to which the Enlarged Group's products are exported will not impose additional anti-dumping measures or other regulatory restrictions on the Enlarged Group. If such countries and regions adopt additional anti-dumping measures or other non-tariff barriers, the results of operations, financial condition and profitability manufacturing business of the Enlarged Group may be adversely affected.

The manufacturing business of the Enlarged Group is subject to risks relating to overseas business development

The Enlarged Group conducts its manufacturing business in multiple countries and regions and the export of machinery and automobile parts manufactured by its subsidiaries has been constantly growing. The manufacturing business is influenced by the national political, economic and social factors in each country the Enlarged Group operates. In particular, the Enlarged Group may be adversely affected by increasing production costs, delays and other factors that are contrary to its business objectives, due to possible violations of the laws and regulations of the host countries or the improper handling of legal issues. The Enlarged Group may also face political risks caused by changes in regulatory or political policies, the industrial regulatory framework, governmental intervention, nationalization, currency conversion restrictions/devaluation, regional conflicts, terrorism and changes to the legal system.

f. Risks Relating to Other Businesses

Risks relating to the telecommunications business of the Enlarged Group

It may be difficult to predict the capacity limits of the Enlarged Group's network and application platforms, and the Enlarged Group may not be able to expand or improve its systems to handle increases in demand. The Enlarged Group's telecommunications business deals with a large number of voice calls, text messages and other data communication mediums simultaneously. In order to successfully manage the increasing volume of voice calls, text messages and other data, the telecommunications business of the Enlarged Group must constantly improve its management system, finance system, information system and monitoring system.

In addition, the Enlarged Group's telecommunications business may encounter damages to its hardware, software, or basic communication equipment, failure of data processing facilities, as well as computer viruses, human intrusions and other causes, all of which threaten its operational stability. If the telecommunications business of the Enlarged Group is unable to expand or update its hardware and software in time to maintain the stable operations of its systems and ensure that it has sufficient capacity to handle the increasing demand, its business growth and performance may be adversely affected.

The telecommunications industry is characterized by rapid technological development, the frequent introduction of new services and constant evolutions in industry-related laws and regulations. Rapid changes in technology could result in intense market competition. If the Enlarged Group is unable to timely update its technologies, its products or services may become obsolete and the market share of the Enlarged Group's telecommunications business may be impacted.

The telecommunications business of the Enlarged Group is subject to the laws and regulations of the jurisdictions in which it operates. CITIC Telecom International's business in Hong Kong is governed by the laws and regulations of the telecommunications industry in Hong Kong and its under the supervision of the Office of the Communications Authority of Hong Kong. CITIC Telecom International has also obtained a business license from the Macau government to compete with other operators that provide mobile services. If the Hong Kong or Macau government refuses to renew CITIC Telecom International's licences after their respective expiration dates, or if the Office of the Communications Authority of Hong Kong or Macau government changes its existing regulations or policies governing telecommunications industry, the telecommunications business of the Enlarged Group may be adversely affected.

Risks relating to general aviation business of the Enlarged Group

The Enlarged Group's general aviation business has experienced a continuous increase in its scale, fleet size and staff size. Together with its relatively dispersed operation bases, the aviation business' aviation safety risk may increase. The general aviation business is influenced by the operational policies, the fiscal and taxation policies, other policies and the general regulatory system of the aviation industry in China. Meanwhile, the Civil Aviation Administration of China requires general aviation companies, airports, and aviation personnel to abide by the same requirements that regulate the public transportation industry. These requirements have increased the operation costs of the general aviation business of the Enlarged Group.

The general aviation business of the Enlarged Group is exposed to the risk of the ineffective development of major investments and new businesses. Based on the market development and its corporate strategy, the Enlarged Group will have to expand by constructing new bases, purchasing new aircrafts, developing training for its employees and developing new businesses. These projects all require the input of substantial capital, time, human resources and other resources, but the market environment and the prevailing laws and regulations may not be able to provide the necessary support for the successful development of the general aviation business of the Enlarged Group. Therefore, the results of operations, financial condition, profitability and business prospects of the general aviation business of the Enlarged Group may be adversely affected by such investment plans.

Risks relating to other businesses of the Enlarged Group

Other businesses of the Enlarged Group include publishing services, comprehensive outsourcing services, tourism services, a football club and other businesses. These businesses are faced with risks including but not limited to, the macroeconomic policies, financing abilities, industry fluctuations and competition for market share and talents. Changes in the management environment and industry fluctuations of the other businesses may adversely affect the results of operations, financial condition, profitability and business prospects of the Enlarged Group.

(C) Risks Relating to China

China's economic, political and social conditions, as well as governmental policies could affect the Enlarged Group's business, financial condition and results of operations

A significant part of the Enlarged Group's businesses, assets and operations are located in China. Accordingly, the Enlarged Group's financial condition, results of operations and business prospects are, to a large extent, subject to the economic, political and legal development in China. China's economy differs from the economies of developed countries in many respects, including the level of government involvement, level of development, growth rate, foreign exchange control and resources allocation.

Changes in China's macroeconomy may subject the results of operations of the Enlarged Group to fluctuation risks. China's economy has started to enter into an adjustment phase. To generate new momentum would require various further reforms in areas such as politics, economy, technology, culture, and society. China's future economic growth on a macro-level may be positioned in a weak growth cycle and fluctuations in the international and domestic economy will affect the operations of China's enterprises. In 2014, the government will conduct a comprehensive reform to expand and open up the economy, implement innovation-driven policies, actively develop a mixed-ownership economy, deepen reforms of state-owned enterprises, promote tax system reforms, accelerate the establishment of a modern market system, construct a new open economy system, expand financial businesses in China and overseas, enable qualified private capital to set up medium and small sized banks and other financial institutions according to the law, consolidate the multi-tiered capital market system, improve the Renminbi exchange rate marketization system and push forward interest rate marketization. The relevant reform policies may be promulgated step-by-step and the relevant businesses of the Enlarged Group may be affected by the changes in policies in varying degrees.

In the recent 20 years, China has been one of the fastest growing economies in terms of GDP growth. However, China may not be able to maintain such growth rate. If China's economic growth rate declines or China's economy enters into a severe economic downturn, the results of operations, financial condition, profitability and business prospects of the Enlarged Group may be adversely affected.

The rules and regulations of Chinese government impose certain restrictions on the Enlarged Group's financial business. A majority of the Renminbi-denominated investment assets of the Enlarged Group are invested in certain limited products that Chinese commercial banks are approved to issue, such as government bonds issued by MOF, financial bonds issued by policy banks in China, bonds issued by PBOC, bonds issued by other Chinese commercial banks, short-term financing bonds issued by qualified Chinese company entities, derivatives and domestic company bonds traded on the interbank market. Such restrictions on the Enlarged Group's ability to create a diverse investment portfolio limit its ability to adopt similar investments made by other countries' banks in order to obtain more returns and manage liquidity. In addition, the Enlarged Group is exposed to risks relating to its heavy focus on Renminbi-denominated investment assets and its lack of hedging tools. The decrease in investment value of the Enlarged Group's financial business will adversely affect the results of operations and financial condition of the Enlarged Group. The Enlarged Group is subject to a credit scale system for its industry loans. Pursuant to national policies, the Enlarged

Group has restricted lending capability in industries that (i) generate substantial pollution, (ii) have high energy consumption or (iii) have excess production capacity. If the Chinese government further tightens the relevant policies, the loan quality of the financial business of the Enlarged Group may be adversely affected. If borrowers of the government's financing vehicles are unable to repay loans, whether due to macroeconomic fluctuations, changes in national policies or other reasons, the loan quality, financial condition and results of operations of the Enlarged Group may be adversely affected. The relevant regulatory relating to the policies trust business may bring about systematic risk to CITIC Trust. The Chinese government has promulgated a series of laws and regulations related to the trust industry. The Chinese financial regulatory system and related policies are undergoing constant improvements. Changes in regulatory policies related to the trust business and other relevant policies can subject the business expansion and product innovation plans of CITIC Trust to certain systematic risks. Meanwhile, as the trust business is governed by various financial regulatory fields, changes in the regulatory policies of different financial regulatory departments may also affect types of trust products offered by trust companies and their profit models and sources of profit, which in turn affect the profitability of the Enlarged Group's financial business.

In light of regional overheating of the real estate market and other reasons, the Chinese government has intensified its efforts to regulate the real estate market and promulgated a series of policies to encourage the stable development of the real estate market. As a result, the credit scale and mortgage approvals of commercial banks may be affected in various degrees. The Enlarged Group's real estate business may be affected by regulatory and industry changes. The Enlarged Group's infrastructure construction business includes expressways, ports and piers, which depend largely on the macroeconomic policies adopted by the Chinese government, especially the Chinese government's investment guides and scale control policies towards infrastructure construction. In recent years, along with the growth in China's comprehensive national strength, the investment in infrastructure has experienced rapid growth, and there have been substantial fixed asset investments and technological advancements in industries such as building materials, mining and electricity, which has promoted the development of the burgeoning heavy machinery industry. Nevertheless, the Chinese government's spending on infrastructure construction and other construction projects may be easily affected by fluctuations in the Chinese economy and policy changes. If the Chinese government adjusts its macroeconomic policies and shifts its preferential policies towards these industries, there may be changes to the operating environment of the aforementioned industries, causing a decrease in the fixed assets investment amount or adjustments to the technological advancement projects, which can adversely affect the market prospects for the Enlarged Group's products and services.

There are uncertainties regarding the interpretation and enforcement of the PRC laws and regulations which could adversely affect the Enlarged Group

The majority of the Enlarged Group's operations are conducted in the PRC and are therefore subject to PRC laws and regulations. Since the opening up of the China's economy, many new laws and regulations governing general economic matters have been promulgated in the PRC. The PRC legal system is based on written statutes and their interpretations by the courts. While prior court decisions may be cited for reference purposes, they have limited weight as precedents. There are uncertainties regarding the interpretation and enforcement of the PRC laws and regulations which could adversely affect the Enlarged Group.

Government controls over foreign currency conversion may adversely affect the Enlarged Group and its ability to meet foreign exchange requirements

The exchange rates of the Renminbi against the Hong Kong dollar, the US dollars and other foreign currencies may fluctuate and are affected by, among other things, the policies of the Chinese government and changes in the PRC's and global political and economic conditions. There is significant international pressure on the Chinese government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a further and more significant appreciation of the Renminbi against the Hong Kong dollar, the US dollars and other foreign currencies. As the Enlarged Group needs to convert future financing into Renminbi for its operations, the continuous appreciation of the Renminbi will reduce the amount of Renminbi that the Enlarged Group would receive from the conversion.

On the other hand, as dividends on the Shares, if any, and interest payments on certain debts of the Enlarged Group are paid in currencies other than Renminbi, any devaluation of the Renminbi against the relevant foreign currencies will adversely affect the Enlarged Group's results of operations and financial condition, which may reduce the amount of any cash dividends on the Shares. In addition, the conversion of Renminbi into Hong Kong dollars and other foreign currencies is subject to a number of foreign exchange control rules, regulations and notices issued by the Chinese government. The Enlarged Group is also exposed to the foreign exchange risk of paying dividends in a currency other than Renminbi to the Shareholders. Under the current foreign exchange control system, CITIC Pacific cannot assure you that CITIC Pacific will be able to obtain sufficient currencies other than the Renminbi to pay dividends or satisfy other foreign exchange requirements in the future.

Any future occurrence of natural disasters or outbreaks of contagious diseases in China may have an adverse effect on the business operations, financial condition and results of operations of the Enlarged Group

Any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases, which may include avian influenza, severe acute respiratory syndrome, and swine influenza from H1N1 or other strains, may adversely affect the Enlarged Group's business and results of operations. In 2009, there were reports on the occurrences of H1N1 influenza in certain regions of the world, including the PRC and Hong Kong where the Enlarged Group's principal businesses are located. The outbreak of an epidemic or contagious disease can result in a widespread health crisis and restrict the level of business activities in the affected areas, which may in turn adversely affect the Enlarged Group's business. Moreover, China has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in China may adversely affect the national economy and in turn the Enlarged Group's business. CITIC Pacific cannot assure you that any future occurrence of natural disasters or outbreaks of avian influenza, severe acute respiratory syndrome, swine influenza or other contagious diseases, or the measures taken by the government of China or other countries in response to such contagious diseases, would not seriously disrupt the operations of the Enlarged Group. In the event of such disruption, the Enlarged Group's results of operations, financial conditions and profitability may be adversely affected.

(D) Risks Relating to this Circular

Certain statistics, industry data and other information relating to the general economy, the industries in which the Target Group's financial services business, real estate and infrastructure business, engineering contracting business, resources and energy business, manufacturing business and other businesses operates in China contained in this circular were derived from various publications by official governmental authorities and industry associations and other entities. The information, data and statistics contained in these publications is provided through channels such as governmental authorities and industry associations. As such, CITIC Pacific or its Directors, agents and advisers cannot assure you or make any representation as to the accuracy or completeness of such information, data and statistics.

None of CITIC Pacific, the Financial Advisers or any of their respective associates, directors, employees, agents or advisers has prepared or independently verified the accuracy or completeness of such information, data and statistics directly or indirectly derived from sources and channels such as official governmental authorities and industry associations. Due to the possibility of flawed collection methods, discrepancies in published information, different market practices or other problems, the statistics, industry data and other information relating to the general economy and the industries in which the Target Group operates derived from sources from channels such as official governmental authorities and industry associations may be inaccurate or may not be comparable to statistics produced from other sources, and thus should not be unduly relied upon. Shareholders should give careful consideration as to how much weight or importance to attach or place on such statistics, industry data and other information relating to the general economy and the industries.

WAIVER IN RELATION TO PUBLIC FLOAT

Taking into account the Consideration Shares that CITIC Pacific will issue to its controlling shareholder as part of the Transfer Consideration, the total public float percentage of the Shares after the Completion may be lower than the minimum public float requirements under Rule 8.08(1) of the Listing Rules. CITIC Pacific has applied for, and the Stock Exchange has granted, pursuant to Rule 8.08(1)(d), a waiver to allow CITIC Pacific to have a public float percentage of less than 25% after the Completion, provided that the minimum public float should be at the higher of:

(i) 15% of the total issued share capital of CITIC Pacific with a market capitalization of not less than HK$10 billion; or

(ii) such a percentage of the Shares held by the public immediately after the Completion.

A. HISTORY OF CITIC GROUP AND THE TARGET GROUP

In December 2011, CITIC Group, formerly known as China International Trust and Investment Corporation, under the State Council's approval, transformed into a state-owned enterprise through a comprehensive restructuring, and changed its name to CITIC Group Corporation. Meanwhile, CITIC Group jointly established CITIC Limited with its wholly-owned subsidiary CITIC Enterprise Management by contributing most of its net operating assets as capital contributions. CITIC Group conducts its business mainly through CITIC Limited Group.

As a pioneer and pathfinder of China's reform, opening up and development policies, CITIC Group was established under the leadership of former vice president of China, Mr. Rong Yiren, with the support and advocacy of Mr. Deng Xiaoping, the architect of China's reform and opening up to the outside world. After more than 30 years of development, CITIC Group has become a large multinational conglomerate with a balanced development of both financial and industrial businesses.

CITIC Group has undergone the following development stages since its establishment.

1979–1992 An Important Window of China's Opening Up to the Outside World

Founded in the early stage of China's reform and opening up, CITIC Group played an important role as a window of China's opening up to the outside world. CITIC Group conducts businesses in competitive industries and sectors by introducing and utilizing foreign investments, introducing advanced technology, equipment and management experience, and developing through innovations. CITIC Group was the first Chinese enterprise to issue offshore bonds, invest overseas, and set up commercial banks and financial leasing companies outside China.

To meet the demands of its rapid business development, CITIC Group carried out structural reform, separated principal business units, and successively established a number of specialized subsidiaries, regional subsidiaries and overseas subsidiaries. Through these changes, CITIC Group gradually developed into a conglomerate with businesses covering production, technology, finance, trade and services.

1993–2005 Formed a Large Conglomerate with Prominent Principal Businesses Segments

CITIC Group, designated by the Chinese government as a pilot enterprise to test out a modern corporate system, conducted a full scale implementation of the operational planning and management model, established a sound management system, strengthened management over major projects, and further delineated its development direction and business scope. CITIC Group actively conducted its financial services business with a complete range of financial licenses. For investment in industrial businesses, CITIC Group has selectively chosen to engage in businesses with bright market prospects such as resources, information, general aviation and other businesses. In 2002, CITIC Group underwent a major reform in its management system and became a state-authorized investment organization in China.

2006–Present Forging a World-Class Conglomerate with Clear Overall Strength

CITIC Group has established a strategic goal of becoming a "world-class large-scale conglomerate with recognized overall strength, leading position in a number of areas, and with core competitiveness". CITIC Group captured the opportunities of China's steady and rapid economic growth and implemented its "Go Global" strategy. CITIC Group has built strong financial services business and has consolidated its development in other businesses segments for a harmonious development. CITIC Group has clear overall strength in its financial services business, and cultivated some leading companies in other businesses segments such as manufacturing and engineering contracting while actively expanding into emerging industries such as environmental protection. At the same time, CITIC Group has enhanced risk management and business synergies, made further efforts to integrate resources and pursue new business models, and has maintained stable growth in both operating income and profit so as to enjoy stronger competitiveness and a sustainable development.

B. RESTRUCTURING OF THE TARGET GROUP

Pursuant to the restructuring agreement entered into between CITIC Limited and CITIC Group on January 16, 2012, for the purpose of establishing CITIC Limited upon the completion of restructuring, CITIC Group contributed its operating assets (including the rights and equity interests of the related subsidiaries) in financial services, real estate and infrastructure, engineering contracting, resources and energy, manufacturing, and other businesses, and related liabilities as capital contribution to CITIC Limited. CITIC Limited issued 128,000,000,000 shares to CITIC Group and its wholly-owned subsidiary CITIC Enterprise Management. The amount of consideration shares issued by CITIC Limited was determined by reference to the net asset value of the assets contributed as of December 31, 2010 as appraised by an independent appraiser incorporated in China with approval from the relevant governing authorities in China.

Approved by the State Council, CITIC Limited was incorporated as a joint stock limited company on December 27, 2011 according to the Company Law. As of the Latest Practicable Date, CITIC Group and its wholly-owned subsidiary CITIC Enterprise Management jointly held 100% of the equity interests in the total issued capital of CITIC Limited.

As advised by Jia Yuan Law Offices, the restructuring of CITIC Group was in compliance with applicable laws and regulations of the PRC and had obtained all necessary approvals including the approvals from the relevant Chinese authorities.

In March 2014, CITIC Limited distributed a dividend of RMB16,983,000,000 and RMB17,000,000 to CITIC Group and CITIC Enterprise Management respectively, CITIC Group and CITIC Enterprise Management then made cash contributions in accordance with the proportion of their shareholdings in CITIC Limited to CITIC Limited in an aggregate amount of RMB17 billion, among which RMB11 billion was registered capital and RMB6 billion was capital reserve. Upon completion of the capital contribution, the registered capital of CITIC Limited increased to RMB139 billion.

As of the Latest Practicable Date, 12 overseas wholly-owned subsidiaries of CITIC Limited had transferred all their shareholdings in CITIC Pacific to an overseas wholly-owned subsidiary of CITIC Group.

C. DISPOSALS PRIOR TO THE COMPLETION

As of the Latest Practicable Date, CITIC Limited Group had transferred its equity interests of the following companies (the "Transferee Companies") to CITIC Group:

- CITIC Limited Group transferred an 82.82% equity interest in CITIC Jinzhou Metal Co., Ltd. and a 76.37% equity interest in Jinzhou Titanium Industry Co., Ltd. to a wholly-owned subsidiary of CITIC Group.

- CITIC Limited Group transferred a 67.68% equity interest in Macau Cement Manufacturing Co., Ltd. (MCM) to a wholly-owned subsidiary of CITIC Group.

- CITIC Limited Group transferred 100% of the equity interest of CITIC Platinum Scientific Development Co., Ltd. (Beijing) to a wholly-owned subsidiary of CITIC Group.

- CITIC Limited Group transferred 100% of the equity interest of CITIC Land to CITIC Group.

The revenue, profit and assets of the Transferee Companies accounted for a small proportion of that of CITIC Limited Group during the Track Record Period.

D. MAJOR SUBSIDIARIES AND INVESTEE COMPANIES OF THE TARGET COMPANY

The Target Group is a large multi-industry conglomerate involved in financial services and other businesses segments. Its business scope includes financial services such as banking, securities, trust and insurance, and non-financial businesses such as real estate and infrastructure, engineering contracting, resources and energy, manufacturing, and other businesses. The details of major subsidiaries and investee companies of CITIC Limited are set below.

(A) Financial Services

China CITIC Bank Corporation Limited

CITIC Bank (SSE stock code: 601998; Stock Exchange stock code: 0998), formerly known as CITIC Industrial Bank (中信實業銀行), was incorporated in 1987. As of December 31, 2013, the registered capital of CITIC Bank was RMB46.787 billion and the Target Company held 66.95% of its equity interest. CITIC Bank's principal businesses include corporate finance, retail finance, financial markets and other businesses.

CITIC Securities Co., Ltd.

CITIC Securities (SSE stock code: 600030; Stock Exchange stock code: 6030) was incorporated in 1995. As of December 31, 2013, the registered capital of CITIC Securities was RMB11.017 billion and the Target Company held 20.30% of its equity interest. CITIC Securities' principal businesses include investment banking, securities trading and brokerage, assets management, investment business and other businesses.

CITIC Trust Co., Ltd.

CITIC Trust, formerly known as CITIC Xingye Trust Investment Co., Ltd. (中信興業信託投資公司), was incorporated in 1988, and adopted its current name in 2007. As of December 31, 2013, the registered capital of CITIC Trust was RMB1.2 billion, and the Target Company held 100% of its equity interest directly and indirectly. CITIC Trust's principal businesses include trust, financing, investment, consulting and other businesses.

CITIC Prudential Life Insurance Co., Ltd.

CITIC Prudential was incorporated in 2000. As of December 31, 2013, the registered capital of CITIC Prudential was RMB2.36 billion, and the Target Company and Prudential Plc each held 50% of its equity interest. CITIC Prudential's principal businesses include life insurance, health insurance and accident insurance, reinsurance of such insurances and other businesses.

CITIC Kingview Capital Management Co., Ltd.

CITIC Kingview Capital was incorporated in 2007. As of December 31, 2013, the registered capital of CITIC Kingview Capital was RMB50 million and the Target Company held 73.02% of its equity interest directly and indirectly. CITIC Kingview Capital's principal businesses include investment management, investment consulting, finance consulting and other businesses.

CITIC Finance Company Limited

CITIC Finance was incorporated in 2012. As of December 31, 2013, the registered capital of CITIC Finance was RMB1 billion, and the Target Company held 100% of its equity interest directly and indirectly. CITIC Finance's principal businesses include accepting deposits, providing loans and loan agency services, internal transfer and settlement and corresponding planning, finance services and financing consulting for member companies and other businesses.

CITIC Holdings Limited

CITIC Holdings, a wholly-owned subsidiary of the Target Company, was incorporated in 2002. As of December 31, 2013, the registered capital of CITIC Holdings was RMB50 million. CITIC Holdings' principal businesses include financial investment; design, planning, consulting and related training services for financial products; design, development, management, maintenance, consulting services, technical services about computer network system in the financial industry; consulting on investment and assets management, trustee asset management and other businesses.

(B) Real Estate and Infrastructure

CITIC Real Estate Co., Ltd.

CITIC Real Estate, formerly known as CITIC Real Estate Corporation (中信房地產公司), was incorporated in 1986 and adopted its current name after restructuring in 2007. As of December 31, 2013, the registered capital of CITIC Real Estate was RMB6.79 billion and the Target Company held 88.37% of its equity interest. CITIC Real Estate's principal businesses include real estate development and operation, leasing, property management and other businesses.

CITIC Heye Investment (Beijing) Co., Ltd.

CITIC Heye, a wholly-owned subsidiary of the Target Company, was incorporated in 2011. As of December 31, 2013, the registered capital of CITIC Heye was RMB100 million. CITIC Heye's principal businesses include project investment, property management, general contracting and other businesses.

CITIC Industrial Investment Group Co., Ltd.

CITIC Industrial Investment, a wholly-owned subsidiary of the Target Company and formerly known as CITIC Shanghai (Group) Co., Ltd. (中信上海(集團)有限公司), was incorporated in 1997, and adopted its current name in 2012. As of December 31, 2013, the registered capital of CITIC Industrial Investment was RMB1.6 billion. CITIC Industrial Investment's principal businesses include industrial investment and other businesses.

(C) Engineering Contracting

CITIC Construction Co., Ltd.

CITIC Construction, a wholly-owned subsidiary of the Target Company, was incorporated in 2002. As of December 31, 2013, the registered capital of CITIC Construction was RMB300 million. CITIC Construction's principal businesses include overseas project contracting, international tendering for domestic projects and engineering survey, design, consulting, project management, primary contracting of project construction and import and export businesses.

CITIC Engineering Design and Construction Co., Ltd.

CITIC Engineering Design, a wholly-owned subsidiary of the Target Company, was incorporated in 2013. As of December 31, 2013. the registered capital of CITIC Engineering Design was RMB1 billion. CITIC Engineering Design's principal businesses include urban and rural planning; survey, consulting, design and supervision; project general contracting, project management and other businesses. The major subsidiaries of CITIC Engineering Design are CITIC Design and CSMDI.

CITIC General Institute of Architectural Design and Research Co., Ltd.

CITIC Design, formerly known as Wuhan Architectural Design (武漢市建築設計院), was incorporated in 1990 and adopted its current name after completing a restructuring in 2011. As of December 31, 2013, the registered capital of CITIC Design was RMB250 million and the Target Company held 100% of its equity interest indirectly. CITIC Design's principal businesses include infrastructure design, urban planning, engineering consulting, design, supervision, general contracting, project management and other businesses.

Central and Southern China Municipal Engineering Design and Research Institute Co., Ltd.

CSMDI, formerly known as China Municipal Engineering Design and Research General Institute (中國市政工程中南設計研究總院) which was directly affiliated with the former Ministry of Construction, was incorporated in 1991 and adopted its current name in 2011 after the restructuring. As of December 31, 2013, the registered capital of CSMDI was RMB61.60 million and the Target Company held 100% of its equity interest indirectly. CSMDI's principal businesses include municipal infrastructure, urban planning, municipal engineering planning, engineering survey, project supervision, general contracting, project management and other businesses.

(D) Resources and Energy

CITIC Resources Holdings Limited

CITIC Resources Holdings Limited (Stock Exchange stock code: 1205), formerly known as Southern-eastern Wood Group Co., Ltd. (東南亞木業集團有限公司, a company listed on the Stock Exchange), was incorporated in 1997, and adopted the current name in 2002. As of December 31, 2013, the Target Company held 59.41% of its equity interest indirectly. CITIC Resources principally engages in the exploration, mining and producing of crude oil and coal, the import and export business, bauxite mining, aluminium smelting, and investments of electrolytic aluminium and manganese.

CITIC United Asia Investments Ltd.

CITIC United Asia, formerly known as United Asia Investments Ltd. (裕聯投資有限公司), was incorporated in 1991 and adopted its current name upon restructuring in 2004. As of December 31, 2013, the Target Company held 100% of CITIC United Asia's equity interest indirectly. CITIC United Asia's principal businesses include import and export of platinum and other businesses.

CITIC Metal Co., Ltd.

CITIC Metal, a wholly-owned subsidiary of the Target Company, was incorporated in 1988. As of December 31, 2013, the registered capital of CITIC Metal was RMB1.78 billion. CITIC Metal's principal businesses include resources trade and strategic resources investment in niobium products, iron ore, steel, nonferrous metals and coal and other businesses.

CITIC Dameng Holdings Ltd.

CITIC Dameng (Stock Exchange stock code: 1091) was incorporated in 2005. As of December 31, 2013, CITIC Resources held 38.98% of its equity interest while CITIC United Asia held 10.28% of its equity interest. CITIC Dameng's principal businesses include manganese mining, electrolytic manganese and manganese products processing, non-manganese alloy processing and other businesses.

CITIC Kazakhstan Limited Liability Partnership

CITIC Kazakhstan, a wholly-owned subsidiary of the Target Company, was incorporated in 2009. CITIC Kazakhstan's principal businesses include asphalt production, industrial investment and other businesses.

(E) Manufacturing

CITIC Heavy Industries Co., Ltd.

CITIC Heavy Industries (SSE stock code: 601608) was incorporated in 2008. As of December 31, 2013, the registered capital of CITIC Heavy Industries was RMB2.74 billion and the Target Company held 71.04% of its equity interest directly and indirectly. CITIC Heavy Industries' principal businesses include the supply of large equipment and large sets of technical equipment, the development, research and sales of large castings and forgings and the provision of other complementary services and overall solutions for industries including coal, mining, metallurgy building materials, power electronic, energy conservation and environmental protection and other businesses.

CITIC Investment Holdings Ltd.

CITIC Investment Holdings, a wholly-owned subsidiary of the Target Company, was incorporated in 2006. As of December 31, 2013, the registered capital of CITIC Investment Holdings was RMB928 million. CITIC Investment Holdings conducts its business mainly through CITIC Dicastal.

CITIC Dicastal Co., Ltd.

CITIC Dicastal was incorporated in 1988. As of December 31, 2013, the registered capital of CITIC Dicastal was RMB781.53 million and the Target Company held 100% of CITIC Dicastal's equity interest indirectly. CITIC Dicastal's principal businesses include manufacturing of automobile aluminium wheel, automobile aluminium castings, model manufacturing, casting machinery manufacturing, manufacturing of specialized equipment for auto parts and other businesses.

(F) Other Businesses

CITIC Telecom International Holdings Limited

CITIC Telecom International (Stock Exchange stock code: 01883), formerly known as CITIC 1616 Holdings Limited (中信1616集團有限公司), was incorporated in 1997. As of December 31, 2013, the Target Company held 18.39% of its equity interest indirectly and CITIC Pacific indirectly held 41.42% of its equity interest. CITIC Telecom International's principal businesses include voice services, SMS, value-added mobile services, data services and other businesses.

Asia Satellite Telecommunications Holdings Limited

AsiaSat (Stock Exchange stock code: 1135) was incorporated in 1988. As of December 31, 2013, the Target Company held 37.59% of its equity interest indirectly. AsiaSat's principal businesses include satellite services for the broadcasting and telecommunications market, satellite operations, leasing satellite transponders and other businesses.

CITIC Zhonghaizhi Corporation

CITIC Zhonghaizhi, formerly known as China Offshore Helicopter Corporation (中國海洋直升機專業公司), was incorporated in 1983 and adopted its current name in 2011 after the restructuring. As of December 31, 2013, the registered capital of CITIC Zhonghaizhi was RMB1 billion and the Target Company held 51.03% of its equity interest. CITIC Zhonghaizhi's principal businesses include airport facility and ground service, industrial investment, management and services, property leasing and other businesses.

CITIC Offshore Helicopter Co., Ltd.

COHC (SZSE Stock Code: 000099) was incorporated in 1999. As of December 31, 2013, the registered capital of COHC was RMB513.6 million and CITIC Zhonghaizhi held 42.18% of the equity interest of COHC indirectly. COHC's principal businesses include offshore oilfield service, general aviation services and helicopter hosting services and other businesses.

CITIC Press Co., Ltd.

CITIC Press was incorporated in 1993. As of December 31, 2013, the registered capital of CITIC Press was RMB100 million and the Target Company held 100% of the equity interest of CITIC Press directly and indirectly. CITIC Press's principal businesses include publication of books on financial trading and production technology which are related to the businesses of the Target Company, and books on international economic development and international markets forecasts based on the development trends of the global market and other businesses.

CITIC Tianjin Investment Holding Co., Ltd.

CITIC Tianjin, a wholly-owned subsidiary of the Target Company, was incorporated in 2007. As of December 31, 2013, the registered capital of CITIC Tianjin was RMB343.22 million. CITIC Tianjin's principal businesses include investing and setting up Sino joint ventures and cooperative enterprises, comprehensive outsourcing services, management and investment in industrial parks providing supplementary amenities and other businesses.

CITIC Tourism Group Co., Ltd.

CITIC Tourism, a wholly-owned subsidiary of the Target Company, was incorporated in 1987. As of December 31, 2013, the registered capital of CITIC Tourism was RMB129 million. CITIC Tourism's principal businesses include inbound tourism, domestic tourism, outbound tourism, mainland China residents' tourism in Taiwan, tourism hotel and tourism resources development, consulting on tourism-related business, development, organized production and sale of tourism related commodities and other businesses.

Beijing Guoan Football Club Co., Ltd.

Guoan Club, a wholly-owned subsidiary of the Target Company, was incorporated in 1993. As of December 31, 2013, the registered capital of Guoan Club was RMB75 million. Guoan Club's principal businesses include organization of football matches, football player transfers, organization of cultural and sports activities and other businesses.

CITIC Automobile Co., Ltd.

CITIC Automobile, a wholly-owned subsidiary of the Target Company, was incorporated in 1993 and adopted its current name in 2011. As of December 31, 2013, the registered capital of CITIC Automobile was RMB600 million. CITIC Automobile's principal businesses include investment, supply chain, logistics, bidding, taxi and car leasing business, production, import and export of auto parts and other businesses.

CITIC Capital Mansion Co., Ltd.

CITIC Capital Mansion, a wholly-owned subsidiary of the Target Company, was incorporated in 1990. As of December 31, 2013, the registered capital of CITIC Capital Mansion was RMB800 million. CITIC Capital Mansion's principal businesses include property management and operation and other businesses.

CITIC Building Property Management Co., Ltd.

CITIC Building, a wholly-owned subsidiary of the Target Company, was incorporated in 1985. As of December 31, 2013, the registered capital was RMB27.4 million. CITIC Building's principal businesses include property leasing and management and other businesses.

CITIC International Economic Consultants Co., Ltd.

CITIC International Economic Consultants, a wholly-owned subsidiary of the Target Company, was incorporated in 1982. As of December 31, 2013, the registered capital of CITIC International Economic Consultants was RMB59 million. CITIC International Economic Consultants' principal businesses include custody services, providing consultancy services on project investment, feasibility, operation and management, accounting, law, finance, and real estate and other businesses.

E. SHAREHOLDING STRUCTURE OF THE TARGET GROUP

For detailed information on the shareholding structure of the Target Group before and after the Acquisition, please refer to "Letter from the Board – Acquisition – Information on the Target Group – Shareholding Structure of the Target Group" section of this circular.

A. OVERVIEW

CITIC Group was founded in 1979. After more than 30 years of rapid development, CITIC Group has become the largest international conglomerate in China. In *Fortune* magazine's lists of "Top 500 Global Companies" for 2011, 2012 and 2013, CITIC Group ranked 221st, 194th and 172nd, respectively, and ranked 21st, 20th and 20th among all Chinese enterprises included in the lists for 2011, 2012 and 2013, respectively. CITIC Group conducts its business mainly through CITIC Limited Group, whose businesses extend globally covering financial services, real estate and infrastructure, engineering contracting, resources and energy, manufacturing and other business segments. The assets, revenue and net profit of CITIC Limited Group accounted for a large proportion of the total assets, total revenue and net profit of CITIC Group during the Track Record Period.

The following table sets out the principal operational entities of each business segment of CITIC Limited Group:

Business Segments	Financial Services	Real Estate and Infrastructure	Engineering Contracting	Resources and Energy	Manufacturing	Others
Principal operational entities	CITIC Bank	CITIC Real Estate	CITIC Construction	CITIC Resources	CITIC Heavy Industries	CITIC Telecom International
	CITIC Securities *(Note 1)*	CITIC Heye	CITIC Engineering Design	CITIC United Asia	CITIC Dicastal	AsiaSat *(Note 3)*
	CITIC Trust	CITIC Industrial Investment		CITIC Metal		COHC
	CITIC Prudential *(Note 2)*					CITIC Press
	CITIC Kingview Capital					CITIC Tianjin
	CITIC Finance					CITIC Tourism
						Guoan Club

Notes:

1. As of the Latest Practicable Date, CITIC Limited held a 20.30% equity interest in CITIC Securities and was the largest shareholder of CITIC Securities.

2. As of the Latest Practicable Date, CITIC Limited held a 50% equity interest in CITIC Prudential.

3. As of the Latest Practicable Date, Bowenvale Limited held a 74.43% equity interest in AsiaSat, and CITIC Limited held a 50.50% equity interest in Bowenvale Limited.

As of December 31, 2011, 2012 and 2013, the total assets of CITIC Limited Group were RMB3,014,697 million, RMB3,270,994 million and RMB3,965,703 million, respectively, and the equity attributable to the equity shareholders of CITIC Limited was RMB162,338 million, RMB192,800 million and RMB225,051 million, respectively. For the year ended December 31, 2011, 2012 and 2013, the total revenue of CITIC Limited Group was RMB198,763 million, RMB222,590 million and RMB251,789 million, respectively; and the profit before tax was RMB60,822 million, RMB55,001 million and RMB66,177 million, respectively.

The following table sets out revenue of each business segment of CITIC Limited Group for the periods indicated:

Business Segments	**For the year ended December 31,**					
	2011		**2012**		**2013**	
	Revenue	**% of total**	**Revenue**	**% of total**	**Revenue**	**% of total**
	(in millions of RMB, except percentages)					
Financial Services	80,424	40.5	93,033	41.8	108,328	43.0
Real Estate and Infrastructure	16,635	8.4	12,926	5.8	27,202	10.8
Engineering Contracting	17,626	8.9	16,674	7.5	18,385	7.3
Resources and Energy	60,710	30.5	69,772	31.3	67,971	27.0
Manufacturing	16,385	8.2	19,757	8.9	19,121	7.6
Others *(Note)*	9,229	4.6	12,395	5.6	12,784	5.1
Unallocated	2,761	1.4	3,418	1.5	3,733	1.5
Elimination	(5,007)	(2.5)	(5,385)	(2.4)	(5,735)	(2.3)
Total	**198,763**	**100.0**	**222,590**	**100.0**	**251,789**	**100.0**

Note: Others include various businesses including aviation services, publishing services and others.

The following table sets out the profit before tax of each business segment of CITIC Limited Group for the periods indicated:

Business Segments	For the year ended December 31, 2011 Profit before tax	% of total	2012 Profit before tax	% of total	2013 Profit before tax	% of total
	(in millions of RMB, except percentages)					
Financial Services	49,140	80.8	46,259	84.1	57,805	87.3
Real Estate and Infrastructure	3,872	6.4	4,402	8.0	4,390	6.6
Engineering Contracting	1,367	2.2	2,654	4.8	2,481	3.8
Resources and Energy	5,321	8.7	(363)	(0.7)	(128)	(0.2)
Manufacturing	1,356	2.2	1,313	2.4	1,001	1.5
Others *(Note)*	608	1.0	670	1.2	899	1.4
Unallocated	(315)	(0.5)	433	0.8	(337)	(0.5)
Elimination	(527)	(0.8)	(367)	(0.6)	66	0.1
Total	**60,822**	**100.0**	**55,001**	**100.0**	**66,177**	**100.0**

Note: Others include various businesses including aviation services, publishing services and others.

B. COMPETITIVE STRENGTHS OF THE TARGET GROUP

The Target Group is a multi-industry conglomerate, managed by a team with a pervasive spirit for entrepreneurialism, innovation and creativity. It has diverse businesses aligned to the transitioning Chinese economy including traditional industries as well as emerging industries. The Target Group has the following competitive strengths:

The Target Group is the largest multi-industry conglomerate in China with leading positions across multiple industries. With its well-structured business profile and deep understanding and knowledge across the multiple industries, the Target Group is well-equipped to capture the opportunities arising from China's rapid economic development.

The Target Group is the largest multi-industry conglomerate in China. As of December 31, 2013, the total assets of the Target Group were RMB3,965,703 million and the equity attributable to the equity shareholders of the Target Company was RMB225,051 million. In 2013, the total revenue of the Target Group was RMB251,789 million.

The Target Group has a well-structured business profile across the pillar industries and emerging industries in China. The Target Group's main businesses include financial services, real estate and infrastructure, engineering contracting, resources and energy, manufacturing and other businesses. Among its main businesses, the Target Group has been engaged in emerging industries including emerging financial services, information industry and modern services.

The Target Group has secured leading positions in many of its main business segments:

- *Financial services:* The Target Group has established a comprehensive financial service platform which enables it to leverage on its resources in sectors including banking, securities, trust and insurance. According to the world rankings of the 1,000 banks published by the British magazine *The Banker* in 2013, CITIC Bank ranked 47th in terms of tier-one capital and 57th in terms of total assets. CITIC Securities is the largest securities company in China and maintains leading market positions in investment banking, brokerage, asset management as well as margin financing and securities lending businesses. According to *Wind*, in 2013, CITIC Securities ranked first in the industry in terms of the aggregate equity and debt securities underwriting value. According to statistical data from the China Trustee Association and the published information of major trust companies in China, CITIC Trust maintained a leading position in terms of trust AUM, revenue and net profit from 2011 to 2013. According to CIRC, CITIC Prudential ranked sixth among foreign-invested life insurance companies in China in terms of gross premium income in 2013.

- *Real estate and infrastructure:* CITIC Real Estate is a leading real estate enterprise in China. According to China Real Estate Information Corporation (CRIC) in 2013, CITIC Real Estate ranked 14th by sales value and 17th by sales area among Chinese real estate enterprises.

- *Engineering contracting:* CITIC Construction has developed into an international comprehensive engineering service provider, adhering to its motto "Win engineering contractorship through investment, financing and providing services to the client in the early stages of a project and boost the overall growth of businesses in relevant sectors". According to "The Top 250 International Contractors" list released by American publication *Engineering News-Record* (ENR), CITIC Construction ranked 43rd in 2013, and ranked sixth among Chinese enterprises on the list.

- *Resources and energy:* The platinum trading business of China Platinum, a subsidiary of CITIC United Asia, ranked first in China in 2013 in terms of sales volume according to the import statistics from the General Administration of Customs of the PRC. CITIC Metal held the largest market share in the ferroniobium trade business in China in 2013 in terms of sales volume according to the import statistics from the General Administration of Customs of the PRC.

- *Manufacturing:* CITIC Heavy Industries is one of China's leading integrated, environmental-friendly and international hi-tech manufacturers of mining and construction machinery equipment, and a leader of the environmental protection equipment manufacturing technology in China. CITIC Dicastal is one of the world's largest automobile aluminium wheel manufacturer and also one of the largest automobile aluminium chassis parts suppliers by sales volume.

- *Others:* in the telecommunications sector, CITIC Telecom International is the core supplier of Hong Kong's inter-operator SMS services. Its subsidiary, CTM, is the only full telecommunications service provider in Macau with a leading market position in mobile service, fixed-line service and internet service. In addition, a CITIC Telecom International's subsidiary, China Enterprise ICT Solutions Limited (中企網絡通信技術有限公司) is one of the few value-added telecommunications operators which hold a national VPN license in China independently, other than the three largest telecommunications operators, namely, China Mobile, China Unicom and China Telecom. In the general aviation sector, in 2013, COHC's market share was more than 50% in the offshore oil helicopter flight service market in China in terms of flying operation hours.

The Target Group's steady growth in profit can be attributed to its successful business model and its leading market positions. Since the establishment of CITIC Group, the accumulated cash investment made by the Chinese Government to CITIC Group was approximately RMB0.25 billion, and the capital investment of the Chinese Government to CITIC Group totaled approximately RMB8.25 billion (including asset transfer and other capital injections). From December 31, 2011 to December 31, 2013, the CAGR of the total assets of the Target Group was 14.7%; the CAGR of the total equity of the Target Group attributable to equity shareholders of CITIC Limited was 17.7%. During the Track Record Period, the CAGR of the revenue of the Target Group was 12.6%, and its ROE was maintained at a relatively high level, at 22%, 16% and 16% for the year ended December 31, 2011, 2012 and 2013, respectively. In the Track Record Period, the CAGR of the Target Group's assets, net assets and revenue were all higher than that of the GDP of China. Revenue of the Target Group does not hinge on a single business, which is conducive to the absorption of cyclical fluctuations in certain industries while maintaining the overall stability in financial strength and profitability.

One of the Target Group's core competitiveness is its ability to integrate resources. With a diversified portfolio of businesses and partnerships having cross-sector and cross-border characteristics, the Target Group has the ability to integrate existing resources promptly and efficiently for entry into new strategic sectors as well as to further develop its existing businesses. Many businesses of the Target Group have benefited from the sharing and integration of resources and cross-pollination of staff and experience, enabling them to compete in the fast changing market conditions. With a number of its businesses being industry leaders, the management of CITIC Limited has deep understanding, local knowledge and foresight to explore the opportunities in new sectors while enhancing existing businesses. Accordingly, the Target Group believes that it is well-equipped to capture future opportunities arising from China's economic growth and transition to create greater value for its shareholders.

The Target Group is a pioneer of China's economic reform and a market-oriented group with strong innovation capability.

The establishment and development of CITIC Group has been closely connected to the process of "Reform and Opening up" in China. From the outset, CITIC Group pursued growth through innovation, creativity and embraced market principles. The majority of the industries in which CITIC Group operates are highly competitive. For over 30 years, CITIC Group has been operating in accordance with market disciplines as well as adopting international best practices, and has been a pioneer in a series of unprecedented endeavors shown in various areas. CITIC Group has achieved a number of "firsts" in the market and has emerged as a formidable force amid intense market competitions.

- In the area of business expansion, CITIC Group has been leading the markets.
  - In 1980, it became the first enterprise in China to develop an international economic consultancy business;
  - In 1980, it became the first enterprise in China to develop a leasing business;
  - In 1987, it became one of the first group of enterprises to conduct commercial banking business in China; and
  - In 1988, it became the first private operator in Asia to engage in regional satellite operations.
- In the area of financing, CITIC Group is a pioneer in initiating overseas debt financing as a Chinese enterprise.
  - In 1982, it issued enterprises bonds in Japan and became the first Chinese enterprise to issue bonds overseas; and
  - In 1993, it issued Yankee Bonds in the United States, which was the first bond issue in the US capital market by Chinese enterprises since the establishment of China.
- In the area of investment, CITIC Group was among the earliest to strategically invest in the overseas market.
  - In 1985, it became one of the first batch of enterprises in China to make direct overseas investment; and
  - In 1986, it became the first enterprise in China to acquire overseas commercial banks.
- In the area of reform and mechanism innovation, CITIC Group is largely self-reliant.
  - In 2000, COHC was listed in SZSE, and remains the only listed company in the Chinese capital market whose main business is helicopter aviation services;

  - In 2003, CITIC Securities became the first Chinese securities company to be listed through a public offering, laying a solid foundation for its future development. In 2011, CITIC Securities successfully completed its public offering in Hong Kong and became the first Chinese securities company listed in both China and abroad;

  - In 2007, without capital injections from the Chinese Government, CITIC Bank successfully completed the stock reform and joint-listed in Shanghai and Hong Kong; and

  - In 2012, CITIC Heavy Industries was listed in SSE, tapping into the Chinese capital market as a large-scale mining equipment manufacturing company and adding new impetus for the development of a traditional industry.

- In the area of product, technology and service innovation, CITIC Group has maintained its innovation capability.

  - CITIC Trust launched the first land contractual right circulation trust in China, i.e. "CITIC Rural Land Contractual Right Collective Trust Scheme".

  - CITIC Construction reformed the conventional model of engineering contracting and pioneered in the "Big Engineering Project" strategy, which means to invest and provide financing services at the early stages of a construction project, to secure engineering contractorship for CITIC Construction and boost the growth of the businesses in related sectors.

  - CITIC Heavy Industries is one of the very few enterprises globally to have mastered the high-end technology of slip ring motor and autogenous mill manufacturing and owns a national level laboratory in mining machinery equipment in China.

  - CITIC Dicastal is currently one of the few manufacturers in the world that is capable of providing all three types of automobile aluminium wheels. CITIC Dicastal's technology development centre has the ability to engage in synchronous research and development activities with domestic and foreign automobile manufacturers. It is one of the first domestic manufacturers with the ability to synchronize the manufacturing and self-initiated design and development process for aluminium wheel products. Furthermore, CITIC Dicastal is able to meet all surface treatment requirements of existing automobile aluminium wheels.

The Target Group believes that its innovation capabilities and its endogenous power enable it to remain competitive and to maintain its market vitality.

The Target Group has an international platform and the ability to allocate resources globally.

The international platform owned by the Target Group and its ability to allocate resources globally are the core competitive advantages which distinguish it from the majority of Chinese enterprises.

The Target Group has an extensive global business network with operations covering multiple regions including Asia, Europe, South America, North America, Australia and Africa, and has accumulated significant experience in foreign investment management and talented personnel. In 2013, the Target Group's revenue from area outside China was RMB44,942 million, representing 17.8% of the total revenue of the Target Group.

The Target Group has various businesses operating internationally, including its financial services business, engineering contracting business, resources and energy business, manufacturing business and other businesses.

- In the financial services business, the Target Group has established international business platforms in banking and securities:

  - For its banking business, CITIC Bank conducts its overseas banking business mainly through CBI, providing services including corporate finance, retail finance and asset management. As of December 31, 2013, CBI had 40 overseas branches, including 36 branches in Hong Kong, two branches in the United States, one branch in Macau and one branch in Singapore. In addition, CITIC Bank has been actively engaged in strategic cooperations with BBVA, one of its major shareholders.

  - For its securities business, CITIC Securities International, a subsidiary of CITIC Securities, conducts international securities business in Hong Kong. CITIC Securities completed the acquisition of CLSA in 2013 and has further expanded its overseas business channels and network. According to the rankings of global mergers and acquisitions transactions involving Chinese enterprises from *Bloomberg*, CITIC Securities ranked first in the financial advisory category by deal value and volume in 2013.

- In the engineering contracting business, CITIC Construction conducts its business in Angola, Venezuela, Brazil and other overseas markets. CITIC Construction has become one of the largest international project contractors and has successfully implemented various large-scale overseas projects recognized internationally, including the Algeria east-west expressway project, the Angola social housing project, the Venezuela social housing project, and the Brazil Candiota thermal power plant project.

- In the resources and energy business, CITIC Resources, CITIC United Asia and CITIC Metal have been actively engaged in overseas acquisitions and exploration of various oil and mineral resources, holding various interests in development projects in countries and regions which have rich resource reserve, including Indonesia, Kazakhstan, Australia and Brazil.

- In the manufacturing business, in 2011, CITIC Heavy Industries completed the acquisition of Spanish Gandara Censa.S.A to enable it to control a mature manufacturing base overseas to tap into Europe, South America and South Africa which are rich in mineral resources. CITIC Heavy Industries has become the owner of the world's advanced mineral processing technology with its acquisition of all the intellectual property rights of Australia's SMCC Pty Ltd. CITIC Heavy Industries also has set up offices and project companies in Australia, Brazil, Chile, Canada, South Africa, India and Cambodia for the establishment of a global marketing and service network. CITIC Discastal has been the only Chinese company consecutively listed in the "Top 100 Auto Spare Parts and Accessories Suppliers", as published by the authoritative US magazine *Automotive News* since 2011. In 2011, CITIC Dicastal acquired KSM Castings and established an overseas manufacturing base and further expand its global sales network of automobile aluminium wheels business in Asia, Europe, America and Oceania, serving clients including most of the renowned international automobile brands such as Daimler-Benz, BMW, Volkswagen (including Audi), General Motors, Ford, Toyota and Honda.

- For other businesses, CITIC Telecom International, a key telecommunications operator in Hong Kong and Macau, provides reliable and high quality telecommunications services to the Greater China region and overseas regions.

With the tightened link between the Chinese and global economy, the international knowledge of the Target Group will enable it to follow closely the development trend of both China and the rest of the world, and to remain competitive globally.

The Target Group continuously enhances its existing businesses through optimization of business structure or business model and development of high value products and services through innovation and focuses on new investments in areas that maximizes returns.

In respect of its existing business, the Target Group has anticipated market demand and has optimized business structures or models and developed high value products and services through innovation to enhance quality and competitiveness. The Target Group has also sought opportunities that provide greater integration and increased focus on consumption driven, environmental and new economy industries.

- The Target Group has optimized its business structure and continued to develop new opportunities in the financial services sector.

  - Optimizing conventional business structure: There has been a shift in CITIC Bank's corporate clients from enterprises in the manufacturing industry to enterprises in the modern service industry. As of December 31, 2013, the loan balance of CITIC Bank to the enterprises engaged in the modern services industry was RMB467.1 billion, up by 33.8% year-on-year. CITIC Bank has experienced a rapid development of its consumption financial business. As of December 31, 2013, the loan balance of CITIC Bank in the consumption finance sector was RMB265,598 million, up by 21.9% year-on-year. CITIC Bank actively promotes its small enterprise finance business. As of December 31, 2013, the loan balance to small enterprises was RMB279,219 million, up by 31.6% year-on-year. CITIC Bank's financial services model has gradually shifted from being a traditional commercial bank to "a commercial bank plus an investment bank". In 2013, CITIC Bank realized net non-interest income of RMB4,048 million generated from its investment banking business, up by 53.3% year-on-year.

  - Accelerating the development of internet banking: CITIC Bank has formulated a goal of "Creating another CITIC Bank online" and has accelerated the development of its internet banking business. It has established three platforms including internet banking, mobile phone banking and online financial mall and actively developed specialty products for e-commerce, mobile payments and internet loans. "Internet Loans to POS Merchants" were successfully launched, in which the whole process of providing loans to medium and small merchant customers can be operated online quickly and efficiently. CITIC Bank launched the NFC payment mode in cooperation with the three largest telecommunications operators in China and China Union Pay and independently developed the "Cyber Payment" products with a core function of cross-banks payment processing service. CITIC Bank also acts as the custodian bank for "Yu E Bao", a fund management platform under the e-commerce group Alibaba. In 2014, ChinaAMC, a subsidiary of CITIC Securities, launched Wechat wealth management channel "Wealth Money Fund Product" in cooperation with Tencent's Tenpay, and established concurrent cooperation relationships with all three of the Chinese internet giants, Baidu, Alibaba and Tencent.

- As part of the optimization of its business model, CITIC Construction has evolved from being a traditional project contractor to a large and comprehensive international engineering service provider. CITIC Heavy Industries also transformed its operations from being a traditional equipment manufacturer to a service provider who provides project-based solutions. CITIC Dicastal has adopted an asset-light development strategy.

    - CITIC Construction has implemented the "Big Engineering Project" strategy, which means to invest and provide financing services at the early stages of a construction project, to secure engineering contractorship for CITIC Construction and to boost the growth of the businesses in related sectors. In addition, CITIC Construction has integrated resources from other Chinese enterprises through the "Combined Team" model, by mobilizing and integrating services provided by a number of Chinese architecture design companies, building contractors and raw material suppliers, and forming capabilities for implementing large projects with a complete service chain.

    - CITIC Heavy Industries has adopted a "core manufacturing plus service package" business model to provide EPC (engineer – procure – construct) services and key technical equipments and projects and provides optimal solutions and "turn-key" projects to industrial projects. The value of orders for the packaged projects accounted for 60% of the total value of new orders received by CITIC Heavy Industries in 2013.

    - CITIC Dicastal has adopted a "headquarters core plus manufacturing bases" business model so as to coordinate the manufacturing, operation and management of the whole company, and created a business model with an asset-light development strategy.

- The Target Group has further developed its business in modern services sector with a focus on satisfying the rapidly changing and demanding needs of customers:

    - Further develop business in the telecommunications industry: CITIC Telecom International provides various services including voice, SMS, internet, leased line, VPN, cloud computing service, mobile value-added services for customers in the Greater China area. CITIC Telecom International provides advanced cloud computing services (SmartCLOUD^{TM}) through seven cloud service centers located in the Asia Pacific area through its subsidiaries.

    - Outstanding services in general aviation operations: COHC's offshore oil helicopter flight services covered the South China Sea, the East China Sea, and Bohai Sea. COHC provides offshore oil helicopter flight services to major domestic and foreign petroleum companies, including

China National Offshore Oil Corp. and Canadian Husky Energy Inc. In the meantime, COHC also provides other general aviation flight service to China Central Television, State Oceanic Administration of the PRC, China Rescue and Salvage of Ministry of Transport of the PRC, State Grid Corporation of China and other institutions.

° Publishing, tourism and comprehensive outsourcing businesses: CITIC Press actively develops online sales channels and operates nearly 120 CITIC bookstores in 13 airports in China. CITIC Tourism has definitive advantages in business travel and special travel services. CITIC Tianjin is one of the leading comprehensive outsourcing services providers in China. Guoan Club is the winner of several awards in China's top football leagues.

Maximizing conglomerate synergies with a strong ability to integrate resources

The Target Group has a strong synergy in terms of strategy, business, management, brand, talent and expertise, based on its strengths in business variety, clients, business network and other areas. The Target Group exerts the group's overall strength to mobilize the sharing of internal resources so as to maximize the group's overall value. The Target Group has accumulated a diversified client base in multiple industries and markets including a number of Fortune 500 enterprises, sector leading enterprises and high net worth clients both at home and abroad.

The Target Group has established a work process to enable synergy across its subsidiaries and investee companies. The Target Group has consistently promoted innovative models for its group synergy, aiming to help with business expansion and generate value for the group.

- Provision of comprehensive services centered on clients: by signing strategic overall cooperation agreements with large enterprises, provincial and city local governments, the Target Group has been able to consolidate various resources within the group and win mandates for important projects and business opportunities. The Target Group is able to provide comprehensive financial resolutions to regionally important clients through joint marketing, and increase the contribution in value by high-net-worth clients and strengthen their loyalty through joint development of products and cross-selling by financial companies as well as value-added services jointly developed by financial companies and industrial companies.

- Industrial business and financial business complement each other: companies provide industrial companies and their customers with comprehensive financial solutions and services; industrial companies provide financial companies with specialized support to enable the latter to gain access to industry clients.

- Synergy among industrial businesses connecting industry chains: each entity exerts its advantages in products, services, talents and technology to achieve cooperation between the upstream and downstream industry players along the industry chains. The Target Group has been monitoring the emerging industries with national strategic importance in order to identify new areas of growth through group synergy. It also explores overseas markets based on a "Combined Team" model.

Being one of China's most recognized conglomerate brands

With a stable operation for more than 30 years, CITIC Group has established a series of "CITIC" linked and prestigious corporate brands in various business segments. The success of the "CITIC" brand allows its group companies to enjoy reputational advantages over its competitors, and provides strong support in the development of its business. The reputation gained by the group members in their sectors have further strengthened the name of the "CITIC" brand.

- For the financial services business, on the list of "2014 Top 500 Global Banking Brands" published by the British magazine *The Banker*, CITIC Bank brand ranked 72nd in the global banking industry with its brand value reaching up to US$3,040 million. In 2013, CITIC Bank was awarded "The Most Competitive Bank" by the Chinese Academy of Social Sciences and *Financial Times* (a Chinese Newspaper). CITIC Securities was elected "Best Equity House in China", "Best Bond House in China" and "Best Local Brokerage in China" for several times from 2010 to 2013 by *Asiamoney, Finance Asia* and *The Asset*. CITIC Trust has been awarded, for consecutive years, "Trust Company of the Year" by the *Financial Times* (a Chinese newspaper) and Chinese Academy of Social Sciences and was awarded "The Most Innovative Trust Company" in 2013.

- For the real estate business, from 2010 to 2013, CITIC Real Estate was enlisted in "China's Blue Chip Real Estate Enterprises" for four consecutive years, and won top accolades such as "Top 10 China Real Estate Enterprise Brand" and "China's Top 100 Real Estate Enterprises".

- For the engineering contracting business, in the list of "Top 250 International Contractors in 2013" published by *ENR*, CITIC Construction ranked 43rd, and ranked sixth among Chinese enterprises on the list. CITIC Design has been awarded as the "100 Institutions of Contemporary Chinese Architecture Design".

- For the manufacturing business, CITIC Heavy Industries has won the award of "China's Top 100 Machinery Industry Enterprises of the Year 2012"; CITIC Dicastal was certified as the "National Auto Components Export Base" in 2006.

- For other businesses, a subsidiary of CITIC Telecom International was awarded "Greater China IP-VPN Market Excellent Growth Award" of

"2013 Frost & Sullivan Asia Pacific Best Implementation Award"; COHC has won "Golden Seagull Cup of Aviation Safety" granted by Civil Aviation Administration of China for many times; CITIC Press won "National Top Book Publishing Institutions" in 2009; CITIC Tourism was accredited as a "5A Travel Agency".

The Target Group believes that its high brand awareness will help it to enter into new business areas and enhance the acceptance level of its group members among its customers and business partners.

A stable management with market-oriented management philosophy, an international vision and a corporate culture of pursing excellence

The Target Group's senior management team possesses a wealth of experience in managing large conglomerates, with average relevant industry experience of more than 30 years. The senior management team is stable and with management experience encompassing multiple industries and regions. Half of the members of the senior management team have served CITIC Group for over 20 years. The management team of the Target Group also has an international vision as many members of the senior management team have worked or studied overseas. The Target Group believes that the stable management and its extensive expertise and operational experience have laid a solid foundation for the success of the Target Group.

In a long history of its development, the Target Group, based on its development strategy, business characteristics and management style, has refined and established its own corporate culture with core values of "Integrity, Innovation, Cohesion, Unison, Dedication and Excellence". The successful development of the Target Group is attributable to the corporate culture of pursuing excellence, market-oriented positioning and innovative mindset.

The Target Group actively fulfills its corporate responsibility and devotes itself into greening, environmental protection, education, poverty alleviation, disaster relief and other social public welfare matters. The Target Group has and maintains a good social image.

Prudent and comprehensive risk management system with a balanced emphasis on both control and efficiency

The Target Group considers risk management one of its core competitiveness and has devoted resources to further improve the system. The Target Group has established a prudent and comprehensive risk management system covering all of its business segments and consistently develops and improves its risk management framework and processes.

CITIC Limited has established a four-tier risk management framework consisting of the board of directors, senior management, headquarter risk management function department and its subsidiaries, as well as "Three Defenses

Lines" consisting of business operation departments, risk management function department and internal audit department, to effectively identify, audit, monitor and control various risks to ensure steady operation. CITIC Limited's risk management department is accountable to the senior management and is tasked to oversee the establishment of risk management system. The risk management department also provides support and services to the risk and audit committee of the board of CITIC Limited, and at the same time, guides and supervises subsidiaries to conduct all-round risk management and to strengthen internal control.

CITIC Limited has also shifted its risk management function into the foreground with a risk management system where the main operational departments also undertake the responsibility of risk management. For example, the responsibility controlling the investment risk and financial risk has been moved forward to departments in charge of investments and finance.

CITIC Limited manages risks by establishing and strengthening various measures, balancing risks and benefits, and ensuring value creation through effective risk management. CITIC Limited continuously optimizes its management and control model and business structures to ensure the work of its functions including strategic management, resource allocation, risk management, coordination and services; strengthens management of the profitability, liquidity and security of the assets to improve the efficiency and management of supervision; controls legal, compliance and reputational risks to protect shareholders' interests; and strengthens internal audit function to supervise risk management and the effectiveness of internal control.

A fair portion of the Target Group's assets are already listed, with its listed subsidiaries having established their own risk management systems which have withstood challenges from the markets. All the financial subsidiaries of the Target Group are subject to stringent industry regulations. Non-financial subsidiaries have been required to either establish risk management departments or have designated personnel responsible for risk management according to their business needs.

C. STRATEGIES OF THE ENLARGED GROUP

As the largest multi-industry conglomerate in China, the Enlarged Group will continue to adopt its multi-sector business model. The Enlarged Group will strive to be the best in the fields it operates.

The Enlarged Group will (i) leverage its competitive strengths based on its scale, breadth, capability, resources, and brand built through 35 years of development; (ii) seize opportunities brought by the evolution of the Chinese and global economies as a whole; and (iii) operate according to the principles of "innovation, reform, and openness".

Enhance existing businesses with renewed focus

- The Enlarged Group aims to maximize benefits of the CITIC brand and resources.

- By anticipating market demand, the Enlarged Group will develop high value-added products and services through innovation.

- The Enlarged Group will consolidate similar businesses to maximize synergies within the overall group.

- The Enlarged Group will enhance quality and competitiveness, increase productivity and reduce cost.

Focus new investments in areas that align with China's growth

- The Enlarged Group will seek opportunities that provide greater integration and connectivity among its businesses.

- The Enlarged Group will leverage its strong competitive advantage to identify consolidation opportunities in China through mergers and acquisitions.

- The Enlarged Group will increase its focus on consumption-driven, environmental and new economy industries to align with China's future growth trajectory.

- The Enlarged Group will continue to invest internationally to further its businesses in an integrated fashion.

Disciplined allocation of capital to enhance long-term shareholder value

- The Enlarged Group will improve its capital efficiency and cash flow.

- The Enlarged Group will strengthen its capital raising capability and maintain strong credit profile.

- The Enlarged Group will continue to exercise stringent disciplines in capital allocation, focusing on high "return on capital" opportunities.

Enhance corporate governance framework to protect shareholder interests

- CITIC Pacific's international standard of corporate governance will be extended to the Enlarged Group.

- The Enlarged Group will improve central oversight while giving businesses clear parameters in which to operate.

- The Enlarged Group will ensure rights of all stakeholders are respected.

D. INDUSTRY OVERVIEW

(A) Financial Services Industry of China

The financial services industry in China has developed rapidly in recent years. This development is led by China's economic transformation under which the PRC government actively promotes the reform of the financial system and deepens the opening up of the financial services industry. According to the National Bureau of Statistics of the PRC, the GDP of China's financial services industry increased from RMB1,776.8 billion in 2009 to RMB3,353.5 billion in 2013, with a CAGR of 17.2%. During the same period, the contribution of China's financial services industry to the GDP of the service industry in China increased from 12.0% to 12.8%. The financial services industry has become one of the fastest growing industries in China. The four main financial services sectors in China are banking, securities, insurance and trust. Other participating sectors include futures, funds, asset management and financial leasing.

The following table sets out the details of the GDP of China's financial services industry for the periods indicated:

	GDP of Financial Services Industry		
Year	**Amount**	**YoY Growth Rate**	**Percentage of GDP of the Service Industry**
	(in billions of RMB)	*(%)*	*(%)*
2009	1,776.8	19.5	12.0
2010	2,098.1	18.1	12.1
2011	2,495.8	19.0	12.2
2012	2,872.3	15.1	12.4
2013	3,353.5	16.8	12.8

Source: National Bureau of Statistics of the PRC and Wind

a. Banking Industry

China has formed a diversified banking system consisting of large commercial banks, national joint stock commercial banks, city commercial banks, rural financial institutions, foreign banking institutions and other banking institutions. As of December 31, 2013, there were 477 banking institutions in China. According to statistics published by the CBRC, as of December 31, 2013, the total assets of China's banking institutions reached RMB151.4 trillion and the total shareholders' equity amounted to RMB10.2 trillion. From 2009 to 2013, the total assets of China's banking institutions increased by RMB72.6 trillion, with a CAGR of 17.7%, and the total shareholders' equity increased by RMB5.7 trillion, with a CAGR of 23.0%. During the same period, the asset quality of China's banking institutions improved, with the NPL (non-performing loan) ratio decreased from 1.6% to 1.0%, while the balance of NPLs increased slightly from RMB497.3 billion to RMB592.1 billion.

b. Securities Industry

As of December 31, 2013, there were 115 securities companies in China, including 20 listed on the stock exchanges in China and Hong Kong. According to the Securities Association of China, as of December 31, 2013, the total assets of China's securities industry were RMB2.1 trillion and the net assets were RMB753.86 billion. In 2013, the total revenue of China's securities industry was RMB159.24 billion. From 2011 to 2013, the total assets of China's securities industry increased by RMB510 billion, with a CAGR of 15.1%; the total revenue of the industry increased by RMB23.29 billion, with a CAGR of 8.2%; and the net assets increased by RMB123.60 billion, with a CAGR of 9.4%.

c. Trust Industry

The origin of China's trust industry can be traced back to the China International Trust and Investment Corporation, established in 1979, which was the predecessor of CITIC Group. Since the promulgation of the Trust Law of the PRC, China's trust industry has gone through stages of early development, rectification and high-speed development and maintains a good momentum for development. According to the China Trustee Association, as of December 31, 2013, there were 68 registered trust companies in China, of which the total trust assets amounted to RMB10.9 trillion. In 2013, the total revenue generated from the trust business of the trust industry was RMB61.14 billion. From 2009 to 2013, the trust assets of China's trust industry increased by RMB8,890.79 billion, with a CAGR of 52.5%; the total revenue generated from trust business increased by RMB51.91 billion, with a CAGR of 60.4%. Since the end of 2012, the trust assets of China's trust industry has surpassed the total assets of the securities industry, the insurance industry and the mutual fund industry, which made the trust industry the second largest financial services industry after the banking industry.

d. Insurance Industry

According to the Sigma Report No. 3/2013 published by Swiss Re Ltd., in terms of premium volume in 2012, China is Asia's second largest and the world's fourth-largest insurance market, while China's life insurance (excluding accident and health insurance) market is Asia's second largest and the world's fifth-largest. According to the CIRC, as of December 31, 2013, there were 70 life insurance companies in China (excluding the life insurance business of China United Insurance Holding Company Limited), including 28 foreign-invested life insurance companies. According to the CIRC, as of December 31, 2013, the total assets of China's insurance industry were RMB8.3

trillion, representing an increase of RMB4.2 trillion from 2009 to 2013 with a CAGR of 19.5%. In 2013, the total gross premium income of China's life insurance industry was RMB1,101.00 billion, representing an increase of RMB274.85 billion from 2009 to 2013 with a CAGR of 7.4%. In 2013, the gross premium income of China's life insurance industry accounted for 63.9% of the total gross premium income of China's insurance industry.

(B) Real Estate and Infrastructure Industry of China

a. Real Estate Industry

Real estate industry is one of the most important industries in China playing a significant role in promoting consumption, stimulating investment and driving Chinese economy's rapid development. Although the Chinese government has strengthened regulation of the real estate industry in recent years, the real estate industry still experienced rapid development driven by the stable economic development, increasing urbanization rate, and growing disposable income per capita in China. According to National Bureau of Statistics of the PRC, the GFA (gross floor area) of residential properties sold in China increased from approximately 947.55 million square meters in 2009 to 1,305.51 million square meters in 2013, with a CAGR of 11.3%; the total amount of sales for residential properties in China increased from approximately RMB4,435.5 billion in 2009 to approximately RMB8,142.8 billion in 2013, with a CAGR of 22.4%; the average sales price of residential properties in China increased from 4,681 RMB/square meter in 2009 to 6,237 RMB/square meters in 2013, with a CAGR of 10.0%.

b. Infrastructure Industry

China has established five major coastal port regions, namely the Bohai Rim, the Yangtze River Delta, the Pearl River Delta, the Southeast Coast and the Southwest Coast, along with professional transportation systems for four major categories of freight including coal, oil, metal ore and containers. In general, China's coastal ports are large-scale, economical and efficient, they have played an important role in meeting the needs of transportation of bulk goods and a rapid and stable development of foreign trade. Taking advantage of deep-water routes, ports open to foreign vessels, well-developed transportation systems and developed petro-chemical industries, the Bohai Rim, the Yangtze River Delta and the Pearl River Delta have become the three major logistics bases for petro-chemical products. Ningbo-Zhoushan port imported the highest volume of crude oil in China, representing a third of the total imports of crude oil nationwide.

In March 2014, the Chinese government published the *National New Model Urbanization Construction Plan for the Year 2014 to 2020*, with a goal to promote the urban-rural integration, enhance the infrastructure construction in rural area and reach a 60% urbanization rate in 2020. With an increase in the urbanization rate in China, the demand for infrastructure construction is expected to grow.

(C) Engineering Contracting Industry

a. Engineering Contracting Industry

China's construction and engineering enterprises have developed with increasing operating income, market coverage and international competitive strengths. In 2013, there were 55 Chinese enterprises listed on "The Top 250 International Contractors", a list released by American publication *Engineering News-Record* (ENR), with average revenue of US$1.22 billion, representing an increase of 6.4% over 2012. The Chinese overseas engineering contracting enterprises have bypassed a rudimentary development model of winning projects through their low-cost advantage, they are moving towards an advanced stage with advantages in capital, technology and management.

The Chinese government has implemented a policy of "Go Global", which encourages domestic enterprises to expand in overseas markets and has actively promoted the development of China's overseas engineering contracting business. According to the MOFCOM, the revenue and the amount of newly signed contracts of China's overseas engineering contracting businesses of 2013 is US$137.14 billion and US$171.63 billion respectively, an increase of 17.6% and 9.6%, respectively, as compared with 2012.

b. Engineering Designing Industry

Driven by the accelerating urbanization and increasing urban population in China, the demands for housing and municipal metro transit has been increasing. This creates a favourable environment for municipal engineering design and architectural design businesses.

In order to tackle worsening pollution in recent years, the Chinese government has further regulated and promoted the development of environmental protection industries such as sewage treatment and domestic waste management, providing a favourable macro-environment for the development of municipal engineering design businesses. In terms of sewage treatment, as of December 31, 2013, the number of completed urban sewage treatment plants reached 3,513, sewage treatment capacity reached approximately 149 million cubic meters/day, 173 new sewage treatment plants have been built and an increase of approximately 6.8 million cubic meters/day treatment capacity have been achieved as compared to 2012.

(D) Resources and Energy Industry

The resources and energy industry is an important component of the global and Chinese economy.

The prices and trading of resources products are closely connected with economic cycles. Major resources have their own systems for their supply/demand as well as cost/pricing systems. Set out below is an overview of the resources and energy sectors in which the principal operational entities of CITIC Limited Group operate.

a. Oil

Oil is one of the world's most important energy sources and is important for production. Oil is widely used as transportation fuel due to its high energy density and easy mobility when compared with natural gas and coal.

Oil is a non-renewable resource and the production of which is subject to a number of factors such as climate, geographic condition and exploration and production technologies. Currently, the development of alternative energies to replace oil is still in various stages of development. Oil will continue to be a core energy source and raw material in the near future. The demand for oil is expected to be steady in the foreseeable future driven by global economic development.

The table below sets out the supply and demand of oil in China and worldwide from 2011 to 2013.

		2011	**2012**	**2013**
			(in million barrels)	
Worldwide	Supply/day	88.6	90.9	91.5
	Demand/day	89.0	90.0	91.3
China	Supply/day	4.1	4.2	4.2
	Demand/day	9.3	9.8	10.1

Source: International Energy Agency

b. Niobium

Niobium is a precious metal with stable chemical properties. It has characteristics of antioxidant, anticorrosion and being infusible. Due to its physical and chemical properties, niobium is widely used in the fields of steel, high temperature alloy, superconductive, amorphous, magnetic material, and the optical field.

In steel production, niobium is added as a micro-alloying element for its function in refining grain, which is the only measure to enhance the overall strength, hardness and malleability of steel products. In usual circumstances, the addition of very few niobium can significantly enhance the quality of steel products (by increasing the strength of the steel products by 20% to 25%, improving their mechanical and welding properties, head-resistance and corrosion-resistance and lowering the brittleness of steel), reduce the overall weight of products. As such, niobium plays an important role in the construction of modern infrastructure and growth of the Chinese economy.

At present, the major countries producing and exporting niobium are Brazil and Canada whereas China is the world's largest consumer of ferroniobium.

c. *Platinum*

Platinum is a precious metal that is usually used as a catalyst in car manufacturing, petrochemical, jewellery, glass fiber, medical and electrical industries.

There are only a few countries in the world producing platinum. South Africa accounts for more than 80% of the global platinum production with the rest is produced primarily in Russia, Zimbabwe and North America. The annual platinum production output worldwide is only approximately 250 tons, among which mineral platinum accounts for 180 tons to 200 tons, and waste recovery of platinum accounts for 50 tons to 80 tons. Currently, the demand for platinum in China mainly comes from jewellery sector as well as investment demand. In recent years, the industrial demand on platinum in China has remained stable, with an annual demand of approximately 20 tons. The market demand for jewellery consumption in China has remained stable, with an annual demand of approximately 35 tons.

The table below sets out the global demand and China's platinum import data from 2011 to 2013.

	Platinum Sold by China Platinum		**Platinum Imported into China**	
Year	**Trading Volume** *(in kilogram)*	**Transaction Amount** *(in millions of RMB)*	**Trading Volume** *(in kilogram)*	**Transaction Amount** *(in millions of US$)*
2011	32,491	11,982.69	76,166	4,230.53
2012	31,905	10,504.62	75,558	3,628.46
2013	45,118	13,686.63	93,123	4,255.02

Source: General Administration of Customs of the PRC

(E) Manufacturing Industry of China

a. Heavy Machinery

Heavy machinery industry is an important segment in the China economy. Heavy machinery is widely used and can provide support in many different industries such as mining, energy exploration, building construction and infrastructure. Driven by China's economy and industrial growth, the total production value of the heavy machinery industry increased from RMB711,188 million in 2010 to RMB1,007,351 million in 2012, with a CAGR of 12.31%, according to China Heavy Machinery Industry Association.

(a) Building Materials Equipment

The cement equipment industry in China has experienced a rapid development since the opening up of China. In recent years, equipments used in cement industry are featured with characteristics of large-scale, wide model series and become more environmentally friendly. Competition has intensified in the building materials equipment industry in China. Large-scale companies maintained their dominant position in the market by taking advantage of their production and manufacturing capacity and technology in the production of dry-process based cement equipment.

(b) Metallurgical Mining Machinery and Equipment

According to the China Heavy Machinery Industry Association, from 2010 to 2012, total production value of the metallurgical mining machinery and equipment industry increased from RMB320,758 million to RMB459,394 million, with a CAGR of 12.7%. The top seven heavy machinery manufacturers held approximately 16.3% of the market share of the metallurgical mining machinery and equipment industry in China in terms of total industrial production value in 2012.

(c) Electricity and Energy Conservation and Environment Protection Equipment

According to the national electricity development plan of China, by the end of 2020, there will be an increase in demand for electricity equipment including large castings and forgings, hydropower station ship lifter, hoist and wind power spindle. In addition, the production of waste heat energy conservation and environment protection equipment is supported by relevant national policies of China including *the 12th Five-year Development Program of Energy Conservation and Environmental Protection Industries*.

b. Automobile Aluminium Wheels and Automobile Aluminium Castings

Driven by the rapid development of the automotive industry and favourable credit policies to boost automobile consumption in China, there has been an upward trend on automobile spending in China. In addition the government has initiatives to lower emission standard and to encourage energy savings on cars. These factors has led to strong and growing market demand for light-weighting solutions based on aluminium and aluminium alloys, including aluminium wheels and aluminium castings for automobile.

There have been an increasing number of aluminium wheel manufacturers in China. According to China Foundry Association, by the end of 2013, there were more than 160 automobile aluminium wheels manufacturers in China, mainly located in provinces including Shandong, Hebei, Jiangsu, Zhejiang, Yunnan, Jilin, Henan and Guangdong. Most of them are engaged in after-sale service and the automobile after-sale modified market leading to intensifying competition. According to the Wheel Committee of China Association of Automobile Manufacturers, the CAGR of the production value of China's aluminium wheels industry from 2010 to 2013 achieved 7.7%, and the CAGR of the production value of the global aluminium wheels industry from 2010 to 2013 achieved 4.9%. Only few domestic aluminium wheel manufacturers can meet the strict requirements such as technology, quality, logistics, and management required by automobile manufacturers for engaging in the original equipment manufacturer (OEM) market.

According to the *China Automobile Part Industry Development Report (2013 version)* issued by China Association of Automobile Manufacturers, the use of automobile aluminium castings is the most effective way to reduce the weight of vehicles for the purpose of energy conservation and emission reduction of automobile.

(F) Other Industries

a. Telecommunications

Due to the differences of geographical coverage, policy barriers and market conditions where CITIC International Telecom operates, the market competitive landscape varies significantly in different markets.

(a) Telecommunication Market in Macau

CTM was once the sole service provider in the telecommunication market of Macau, as a comprehensive service provider operating in the fields of mobile service, fixed-line service, internet service and enterprise solutions. Since 2001, Macau government has issued three more mobile telecommunication operation licenses to three different operators and opened up the internet market. Macau government deregulated the fixed-line market in 2009, with new competitors expected to join the fixed-line market by the end of 2014.

(b) Telecommunication Hub Service Market

The retail and wholesale prices of telecommunication hub service have been decreasing and the global competition is increasingly fierce with the development of technology and the emerging alternative means of communication e.g. internet phone.

(c) Data Business Market

With the increasing maturity of science and technology development, VPN business becomes increasingly competitive, presenting a downward pressure on the price.

b. General Aviation Industry

In recent years, market demand for helicopter services has increased rapidly, with the development of China's general aviation industry and increasing exploration of offshore oil and gas. To compete effectively, major players in the industry have strengthened their investments and expanded the scale of their helicopter fleets. As of June 30, 2013, there were 178 licensed general aviation companies in China, and 1,610 registered airworthy aircrafts. In recent years, the number of aviation maintenance companies in the domestic market has been growing, but at a limited pace due to the comparatively high entry barriers in policy, technology, personnel and funding.

(a) Offshore Oil Helicopter Market

Due to the specific features of offshore oil drilling and exploration, offshore helicopters, when compared with sea vessels, have the advantages of providing quick, safe and long-haul services, becoming the first choice by companies engaged in offshore oil drilling and exploration.

(b) Other General Aviation Market

Companies that are operating in other general aviation businesses other than the offshore oil helicopter service market in China, focus on various niche markets including forest protection aviation, electric power line patrol, business charter flights, maritime patrol and aircraft escrow. Due to the significant demand in the general aviation industry in China and insufficient general aviation companies and aircraft, market competition in the general aviation industry are mild with a low level of industry concentration.

E. MAIN BUSINESSES OF CITIC LIMITED GROUP

The main businesses of CITIC Limited Group include the following:

Financial Services

CITIC Limited Group operates financial services businesses in different segments, including banking, securities, trust and insurance. CITIC Limited Group provides domestic and overseas banking services through CITIC Bank and its subsidiaries, securities services through CITIC Securities, trust services through CITIC Trust, and insurance services through CITIC Prudential.

Real Estate and Infrastructure

The real estate and infrastructure business of CITIC Limited Group consists mainly of development, sales and investment of properties, and the investment and management of infrastructure projects such as expressways and port terminals. The real estate business of CITIC Limited Group is predominately operated through CITIC Real Estate and CITIC Heye, while the infrastructure business of CITIC Limited Group is operated through CITIC Industrial Investment.

Engineering Contracting

The engineering contracting business of CITIC Limited Group consists mainly of contracting of infrastructure, housing and industrial construction, as well as engineering design. The engineering contracting business of CITIC Limited Group is operated through CITIC Construction and its engineering design business is operated through CITIC Engineering Design.

Resources and Energy

The resources and energy business of CITIC Limited Group is categorized into three segments: the resources development, which includes the exploration and production of crude oil, coal and other resources; the resources processing, which includes the production and processing of electrolytic aluminium in Australia; and the resources trading, which includes the trading of ferroniobium, iron ore, aluminium ingots, coal, platinum and other resources products. CITIC Limited Group predominately operates its resources and energy business through CITIC Resources, CITIC United Asia and CITIC Metal.

Manufacturing

The manufacturing business of CITIC Limited Group consists mainly of the manufacturing of heavy machinery, power electronic equipments, automobile aluminium wheels, automobile aluminium castings and other products. CITIC Limited Group conducts the manufacturing of heavy machinery and power electronic equipment and contracting services through its subsidiary CITIC Heavy Industries, while the manufacturing of automobile aluminium wheels and automobile aluminium castings is conducted through its subsidiary CITIC Dicastal.

Other Businesses

The other businesses of CITIC Limited Group include, among other things, telecommunications, leasing and sales of satellite transponders, general aviation, publishing, comprehensive outsourcing services, tourism and football club. These businesses are operated through CITIC Telecom International, AsiaSat, COHC, CITIC Press, CITIC Tianjin, CITIC Tourism and Guoan Club, respectively.

(A) Financial Services

a. Overview

CITIC Limited Group's financial services business has been in a market-leading position in China. CITIC Limited Group provides various financial services including, among other things, banking, securities, trust and insurance.

As of December 31, 2013, the total assets of CITIC Limited Group's financial services business were RMB3,655,558 million, representing 93.2% of CITIC Limited Group's total assets, with a CAGR of 15.2% from 2011 to 2013. In 2013, the revenue generated from CITIC Limited Group's financial services business was RMB108,328 million, representing 43.0% of CITIC Limited Group's total revenue, with a CAGR of 16.1% from 2011 to 2013, and CITIC Limited Group's profit before tax generated from financial services business was RMB57,805 million, with a CAGR of 8.5% from 2011 to 2013, representing 87.3% of CITIC Limited Group's profit before tax.

The following table sets out the respective financial information of the principal operational entities of CITIC Limited Group's financial services business for the periods indicated:

	For the year ended December 31,					
	2011		2012		2013	
	Revenue	Net Profit Attributable to Equity Shareholders	Revenue	Net Profit Attributable to Equity Shareholders	Revenue	Net Profit Attributable to Equity Shareholders
	(in millions of RMB)					
CITIC Bank	77,092	30,819	89,711	31,032	104,813	39,175
CITIC Securities *(Note 1)*	26,371	12,576	13,071	4,237	20,279	5,244
CITIC Trust	3,634	1,920	4,265	2,717	5,119	3,144
CITIC Prudential *(Note 2)*	4,144	321	4,455	298	5,185	204
CITIC Kingview Capital	54	43	285	161	127	70
CITIC Finance	–	–	8	4	127	56

Notes:

1. As of the Latest Practicable Date, CITIC Limited held 20.30% of CITIC Securities' equity interest and was its largest shareholder.

2. As of the Latest Practicable Date, CITIC Limited held 50% of CITIC Prudential's equity interest. The data set out in the table refers to gross written premium (GWP) and net profit of CITIC Prudential.

b. *Competitive Strengths*

Leveraging on the significant strengths established in each of the specialized segments of financial services businesses that it operates in, together with a broad range of financial service products, out-reaching networks, and synergies resulted from its unique business model, CITIC Limited Group is able to provide its clients with a range of comprehensive financial services with competitive return.

Leading market positions in the relevant sector of each financial services business

CITIC Limited Group has established significant strengths in each of its financial services businesses:

Banking – the banking business plays an important role in the financial services sector of CITIC Limited Group. According to the world rankings of the 1,000 banks published by the British magazine *The Banker* in 2013, CITIC Bank ranked 47th in terms of tier-one capital and 57th in terms of total assets.

Securities – CITIC Securities was one of the first comprehensive securities companies approved by CSRC, and is the largest securities company in terms of equity and debt underwriting value in 2013 in China. CITIC Securities is the largest securities company in China and maintains leading market positions in investment banking, brokerage, asset management as well as margin financing and securities lending businesses. According to *Wind*, in 2013, CITIC Securities ranked first in the industry in terms of aggregate equity and debt securities underwriting value. According to the statistics of *Bloomberg*, in 2013, CITIC Securities also ranked first in the world both in terms of transaction value and number of deals completed for mergers and acquisitions involving Chinese enterprises. In 2013, CITIC securities ranked first in brokerage services in China in terms of its market share of the trading turnover of stocks and funds and in terms of debt trading turnover in the industry in China.

Trust – According to statistical data from the China Trustee Association and the published information of major trust companies in China, CITIC Trust maintained a leading position in terms of trust AUM, revenue and net profit from 2011 to 2013.

Insurance – According to data published by the CIRC, in 2013, CITIC Prudential ranked sixth among foreign-invested life insurance companies in China in terms of gross premium income.

Fund, investment and others – ChinaAMC is one of the first national fund management companies approved by the CSRC. As of December 31, 2013, ChinaAMC had an AUM amounting to RMB333,374 million, which was one of the largest among fund management companies in China, and was a leader in the industry. ChinaAMC has been engaged as an annuity investment manager by more than 30 out of the Fortune Global 500. As of December 31, 2013, CITIC Kingview Capital was entrusted to manage two equity trust funds, 24 domestic limited partnership equity funds and two overseas funds.

Great growth potential and profitability, with a strong and stable high-value client base

The financial services business operated by CITIC Limited Group has great growth potential and profitability. From 2011 to 2013, the CAGR of the revenue and profit before tax generated from financial services business achieved 16.1% and 8.5%, respectively.

The financial services business of CITIC Limited Group has a strong and stable high-end client base. As of December 31, 2013, CITIC Bank had approximately 340,000 corporate and institutional clients and approximately 290,000 individual clients with an AUM of each over RMB50,000. As of December 31, 2013, the number of beneficiaries of the trust plans of CITIC Trust reached nearly 28,000. As of December 31, 2013, CITIC Prudential had more than 690,000 individual and corporate clients.

Benefiting from its full range of financial services licenses, breadth of global business networks and accelerating international expansion, CITIC Limited Group has leading competitive advantages in the integrated financial services sector

As of December 31, 2013, the operational entities of CITIC Limited Group's financial services business had more than 1,300 business outlets, fully covering 30 provinces, autonomous regions and municipalities in China (except Tibet), which mainly concentrated in the developed southeast coastal cities. CITIC Limited Group also has the capability to provide cross-border services. With bases in China and Hong Kong, it provides financial services both domestically and abroad, and has been gradually extending the global reach in recent years.

CITIC Limited Group is a national leading provider of comprehensive and one-stop financial services:

Products innovation – The financial subsidiaries or investee companies of CITIC Limited are able to provide integrated financial instruments with innovative and customized financing and investment solutions when traditional financing instruments such as bank loans and bonds cannot meet clients' needs, while constantly improving cooperation in practice. In order to meet different financial needs of clients, the subsidiaries and investee companies of CITIC Limited engaged in financial services work on the joint development of financial products. They have developed a business cooperation model in product development, sales and management, by utilizing the networks of CITIC Bank as primary sales and marketing channels, and the specialized professional knowledge and license resources of operational entities in the securities, trust, and fund management sectors. In 2013, CITIC Bank, together with CITIC Securities, CITIC Trust, and CITIC-CP, jointly developed 281 products with a total value of RMB140,746 million, representing an increase of RMB31.3 billion from 2012.

Coordinated marketing – Various subsidiaries and investee companies of CITIC Limited engaged in financial services business actively conduct coordinated marketing to meet the diversified needs of clients. Great achievements and breakthroughs have been made in the fields of debt securities underwriting, enterprise annuity, bank wealth management and trust wealth management plans. CITIC Limited Group is one of the few conglomerates which own full licenses of enterprise annuity businesses in the industry. Among them, CITIC Bank, CITIC Securities and CITIC Trust have the qualifications of custody, account manager, investment manager and trustee of enterprise annuity, respectively. In their long-term cooperation in joint bond underwriting, CITIC Bank and CITIC Securities have gradually formed a mechanism of cooperation which complements each other and manages to clearly distribute interests between them. As of December 31, 2013, CITIC Bank, together with CITIC Securities, CITIC Trust and other financial subsidiaries or investee companies of CITIC Limited, had provided enterprise annuity service to 515 corporate clients with a value of RMB11.2 billion. In 2013, CITIC Bank and CITIC Securities, as joint lead underwriters, underwrote debt securities for their clients with a value of RMB16.8 billion, which helped to maintain their customer relationships and reinforce their respective positions in the bond underwriting market.

Cross-selling – The financial subsidiaries and investee companies of CITIC Limited conduct cross-selling through various channels including physical networks, marketing teams and electronic channels. In 2013, CITIC Bank sold through its physical networks and online banking channel: 21 products of CITIC Securities with a total value of RMB3,055 million, 36 products of CITIC Prudential with a total value of RMB1,262 million, 26 products of CITIC Prufunds with a total value of RMB3,946 million and 37 products of ChinaAMC with a total value of RMB1,004 million. CITIC Securities is another important cross-selling channel of CITIC Limited Group. CITIC Securities has seized the early opportunities of the recent regulatory changes and acquired the qualification to engage in agency sales of all financial products in the market, thereby increasing its scope for cross-selling. The cooperation between CITIC Prudential and CITIC Bank also brought more potential increase in the cross selling through electronic channels.

Cross-border business cooperation – The Hong Kong subsidiaries and investee companies of CITIC Limited have established cross-border connections with domestic entities, and jointly provide services to clients, in which they have accumulated rich experience. CITIC Securities, CITIC Securities International and CBI have jointly established the "Integrated Platform of CITIC International Financial Services", to provide domestic and overseas securities trading, clearing services and other international financial investment plans to clients. CITIC Bank and CBI provide remote account opening services to private banking and high-end retail banking clients, and jointly provide cross-border value-added services, such as overseas investment and immigration consultancy services to clients.

Accelerating international expansion – CITIC Limited Group is committed to vigorously expanding its international business and building its overseas business platform. CITIC Group became the first Chinese company to acquire a commercial bank overseas as early as 1986. In 2009, CITIC Bank acquired a controlling interest in CIFH from CITIC Group. As an important overseas platform, CIFH has made important contributions to the development of the overseas financial services business of CITIC Limited Group. The predecessor of CIFH, Ka Wah Bank, set up its Los Angeles and New York branches early in 1982 and 1983, respectively. Besides, in addition to the US branch, overseas branches of CBI, a wholly-owned subsidiary of CIFH include branches in Singapore and Macau. Currently, CBI mainly provides financing, trade financing and deposit services to its corporate clients. In addition, CITIC Bank also has been actively engaged in strategic cooperations with BBVA. CITIC Securities International, a subsidiary of CITIC Securities, operates its international securities business in Hong Kong. In 2013, CITIC Securities completed the acquisition of CLSA's 100% equity through CITIC Securities International thus further expanded its business to markets outside of China. Currently, CITIC Securities comprehensively cooperates with CITIC Securities International and CLSA in every business line, and vigorously explores international businesses in cross-border public offerings and overseas acquisitions.

c. ***Banking***

(a) Overview

CITIC Limited Group conducts its domestic and overseas banking business through CITIC Bank and its subsidiaries. As of the Latest Practicable Date, CITIC Limited Group held a 66.95% equity interest in CITIC Bank. CITIC Bank is a national joint-stock commercial bank characterised by rapid growth and strong integrated competitive strength. CITIC Bank's main businesses include corporate finance, personal finance and financial market.

As of December 31, 2013, the consolidated total assets of CITIC Bank and its subsidiaries were RMB3,641,193 million. For the years ended December 31, 2011, 2012 and 2013, CITIC Bank and its subsidiaries achieved a consolidated revenue of RMB77,092 million, RMB89,711 million and RMB104,813 million, respectively, with a CAGR of 16.6%, and realized a net profit attributable to equity shareholders of CITIC Bank of RMB30,819 million, RMB31,032 million and RMB39,175 million, respectively, with a CAGR of 12.7%.

Since 2011, and in particular during 2013, CITIC Bank has successfully implemented its strategic transformation including a business restructuring which (i) moved towards an "olive-shaped" customer structure, (ii) increased its offering of less capital intensive products, and (iii) altered its region and industry targeting. CITIC Bank also carried out structural adjustments to its business, moving the management of corporate customers upward to its head office and that of retail customers downward to its branches. CITIC Bank is rapidly developing its key strategic business and strengthening its non-core business. CITIC Bank has already adjusted its corporate structure to enhance the management ability of the head office, and the integration of front, middle and back offices. For further information regarding the strategic transformation of CITIC Bank, please refer to "Strategic Transformation of CITIC Bank".

The following table sets out the major consolidated financial and regulatory indicators of CITIC Bank and its subsidiaries during the periods indicated:

Major Operational Indicator	**For the year ended December 31,**		
	2011	**2012**	**2013**
	(in millions of RMB, except percentages)		
Revenue	77,092	89,711	104,813
Profit before tax	41,590	41,609	52,549
Net profit attributable to equity shareholders of CITIC Bank	30,819	31,032	39,175
Return on average assets (ROAA) (%) *(Note 1)*	1.27	1.10	1.20
Return on average equity (ROAE) (%) *(Note 2)*	20.92	16.65	18.48
Cost-to-income ratio (%) *(Note 3)*	29.88	31.58	31.43
Net interest spread (%) *(Note 4)*	2.85	2.61	2.40
Net interest margin (%) *(Note 5)*	3.00	2.81	2.60

Notes:

1. ROAA = Net profit of CITIC Bank/[(total assets at the beginning of the period plus total assets at the end of the period)/2]

2. ROAE = Net profit attributable to equity shareholders of CITIC Bank/[(total equity attributable to equity shareholders of CITIC Bank at the beginning of the period plus total equity attributable to equity shareholders of CITIC Bank at the end of the period)/2]

3. Cost-to-income ratio = (Operating expense minus business tax and surcharges)/revenue

4. Net interest spread represents the difference between the average yield of total interest-earning assets and the average cost rate of total interest-bearing liabilities.

5. Net interest margin = Net interest income/[(balance of total interest-earning assets at the beginning of the year plus balance of total interest-earning assets at the end of the period)/2]

Major Scale Indicator	**As of December 31,**		
	2011	**2012**	**2013**
	(in millions of RMB)		
Total assets	2,765,881	2,959,939	3,641,193
Total loans and advances to customers	1,434,037	1,662,901	1,941,175
Total liabilities	2,587,100	2,756,853	3,410,468
Deposits	1,968,051	2,255,141	2,651,678
Equity attributable to equity shareholders of CITIC Bank	174,496	198,356	225,601

Major Regulatory Indicator (%)	**As of December 31,**		
	2011	**2012**	**2013**
NPL ratio	0.60	0.74	1.03
Provision coverage ratio	272.31	288.25	206.62
Provision to loan ratio	1.62	2.12	2.13
Capital adequacy ratio	12.27 *(Note 1)*	13.44 *(Note 1)*	11.24 *(Note 2)*
Core capital adequacy ratio	9.91 *(Note 1)*	9.89 *(Note 1)*	–
Tier-one capital adequacy ratio	–	–	8.78 *(Note 2)*
Core tier-one capital adequacy ratio	–	–	8.78 *(Note 2)*

Notes:

1. Calculated in accordance with the *Measures for the Management of Capital Adequacy Ratios of Commercial Banks* (Order of the CBRC No. 2 [2004]) (as amended from time to time) promulgated by the CBRC in 2004.

2. Calculated in accordance with the *Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)* (Order of the CBRC No. 1 [2012]) promulgated by the CBRC in 2012.

(b) *Main Businesses*

The following table sets out the consolidated revenue of CITIC Bank and its subsidiaries for the periods indicated:

Business Segments *(Note 1)*	**For the year ended December 31, 2012** Revenue	% of total	**2013** Revenue	% of total
	(in millions of RMB, except percentages)			
Corporate banking *(Note 2)*	63,190	70.4	68,116	65.0
Personal banking *(Note 2)*	15,228	17.0	20,470	19.5
Treasury business	10,997	12.3	13,184	12.6
Others and unallocated	296	0.3	3,043	2.9
Total	89,711	100.0	104,813	100.0

Notes:

1. In 2012, CITIC Bank changed its business segments to: corporate banking business, personal banking business, treasury business, others and unallocated.

2. In 2013, CITIC Bank moved its small enterprise business from corporate banking to personal banking for evaluation and management and the disclosure of business segments for financial reporting purposes was changed accordingly. This change has not been applied in compiling the data for 2012. Small enterprise customers of CITIC Bank include small and micro enterprise legal person customers and customers of personal business loans (excluding commercial housing and commercial vehicle business). Small and micro enterprise legal person customers refer to small and micro enterprises within the meaning of the *Notification in relation to the Publication of the Standard for the Small and Micro Enterprises by the Four Ministry of Industry and Information, National Bureau of Statistics of PRC, National Development and Reform Commission and MOF* and each of which has been granted a credit limit of RMB10 million or less.

Business Segments	For the year ended December 31, 2011	
	Revenue	% of total
	(in millions of RMB, except percentages)	
Corporate banking	55,404	71.9
Personal banking	10,427	13.5
Treasury business	8,994	11.7
Overseas subsidiaries *(Note 1)*	3,002	3.9
Others and unallocated *(Note 2)*	(735)	(1.0)
Total	77,092	100.0

Notes:

1. CITIC Bank acquired CIFH in 2009 and manages it as a separate business segment. Since 2012, CITIC Bank segregates CIFH into the others and unallocated category mentioned above.

2. This item includes equity investment, assets, liabilities, revenue and expenditure of CITIC Bank and its subsidiaries which cannot be directly attributed or reasonably allocated to a certain business segment, and adjustment items arising from differences in management accounting and financial accounting methods.

i. Corporate finance

The corporate finance business of CITIC Bank has traditionally been a competitive strength of it. It offers a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing services, deposit, agency services, remittance and settlement services and guarantee services. In recent years, CITIC Bank has continuously reinforced its traditional strength in this segment and accelerated adjustments of its corporate banking business structure, customer composition and income structure. CITIC Bank enhanced the sustainable development ability of its corporate finance business by developing emerging businesses including investment banking, supply chain financing, and cash management.

For the year ended December 31, 2011, 2012 and 2013, the revenue generated from corporate banking business was RMB55,404 million, RMB63,190 million and RMB68,116 million, respectively, with a CAGR of 10.9%, representing 71.9%, 70.4% and 65.0% of CITIC Bank's revenue, respectively, and net non-interest income generated from corporate banking business was RMB6,013 million, RMB7,573 million and RMB10,357 million, respectively, with a CAGR of 31.2%.

CITIC Bank places priority on the optimal adjustment of its corporate customer composition. Centring on the requirements of the "olive-shaped" corporate customer structure, CITIC Bank gradually moved the management center of strategic corporate customers upward from sub-branches to branches. In 2013, CITIC Bank established a new Group Customer Department in its head office with a clear direction of concentrated operation of its strategic customers. By moving the management center of strategic customers upwards to branches, CITIC Bank is able to concentrate its resources on high-quality strategic customers according to its capabilities. On the other hand, CITIC Bank has established a corporate customer base with small and medium enterprises at its core. Through the comprehensive service model of "traditional credit-granting plus transaction banking", CITIC Bank provides convenient and speedy financing services and transaction banking services including cash management and trade financing to its corporate customers tailored to their different development stages, business requirements and industry characteristics, thereby constantly improving its marketing and service capabilities toward medium enterprise customers.

From 2011 to 2013, CITIC Bank maintained its excellent reputation in the corporate financing business, receiving a number of awards, including "Excellent Competitive Corporate Banking Service Provider", "Best Supply Chain Financing Bank", "Best Cash Management Bank", "Best Syndicated Loan Program" and "Innovation Award for Corporate Banking".

ii. Retail finance

As part of CITIC Bank's strategic transformation, retail finance business has become one of the key development areas of CITIC Bank in recent years. CITIC Bank provides various services to retail finance customers, including personal deposits and loans, wealth management, credit cards, consumption financing and small enterprise financing. Consistent with the "client-focus" business concept in its retail finance business, and in combination with the rapid development of its internet financing, CITIC Bank is committed to the development of retail finance business, and has been constantly launching innovative products that cater to the demand of the retail banking market in recent years, including innovative wealth management products, property-collateralized loans and "Internet Loans to POS Merchants". For the year ended

December 31, 2011, 2012 and 2013, the revenue generated from personal banking business of CITIC Bank was RMB10,427 million, RMB15,228 million and RMB20,470 million, respectively, representing 13.5%, 17.0% and 19.5% of CITIC Bank's revenue, respectively, and the net non-interest income was RMB3,085 million, RMB4,607 million and RMB6,856 million, respectively, with a CAGR of 49.1%.

CITIC Bank has won various honours for its personal banking business at nation-wide award events. From 2011 to 2013, CITIC Bank received the "Best Retail Bank" award from both the "Most Respected Banks Initiative" hosted by *Moneyweek* and the "Golden Diamond Award Initiative" hosted by *Netease*. The "2011 China Business News Financial Value List" named CITIC Bank "Innovative Retail Bank of the Year". For retail banking product, the "Personal House Mortgage Loan" of CITIC Bank was honoured "Best Mortgage Project of China in 2011 (among national joint-stock commercial banks)" by *The Asian Banker*. Other awards received by CITIC Bank include, among other things, "Best SME Financial Service Innovative Award", "Best Assets Custody Bank", "Best Wealth and Capital Management Bank", "Best Private Banking", "The Most Complete Product Line of Private Banking", "Private Banking with the Highest Customers Satisfaction" and "Golden Medal for the Return on Private Banking for the Year".

iii. Financial markets

In 2013, CITIC Bank integrated its existing transaction resources (in terms of operational infrastructure, client base and service capability) and established a new financial market business sector out of the original fund and financial market business sector, which includes the financial market business and interbank business.

The financial market business of CITIC Bank consists primarily of providing capital products and services to corporate and individual customers, and proprietary asset management and trading. Principal products provided by financial market business include foreign currency, wealth management products, precious metal products and derivatives, as well as risk management, investment and financing services provided to retail, corporate and financial institutions customers. Proprietary asset management and trading refers to the investment and trading of capital market instruments, and securities. Furthermore, CITIC Bank has explored new cooperation models and constructed financial platforms for its interbank business, focusing on eight types of customers, namely, banks, securities companies, finance companies, fund management companies, trust companies, insurance companies, financial leasing companies and futures companies.

For the year ended December 31, 2011, 2012 and 2013, CITIC Bank's treasury business achieved an revenue of RMB8,994 million, RMB10,997 million and RMB13,184 million, respectively, representing 11.7%, 12.3% and 12.6% of CITIC Bank's revenue, and realized a non-interest income of RMB1,284 million, RMB1,768 million and RMB1,818 million, respectively.

Since 2011, the foreign currency business of CITIC Bank has received several awards, including awards from *Asiamoney*. CITIC Bank has also been awarded "Best Market Maker of the Year" and "Most Popular Market Maker of the Year" by China Foreign Exchange Trade System for foreign currency business, and "Best Market Maker" by the PBOC for Renminbi interest rate market making.

(c) Business Networks

i. Branches

CITIC Bank continued to improve the geographic layout of its branches by filling gaps in outlet establishment in provincial capitals, further speeding up branch development in economically developed prefecture-level municipalities and increasing the density of its outlets in key areas. As of December 31, 2013, CITIC Bank had 1,073 branches and sub-branches in China, including 42 tier-one branches, 69 tier-two branches and 962 sub-branches.

CBI conducts commercial banking business in Hong Kong and overseas countries and regions. As of December 31, 2013, CBI had 36 physical outlets in Hong Kong and also established overseas branches in Macau, Singapore, New York and Los Angeles.

ii. Self-service outlets and self-service terminals

Self-service terminals can provide customers with convenient and efficient services and reduce the operational expenses at the same time. In 2013, in parallel with enhanced risk prevention in self-service banking, CITIC Bank made efforts to expand the distribution network of self-service terminals and raise the substitution rate of self-service terminals in transactions. As of December 31, 2013, CITIC Bank had established 2,360 self-service banks and installed 8,433 units of self-service terminals (including ATM (automatic teller machine), CDM (cash deposit machine) and CRS (cash recycling system)) in China.

iii. Telephone banking

CITIC Bank provides telephone banking service through client service hotline "95558". In 2013, the client service center of CITIC Bank received 49.06 million incoming calls, of which 42.83 million were self-service voice service and 6.23 million were manual service. 90.1% of the manual service calls were picked up within 20 seconds, the satisfaction rate of which was 98.8%, and the satisfaction rate of handling client complaints is 98.1%, which is comparatively high in the industry.

iv. Online banking

Based on the strategic vision of "creating another CITIC Bank online", CITIC Bank drives forward its efforts to enhance internet-based financial business and finance-based internet business, in order to maintain the momentum of its rapid growth of all business lines. In 2013, CITIC Bank achieved a total of RMB774 million of fee and commission income from its online banking business, up by 141.1% year-on-year. CITIC Bank was honoured with many awards including "Best Internet Financial Service Bank" and "China's Best Mobile Finance Brand" in 2013.

(i) Internet-based financial business

CITIC Bank is enthusiastic in its efforts to promote internet-based financial services business, guiding customers to buy financial products, carry out financial transactions and obtain financial services through the internet so as to improve efficiency of customer service and reduce customer transaction cost. As of December, 31, 2013 CITIC Bank had: 10,311,400 personal internet banking customers; 215,100 corporate e-banking customers; and 3,418,800 personal mobile banking customers. Throughout the year of 2013, CITIC Bank received 4.93 million online applications for credit cards and made 1.24 million online card issuances. In addition, CITIC Bank has established strategic cooperative relations with leading internet enterprises, including Tencent, Taobao and Baidu. In the future, CITIC Bank will continue its internet-based financial innovation.

(ii) Finance-based internet business

CITIC Bank devotes itself to providing the internet economy with financial solutions. Through service solutions such as "Cyber Payment", internet lending, and fund supervision and settlement, CITIC Bank serves multiple customers including "online stores, internet enterprises, online government and internet users (netizens)". CITIC Bank's "Cyber Payment" covers a series of new payment services including Quick Response Code payment, NFC (Near Field Communication) mobile payment and cross-bank bill collection. For internet lending, CITIC Bank has put in place a preliminary new business model which covers online applications, acceptance, review and approval of applications and disbursement of loans, thereby providing convenient financing services to small and micro enterprise owner or individual businesses with demand of current capital for their operations.

In 2013, CITIC Bank established new cooperation relationships with 224 e-commerce enterprises, including 38 non-financial payment institutions and 186 directly-linked enterprises.

(d) Information Technology

CITIC Bank has established a "customer-oriented", flexible, simple and stable information system that serves the needs of products, customers, channels, accounting and information management. CITIC Bank's information technology system mainly includes the core system, channel system, business processing system and management information system. The core system is the "client services and transaction processing engine". The main channel systems include corporate online banking system, personal online banking system, B2B e-commerce trading platform, online financial mall, online credit system, mobile banking system and mobile payments system. The main business processing systems include corporate loans system, supply chain financing business system, concentrated acquiring system, payment system, and wealth management platform.

(e) Strategic Transformation of CITIC Bank

At the end of 2012, CITIC Bank put forward its strategic vision of building a first-class commercial bank with unique market value, emphasizing support for the substantive economy, full-scale entrance into the modern service industry, and vigorous development of the small and medium enterprises financing business and online banking business. CITIC Bank re-adjusted and improved its business segments of corporate finance, retail finance and financial market, and launched a matrix authorization management system to enhance management throughout the bank. CITIC Bank initiated a program to reform risk management system, which highlights a double-line reporting system for and two-way performance evaluation of the Chief Risk Officer, and put forward a new system for vertical management and full coverage of comprehensive risks. A laboratory for internet product innovation was established to push forward the construction of new core systems. Considerable efforts were also made to promote comprehensive application of management accounting in performance evaluation of business lines, the process of credit approval and assessment of customer contribution to income. In addition, multiple measures including credit, capital, expenses, interest rate and FTP (Funds Transfer Pricing) were used to optimize resources allocation.

i. Business structure adjustment

CITIC Bank accelerated its business restructuring based on its "olive-shaped" customer positioning, "low capital consumption" product positioning, "differentiation" regional location and "characteristic" industry targeting. In 2013, the proportion of non-interest income in CITIC Bank's revenue reached 18.2%, up by 2.3% year-on-year, which shows an optimizing revenue structure. At the end of 2013, the outstanding balance of loans to small and micro enterprises and medium enterprises increased 31.6% and 15.5%, over the end of 2012, respectively, representing 15.2% and 30.2% of the balance of total loans of CITIC Bank as of the end of 2013; the outstanding personal business loans and credit card loans increased 53.9% and 59.9% over the end of 2012, higher than the average growth rate of the loans bank-wide. In 2013, CITIC Bank took the initiative and entered into the modern services industry, and the outstanding loans increased RMB118.0 billion or 33.8% over the end of 2012. And also, CITIC Bank took the initiative to reduce credit facility and loans to the local government financing vehicles, real estate and photovoltaic industries, each experiencing a decrease in outstanding loan amounts of RMB22.3 billion, RMB10.4 billion, and RMB1.45 billion, respectively. All these facilitated the optimization of CITIC Bank's loan industry structure.

ii. Drive the management center of corporate customers upward and that of retail customers downward

In furtherance of its financial service model of "commercial banking + investment banking", CITIC Bank has set up a Group Customer Department at its head office to focus on the professional and differentiated operation and management. The management center of large, high-value customers has been shifted from sub-branches upward to branches and the head office, while the sub-branches shift their service priority to small and medium enterprises and retail customers. CITIC Bank has set up a new Consumer Financing Department, merged Wealth Management Department and Private Banking Department into one, and incorporated its small enterprise financing business into its retail banking business. Vigorous efforts were also made to promote the transformation of outlets, build flagship outlets, and gradually transforms sub-branches into financial sales platforms that offer full-range financial products including personal loans, credit cards, small enterprise financing products, wealth management products and automobile financing products, in an attempt to shift the focus of sales outlets of branches to small and medium enterprises and retail customers.

iii. Rapid development in key strategic business areas

As part of its efforts to accelerate entry into the modern services sector, CITIC Bank set up specialized divisions or teams for modern financial services at its head office and branches, and defined key target customers from seven major categories of core sub-sectors. As of December 31, 2013, CITIC Bank had approximately 41,000 modern service customers, up by 15.8% from the end of 2012; the average daily balance of deposits was RMB546.25 billion, up by 27.5% from the end of 2012; the value of outstanding loans was RMB467.15 billion, up by 33.8% from the end of 2012, and 21.3 percentage points higher than the average growth rate of CITIC Bank's corporate loans. All these indicate a good beginning towards a sound layout in the modern services sector.

Under the development concept of "finance-based internet business, and internet-based financial business", CITIC Bank accelerates its development of online banking. Following the trend of internet financing and consumer economy, CITIC Bank independently developed the "Cyber Payment" product series with a core function of cross-banks acquiring service and achieved a breakthrough in the application of new technologies. It also launched a series of online loan products including the "Internet loans to POS merchants", and created a one-stop mall for financial products sales, thereby laying out the preliminary blueprint for online banking in the Big Data era.

iv. Development of non-mainstream businesses

With the stable development of China's banking sector, the homogeneity of industry competition is also increasingly notifiable. To achieve differentiated competition, CITIC Bank put forward the strategy of focusing on non-mainstream businesses and vigorously developed businesses including safekeeping services, factoring, precious metal, agency sales, custody services and discounted bills business.

d. Securities

(a) Overview

As of the Latest Practicable Date, CITIC Limited held 20.30% of CITIC Securities' equity interest as the largest shareholder. CITIC Securities is one of the first comprehensive securities companies approved by the CSRC. Its main businesses include brokerage, investment banking, trading, asset management and others. Principal subsidiaries of CITIC Securities include CITIC Securities (Zhejiang), CITIC Wantong, CITIC Securities International, CITIC Futures, CITIC Securities Investment Limited, Goldstone Investment and ChinaAMC.

The following table sets out major financial and regulatory indicators of CITIC Securities during the periods indicated:

	For the year ended/ As of December 31,		
Financial Indicator	**2011**	**2012**	**2013**
	(in millions of RMB)		
Total assets	148,280	168,508	271,354
Total equity attributable to equity shareholders of CITIC Securities	86,587	86,465	87,688
Revenue	26,371	13,071	20,279
Profit before tax	15,031	5,487	6,846
Net profit attributable to equity shareholders of CITIC Securities	12,576	4,237	5,244

Principal Regulatory Indicator	As of December 31, 2011	2012	2013
	(in millions of RMB, except percentages)		
Net capital	50,627.97	40,471.73	34,796.49
Net capital/total risk capital reserves (%)	2,246.27	1,333.00	849.74
Net capital/net assets (%)	68.63	55.75	48.54
Net capital/total liabilities (%)	216.24	94.81	33.15
Net assets/total liabilities (%)	315.09	170.05	68.29
Value of equity securities and derivatives held (stock index futures inclusive)/net capital (%)	51.33	69.55	76.11
Value of fixed income securities held/net capital (%)	52.12	91.82	176.88

(b) Main Businesses

The following table sets out the revenue generated from various businesses of CITIC Securities during the indicated period:

Fees and Commissions Income	For the year ended December 31, 2011	2012	2013
	(in millions of RMB)		
Brokerage	4,518	3,603	6,493
Investment banking	1,983	2,754	2,217
Trading	–	238	399
Asset management	3,097	320	1,489
Others	115	175	101
Fee and commission expenditure	1,067	801	1,061
Net fee and commission income	8,646	6,289	9,638

i. Brokerage

CITIC Securities provides brokerage services to companies, institutions and individual customers, including trading of stocks, bonds, mutual fund rights, warrants, futures and other tradable securities, and obtains commissions by implementing and clearing customers' trades and selling financial wealth management products for cooperative entities. As of December 31, 2013, the total trading turnover of its stocks and funds took 6.2% of the market share in China, ranking first in the market.

With diversified financial products and professional service, CITIC Securities made rapid development in its value-added services for customers such as financing, wealth management and consulting. Value-added service has become a driving force for the income of brokerage business. In 2013, CITIC Securities, together with CITIC Securities (Zhejiang) and CITIC Wantong, sold financial products with a total value of RMB113,903 million CITIC Securities' brokerage platform has strong capacity in resources integration by constantly attracting high-quality clients and providing them with various kinds of investment and financing services.

ii. Investment banking

CITIC Securities provides financing and financial advisory services to all kinds of enterprises and institutional clients in China and abroad. In China, CITIC Securities is in an advantageous position in serving leading clients and obtaining large projects, and is also committed to meeting the diversified financing needs of small and medium enterprises and emerging enterprises.

(i) Equity business

The equity financing business of CITIC Securities, which is comprised mainly of its initial public offering (IPO), follow-on offering and issuance of convertible bonds, has maintained its market leading position for many years. Based on its principle of "being client-oriented with comprehensive services, maximizing the efficiency of resources allocation, and improving the quality of customer services", CITIC Securities aims to maximize business opportunities through comprehensive products coverage and professional customer services.

From 2011 to 2013, CITIC Securities completed 24 A share IPO underwriting projects, with a total underwriting amount of RMB50,438 million, and completed 28 follow-on offerings projects with a total underwriting amount of RMB71,021 million as lead underwriter. According to *Wind*, from 2011 to 2013, the aggregate equity underwriting amount by CITIC Securities ranked first in China. In addition, from 2011 to 2013, CITIC Securities International (including CLSA) completed 16 IPO underwriting projects and 19 follow-on offering projects in Hong Kong, with an underwriting amount of US$27.69 billion (or HK$214.62 billion).

(ii) Debt securities

CITIC Securities' debt securities businesses are divided into three categories, i.e. underwriting of bonds, structured financing and asset-backed securities, and have experienced a fast growth in recent years. In 2013, CITIC Securities completed a total of 141 debt securities transactions with a lead underwriting amount of RMB159,537 million. CITIC Securities' structured financing business has enhanced its diversity in both product model and structure. In 2013, CITIC Securities completed 37 structured financing projects, with an aggregate financing amount of approximately RMB13.2 billion and became the frontrunner among peers. According to *Wind*, in 2013, three out of five credit asset-backed security products issued in China (excluding railway special credit asset-backed securities) was completed by CITIC Securities, with a total financing amount of RMB7,773 million, accounting for 80.2% market share.

(iii) Financial advisory services

CITIC Securities' financial advisory services include financial advisory for cross-border and domestic M&A (mergers and acquisitions) projects as well as M&A investment and financing. In 2013, according to the ranking by *Bloomberg* in terms of mergers and acquisitions in which Chinese company participated, CITIC Securities ranked first in the world in term of the value of financial advisory services with an aggregate value amounting to RMB157,839 million. CITIC Securities has been in the first place in terms of the number of transactions since 2011.

iii. Trading

CITIC Securities' trading businesses include sale and trade of stocks and fixed income products, alternative investment, quantitative investment, and margin financing and securities lending.

As a member of the underwriting syndicate, CITIC Securities provides services for various government issuers in issuing fixed income products in the public market. CITIC Securities is an A level member of the underwriting syndicate appointed by the MOF to issue government bonds and a first tier trader of PBOC bills in the public market appointed by PBOC. CITIC Securities also participates in the distribution of the policy financial bonds of the Agricultural Development Bank of China, the Export-Import Bank of China and the China Development Bank as a member of the underwriting syndicate.

Besides conventional proprietary trading, CITIC Securities received stable gains with low risk and low market correlation through means such as hedging, arbitrage and quantitative investment by leveraging on the inefficiency across the domestic and international markets.

CITIC Securities started to provide margin financing and securities lending services in March 2010 as one of the first six securities companies approved for such service in China. According to public information from the SSE and SZSE, as of December 31, 2013, the balance of the margin financing and securities lending of CITIC Securities, CITIC Securities (Zhejiang) and CITIC Wantong amounted to a total of RMB33.42 billion, accounting for a market share of 9.6% which ranked first.

iv. Asset management

With the encouragement of industrial innovation from the regulatory agencies, CITIC Securities' asset management business grew fast in recent years. CITIC Securities' total AUM increased from RMB62,008 million by the end of 2011 to RMB504,858 million by the end of 2013, among which collateral asset management, targeted asset management (including enterprise annuity and national social security fund) and special asset management amounted to RMB33,064 million, RMB468,965 million and RMB2,829 million, respectively.

v. Other businesses

CITIC Securities' other businesses mainly include private equity investment, principal investments and others. CITIC Securities will invest in projects that will promote the business of its own or has potential in value increase. CITIC Securities also invests and manages private equity funds in Hong Kong.

vi. Research business

CITIC Securities' research business has established a team renowned for their macro, strategy, financial products and quantitative studies, and composed of nearly 100 industry research analysts constantly providing timely, comprehensive and profound research reports and recommendations to domestic and overseas institutional investors and high-net-worth clients, covering almost 1,000 A share companies, more than 70 A+H share companies and more than 180 overseas Chinese concept stock companies. According to *New Fortune*, CITIC Securities' research department was consecutively ranked first among China's security company research departments from 2006 to 2012, and ranked second in 2013, with multiple industry research analysts ranking first.

In addition, CLSA was elected as one of the leading stock research institutions by institutional investors in Asia, which is renowned for its independent research, economic analysis and stock strategy.

vii. International businesses

CITIC Securities completed the acquisition of 100% equity interest in CLSA in 2013, which further confirmed its strategy of expanding the business to overseas market and developing an overseas business platform. CLSA, founded in 1986 and headquartered in Hong Kong, is mainly engaged in brokerage, investment banking and private investment businesses in Asia Pacific. Following the acquisition, CITIC Securities' business coverage expanded to markets such as United States, Great Britain, Japan, Australia, Singapore, India, South Korea, the Philippines, Malaysia, Indonesia and Thailand. CITIC Securities is the first mainland securities company that has branches in all the principal markets around the world, bringing new opportunities for its internationalization.

(c) Business Network

As of December 31, 2013, together with its subsidiaries, CITIC Securities had 222 domestic and foreign securities branches, among which there are four Hong Kong branches. CITIC Securities also provides clients with financial services through electronic channels, such as the internet and telephone. Clients have access to various services and products online including brokerage, financial management, corporate financing and research products.

(d) Information Technology

CITIC Securities develops its IT systems and platforms in-house through three research and development centers in Beijing, Shenzhen and Hangzhou. An operational platform was established for information storage and analysis through an advanced information management framework and enterprise information modes, which are based on the technologies of cloud computing and management of mass data. CITIC Securities has a competitive advantage in its centralized trading system which features scalability and capacity of security isolation. The system integrates businesses of CITIC Securities, CITIC Securities Zhejiang and CITIC Wantong, effectively reduces the deployment cost of system, improves the management efficiency, and improves the coverage and promptness of the business innovation. Regarding information security construction, CITIC Securities was granted the ISO27001 information security management system certification issued by the authoritative evaluation institution, China certification center.

(e) CITIC Futures

CITIC Futures is a wholly-owned subsidiary of CITIC Securities and was previously known as China Futures. Its headquarters is in Shenzhen and its registered capital is RMB1,500 million, with a regulatory grade of AA in A class since 2012. CITIC Futures owns the member qualification of General Clearing in the China Financial Futures Exchange, Shanghai Futures Exchange, Zhengzhou Commodity Exchange, and Dalian Commodity Exchange. It owns full licensing business qualifications in commodity futures, financial futures brokerage business, clearing business agent of financial futures, futures investment advisory services and asset management business, and has the qualifications to set up risk management subsidiaries. CITIC Futures has 32 branches presently, among which seven are under construction. Its branches cover major large- and middle-sized cities in China and the number ranks among the top.

(f) ChinaAMC

As of the Latest Practicable Date, CITIC Securities held 62.20% equity interest in ChinaAMC. ChinaAMC is one of the first batch of national fund management companies approved by the CSRC, and is one of the fund management companies with the largest AUM and takes a leading position in the industry. As of December 31, 2013, the AUM of ChinaAMC amounted to RMB333,374 million, up by 12.0% year-on-year. The AUM of mutual funds was RMB244,715 million, up by 4.0% year-on-year. The AUM of institutional business was RMB88,658 million, up by 42.4% year-on-year, of which the AUM of enterprise annuity was RMB50,114 million.

(g) Goldstone Investment

Goldstone Investment, a wholly-owned subsidiary of CITIC Securities, adopts a mixed investment strategy of direct investment and fund investment. Facilitated by the operating network of CITIC Securities, the investment team of Goldstone Investment and the resources of the invested Renminbi private equity fund projects, Goldstone Investment targets to invest in large equity financing opportunities in Chinese market. The main investment projects are focused in manufacturing, information and technology, financial and insurance business, agriculture, forestry, animal husbandry, fishery and chemical industry.

In June, 2012, Goldstone Investment was sanctioned to establish the CITIC Merger and Acquisition Fund, which is the first M&A fund set up by a domestic securities company approved by the CSRC.

e. Trust

(a) Overview

CITIC Limited Group conducts trust business through CITIC Trust, the equity of which is owned by CITIC Limited and CITIC Industrial Investment as to 80% and 20%, respectively. CITIC Trust has the most comprehensive line of trust products in the industry, covering products including private equity funds, industry investment funds, assets securitization, non-performing assets liquidation, enterprise annuities, equity trust and asset management for QDII (Qualified Domestic Institutional Investor). CITIC Trust has also introduced various trust products in various fields, including those in relation to infrastructure, securities market, industrial and commercial enterprises, and real estate.

CITIC Trust has been enjoying a leading position due to its largest trust AUM, formidable research team, advanced innovative concepts and unique risk management system. According to statistical data from the China Trustee Association and the published information of the major trust companies in China, CITIC Trust maintained a leading position in terms of trust AUM, revenue and net profit from 2011 to 2013. As the leader of the industry, CITIC Trust has played an important role in promoting the development of China's trust regulatory system through its promotion of innovations in the trust industry. CITIC Trust's comprehensive personnel risk management system, which applies to all personnel and business processes, ensures the effective identification and management of risks pursuant to corresponding risk management rules, from the start to the end of each business line.

As of December 31, 2013, the AUM of CITIC Trust totaled RMB817.4 billion, of which the trust AUM amounted to RMB729.7 billion. In 2013: the revenue was RMB5,119 million, of which the fee income accounted for RMB4,625 million, and the net profit attributable to equity shareholders of CITIC Trust was RMB3,144 million while the ROE was 27.4%. The CAGR for the net profit attributable to the equity shareholders and the AUM of CITIC Trust from 2011 to 2013 was 28.0% and 35.1%, respectively.

The following table sets out the principal financial indicators of CITIC Trust for the periods indicated:

	For the year ended/ As of December 31,		
Indicator	**2011**	**2012**	**2013**
	(in millions of RMB)		
Total assets	8,889	11,823	14,887
Net assets	7,141	9,938	13,029
Revenue	3,634	4,265	5,119
Total profit	2,561	3,608	4,194
Net profit attributable to equity shareholders of CITIC Trust	1,920	2,717	3,144
Outstanding trust AUM	399,969	591,349	729,661

(b) Main Businesses

CITIC Trust has fully realized the merits of the trust system by integrating various financial functions to provide comprehensive financial solutions to clients. CITIC Trust's business consists of trust business, inherent business and intermediary business. Trust business and inherent business are similar in assets utilization and differ mainly in the assets source. The assets managed in trust business originate from the clients, and require the setting up of related arrangements such as trust product design, structural arrangements for trust product transactions, sales of trust products, beneficiary rights management (customer relationship management), information disclosure, trust establishment, trust termination and liquidation. The assets of inherent business originate from funds owned by CITIC Trust itself, thus the inherent business has no arrangements related to clients' assets. The intermediary business mainly comprises financial consultancy services.

i. Trust

The trust business is the main source of CITIC Trust's income. For the years ended December 31, 2011, 2012 and 2013, income generated from CITIC Trust's trust business was RMB2,447 million, RMB3,141 million and RMB4,502 million, respectively. As of December 31, 2013, CITIC Trust had approximately 18,000 principals.

(i) Classification based on trust asset utilization

CITIC Trust's trust business can be classified into financing-related trust business, investment related trust business, non-discretionary trust business and other businesses based on capital utilization methods. The principal financial instruments used in direct investment and financing activities include loans, direct equity investments, investments with beneficial rights in specific assets.

The following table sets out the information of the trust AUM of CITIC Trust based on the trust asset utilization method for the periods indicated:

	As of December 31,					
	2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Investment related						
Securities investment	142,664	35.7	188,223	31.8	204,482	28.0
Equity investment	64,110	16.0	48,905	8.3	39,546	5.4
Financing-related	38,860	9.7	97,065	16.4	131,412	18.0
Non-discretionary	154,336	38.6	257,155	43.5	354,222	48.6
Other	–	–	–	–	–	–
Total	399,969	100.0	591,349	100.0	729,661	100.0

- Investment related trust business

CITIC Trust's investment related trust business is divided into the equity investment business and the securities investment business. The equity investment business involves the equity investment of trust funds, exercise of shareholders' rights and participation in the operational management of the invested company for the benefit of the beneficiaries or a specific purpose to obtain greater economic benefits. The securities investment business comprises investment activities in which the trust capital is invested in stocks with established secondary markets, securities investment funds, bonds, central bank notes, bonds repurchase, trust products, trust loans and equity investment trusts.

As of December 31, 2011, 2012 and 2013, the trust AUM of CITIC Trust's investment related trust business was RMB206,774 million, RMB237,128 million and RMB244,028 million, respectively.

- Financing-related trust business

CITIC Trust's financing-related trust business mainly provides mid- to long-term loan facilities to borrowers with additional full guarantee and a fixed interest rate and maturity date. CITIC Trust is the trustee, lender and loan servicer in this line of business and is responsible for the due diligence of financing projects' screening and recommendation, deal structuring, and the management of creditors' rights and collaterals.

As of December 31, 2011, 2012 and 2013, the trust AUM of CITIC Trust's financing-related trust business was RMB38,860 million, RMB97,065 million and RMB131,412 million, respectively.

- Non-discretionary trust business

CITIC Trust's non-discretionary trust business refers to the trust business where clients hand over property to a trust company and appoint a trust company to conduct non-discretionary trust business to accomplish trust purposes. In non-discretionary trust business, clients make independent decisions on matters such as trust establishment, target applications of trust property and, trust property management methods relating to application and disposal. The trustee is mainly responsible for account management, clearing and distribution and provides or issues necessary documents to coordinate the management of the client's trust property. CITIC Trust mainly acts as a trustee, account manager and financial consultant, executing or providing suggestions according to the trust agreement and clients' instruction.

As of December 31, 2011, 2012 and 2013, the trust AUM of CITIC Trust's non-discretionary trust business was RMB154,336 million, RMB257,155 million and RMB354,222 million, respectively.

(ii) Classification based on sources of trust assets

CITIC Trust's trust operations can be classified based on sources into individual trusts, collective trusts and property management trusts. An individual-fund trust is set up by a single principal whose trust property is managed independently by the trustee, representing a strict one-to-one arrangement between the trustee and principal. A collective-fund trust is a trust where the trustee combines and manages a number of clients' trust properties as a whole. A property rights trust refers to a trust where the trust property of institutions is entrusted in the care and management of the trust company, including the business generating liquidity from assets for the purpose of financing.

The following table sets out the information on the trust CITIC Trust based on the sources of trust property as of the dates indicated:

	As of December 31,					
	2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Individual-fund trust	290,591	72.7	420,021	71.0	511,757	70.2
Collective-fund trust	99,728	24.9	113,783	19.3	119,833	16.4
Property rights trust	9,651	2.4	57,545	9.7	98,070	13.4
Total	**399,969**	**100.0**	**591,349**	**100.0**	**729,661**	**100.0**

(iii) Classification based on trust asset utilization by industry

In the trust business, the major industries for direct investment and financing businesses include infrastructure, real estate, energy and resources, manufacturing, agriculture and financial institutions (share equity). The major investments for the financial investment business are securities (bonds, funds and stock), commercial bank debt instruments, and trust beneficiary rights.

The following table shows the trust AUM of CITIC Trust based on the trust asset utilization by industry for the periods indicated:

	As of December 31,					
	2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Infrastructure	72,460	18.1	198,060	33.5	299,735	41.1
Real estate	73,141	18.3	63,329	10.7	56,223	7.7
Securities market	31,034	7.8	57,528	9.7	65,177	9.0
Industries	28,469	7.1	53,095	9.0	93,548	12.8
Financial institutions	9,855	2.4	9,723	1.6	163,650	22.4
Other	185,010	46.3	209,614	35.5	51,328	7.0
Total	399,969	100.0	591,349	100.0	729,661	100.0

In recent years, in order to reduce the adverse impact brought by changes in the real estate industry, CITIC Trust has gradually reduced the proportion of trust capital invested in the real estate industry and adopted a series of measures to control the risk of exposure to the real estate trust business. CITIC Trust prioritizes selection of large real estate enterprises with top rankings in China, and selection of projects located in first and second tier cities with good business prospects. According to the nature of projects, CITIC Trust combines the use of equity investment, loans and other diversified financial instruments. Through various means including project pledging, share pledging and equity transfer, CITIC Trust effectively controls the core assets of trade counterparties. In the meantime, CITIC Trust conducts tight on-site supervision, including supervision of use company seals, chops and access to account, to effectively guarantee the value of controllable assets.

Faced with increasing market concerns regarding loan business risks associated with local government financing vehicles, CITIC Trust is focused on bolstering its analysis of the financial strength, credit rating and solvency risk of its local government counterparties. CITIC Trust is committed to strengthening risk management by raising the business access threshold, controlling the regional concentration of financing, tightening risk control conditions and implementing local sales.

ii. Inherent business

CITIC Trust's inherent business includes financing-related business, investment-related business, fund lending and guarantee business. CITIC Trust actively uses its own capital to provide its customers with financing and comprehensive financial services. Customers usually provide a pledge guarantee with assets including movable and fixed assets. When CITIC Trust provides its customers with liquidity support, it also takes the further step of helping them design customized asset debt restructuring plans and offering them appropriate access to its pledging services. CITIC Trust utilizes its inherent assets on a stable and prudent basis to provide comprehensive financial services to various kinds of enterprises, which improves the efficiency of inherent fund utilization and its revenue generating ability, and promotes a synergic development between the inherent business and trust business.

iii. Intermediary business

The intermediary business of CITIC Trust mainly includes the financial consultancy business, which applies CITIC Trust's internal and external resources and advantages, including its talent, networks, capital, experience, information towards the provision of financial services to provide investment, management, brokerage and information services which are tailored according to customers' specific business operations, management needs and financial condition.

(c) Research and Innovative Ability of CITIC Trust

The development process of trust companies is about being at the forefront of industry trends, discovery and excavation of the market, and constant innovation. Therefore, the research and innovative ability of a trust company plays a crucial role in its long-term development. CITIC Trust has been the industry leader since its establishment due to its innovative ability. The following is a summary of some of CITIC Trust's representative innovative products.

i. Land circulation trust

On October 10, 2013, CITIC Trust cooperated with Yongqiao District Government, Suzhou, Anhui province and officially launched the country's first land circulation trust "CITIC • Rural Land Contractual Right Collective Trust 1301", with the aim of leveraging on the merits of the land trust system and promoting reasonable and efficient utilization of rural land, guaranteeing steady and consistent interests for farmers, and mobilizing the development of the agricultural industry and vast rural areas.

Without changing the ownership of the land, the land circulation trust establishes the "land keeper" mechanism to encourage farmers to actively participate in and exercise their rights to realize the sustainable utilization of rural land resources. Through the land circulation trust various land resources can be consolidated and operated through a centralized management system, which promotes benefits from economies of scale and contributes towards the overall development of the agricultural industry. By adopting a trust model to deal with the financing problems associated with rural land development, the land circulation trust has brought about a significant change in the process and prospects connected with rural land development, which realizes effective circulation of land resources and maximizes economies of scale.

CITIC Trust, centering on the land circulation trust, launched an "agriculture trust" by bringing in professional agriculture service providers to improve agricultural operation levels. At present, CITIC Trust has signed a strategic cooperation agreement with Anhui Tianhe Agriculture Technology Co., Ltd., in which the parties will cooperate to create "grain production and supply chain operation management" and initiate the country's "grain production and supply chain important resource collection platform".

ii. Consumption trust

In December, 2013, CITIC Trust, together with China Merchants Bank, launched the first batch of its series of consumption trust. Subscribers can enjoy tourism, vacation and other relevant services in Jia Lize international health island within five years. Unlike traditional projects, the function of the trust plan is not to capture gains from capital appreciation but to help consumers select better merchants and service institutions, gain favorable prices through centralized purchasing, monitor the application of advanced funds, and ultimately make beneficiaries gain high quality and cost-effective services while offering sufficient customer protection at the same time. The consumption trust enables the extension of scope of beneficiary interests from capital gains to consumption rights for the first time and is a significant reform of the traditional trust service model.

iii. Family trust

In January, 2014, CITIC Trust launched the first "Family Office" trust plans, the business objective of which is to grow and maintain the value of family businesses and assets, by offering products and services which are tailored to each client's needs. The services cover investment and financing strategy combinations, advices on legal and taxation matters, education inheritance, charity management, investment in artworks and antiques, and tailored travel management.

iv. Asset securitization

As one of the first batch of trust companies approved to conduct asset securitization business in China, CITIC Trust consistently takes the leading position in the industry. In 2012, CITIC Trust issued the first product after asset securitization restarted in China, i.e. the "Kaiyuan 2012-1 Credit Asset-backed Securities" with a total amount of RMB10,166 million. In 2013, six products were launched in the Chinese credit asset securitization market, among which CITIC Trust acted as the trustee and issuer for four products with a total amount of RMB10,814 million with a market share of 68.6%.

(d) Business Network

CITIC Trust strives to achieve a comprehensive sales strategy by using various sales tools such as direct sales, indirect sales through banking agents and online malls and endeavors to enhance the influence of its brand in the public investors. Through improving the information service platform, centralizing the trading platform and the databases and system for client analysis, CITIC Trust will provide high-end tailored financial planning services to become a true provider of asset management products and solutions to private banking customers. CITIC Trust has in recent years directed efforts towards establishing its own direct sales system. At present, CITIC Trust has established wealth management centers in Beijing, Guangzhou, Shanghai and Tianjin, with a rapidly growing value of direct sales.

(e) Information Technology

The information system of CITIC Trust includes overall business processing platform, cash payment and receipt platform, financial management system, customer relationship management system and stock index futures system, covering areas including business processes, risk management and customer management. CITIC Trust has been closely following up with demands for information technologies from business innovations and featured businesses. On one hand, CITIC Trust promotes the development and construction of application systems in order to enhance management and efficiency, and meet its business development trends and management objectives. On the other hand, CITIC Trust constantly promotes the construction of its safety system including network safety, application safety and management safety. CITIC Trust has gradually formed an information technology construction and management system compatible with the characteristics of the trust industry with distinctive features of its own.

(f) CITIC Prufunds

CITIC Prufunds is a sino-foreign joint venture set up by CITIC Trust, Prudential plc. and Zhongxin Suzhou Industrial Zone Venture Capital Investment Co., Ltd. CITIC Trust has a 49% interest in CITIC Prufunds. As of December 31, 2013, CITIC Prufunds had successfully launched 28 fund products, including 15 stock funds, one hybrid fund and 12 fixed-income funds, and has established a relatively complete product range. As of December 31, 2013, the value of mutual funds under management was RMB18,450 million, a steady growth of 47% compared with that of the end of 2011.

f. Insurance

(a) Overview

CITIC Prudential is a joint venture set up by CITIC Limited Group and Prudential plc, both of whom hold 50% equity interest. CITIC Prudential is primarily engaged in the business of providing life insurance, health insurance and accident insurance, as well as reinsurance of the above categories. According to statistics from the CIRC, for the year ended December 31, 2013, CITIC Prudential ranked sixth among foreign-invested life insurance companies in terms of gross premium income.

The following table sets out the main financial indicators of CITIC Prudential for the periods indicated:

Indicator	For the year ended/ As of December 31, 2011	2012	2013
	(in millions of RMB)		
Total assets	17,343	22,573	28,462
Net assets	1,907	2,275	2,483
GWP	3,431	3,624	4,133
Net profit	321	298	204

The following table sets out the main regulatory and operating indicators of CITIC Prudential for the periods indicated:

Indicator	For the year ended December 31, 2011	2012	2013
Liability-to-asset ratio (%) *(Note 1)*	89.0	89.9	91.3
Liquidity ratio (%) *(Note 2)*	150.6	136.0	150.9
Solvency margin ratio (%) *(Note 3)*	185	205	181
Cancellation rate (%) *(Note 4)*	2.4	2.2	2.0

Notes:

1. Liability-to-asset ratio = Total liabilities/Total assets

2. Liquidity ratio = Current assets/Current liabilities

3. Solvency ratio = Actual capital/Minimum capital

4. Cancellation rate = Surrender value of the current year/(Balance of the liability provision for the life insurance and long-term health insurance at the beginning of the current year plus balance of the liability provision for the life insurance and long-term health insurance at the end of the current year)/2

(b) Main Businesses

i. Classification by products

CITIC Prudential's products mainly include life insurance, accident insurance and health insurance, among which life insurance is its major source of revenue. The following is a summary of some of CITIC Prudential's main products:

- Life insurance: includes traditional life insurance, participating life insurance, universal life insurance and investment-linked insurance, among which participating life insurance products generate the majority of the GWP of CITIC Prudential. Participating life insurance combines the features of traditional life insurance and investment products and can cater to the client's requirements for insurance, savings and investments in one product. Due to the improvement in the investment ability, the sales volume of universal life insurance and investment-linked insurance has increased gradually.

- Accident insurance: provides compensation for the death, disability and other conditions that have been stated in the policy of policy holders due to an accident or other incident specified by the policy.

- Health insurance: provides policy holders with insurance for illness and medical treatment and is divided into short-term health insurance and long-term health insurance.

The following table sets out the breakdown of CITIC Prudential's GWP by product during the periods indicated:

Product	For the year ended December 31 2011 Amount	% of total	2012 Amount	% of total	2013 Amount	% of total
	(in millions of RMB, except percentages)					
Life insurance						
Traditional life insurance	153	4.5	173	4.8	311	7.5
Participating life insurance	2,565	74.8	2,639	72.8	2,866	69.3
Universal life Insurance	5	0.1	7	0.2	8	0.2
Investment-linked insurance	51	1.5	60	1.7	67	1.6
Total	2,774	80.9	2,879	79.5	3,252	78.6
Health insurance						
Short-term health insurance	209	6.1	236	6.5	286	6.9
Long-term health insurance	355	10.3	406	11.2	481	11.7
Total	564	16.4	642	17.7	767	18.6
Accident insurance	93	2.7	103	2.8	114	2.8
Total	**3,431**	**100.0**	**3,624**	**100.0**	**4,133**	**100.0**

ii. Classification by clients

CITIC Prudential's business can be divided into individual life insurance and group life insurance by clients. As of December 31, 2013, CITIC Prudential had 686,221 individuals clients and 7,415 group clients.

(i) Individual life insurance

Individual life insurance is the main source of GWP for CITIC Prudential. The principal products of individual life insurance are ordinary life insurance, health insurance, accident insurance, investment-linked insurance, participating insurance and universal insurance. For the years ended December 31, 2011, 2012 and 2013, GWP generated from individual life insurance was RMB3,330 million, RMB3,496 million and RMB3,948 million, respectively, representing 97.1%, 96.5% and 95.5% of the total GWP.

The following table sets out GWP generated from individual life insurance business by products for the periods indicated:

Product	For the Year ended December 31, 2011 Amount	2011 % of total	2012 Amount	2012 % of total	2013 Amount	2013 % of total
	(in millions of RMB, except percentages)					
Life insurance						
Traditional life insurance	148	4.4	166	4.7	300	7.6
Participating life insurance	2,565	77.0	2,639	75.5	2,866	72.6
Universal life insurance	5	0.2	7	0.2	8	0.2
Investment-linked insurance	51	1.5	59	1.7	67	1.7
Total	2,769	83.1	2,871	82.1	3,241	82.1
Health insurance						
Long-term health insurance	355	10.7	406	11.6	481	12.2
Short-term health insurance	141	4.2	149	4.3	153	3.9
Total	496	14.9	555	15.9	634	16.1
Accident insurance	65	2.0	70	2.0	73	1.8
Total	**3,330**	**100.0**	**3,496**	**100.0**	**3,948**	**100.0**

(ii) Group insurance

The group insurance business of CITIC Prudential has developed rapidly in recent years and has already formed a competitive business development model. For the year ended December 31, 2013, the GWP generated from the group life insurance business of CITIC Prudential was RMB185 million, representing a CAGR of 35.4% from 2011 to 2013.

CITIC Prudential is striving to become the best provider of employee welfare plans in the insurance market, which offer pension, medical insurance, accident insurance and other insurances. CITIC Prudential actively pursues opportunities within CITIC Limited Group and has become the major supplier of employee welfare insurance in CITIC Limited Group. Through utilizing cooperation with other subsidiaries of CITIC Limited, CITIC Prudential explores opportunities with large, high profile corporate clients. The principal products of group insurances are life insurance, health insurance and accident insurance.

The following table sets out the GWP generated from the group life insurance by product during the periods indicated:

Product	For the Year ended December 31,					
	2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Life insurance	6	5.9	8	6.2	12	6.5
Health insurance	67	66.4	87	68.0	132	71.3
Accident insurance	28	27.7	33	25.8	41	22.2
Total	**101**	**100.0**	**128**	**100.0**	**185**	**100.0**

(c) *Business Network*

As of December 31, 2013, CITIC Prudential has spread its insurance business into eight provinces including Guangdong, Beijing, Jiangsu, Shanghai, Hubei, Shandong, Zhejiang, Tianjin, Guangxi, Fujian, Hebei, and Liaoning, three municipalities and one autonomous region, covering 55 cities in total, with a total of 13 branches and 138 sales service centers. In addition, its Shanxi branch is under construction.

The marketing channel of CITIC Prudential comprises individual insurance agents, bancassurance, group sales representatives and direct sales. Individual insurance products are mainly sold through individual insurance agents, bancassurance and direct sales channels. Group insurance products are mainly sold to institutional clients through CITIC Prudential's group insurance sales representatives, individual insurance agents and bancassurance.

Individual insurance agents channel is one of the major marketing and sales channels. As of December 31, 2011, 2012 and 2013, CITIC Prudential had 14,435, 10,679 and 10,253 individual insurance agents, respectively, and GWP generated from the individual insurance agents channel was RMB2,244 million, RMB2,430 million and RMB2,786 million, respectively, representing 65.4%, 67.1% and 67.4% of the total GWP of CITIC Prudential for the relevant year.

Bancassurance channel is also an important sales channel for CITIC Prudential. As of December 31, 2013, CITIC Prudential has signed cooperation agreements for agency sales of insurance products with 25 banks and one securities company. In addition, CITIC Prudential is among the first insurance companies who have signed agency sales agreement with securities companies. In 2013, CITIC Prudential signed the overall business cooperation agreement with CITIC Securities, exploring new markets for agency sale of insurance products. For the year ended December 31, 2011, 2012 and 2013, GWP generated from bancassurance channel was RMB1,097 million, RMB1,074 million and RMB1,157 million, respectively, representing 32.0%, 29.6% and 28.0% of the total GWP of CITIC Prudential for the relevant year.

In addition, CITIC Prudential actively explores diversified sales channel. For example, together with banks, CITIC Prudential has cooperatively developed telephone marketing channel and online sales services.

The following table sets out the breakdown of GWP by distribution channel during the periods indicated:

	For the Year ended December 31,					
Sales Channel	**2011**		**2012**		**2013**	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
	(in millions of RMB, except percentages)					
Individual insurance agents	2,244	65.4	2,430	67.1	2,786	67.4
Bancassurance	1,097	32.0	1,074	29.6	1,157	28.0
Direct sales channels	62	1.8	81	2.2	125	3.0
Other channels	28	0.8	39	1.1	65	1.6
Total	3,431	100.0	3,624	100.0	4,133	100.0

(d) Information Technology

The information technology department of CITIC Prudential is responsible for planning and formulating the organizational structure, service standards, service specifications, operational processes and management policies of the information technology support for its headquarters and branches. It is also responsible for designing the overall framework of the information technology system and developing supporting information technology systems, planning the strategies for the data center system and the network infrastructure framework development, and providing guidance to the information technology support for the branches. CITIC Prudential's core system has diversified functions and a complete framework, while its other application systems are also well developed covering different aspects of its businesses. It also has a comprehensive disaster backup data center. In recent years, CITIC Prudential has been developing and improving its e-commerce platform, mobile applications and social networks to meet the needs in an era of internet finance.

g. Other Financial Services

Other financial services of CITIC Limited Group include funds and capital management.

CITIC Kingview Capital was established by CITIC Limited, CITIC Trust, and CITIC Capital in 2007, in which CITIC Limited has a 30% equity interest, CITIC Trust has a 40% equity interest and CITIC Capital has a 30% equity interest. As of December 31, 2013, CITIC Kingview capital was entrusted to manage two equity trust funds, 24 domestic limited partnership equity fund projects and two overseas funds, the accumulated value of the funds was up to RMB26,652 million.

CITIC Finance was established in November 2012, and is a wholly-owned subsidiary of CITIC Limited. CITIC Finance is positioned to provide a centralized management of funds from the non-financial members of CITIC Limited Group and investment and financing services to the non-financial members CITIC Limited Group. From its establishment to the end of 2013, the total amount of deposits received by CITIC Finance had reached RMB58.0 billion and the total amount of loans (including entrusted loans) granted by CITIC Finance had reached RMB14.0 billion. In that same period, CITIC Finance had conducted 3,182 settlement transactions (with a total amount of RMB151.9 billion). In 2013, the net profit attributable to equity shareholders of CITIC Finance was RMB55.75 million. CITIC Finance is committed to establishing a central platform for fund collection and settlement, building and improving its comprehensive risk control system and centralized management system of internal funds.

(B) Real Estate and Infrastructure

a. Overview

The real estate and infrastructure business of CITIC Limited Group includes:

- Development, sales, operation and management of residential and commercial real estate properties, which are mainly operated by CITIC Real Estate (in which CITIC Limited directly and indirectly has a 88.37% equity interest) and CITIC Heye, which is a wholly-owned subsidiary of CITIC Limited.

- Infrastructure investment, including the construction and operation of expressways and port terminals, which is operated by CITIC Industrial Investment, a wholly-owned subsidiary of CITIC Limited.

For the year ended December 31, 2011, 2012 and 2013, respectively, the revenue from the real estate and infrastructure business of CITIC Limited Group amounted to RMB16,635 million, RMB12,926 million and RMB27,202 million, respectively, representing 8.4%, 5.8% and 10.8% of the total revenue of CITIC Limited Group, and profit before tax was RMB3,872 million, RMB4,402 million and RMB4,390 million, respectively, representing 6.4%, 8.0% and 6.6% of the profit before tax of CITIC Limited Group.

The following table sets out the respective key financial information of each of the principal operational entities of the real estate and infrastructure business of CITIC Limited Group for the periods indicated:

	For the year ended December 31					
	2011		2012		2013	
	Revenue	Net Profit attributable to equity shareholders	Revenue	Net Profit attributable to equity shareholders	Revenue	Net Profit attributable to equity shareholders
			(in millions of RMB)			
CITIC Real Estate	14,821	1,511	12,175	461	26,526	1,180
CITIC Industrial Investment	5,705	1,042	5,693	2,576	3,653	1,976

b. Competitive Strengths

Sufficient land bank at reasonable costs providing sustainable development and growth opportunities for the real estate business

CITIC Limited Group has acquired sufficient land bank at reasonable costs for future development. As of December 31, 2013, CITIC Real Estate's plot GFA under planning was 20.95 million square meters, mainly located in the Bohai rim, Yangtze River Delta, Pearl River Delta and other economically developed regions, which laid a solid foundation for a continuing and rapid development of CITIC Limited Group's real estate business.

Enormous commercial opportunities brought by innovative city development model

The potential of land development in China will further increase due to the likely accelerated urbanization process. City development model focuses on generating land value, and sharing land value appreciation with municipalities. The differentiating business model is becoming one of the key competitive strengths of real estate enterprises. The city development model of CITIC Real Estate is a comprehensive city development and operation process based on forward-looking schemes and city planning, which improves functional scale and brings resources to target cities through land consolidation, construction of public infrastructures, business sourcing and other resource integration measures, to obtain land premium and value added investment returns. In recent years, CITIC Limited Group has entered into strategic cooperation framework agreements with various provincial governments. Based on these aforementioned agreements, CITIC Real Estate has commenced comprehensive cooperation with the relevant provincial governments on multiple fronts including land operation, finance and industry development. With CITIC Limited Group's brand and finance platform advantages, and its real estate development and management experience, CITIC Real Estate actively promotes the innovation and development of land operation business and will share the land premium and investment returns created by China's urbanization and the growth of city economies through urban land operation.

Comprehensive real estate services under the CITIC brand

CITIC Group is one of the earliest companies to have commenced real estate business, with many years of experience. The extensive project experience and in-depth understanding of the Chinese market help create CITIC Limited Group's professional real estate business development capabilities, enabling it to seize opportunities in fierce market competition.

Due to the strong reputation of the CITIC brand, local government and enterprises are more willing to cooperate with CITIC Limited Group in the real estate business. The strong overall strength of CITIC Limited Group provides its real estate business with unique advantages in financing, management expertise and customer relationships, thereby creating the pre-conditions for further increasing the depth of professional services and the potentials of development capabilities.

Strong investment, construction, operation and management capabilities in infrastructure

The market entry threshold for the expressway and port terminal business is comparatively high and CITIC Limited Group started its business operations in these industries at an early stage. Since then, CITIC Limited Group has built up a highly experienced management team with good investment, construction, operation and management capabilities, as well as distinct strengths in project financing, technical standards and government relations, thereby enabling it to manage and operate the infrastructure projects efficiently and effectively.

Capturing infrastructure business opportunities in regions with high economy growth in China

The three expressways operated by CITIC Limited Group are all part of the national expressway connecting Chongqing and its major surrounding cities. They are particularly well placed to capture the opportunities brought by the rapid economic growth in the region. The port terminals operated by CITIC Limited Group are located on Daxie Island, Ningbo, Zhejiang Province, which benefit from economic development opportunities brought by the entire Yangtze River Delta.

Innovative business models for large-scale infrastructure projects

Relying on its integrated platform, CITIC Limited Group has the ability to adopt innovative business models when investing in large-scale infrastructure projects. In the construction of the Shanghai-Chongqing Expressway, CITIC Industrial Investment cooperated with CITIC Construction and adopted a business model of BOT (build-operate-transfer)+ EPC, which was unprecedented in China and has brought merits such as lowering construction risks and shortening the construction period.

c. Real Estate Business

(a) Development and Sale of Property

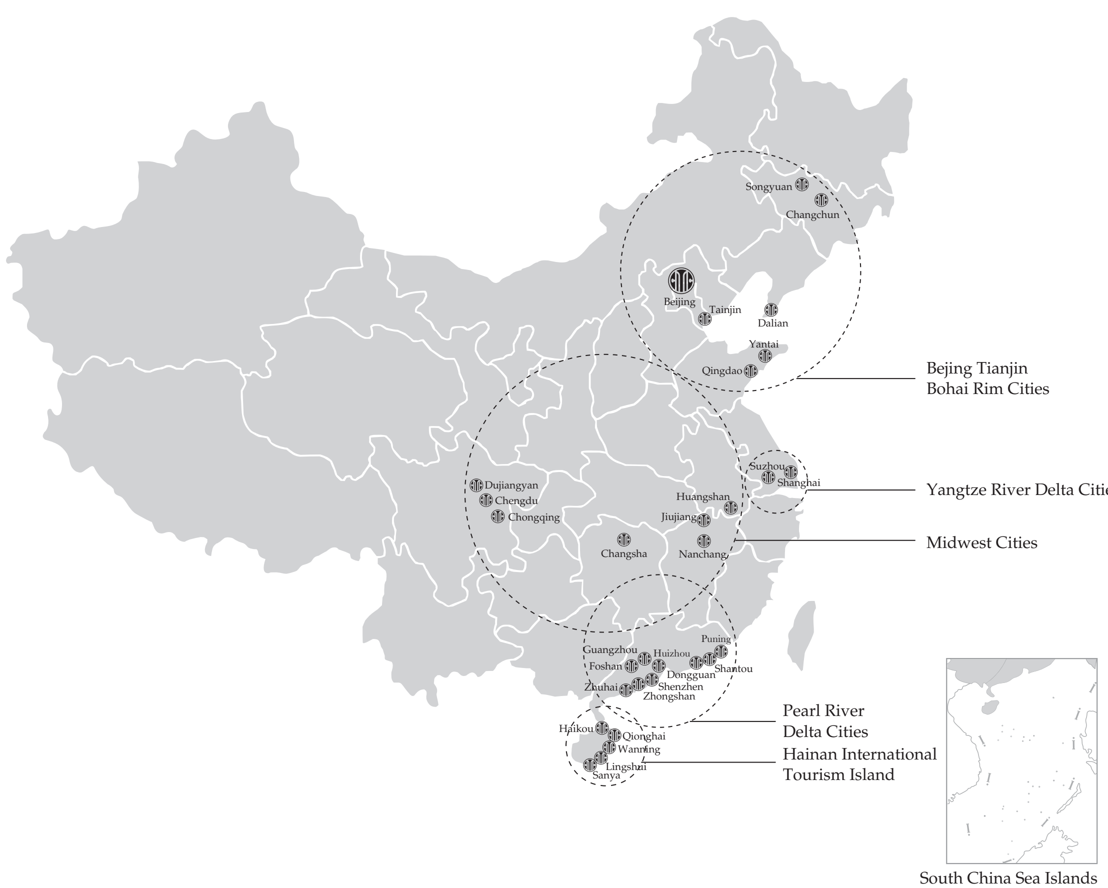
CITIC Limited Group is engaged in the development and sale of properties, mainly through CITIC Real Estate. In 2011, 2012 and 2013, CITIC Real Estate's contract sales were RMB25,016 million, RMB23,474 million and RMB38,410 million, respectively; the contract sales GFA were 1.96 million square meters, 2.31 million square meters and 2.87 million square meters, respectively.

For the year ended 2011, 2012 and 2013, respectively, the revenues from sale of properties of CITIC Real Estate were RMB14,263 million, RMB11,323 million and RMB23,332 million, respectively, and the recognized GFA were 1.094 million square meters, 1.116 million square meters and 2.062 million square meters, respectively.

The following table sets out the recognized revenue and GFA of CITIC Real Estate by region for the periods indicated:

	Revenue from Sales of Property			GFA Sold		
	2011	2012	2013	2011	2012	2013
	(in millions of RMB)			*(1,000 square meters)*		
Beijing, Tianjin and the Bohai rim region	5,636	3,726	9,942	293	347	651
Pearl River Delta region	4,012	5,160	10,534	361	473	1,090
Yangtze River Delta region	1,265	320	834	48	14	64
Hainan province region	1,962	629	129	161	25	3
The Midwest and other regions	1,388	1,487	1,893	230	257	254
Total	14,263	11,323	23,332	1,094	1,116	2,062

CITIC Real Estate has business operations in 29 cities in China. As of December 31, 2013, the total planned GFA of projects that are planned or under construction by CITIC Real Estate was 32.41 million square meters, covering Beijing, Tianjin and Bohai rim region, the Pearl River Delta region, the Yangtze River Delta region, the Hainan province region, the Midwest and other regions.



(b) Property Investments

CITIC Limited Group selectively owns and operates a few high-quality properties, which are mainly operated by its subsidiaries such as CITIC Heye.

"Zhongguo Zun" (「中國尊」), located in the prime location of the central business district of Chaoyang, Beijing, is a super high-rise commercial office building with a designed height of 528 meters, which is the tallest in Beijing. Being developed by CITIC Heye, "Zhongguo Zun" is expected to be completed in 2019, and will become a new landmark in Beijing.

d. Infrastructure Business

(a) Overview

CITIC Limited Group operates and invests in the infrastructure business, which includes expressway and port terminal projects, mainly through CITIC Industrial Investment.

CITIC Industrial Investment currently operates three expressways projects including the Chongqing segment of the Chongqing-Guizhou Expressway, the Shanghai-Chongqing Expressway (downtown Chongqing-Fuling segment of the Chongqing Riverside Expressway) and the Chongqing segment of the Chengdu-Chongqing Expressway. The expressways are operated through the business models of TOT (Transfer-Operate-Transfer) and BOT. Revenue from this business is mainly generated from vehicle tolls.

The following table sets out the main expressway projects operated by CITIC Industrial Investment:

Project	Concession Period	Equity Interest held by CITIC Industrial Investment	Main business revenue in 2013 (in millions of RMB)
Chongqing-Guizhou Expressway	30 years (March 17, 2007 – March 16, 2037)	52% *(Note 1)*	502
Shanghai-Chongqing Expressway	30 years (December 23, 2013 – December 22, 2043)	32% *(Note 2)*	–
Chengdu-Chongqing Expressway	25 years (December 23, 1999 – December 22, 2024)	39.2% *(Note 3)*	990

Notes:

1. Chongqing-Guizhou Expressway, 20% of whose equity interest is owned by CITIC Industrial Investment and 40% is owned by CITIC Infrastructure Investment Co., Ltd. CITIC Limited and CITIC Industrial Investment hold 20% and 80% of the equity interest of CITIC Infrastructure Investment Co., Ltd., respectively.

2. Shanghai-Chongqing Expressway, 20% of whose equity interest is owned by CITIC Construction and 40% is owned by CITIC Infrastructure Investment Co., Ltd.

3. Chengdu-Chongqing Expressway, 49% of whose equity interest is owned by CITIC Infrastructure Investment Co., Ltd.

CITIC Industrial Investment invests in and operates the port terminal projects through acquisitions and constructions. The port operation of CITIC Industrial Investment is positioned in oil port warehousing business, providing services to companies engaged in petrochemical production, trade and logistics. The oil port warehousing business consists of loading/unloading and warehousing business. The loading/unloading business consists of providing loading and unloading services to customers in CITIC Industrial Investment's ports, thereby charging loading and unloading fees. The warehousing business consists of providing warehousing services to customers after transporting their goods through special transportation channels to the storage tanks, thereby charging storage fees.

The following table sets out the main port terminal projects operated by CITIC Industrial Investment:

Project	Project Type	Equity Interest held by CITIC Industrial Investment	Revenue in 2013 (in millions of RMB)
Ningbo Daxie PetroChina Fuel Oil Terminal Co., Ltd. (300,000 ton grade)	Oil terminal	42%	67
Ningbo Daxie Guanwai oil port terminal (50,000 ton grade)	Oil terminal	100%	2
Ningbo Daxie Gangfa oil port terminal (50,000 ton grade)	Oil terminal	20%	46
Ningbo Daxie China Merchants International Container Terminal	Container terminal	20%	611
Ningbo Daxie Development Zone Xinhai Oil Terminal Co., Ltd.	Oil storage	30%	Under construction

(b) *Principal Investment Projects*

- Chongqing Segment of the Chongqing-Guizhou Expressway

In 2007, CITIC Industrial Investment, together with Chongqing Expressway Group Co., Ltd, established a joint venture company named Chongqing CITIC Chongqing-Guizhou Expressway Co., Ltd., which acquired all the assets of the Chongqing segment of the Chongqing-Guizhou Expressway via TOT (Transfer-Operate-Transfer). The overall length of the Chongqing Segment of the Chongqing-Guizhou Expressway is 90.42 kilometers, stretching from the cross junction of the Chongqing-Guizhou Expressway and Chongqing City Ring Expressway to the Chongxi River in Chongqing. The Chongqing Segment of Chongqing-Guizhou Expressway forms a part of the national expressway system from Lanzhou to Haikou, which is an important route connecting southwest China to the coasts.

The following table sets out the traffic flow and annual toll revenues for the Chongqing segment of the Chongqing-Guizhou Expressway for the periods indicated:

	2011	2012	2013
Traffic flow (thousand cars) *(Note)*	8,750	9,020	10,040
Annual toll revenues *(in millions of RMB)*	438	451	502

Note: Calculated at a toll fee of RMB50 per vehicle.

- Shanghai-Chongqing Expressway

CITIC Industrial Investment and CITIC Construction formed a consortium with Chongqing Expressway Group Co., Ltd. in 2009 and successfully won the bid for the BOT project of the Shanghai-Chongqing Expressway (downtown Chongqing-Fuling segment of the Chongqing Riverside Expressway) For this project, CITIC Industrial Investment achieved a breakthrough in transitioning its expressway investment from TOT to BOT. The overall length of the first-stage of the Shanghai-Chongqing Expressway is 86 kilometers and the total investment amounts to approximately RMB8,659 million. The project was the first to adopt the BOT + EPC model in China, market-oriented resources integration has reduced cost and shortened the construction cycle while ensuring quality and safety. The project was completed and commenced operation at the end of 2013.

- Chongqing Segment of the Chengdu-Chongqing Expressway

CITIC Industrial Investment, together with Chongqing Expressway Group Co., Ltd., established Chongqing Chengdu-Chongqing Expressway Co., Ltd. as the operating entity for the Chengdu-Chongqing Expressway in 1999. The four lanes Chongqing segment of the Chengdu-Chongqing Expressway is part of the Chongqing-Kunming Expressway, with an overall length of 114.2 kilometers.

The following table sets out traffic flow and annual toll revenues for the Chongqing segment of the Chengdu-Chongqing Expressway for the periods indicated.

	2011	**2012**	**2013**
Traffic flow (thousand cars) *(Note)*	12,986	13,657	14,143
Annual toll revenues *(in millions of RMB)*	909	956	990

Note: Calculated at a toll fee of RMB70 per vehicle.

- PetroChina Fuel Port Terminal (300,000 Ton Grade)

PetroChina fuel port terminal (300,000 ton grade) is one of the largest oil ports in China. The port terminal has good channel and water depth conditions. Deep water (around 27.5 meters surrounding the terminal) provides ideal conditions for an annual handling capacity of 11 million tons, and can accommodate the world's largest oil tankers (450,000 tons) The port terminal mainly provides services to PetroChina Daxie's 1.3 million cubic meter oil depot.

- Guanwai Oil Port Terminal (50,000 Ton Grade)

The Guanwai oil port terminal (50,000 ton grade) has good channel and water depth conditions, with water depth of 17.5 meters and annual handling capacity of 1.8 million tons, and the terminal can accommodate liquefied chemical tankers of up to 65,000 tons. It mainly provides services to China National Offshore Oil Corporation and the chemical storage tank zone in Daxie. The port terminal is one of the few public ports that specialize in loading and unloading of liquefied goods in the Ningbo-Zhoushan port area.

(C) Engineering Contracting

a. Overview

CITIC Limited Group's engineering contracting business mainly comprises the following:

- Engineering contracting, operated by CITIC Construction, a wholly-owned subsidiary of CITIC Limited, provides engineering contracting services both domestically and internationally, and engages in infrastructure, housing and industrial construction projects.

- Engineering design, operated by CITIC Engineering Design, a wholly-owned subsidiary of CITIC Limited, provides urban and architectural planning design services.

For the year ended December 31, 2011, 2012 and 2013, respectively, revenue from the engineering contracting business totaled RMB17,626 million, RMB16,674 million and RMB18,385 million, respectively, representing 8.9%, 7.5% and 7.3% of the total revenue of CITIC Limited Group, respectively. For the same period, profit before tax totaled RMB1,367 million, RMB2,654 million and RMB2,481 million, respectively, representing 2.2%, 4.8% and 3.8% of the profit before tax of CITIC Limited Group, respectively.

The following table sets out the respective financial information for each operating entity of the engineering contracting and design business of CITIC Limited Group for the periods indicated:

	For the year ended December 31					
	2011		2012		2013	
	Revenue	Net Profit Attributable to Equity Shareholders	Revenue	Net Profit Attributable to Equity Shareholders	Revenue	Net Profit Attributable to Equity Shareholders
	(in millions of RMB)					
CITIC Construction	16,274	753	15,090	1,507	16,489	1,588
CITIC Engineering Design *(Note)*	–	–	–	–	1,501	278

Note: CITIC Engineering Design was established in December 2013.

b. *Competitive Strengths*

Unique business model and successful implementation of the "Going Global" strategy

As a major business platform of CITIC Limited Group's engineering contracting business, CITIC Construction has grown rapidly. Unlike traditional engineering contracting enterprises, CITIC Construction does not rely on labor outsourcing or general contracting, but focuses on high value-added services in areas such as project planning, design, management, procurement, operations, maintenance and finance. CITIC Construction differentiates itself by providing a full spectrum of integrated services to customers, adopting a "Big Project Engineering" model that integrates the four aspects of "Engineering, Finance, Resource and Industry".

In order to complete large-scale projects and provide comprehensive services, CITIC Construction created the "Combined Team" model which allows both CITIC Construction and its third-party partners to realize mutual benefits. In 2005, CITIC Construction has won the Angola K.K Social Housing Phase 1 project, with total GFA of 3.3 million square meters and contract value of US$4,200 million. During the construction of this project, CITIC Construction fully leveraged its strengths in commerce, contract and international talents, it formed a mutually beneficial "Combined Team" with design institutions such as China Architecture Design & Research Group and China Academy of Urban Planning & Design, construction companies such as China Railway Construction Corporation and Beijing Construction Engineering Group Co., Ltd., equipment suppliers such as Sany Group, Zoomline, Volvo, and China National Building Material Company, logistic service providers such as Sinotrans Limited. CITIC Construction led and controlled key segments in the "Combined Team". The powerful combination with benefit and risk sharing within the team members has not only ensured smooth implementation of this project, but has also allowed CITIC Construction to further expand its business in Angola.

With its innovative business model, CITIC Construction is widely regarded as one of most successful Chinese enterprises that have implemented the "Going Global" strategy. As of December 31, 2013, the contract value of CITIC Construction's projects under construction amounted to US$22,230 million. CITIC Construction has established stable and strategic cooperative relationships with leading domestic enterprises in various sectors. CITIC Construction has also successfully introduced Chinese technology, standards, finance, design, construction, mechanical and electrical products, machinery and equipment to the world.

In-depth experience in executing overseas projects

In developing its overseas business, CITIC Construction has accumulated rich experience in executing overseas projects, including design management, on-site construction, equipment procurement, and resource logistics management. CITIC Construction can provide comprehensive service solutions customized to the needs of clients in different countries, allowing it to stand out among its domestic and international competitors. *US Engineering News Record (ENR)* ranked CITIC Construction 43rd among the top 250 international contractors and 6th among China-based international contractors in 2013.

Leading engineering design service with professional qualification and excellent track records

CITIC Engineering Design, a subsidiary of CITIC Limited Group, owns two engineering design and research institutes, CSMDI and CITIC

Design, which both hold China's Grade A design qualification. CSMDI principally engages in municipal engineering design services and has a strong overall strength among all national municipal engineering design institutes. CITIC Design principally engages in large-scale comprehensive architectural design services and was included among China's Top 60 Enterprises Group for seven consecutive times. CITIC Design had won hundreds of awards including national and provincial design awards as well as awards for technology progress. CITIC Design's strong capabilities in municipal engineering design and architectural engineering design has laid a solid foundation for CITIC Limited Group to expand its domestic and international market share.

c. Engineering Contracting

(a) Overview

CITIC Construction is a leading international comprehensive engineering service provider, mainly operates through EPC, BOT and PPP (Public Private Partnership) models. Overseas engineering contracting is the core business of CITIC Construction, which mainly includes infrastructure, housing and industrial construction contracting.

Through its innovative commercial model, CITIC Construction has steadily improved its competitiveness and influence within and outside of China by engaging in a large number of projects. CITIC Construction has established businesses mainly including infrastructure, housing and industrial construction contracting, and the import-export trade of machinery equipment. It maintains an overseas business presence mainly in regions including Africa and Latin America.

As of December 31, 2013, CITIC Construction has expanded its business to 14 countries, with Africa as its largest market. By leveraging on its existing projects, CITIC Construction has engaged in an in-depth development in two key markets, Angola and Venezuela, while developing businesses in various overseas markets including Brazil.

In 2013, operating revenue and operating profit of the overseas engineering contracting business of CITIC Construction was RMB14.37 billion and RMB1.34 billion, respectively, accounting for 87.9% and 95.9% of its total operating revenue and operating profit.

The following table sets out operating revenue and operating profits of the principal business of CITIC Construction by regions for the periods indicated.

Region	For the year ended December, 31											
	2011				2012				2013			
	Operating Revenue	of total %	Operating Profit	of total %	Operating Revenue	of total %	Operating Profit	of total %	Operating Revenue	of total %	Operating Profit	of total %
	(in millions of RMB, except percentages)											
Africa	9,813	60.5	366	40.5	7,019	46.7	1,892	71.2	9,335	57.1	905	64.6
America	1,910	11.8	215	23.7	2,857	19	365	13.7	2,661	16.3	250	17.8
Central Asia	1,830	11.3	180	19.9	1,543	10.3	227	8.6	435	2.6	28	2
Other	2,658	16.4	144	15.9	3,603	24	172	6.5	3,920	24	218	15.6
Total	16,210	100	904	100	15,021	100	2,657	100	16,351	100	1,401	100

(b) *Principal Projects*

The following table sets out the representative domestic and international engineering contracting projects of CITIC Construction:

Completed projects as of December 31, 2013:

Project	Completion Date	Contract Value *(in millions of US$)*
Chongqing Riverside Expressway	December 31, 2013	910
Kazakhstan Asphalt Plant	December 20, 2013	97
Three Cement Production Line Project in Belarus	October 15, 2013	621
Angola K.K Social Housing Phase 1	September 17, 2012	4,237
Brazil Candiota thermal power plant	December 29, 2010	569
Algeria East-West Expressway	The western segment (359km) was completed on October 10, 2010, while the middle segment (169km) was completed on April 14, 2012.	3,807
National Stadium (Bird's Nest)	June 27, 2008	–

Ongoing projects:

Project	As of December 31, 2013 Contract Value	Estimated Backlog
	(in millions of US$)	
Venezuela TIUNA Social Housing	1,568	1,240
Angola Great Valley RED	1,469	605
Angola Malanje Agriculture Development	119	34

(c) Contracts Under Implementation

Contracts under implementation refer to contracts in the implementation stage that are signed and effective, and which have not been terminated, discharged or revoked. The total contract amount of contracts under implementation refers to the total contract value of all the contracts under implementation as of a certain date.

The total contract amount of contracts under implementation is not a measure defined by generally accepted accounting principles. CITIC Construction uses this measure to analyze the characteristics of contracts under implementation. Therefore, it may not be comparable to other similarly titled measures used by other companies and also may not serve as an indicator for future operating performance.

The relevant contracts under implementation may not necessarily provide for a fixed amount of work to be performed and may be subject to modification or termination by customers. The termination or modification of any one or more sizeable contracts or the addition of other contracts may have certain effects on CITIC Construction's total contract amount of contracts under implementation.

As of December 31, 2011, 2012 and 2013, respectively, the total value of CITIC Construction's contracts under implementation was approximately US$14,305 million, US$22,954 million and US$22,229 million, respectively.

(d) Newly Signed Contracts

i. Signed and effective contracts

Signed and effective contracts refer to project contracts that are signed within a certain period which have satisfied all the conditions precedent stipulated in the contracts so as to become effective within that period.

For the years ended December 31, 2011, 2012 and 2013, the total value of CITIC Construction's signed and effective contracts was approximately US$306 million, US$5,904 million and US$101 million, respectively.

ii. Signed contracts pending to be effective

Signed contracts pending to be effective refer to contracts signed by CITIC Construction within a certain period, but which have not satisfied the conditions precedents stipulated in the contracts to become effective. Signed contracts pending to be effective will become effective upon satisfaction of the relevant conditions precedent in the contract. Conditions precedent may include, among others, the grant of an export buyer's credit, receipt of an advance payment or performance bond, and receipt of governmental or regulatory approvals.

As of December 31, 2011, 2012 and 2013, respectively, the total value of CITIC Construction's signed contracts pending to be effective was approximately US$3,701 million, US$12,910 million and US$9,383 million, respectively.

d. Engineering Design

CITIC Engineering Design was formed at the end of 2013 through the integration of CITIC Design and CSMDI. The main business of CITIC Engineering Design includes municipal engineering design and architectural design. In the fields of urban planning and architectural design as well as municipal engineering design, CITIC Engineering Design owns a number of patents and has participated in setting a number of national standards and norms, it is a leading municipal engineering design institute in China.

(a) Principal Qualifications

As of December 31, 2013, CITIC Engineering Design owns the following principle qualification certificates:

Qualification	Class
Municipal industry	Class A
Construction industry (architectural engineering)	Class A
Water conservancy industry (urban flood control)	Class A
Expressway industry (expressways)	Class A
Urban and rural planning	Class A
Engineering investigation	Class A
Engineering consultation	Class A
Landscape architecture	Class A
Project supervision	Class A
Sanitary sewage operation	Class A
Construction industry (civil air defense engineering design)	Class B
Commercial grain industry (wholesale distribution and logistics storage engineering)	Class B
Cost consultation	Class B
Petroleum and natural (offshore oil) gas industry and pipeline transportation	Class B
Environmental engineering special Class B (solid waste disposal engineering, water pollution prevention and control engineering)	Class B
Pressure pipeline design qualification (GA1)	GA1(1), GA2; GB1, GB2; GC1(2)(3), GC2, GC3; GD1, GD2

(b) Municipal Engineering Design Business

The municipal engineering design business of CITIC Engineering Design is principally operated by CSMDI. The mainstay business of the municipal engineering design segment includes water supply, drainage, and street and bridge design.

The traditional markets of CSMDI are located in south central China. As other regional markets in China opened up, CSMDI's business gradually expanded to the whole country. It has established presence in the Pearl River Delta, Yangtze River Delta, Hainan, Fujian, Chongqing, Yunnan, as well as other regions in southwest China. At the same time, CSMDI has developed business operations in Sichuan, Shaanxi, Gansu, Shandong and other regions, which can bring new business growth to CSMDI.

CSMDI has abundant experience in water engineering. CSMDI's design of utilizing surface water as a water source has been adopted throughout major rivers and lakes in China. CSMDI's water treatment technology holds a leading position in the industry and a number of patents. CSMDI has a specialized scientific research department which mainly undertakes major, national scientific research projects and has participated in the plan and formulation of the national standard and specifications of the water treatment industry. In the field of drainage engineering in particular, CSMDI has strong technical expertise in drainage system planning, flood control, draining subsurface water and rain pipes design. CSMDI also has significant design experience in areas relating to special industrial wastewater, such as high concentration chemical fibers, synthetic rubber, petrochemicals, organic phosphorus pesticide wastewater, printing and dyeing wastewater, brewing industry, gourmet powder factory and other treatment of organic wastewater. In addition, CSMDI possesses strong technical capabilities in road and bridge design, as well as sanitation (solid waste disposal).

(c) Urban Planning and Architectural Design Business

CITIC Engineering Design's urban planning and architectural design business is principally operated by CITIC Design and mainly focuses on public architectures. It has gradually undertaken a number of influential projects, such as skyscrapers, large-scale construction and ultra-large integrated construction. CITIC Design strives to become a strong, comprehensive and distinctive "CITIC Architectural Design Brand".

CITIC Design has expanded its urban planning and architectural design business to more than 20 provinces, autonomous regions and municipalities. CITIC Design has established branches in Beijing, Shanghai, Shenzhen, Hainan and Zhuhai, to expand its local businesses. CITIC Design values the cultivation of original design capability, and has a strong overall strength in planning and architectural design in China. CITIC Design has won several bids in international and domestic design tendering with its own design plans, and has undertaken and completed the design of a number of landmark planning and architecture projects, such as large passenger railway hub stations, large international exhibition centers and important regional overall planning projects.

In addition, as a general design contractor, CITIC Design has participated in a variety of foreign aid projects led by the MOC and its design has been applied in more than 30 countries in Asia, Africa, Oceania, and Latin America.

CITIC Design adheres to the design philosophy of "environment-friendly building" during its design process, and through its architectural scientific research institution actively explores and conducts research on energy conservation and other environment-friendly building techniques. CITIC Design actively adopts renewable energy sources such as solar energy and geothermal heat pump, advanced energy conservation and other environment-friendly building techniques such as the "low energy consumption, high environmental protection" technology, which will be collectively applied to the construction of new buildings. In addition, CITIC Design owns a series of patents and proprietary know-how in the fields of special structure and super high rise structure analyses and design.

(d) Contracts

The following table sets out the details of the amount of CITIC Engineering Design's newly signed contracts for the periods indicated:

	For the year ended December 31, 2013		
	2011	**2012**	**2013**
	(in millions of RMB)		
CSMDI	903	1,203	1,207
CITIC Design	818	883	1,062

As of December 31, 2013, CSMDI's and CITIC Design's backlog contract amounts were RMB2,655 million and RMB1,496 million, respectively. Backlog contract amount refers to the estimate of the contract value that remains to be completed at a certain date, which includes the newly effective contract value during a specific period but excludes the contract value of the contracts that have been entered into but have not become effective.

(D) Resources and Energy

a. Overview

CITIC Limited Group's resources and energy business is primarily consisted of resources development, resources processing, and resources trading. CITIC Limited Group operates its resources and energy business mainly through CITIC Resources, CITIC United Asia and CITIC Metal.

CITIC Resources is a subsidiary of CITIC Limited. As of December 31, 2013, CITIC Limited indirectly held a 59.41% equity interest in CITIC Resources. CITIC Resources (stock code: 01205) is listed on the Stock Exchange. CITIC United Asia and CITIC Metal are both wholly-owned subsidiaries of CITIC Limited. CITIC Resources and CITIC United Asia hold an approximately 39% and 10% equity interest, respectively, in CITIC Dameng Holdings Limited. CITIC Dameng Holdings Limited is not consolidated as a subsidiary of CITIC Limited.

For the year ended December 31, 2011, 2012 and 2013, revenue from CITIC Limited Group's resources and energy business amounted to RMB60,710 million, RMB69,772 million and RMB67,971 million, respectively, accounting for 30.5%, 31.3% and 27.0%, respectively, of CITIC Limited Group's revenue. The profit/loss before tax of CITIC Limited Group's resources and energy business amounted RMB5,321 million while the operating loss before tax amounted to RMB363 million and RMB128 million, respectively.

The following table sets out the respective financial information of the principal operational entities of CITIC Limited Group's resources and energy business for the periods indicated:

	For the year ended December 31					
	2011		2012		2013	
	Revenue	Net Profit Attributable to Equity Shareholders	Revenue	Net Profit/ (Loss) Attributable to Equity Shareholders	Revenue	Net Profit/ (Loss) Attributable to Equity Shareholders
	(in millions)					
CITIC Resources (HK$) *(Note)*	33,160	2,099	42,747	(1,284)	39,319	(1,465)
CITIC United Asia *(HK$)*	18,384	168	16,961	17	20,691	122
CITIC Metal *(RMB)*	20,255	501	22,643	230	20,053	450

Note: The figures of revenue and net profit/(loss) attributable to equity shareholders of CITIC Resources in 2011 and 2012 are restated figures.

b. *Competitive Strengths*

Access to natural resources with advantages in capital and costs management supported by the overall strength and synergies of CITIC Limited Group

The growth and development of CITIC Limited Group's resources and energy business rely on the group's consolidated strength and synergies. As part of a large conglomerate, CITIC Limited Group's resources and energy business has definitive financial advantages in its access to natural resources. During cyclical fluctuations in the international commodities and energy markets, CITIC Limited Group is able to seize high-quality projects at reasonable prices by mobilizing all of its resources, including funds, human resources and business relationships. Relying on its consolidated strength, CITIC Limited Group had made a number of strategic natural resources business investments, including (i) CITIC Group's equity investment in Australia Portland Aluminium Smelter in the 1980's (CITIC Group subsequently transferred this investment to CITIC Resources), (ii) CITIC Metal's 15% equity investment in CBMM (Companhia Brasileira de Metalurgia e Mineração) through China Niobium Investment Holdings Limited in 2011, and (iii) the acquisition of approximately 13.6% of the shares of Australian company Alumina Limited by CITIC Resources and CITIC Limited in 2013.

International project operating experience and professional project execution capabilities

CITIC Limited Group relies on its overall strength and adheres to the principles of globalization and being market-oriented to gradually establish a unique business model of simultaneously engaging in investment, development and trade of resources. As of the end of 2013, CITIC Group Limited has a variety of oil and gas and mineral resource development projects with interests in Indonesia, Kazakhstan, Australia, the Philippines, Brazil, Gabon in Africa and numerous other countries and regions overseas with energy-rich reserves and abundant mineral reserves.

CITIC Limited Group has long-term experience operating in the international resources and energy markets, as well as cooperative relationships with international resources and energy companies including CBMM. These experiences have allowed CITIC Limited Group to form a team with international vision, professionalism and specialized skills. CITIC Limited Group also benefits from a unique corporate culture and a loyal resources and energy team, which ensures that CITIC Limited Group's long-term strategy can be effectively implemented.

Established long-term working relationship with valuable customers in different regions

CITIC Limited Group has established long-term relationships with several Chinese and international customers in the resources and energy business, and has gained customer recognition for its product and service quality. In particular, CITIC Metal is the core Chinese distributor of CBMM, the world's largest supplier of ferroniobium, and has maintained a long-term domestic market share of approximately 85% in China. CITIC Limited Group believes that its working relationships with industry leading customers and their recognition of CITIC Limited Group's product and services demonstrate its ability to meet customer requirements. CITIC Limited Group's oil and gas development partners include: (i) KazMunayGas, (ii) Kuwait National Petroleum Company, and (iii) China National Petroleum Corporation. Its resource investment partners include: (i) Australia Alumina Company, (ii) Peabody Energy Corporation, and (iii) other internationally-renowned mining companies.

CITIC Limited Group's customers have widely-distributed operations across industries worldwide, including steel, metallurgy, and trade. CITIC Limited Group believes that its broad customer base can help to reduce its reliance on sales to customers in a specific industry, and also to alleviate adverse effects brought by any economic downturn in a particular region or industry.

c. *CITIC Resources*

CITIC Resources principally engages in the exploration, mining and marketing of crude oil and coal, aluminium processing, and the import and export business.

The following table sets out CITIC Resources' revenue and segment performance attributed to external customers for the periods indicated:

	For the year ended December 31					
	2011 *(Note 4)*		**2012** *(Note 4)*		**2013**	
	Revenue	**Segment Performance** *(Note 1)*	**Revenue**	**Segment Performance** *(Note 1)*	**Revenue**	**Segment Performance** *(Note 1)*
	(in millions of HK$)					
Aluminium *(Note 2)*	1,339	90	1,222	71	1,066	93
Coal *(Note 3)*	529	125	476	7	735	(104)
Import and Export Commodities	30,829	349	40,545	559	37,198	397
Crude oil	463	(21)	504	(169)	320	(146)
Total	33,160	543	42,747	468	39,319	240

Notes:

1. Management of CITIC Resources monitors the results of its operating segments separately for the purposes of resource-allocation decision-making and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the CITIC Resources' profit/(loss) before tax except that interest income, finance costs, dividend income, fair value gains or losses from the CITIC Resources' derivative financial instruments not relating to the operations, one-off gains from assets disposal and impairment on assets as well as head office and corporate expenses are excluded from such measurement.

2. The aluminium business is mainly located in Australia.

3. The coal business is mainly located in Australia.

4. The 2011 and 2012 segment income and segment performance figures are restated figures.

d. CITIC United Asia

(a) Overview

CITIC United Asia mainly engages in mineral exploration and marketing, and the import and export business of platinum.

(b) Main Businesses

i. Resources development

CITIC United Asia holds two exploration and mining rights in Dinagat Island of Surigao (located in the Philippines) through its 50% shareholding in AAM. The mining operation of this project has been contracted to a professional mining company since 2008.

ii. Resources trading

China Platinum is China's largest platinum importor. CITIC United Asia, together with CITIC Metal, holds a 52% equity interest in China Platinum. CITIC United Asia consolidates China Platinum as its subsidiary through its effective equity interests of 36.4% in China Platinum. China Platinum, together with the Shanghai Gold Exchange, maintains a stable supply of platinum in China. The platinum import business operates under a consignment model, and domestic sales of platinum are mainly traded on the Shanghai Gold Exchange. In 2013, China Platinum imported 45.5 tons of platinum. China Platinum's market share in China has been increasing steadily and it currently possesses approximately 48.9% market share in China.

e. CITIC Metal

(a) Overview

CITIC Metal mainly engages in the resources trading business, including trading in ferroniobium, iron ore, steel, nonferrous metals and coal, as well as the strategic resources investment business.

(b) Main Businesses

i. Resources development

CITIC Metal is China Niobium Investment Holdings Limited's single largest shareholder with 33.3% equity interest therein. China Niobium Investment Holdings Limited holds a 15% equity interest in CBMM, which produces more than 80% of global ferroniobium products. CBMM's ferroniobium mine contains high-grade ferroniobium ore, with a long-term mine life and low mining costs, making it suitable for mineral development. Attributable to its investment in the upstream market and good working relationships with core resource companies, CITIC Metal is able to acquire a sufficient and stable ferroniobium supply for external sales each year.

The following table sets out certain key information for CITIC Metal's mineral resource interests as of December 31, 2013:

Mineral Resources Project Name	Percentage of interest	Type of interest	Proved reserves of resources *(million tons)*	Annual production volume *(10,000 tons)*	Mining method	Development status
CBMM	5%	Interests in share	19.07	Ferroniobium: 9	Open-pit mining	In operation

In April 2014, MMG South America Management Company Limited ("MMG South America"), through two of its wholly-owned subsidiaries, entered into a share purchase agreement with, among others, Xstrata South America Limited and Glencore Queensland Limited as sellers to purchase the entire issued share capital of Xstrata Peru S.A. which owns the Las Bambas copper mines project in Peru. Pursuant to the arrangement, CITIC Metal will subscribe for 15% equity interest in MMG South America on or before the completion of the abovementioned share purchase agreement and be entitled to an exclusive distribution rights in relation to an amount of the products from the Las Bambas copper mines project. The Las

Bambas copper mines project is located in Cotabambas, Apurimac Region of Peru and is currently one of the largest copper projects in construction globally based on its copper resources. The completion of the acquisition is subject to the approval by the relevant PRC and Peru government authorities and the shareholders of MMG Limited.

ii. Resources trading

CITIC Metal is CBMM's core distributor in China. Its sales coverage of ferroniobium across most of the medium- to large-scale steel enterprises in China and allows CITIC Metal to maintain an approximate 85% market share in ferroniobium sales annually.

CITIC Metal is one of China's major iron ore importers. CITIC Metal mainly imports products from renowned mineral mining enterprises located in Australia, Brazil and South Africa, including VALE, Rio Tinto, BHP Billiton and Kumba. It imports large quantities of iron ore annually for national medium- to large-scale steel enterprises. CITIC Metal is the management unit of the iron ore branch of the China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters, and is also one of the first 14 enterprises constituting the China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters to receive an AAA credit rating.

CITIC Metal, together with CITIC Trust, holds a 67.0% equity interest in Tianjin Precious Metal Exchange Limited, which principally engages in spot and futures transactions of silver, platinum, palladium, nickel, copper and other minerals. It is currently the leading silver exchange platform in terms of trading volume in China. Its scope of services covers major provinces, municipalities and self-autonomous regions in China. As of the end of February 2014, Tianjin Precious Metal Exchange Limited had 110 registered members.

(c) Procurement and Supply

CITIC Metal maintains procurement channels and reduces procurement costs by establishing long-term working relationships and monitoring the procurement admittance mechanism. In China, the procurement admittance mechanism is implemented in the domestic procurement process, which is selecting partner enterprises with similar objectives and comparable skills to become qualified suppliers of a company. CITIC Metal continues to optimize and evaluate its suppliers to achieve a stable and timely supply of high-quality and low-cost resources. For foreign imports of mineral products, CITIC Metal establishes long-term and stable strategic alliances with large global mineral vendors to ensure a stable supply of bulk imported raw materials.

(d) Customers, Sales and Marketing

Over a decade, CITIC Metal has adopted a technology-driven sales strategy and established an advisory team of domestic and international metallurgical experts dedicated to the technological development, promotion and application of ferroniobium. In addition, by establishing scholarships in Beijing University of Science and Technology, Shanghai University and other universities, CITIC Metal encourages academic research on product applications of ferroniobium and together with the relevant industry associations, actively promotes more reasonable product standards. CITIC Metal participates in the nurturing and development of the ferroniobium market, and effectively promotes reform of the current Chinese industrial product mix and the improvement of Chinese steel products. Currently, CITIC Metal's customer base in China covers most major steel companies, including Baoshan Iron and Steel, Anshan Iron and Steel, Taiyuan Iron and Steel and Capital Steel.

(E) Manufacturing

a. Overview

CITIC Limited Group's manufacturing business mainly comprises production and manufacture of heavy machinery, power electronic equipments, automobile aluminium wheels and automobile aluminium castings.

- CITIC Limited Group, through CITIC Heavy Industries, engages in the manufacturing and general contracting of heavy machinery, including coal related equipment, mining equipment, metallurgical equipment, construction materials equipment, power generation equipment, nonferrous metals related equipment, power electronic equipment and environmental and energy conservation equipment. As of December 31, 2013, CITIC Limited, directly and indirectly, held a 71.04% equity interest in CITIC Heavy Industries, CITIC Heavy Industries (stock code: 601608) is listed on the SSE;

- CITIC Limited Group engages in the manufacturing of automobile aluminium wheels and automobile aluminium castings through CITIC Dicastal. As of December 31, 2013, CITIC Limited indirectly held a 100% equity interest in CITIC Dicastal.

For the years ended December 31, 2011, 2012 and 2013, the revenue generated from CITIC Limited Group's manufacturing business was RMB16,385 million, RMB19,757 million and RMB19,121 million, respectively, accounting for 8.2%, 8.9% and 7.6%, respectively, of CITIC Limited Group's total revenue; profit before tax generated from CITIC Limited Group's manufacturing business was RMB1,356 million, RMB1,313 million and RMB1,001 million, respectively, accounting for 2.2%, 2.4% and 1.5%, respectively, of CITIC Limited Group's profit before tax.

The following table sets out the financial information of the respective principle operational entities of CITIC Limited Group's manufacturing business for the periods indicated:

	For the year ended December 31					
	2011		2012		2013	
	Revenue	Net Profit Attributable to Equity Shareholders	Revenue	Net Profit Attributable to Equity Shareholders	Revenue	Net Profit Attributable to Equity Shareholders
			(in millions of RMB)			
CITIC Heavy Industries	7,041	818	7,236	871	5,083	500
CITIC Dicastal	8,302	197	11,848	400	13,232	462

b. *Competitive Strengths*

Leading industry position and leading market share

CITIC Limited Group's manufacturing business, comprising manufacturing of heavy machinery, automobile aluminium wheels and automobile aluminium castings, is in a leading market position in China. According to China Building Material Machinery Association, CITIC Heavy Industries was named the *Leading Cement Machinery Manufacturer of China* as one of the top 20 building materials equipment manufacturers in China in 2011, and had a leading position in its market share among its peers in China in terms of industrial output value for its cement-making equipment, which has a daily production capacity of more than 5,000 tons. According to China Heavy Machinery Industry Association, CITIC Heavy Industries was the second largest metallurgical and mining equipment manufacturer in China, with a market share of 3.33% in terms of total industrial output value in 2012. It is equipped with world-class electric power equipment manufacturing technologies. In particular, its hydraulic floating ship-lift for power station equipment is among the most advanced of its type in the world. Its large cement plant, with its dual-pressure and low temperature waste heat power generation technology and processing urban waste cement kiln technology, also contributes to its leading position in China.

CITIC Dicastal is one of the first companies to manufacture automobile aluminium wheels in China. It is also one of the world's largest automobile aluminium wheel manufacturing companies and one of the world's largest automobile aluminium wheel suppliers in the OEM accessory parts market. It is one of the few automobile aluminium wheel companies with the capacity to supply automobile accessory parts in China. According to data published by the world's major automobile wheel manufacturers, its sales volume of automobile aluminium wheels has consecutively ranked first in the world, accounting for approximately 15% of the market share for five consecutive years since 2008. It has been consecutively listed and being the only Chinese company in the "Top 100 Auto Spare Parts and Accessories Suppliers", published by the authoritative US car magazine, *Automotive News* since 2011.

Strong R&D capabilities, advanced technologies and scientific production model

CITIC Heavy Industries and CITIC Dicastal have more advanced technologies compared to most of their competitors. In a number of specialized fields, CITIC Heavy Industries and CITIC Dicastal have world-class technologies. CITIC Heavy Industries' technology center is one of the 40 state-certified enterprise technology centers in China. Its subsidiary, Luoyang Mining Machinery Engineering Design Institute Co., Ltd., has the first enterprise-owned, key and national-level laboratory in the field of mining equipments. Its gearless-driven grinding mill, which is independently developed with full ownership over the intellectual property rights by CITIC Heavy Industries, has a diameter of 12.2 meter and a length of 11.0 meter, making it one of the world's largest and most advanced milling equipments. Currently, only very few heavy-machinery manufacturers in the world, including CITIC Heavy Industries, possess the R&D and production capabilities to produce such milling equipment. It also independently designed and manufactured the 18,500 tons hydraulic machine, which is currently one of the world's largest free-forging equipment for heavy machinery. In addition, it owns leading manufacuring technologies relating to the rotary product manufacturing technologies in China. It can independently manufacture products through its industry chain in areas which require key technologies in order to ensure the product quality.

CITIC Dicastal's technology development center has the ability to engage in R&D activities simultaneously with domestic and international automobile manufacturers. It is one of the first domestic manufacturers with the ability to simultaneously working with automobile manufacturers, or independently design and develop automobile aluminium wheel products. It has been recognized and rated as an excellent vendor and strategic partner by many international automobile manufacturers including Benz, BMW, Volkswagen, Audi, General Motors, Ford, Fiat-Chrysler, Toyota, Honda and Renault-Nissan. Currently, CITIC Heavy Industries and CITIC Dicastal have participated in the plan and formulation of more than 20 national-level industrial standards, which demonstrates their solid foundation and in-depth knowledge in R&D. In addition, CITIC Heavy Industries and CITIC Dicastal are able to rapidly expand their production capacity and increase their efficiency while ensuring high product quality, which is achieved through various methods including cross-border acquisitions, domestic associations and self-built industrial parks.

Globalizing production facilities, R&D bases, and sales channels

CITIC Heavy Industries and CITIC Dicastal have extensive overseas resources in terms of production, R&D and marketing, including quality facilities, R&D platforms and sales channels. In recent years, CITIC Heavy Industries and CITIC Dicastal respectively completed the acquisition and integration of Spanish Gandara Censa.S.A. and KSM Castings, which have (i) enriched their sales channels, (ii) reinforced their R&D capabilities, (iii) extended their respective protfolio of products, and (iv) expanded their production base layout. From 2011 to 2013, CITIC Heavy Industries' overseas revenue as a percentage of its total revenue gradually increased, and had steadily increased to approximately 15% in 2013 while CITIC Dicastal's overseas revenue remained above 45% of its total revenue consistently, and increased to approximately 60% in 2012 and 2013. With a further global expansion of CITIC Limited Group's manufacturing business, CITIC Heavy Industries and CITIC Dicastal will use their existing overseas platforms to further get access to advanced technologies and optimize the allocation of resources to achieve better business efficiencies.

Diversified product portfolio and revenue sources

CITIC Heavy Industries and CITIC Dicastal provide products to a variety of industries including coal, mining, metallurgy, building materials, power generation, nonferrous metals, power electronic, energy conservation and environment protection and automobile. In particular, CITIC Heavy Industries is able to satisfy clients' needs in different industries and fields with its own core technologies, including: design and manufacturing technology for a large, powerful vertical shaft drilling machine for oversized mines and a fully hydraulic-driven system with an annual output of ten million tons; design and manufacturing technology for penetrating ultra-deep mines with an annual output of ten million tons and the complete set of hoisting equipment; design and manufacturing technology for a mobile or semi-mobile crusher station with an annual output of ten million tons;

design and manufacturing technology for the complete equipment set for a 5,000 to 12,000 tons per day dry process cement production line; a dual pressure waste heat power generation system; the complete process and equipment technology for the coke dry quenching waste heat power generation; design and manufacturing technology for the complete equipment set for a 800 to 1,200 tons per day low-energy consumption active lime production line; design and manufacturing technology for the slag grinding system with an annual output of 1.2 to 3 million tons; design and manufacturing technology for the comprehensive utilization of steel slag and the oversized ore concentration equipment with an annual output of 20 million tons; design and manufacturing technology for the low-speed, heavy-load, high-power reducer; design and manufacturing technology for the complete equipment set of a rolling mill for large-sized pipes and plates, electrohydraulic transmission and control technology for heavy mining equipment; design and manufacturing technology for the complete equipment set of an oxidized pellet production line with annual output of 3 to 6 million tons; design and manufacturing technology for the lignite-upgrading process and equipment set with annual output of 20 million tons; design and manufacturing technology for disposing of municipal solid waste by cement kiln; design and manufacturing technology for the high-pressure grinding roll with annual output of 6 million tons; steady-braking and smart-gating technology for greater-inertia, heavy equipment; design and manufacturing technology for a four-dimensional convertor of high voltage, super power and energy feedback; 400 tons large-scale forging and manufacturing technique; 500 tons large-scale steel casting manufacturing technique; 150 tons ductile iron manufacturing technique; experimental model selection technology for the mining process and mining equipment; telemetry and remote monitoring for mining equipment; remote diagnosis; remote service technology, and integrated information management based on cloud theory. CITIC Dicastal is able to provide customized automobile aluminium wheels based on customers' requirements. It can also produce automotive chassis and other aluminium casting products. CITIC Heavy Industries and CITIC Dicastal benefit from different growth opportunities from the large, wide-ranging market. CITIC Heavy Industries and CITIC Dicastal each has a diversified product portfolio, which helps them to cope with volatilities in different market segments as the end market can be affected by different factors. In addition, CITIC Heavy Industries' and CITIC Dicastal's products are consumables and need to be replaced regularly due to natural wear and tear of the products, which may ensure that these products are able to generate steady and regular after-sales revenue.

c. CITIC Heavy Industries

(a) Overview

CITIC Heavy Industries mainly supplies heavy machinery, including large-scale equipment and large sets of technical equipment, and also engages in the R&D and sales of large castings and forgings in industries relating to coal, mining, metallurgy, power generation, nonferrous metals, power electronic, and energy conservation and environmental protection. CITIC Heavy Industries adopts a "core manufacturing plus service package" business model with a balance between R&D and marketing services.

(b) Products and Production

CITIC Heavy Industries maintains the "core manufacturing plus service package" business model to provide various lines of products across different industries. The business model covers a comprehensive industrial chain including design, production of the key prototypes, heat treatment, mechanical processing, installation and after-sales services. The value of its package equipments orders accounted for 60% of the total value of new orders and the value of export equipments accounted for 50% of the total value of new orders in 2013. It is an industry leader in the manufacturing and technology development of mill and rotary products in China.

As of the Latest Practicable Date, CITIC Heavy Industries' main products included the following:

- Construction materials equipment: new dry cement equipment sets (including cement mill for construction materials, large roller presses and rotary kilns) and large, vertical mill grinding systems;

- Mining equipment: coal equipment and metal and non-metallic mining equipment. Among these equipment types, mining equipment mainly includes sets of machines and equipment for large-scale open-pit crushing plants, mine hoists, ultra-deep wells rigs for mine construction and coal upgrading; metals and non-metallic mining equipment. Crushing equipment, grinding equipment, ultra high-pressure roller mill crushing equipment and large, efficient washing equipment;

- Metallurgical equipment: sets of large, active lime technology and equipment, sets of pellet sintering outfit, large straightening machines, punching machines, large converters, large, non-ferrous metallurgical furnaces, heavy plate mills, stickle mills and cold-drawing equipment;

- Electrical equipment: large lifts, hoists, machines for power station rotor forgings and hydro- and nuclear forgings;

- Our power electronic products mainly include: AC-AC frequency conversion equipments for large mine hoist; high, medium and low voltage AC-DC-AC frequency conversion devices; and electric control equipments for DC systems and AC systems; frequency-variable transmission equipments for large belt conveyor; electric control devices for integrated electric control devices for the digitalization and information technology development of coal mines; control equipments for large-scale complete sets of building materials, metallurgy and power industries, and hydraulic explosion-proof hoist and winch; CHIC1000 series 10kV high-voltage inverters, 6kV high-voltage inverters, and 10kV-input 6kV-output high-voltage inverters and other products;

- Energy-saving equipment: dual-pressure, pure low-temperature waste heat power generation system technologies and equipment, cement kilns consumptive urban waste technologies and process equipment, cement vertical mill, high roller presses, high pressure roller mills, efficient crushers, bottom-blown oxygen furnace, high-frequency control technology and equipment, steel slag processing equipment, slag processing equipment, and disc filters.

CITIC Heavy Industries adopts an operation model of "sale-based production" where it makes production plans, acquires raw materials and organizes productions, based on customers' demands and actual orders. The manufacturing departments give directions for technical preparation and production based on contracts and orders and it also coordinates and controls the production process. Meanwhile, other supporting units such as Mining Equipment Research Institute and sales departments provide design plans, customer information and other information to manufacturing departments to make timely adjustments to the production plans. In addition, for CITIC Heavy Industries may also outsource the manufacturing of small-scale castings, small-scale forgings, small-scale linings, ministry sets and other accessories in a variety of ways, including package of labor and materials and processing with own-supplied material.

CITIC Heavy Industries' main manufacturing facilities are located in Luoyang City in Henan Province, Lianyungang City in Jiangsu Province and Vigo in Spain, and comprise a total area of approximately 1,740,000 square meters. It has more than 2,700 units of production equipment, including 18500T free-forging hydraulic oil press, 750T•m manipulator, 80T electric furnace, 150T ladle refining furnace, the largest pit-style, car-bottom type of heat-treatment furnaces in Asia, Φ6.5×18M and Φ9×30M series double gantry mobile boring milling machine, Φ260MM and Φ320MM series double column CNC floor-type boring milling machine, Φ260MM double column CNC floor-type boring milling machine, Φ22M single column CNC vertical lathe, Φ4.2M by 18M series CNC horizontal lathe, Φ10M and Φ16M series CNC gear hub machine, Φ12M gear comb machine, and Φ2M to Φ5M series gear grinding machine. CITIC Heavy Industries' production equipments are mostly purchased from well-known, domestic and overseas manufacturers of machine tools and CNC equipment.

CITIC Heavy Industries continues to improve and expand its existing production capacity to meet the customers' growing demands for its products. For example, in 2011, CITIC Heavy Industries completed the acquisition of Spanish Gandara Censa. S.A, which enables it to control manufacturing bases overseas to tap into countries and regions rich in mineral resources in Europe, South America and South Africa. It has become the owner of the world's advanced mineral beneficiation technology with its exclusive acquisition of all the intellectual property rights of Australia's SMCC Pty Ltd. In 2013, CITIC Heavy Industries proposed a strategic transformation in three aspects, namely the transformation to a high-tech company from a manufacturing company, the transformation to a full set equipment provider from a main machine supplier, and the transformation to an international enterprise from a local enterprise. With its breakthroughs in the power electronic industries, CITIC Heavy Industries has already successfully developed multi-species and multi-series high-voltage converter equipments.

(c) Procurement and Supply

The major raw materials for CITIC Heavy Industries' heavy machinery manufacturing include steel, rough components, motors, bearings and spare parts. These materials are mainly procured from domestic and international markets through tendering and are mostly supplied directly by manufacturers with some procurement from distributors or dealers. Based on its production needs, CITIC Heavy Industries also outsources the manufacturing of some spare parts due to limits of its production capacity or other low-tech components that it does not manufacture.

(d) Customers, Sales and Marketing

CITIC Heavy Industries is one of the domestic enterprises in China with the capability to design and manufacture cement and mining equipment in accordance with European Union (EU) and US standards. It has more than 60 large customer groups formed by high-end customers in the coal and mining industries, metallurgical industry, construction materials industry, power generation industry, nonferrous metals industry, power electronic industry and the energy-saving and environmental protection industry. These customers include, among others, BHP Billiton, VALE, China Shenhua Energy Company Limited, China Huaneng Group, China National Gold Group Corporation, Anhui Conch Cement Company, Lafarge S.A., Holcim Ltd, Cemex SAB de CV, HeidelbergCement AG and Italcementi Group. Its revenue from top ten customers accounted for more than 20% of its total revenue from 2011 to 2013.

CITIC Heavy Industries' sales focus on the domestic market in China and are supplemented by sales to the international market. In the domestic market in China, CITIC Heavy Industries a model of direct sales, winning orders by participating in bidding and negotiations. CITIC Heavy Industries' sales teams market the products nationwide in different industry sectors based on the targets of different products. In its sales to the international market, based on its own circumstances and the market demands, CITIC Heavy Industries targets different countries and regions by adopting different business models including direct sales, agent sales, subcontracting and cooperation with large customers. For example, CITIC Heavy Industries had established its agencies in Australia, Brazil, South Africa, Chile, and other countries and regions which help to expand its market share in the relevant mining equipment markets based on local projects and to strengthen the development of markets there.

The following table sets out CITIC Heavy Industries' revenue from the domestic and overseas markets of the total revenue for the periods indicated:

	2011	**2012**	**2013**
Domestic revenue (%)	91.4	85.8	86.8
Overseas revenue (%)	8.6	14.2	13.2

(e) Quality Control

CITIC Heavy Industries has extensive experience in product quality control and has developed strict internal quality control standards. For example, CITIC Heavy Industries has published its own

Quality Manual (Q/HMSC) according to IS09001:2008 and GJB9001A-2001 standard, considering its own circumstances and the features of its products features. In addition, CITIC Heavy Industries' quality control department is responsible for the inspection and testing of heavy machinery products and quality management. Currently, CITIC Heavy Industries owns a number of quality management system certificates or factory certificates issued by China United Certification Center, China Classification Society, Germanischer Lloyd and Lloyd's Register of Shipping.

(f) Production Safety and Environmental Protection

CITIC Heavy Industries has set up a safety and environmental protection department responsible for supervision, monitoring, inspection and other management of work safety and environmental protection. It has implemented a set of waste treatment processes and mechanical noise control measures during the producing process. For example, CITIC Heavy Industries invested in the construction of the sewage treatment and transformation and water reuse projects to strictly monitor sewage treatment and electric furnace degusting and other matters, in order to minimize the negative impacts to the environment and be in compliance with the relevant environmental standards for waste treatment. In addition, CITIC Heavy Industries has obtained the GB/T24001-2004 environmental management system certification and the GB/T28001-2011 occupational health and safety management system certification.

(g) R&D and Intellectual Property

CITIC Heavy Industries has the first state-certified national enterprise technology center owned by an enterprise in the field of heavy mining equipment and other R&D facilities. It has established overseas R&D centers for heavy machinery in Australia, and is planning to establish a R&D center for casting in North America. It also conducts extensive research projects in the fields of engineering design, product design and manufacturing processes of heavy machinery with Tsinghua University, University of Queensland and more than 20 other institutions. In 2013, it reached corporation intentions with 10 academics from the Chinese Academy of Engineering, and 3 experts designated as "Academic Leaders" by the Chinese Academy of Sciences and the Chinese Academy of Engineering. This further enhanced CITIC Heavy Industries' capabilities in technology, R&D, and technology transformation, and formed an open R&D platform catering to both domestic and overseas interactions.

From 2011 to 2013, CITIC Heavy Industries was responsible for the research and development of two projects from "National Twelfth Five Scientific and Technological Supporting Projects" and two projects for developing new national products. It also participated in the formulation of 14 national and industry standards in China. As of December 31, 2013, CITIC Heavy Industries owned 19 registered trademarks and 356 patents in China, including 88 invention patents, 264 utility model patents, and 4 design patents.

d. CITIC Dicastal

(a) Overview

CITIC Dicastal mainly provides automobile aluminium wheels and automobile aluminium castings to automobile manufacturers. CITIC Dicastal has formed a business model of "headquarters core plus manufacturing bases" with a "one-stop" service from product design to production.

(b) Products and Production

i. Automobile aluminium wheels

CITIC Dicastal produces three main types of automobile aluminium wheels, namely cast wheels, forged wheels and cast flow-forming wheels. It is currently one of the few manufacturers in the world that is capable of providing all three types of automobile aluminium wheels. Furthermore it is able to meet all surface treatment requirements of existing automobile aluminium wheels.

As of December 31, 2013, CITIC Dicastal's automobile aluminium wheel business had 15 manufacturing bases in a number of regions, including Qinhuangdao, Sanmenxia, Wuxi and Ningbo, and it imports different manufacturing equipments from Germany, the US and Japan. The first phase of CITIC Dicastal's industrial park, which was completed in 2012, has the world's advanced automobile aluminium wheels production lines and supporting facilities with and combining the functions of intelligent manufacturing, advanced management and low-carbon environmental protection.

CITIC Dicastal adopts the "headquarters core plus manufacturing bases" business model, which means its headquarters is responsible for brand maintenance, synchronous design and development of products, manufacturing and testing of products, quality assurance, system supply, market services and various other functions and the manufacturing bases are responsible for manufacturing functions. CITIC Dicastal adheres to the "Five Unity" principle in coordinating the overall manufacturing operations, which means a "unified product development, unified brand, unified technical quality management, unified production planning arrangements and unified sales". This greatly expanded production capacity in a short period of time with the business model with an asset-light development strategy.

ii. Automobile aluminium castings

CITIC Dicastal produces three main types of automobile aluminium castings, namely chassis segment, powertrain segment and automobile body parts. CITIC Dicastal conducts automobile aluminium castings mainly through KSM Castings, which was acquired in 2011. KSM Castings was established in 1947, which mainly produces chassis and powertrain segments, and is a technology-advanced company in the high-end market of automobile aluminium castings, one of the largest aluminium chassis segment suppliers in the world and one of the leading powertrain segment suppliers in Europe. The major automobile aluminium castings products of CITIC Discastal include:

- The chassis segment, is subdivided into wheel carriers/frame products (such as wheel carriers, rear axle carriers, front axle subframe and steering knuckle) and steering/pedal (such as pedal bracket, steering valve, steering gear box and drive end of the housing).

- The powertrain segment, comprises products for transmission (such as transmission housings, clutch housings, valve housings, piston housings) and engine peripheral applications (like camshaft carriers, and oil and diesel pump housings, cylinder head cover, oil/water pump housings).

- Automotive body parts, as newly developed structural components, including nodes, pillars and shock absorbers bearing applications.

Currently, CITIC Dicastal has eight manufacturing bases for automobile aluminium castings in Germany, the Czech Republic, China and the US with a total area of approximately 300,000 square meters.

(c) Procurement and Supply

The following table sets out the main procurement model and management model in raw materials, equipment and fuel which were used in the production of automobile aluminium wheels and aluminium castings by CITIC Dicastal in the past three years:

Procurement Subjects	Procurement models	Management models
Equipment procurement	Tendering procurement	Individual procurement based on project needs
Bulk raw materials (aluminium) Procurement	Purchase via price comparison	Bulk purchase and FIFO inventory management
Energy	Regular settlement according to the actual usage	Management according to contracts and state regulations

(d) Customers, Sales and Marketing

CITIC Dicastal's major customers for automobile aluminium wheels are leading, global automobile manufacturers with brands including Daimler-Benz, BMW, Volkswagen (including Audi), Citroen-Peugeot, Renault-Nissan, General Motors, Ford, Fiat-Chrysler, Toyota, Honda, Mazda, Mitsubishi, Hyundai and Kia and domestic automobile manufacturers including FAW Group, Shanghai Automobile Group, Donfeng Motor Group, Guangzhou Automobile Group, Beijing Automotive, Chang'an Automobile Group and Geely Volvo Car. It has set up a market system based on its relationship with the aforesaid customers from Europe, US, Japan, Korea and China. Sales of automobile aluminium wheels to its top ten customers has consistently accounted for over 60% of its total revenue from 2011 to 2013.

CITIC Dicastal's automobile aluminium casting business focuses on high-tech products that utilize advanced technologies. Its major customers are leading, global automobile manufacturers with brands including Mercedes-Benz, BMW, Volkswagen, Audi, and tier one suppliers in the automotive industry including TRW, ZF and Bosch. Automobile aluminium castings revenue from its top ten customers has consistently accounted for over 86% of its total revenue from 2011 to 2013.

CITIC Dicastal's automobile aluminium wheels business and automobile aluminium castings business both adopt an OEM vehicle matching sales model, which means that CITIC Dicastal is involved in the vehicle design, offering and bidding stages, while being engaged in simultaneous development work. Meanwhile, to satisfy the delivery requirements of JIT (Just-In-Time) to OEMs, CITIC Dicastal usually rents warehouses near the relevant vehicle plants to satisfy customers' changing requirements. Its on-site supporting staff can provide on-site support for technical issues, quality-assurances and after-sales services.

The following table sets out CITIC Dicastal's revenue from the domestic and overseas market as a percentage of its total revenue for the periods indicated:

	2011	**2012**	**2013**
Domestic revenue (%)	52.0	39.8	45.0
Overseas revenue (%)	48.0	60.2	55.0

(e) Quality Control, Production Safety and Environmental Protection

CITIC Dicastal has extensive experience in quality control and has developed strict quality control standards. All of its manufacturing subsidiaries are required to obtain ISO/TS16949 quality system certification. In the meantime, some of the manufacturing subsidiaries also need to obtain the ISO14001 environmental management system certification and OHSAH18001 occupational, health and safety management system certification to meet specific requirements of the customers. For the automobile manufacturers with internal standards, the relevant manufacturing subsidiaries of CITIC Dicastal also need to obtain the relevant quality management system certifications and pass the evaluation of the production process, such as the Volkswagen Group Formel-Q, Ford Group Q1, GM Group QSB and the Honda QAV. CITIC Dicastal has a designated production safety department and established a management system for production safety and environmental protection on a basis of strict compliance with the compulsory requirements of the relevant laws and regulations. CITIC Dicastal strictly monitors the manufacturing process and takes preventive measure so as to minimize the potential manufacturing and environmental risks and ensure the production safety and compliance with the environmental standards.

(f) R&D and Intellectual Property

Currently, CITIC Dicastal owns one state-certified enterprise technology center in China and R&D institutions in the EU and North America. It is the first domestic automobile aluminium wheels manufacturer that is able to synchronize its manufacturing process with that of foreign automobile manufacturers. It established one national automobile aluminium wheel test center, which supervises and implements automobile wheel standards approved by the China Association of Automobile Manufacturers. It was awarded the "Asia Brand Innovation Award" jointly by the Asia International Brand Certification Supervision Center, the State-owned Assets Supervision and Administration Commission and *China Industry and Commerce Times* for its automobile aluminium wheels products. It was certified as a national automobile components export base by MOFCOM in August 2006.

CITIC Dicastal has 72 registered trademarks and 468 patents (21 of which are inventions and 215 are utility models) in China. In addition, CITIC Dicastal develops more than 400 types of new products annually, making it one of the companies that develop the largest number of new products in the Chinese automobile wheels industry.

As of the end of February 2014, CITIC Dicastal has participated in the formulation of ten national and industry standards (five of which are already published and five are being drafted or waiting to be published) in the automobile industry.

(F) Other Businesses

CITIC Limited Group's other businesses include, among others, information services, general aviation services, publishing services, comprehensive outsourcing services, tourism services and football club, which are operated through the following operational entities:

- The information services of CITIC Limited Group include telecommunication services operated by CITIC Telecom International and the leasing and sales of satellite transponders operated by AsiaSat. CITIC Telecom International (stock code: 01883) and AsiaSat (stock code: 01135) are both listed on the Stock Exchange.

- The general aviation services of CITIC Limited Group are mainly operated by COHC. COHC (stock code: 000099) is listed on the SZSE.

- The publishing services, comprehensive outsourcing services, tourism services, and football club business of CITIC Limited Group are operated by CITIC Press, CITIC Tianjin, CITIC Tourism, and Guoan Club, respectively.

For the years ended December 31, 2011, 2012, and 2013, the revenue generated from the other businesses of CITIC Limited Group was RMB9,229 million, RMB12,395 million, and RMB12,784 million, respectively, representing 4.6%, 5.6% and 5.1%, respectively, of CITIC Limited Group's total revenue. Profit before tax generated from CITIC Limited Group's other businesses was RMB608 million, RMB670 million and RMB899 million, respectively, accounting for 1.0%, 1.2% and 1.4%, respectively, of CITIC Limited Group's profit before tax.

a. ***Information Services***

(a) CITIC Telecom International

For the years ended December 31, 2011, 2012 and 2013, the revenue of CITIC Telecom International was HK$3,197 million, HK$3,610 million, and HK$6,019 million, respectively, and net profit attributable to shareholders of CITIC Telecom International was HK$458 million, HK$461 million and HK$1,068 million, respectively.

CTM, a subsidiary of CITIC Telecom International, is the only full telecommunications service provider in Macau. As at the Latest Practicable Date, CITIC Telecom International held a 99% equity interest in CTM. CITIC Telecom International owns and operates telecom hubs focusing on the mainland China and Hong Kong telecommunications markets, and interconnects with worldwide telecommunications operators through its subsidiaries.

The following table sets out CITIC Telecom International's revenue by business segments for the periods indicated:

	For the year ended December 31					
	2011		**2012**		**2013**	
	Revenue	**Percentage** *(%)*	**Revenue**	**Percentage** *(%)*	**Revenue**	**Percentage** *(%)*
	(in millions of HK$, except percentages)					
CTM *(Note 1)*	–	–	–	–	2,464	41.0
CITIC Telecom *(Note 2)*	2,530	79.1	2,706	75.0	2,374	39.4
CPC *(Note 3)*	667	20.9	904	25.0	1,181	19.6
Total	**3,197**	**100.0**	**3,610**	**100.0**	**6,019**	**100.0**

Notes:

1. Mainly engaged in the provision of fixed line services, mobile services, internet services and data, enterprise solutions services and other services in Macau, and CITIC Telecom International completed the acquisition of CTM in 2013.

2. Mainly engaged in the provision of hubbing services.

3. Mainly engaged in the provision of data services in Hong Kong and China.

i. Competitive strengths

CTM's leading market share and significant geographical advantages

CTM is the only full telecommunications service operator in Macau providing mobile service, fixed-line service and internet service. As of December 31, 2013, CTM maintained a leading market position in each of the three market segments, with a market share of 45.8% in the mobile services segment, 100% in the fixed-line services segment and 100% in the internet services segment. CTM enjoys a long-term and stable cash flow attributable to Macau's vibrant tourism industry.

Wide telecommunications network coverage, connecting the Greater China area and the rest of the world

Hong Kong is the communication service center of CITIC Telecom International's telecommunications hub business. Its telecommunications networks connects main telecommunications operators worldwide and provides customers with stable and reliable telecommunications services, including voice services, SMS (Short Message Service) and mobile VAS (value added services) According to statistics from TeleGeography, CITIC Telecom International was ranked among the top 20 major, international telecommunications operators from 2010 to 2012 in terms of voice traffic. CITIC Telecom International is also a leading supplier in the Hong Kong inter-operator SMS market.

Scarcity of data service licenses and leading cloud services technology

CITIC Telecom International's data services are comprised of VPN (Virtual Private Network) services and cloud computing services, which were mainly operated through its subsidiary, China Enterprise ICT Solutions Limited (中企網絡通信技術有限公司). China Enterprise ICT Solutions Limited is one of the very few value-added telecommunications providers who has a nationwide VPN license apart from the three largest telecommunications operators in China, namely China Mobile, China Unicom and China Telecom. CITIC Telecom International currently operates seven cloud service centers in Beijing, Shanghai, Guangzhou, Hong Kong, and Singapore through one of its subsidiaries. CITIC Telecom International provides seamless connectivity and inter-regional cloud computing services to enterprises through SmartCLOUD™.

ii. Business and products

CTM mainly provides mobile services, fixed-line services, internet services, and enterprise solutions services.

Telecommunications hub services include voice services, SMS services, and mobile VAS. China is one of the largest telecommunications markets in the world. CITIC Telecom International's close working relationship with China's major telecommunications operators has allowed it to become one of the largest international telecommunications hubs connecting mainland China with the rest of the world, placing it in an advantageous position to gain further benefits in the future.

Data services include the provision of VPN services, information security services, and cloud computing services.

iii. Procurement and supply

CITIC Telecom International's procurement procedure is conducted based on the business nature and a centralized procurement system is implemented in order to monitor the overall procurement activities and cost control. CITIC Telecom International typically invites selected suppliers to tender, and chooses the most competitive one through the bidding process. Procurements involving the operators are made through the automated system for procurement decisions and, where necessary, adjustments can be made manually by designated personnel. Other procurements shall be made through applications by responsible departments subject to internal check and inspection, with the orders handled by the procurement department.

iv. Customer, sales and marketing

From 2011 to 2013, there was no significant change in CITIC Telecom International's customer base by business segment and geographical region. However, after the acquisition of CTM in 2013, there had been a gradual increase in the proportion of retail customers.

CTM promotes its telecommunications networks and equipment sales services mainly through its sales managers, retail shops, sales and marketing team and website. For telecommunications operators who are main customers of its voice services business, CITIC Telecom International has adopted a direct sales strategy by directly contacting the operators to establish closer relationships and obtain first-hand information, which results in more effective product promotion. VPN services are marketed to multinational corporations by the company's direct sales team together with other telecommunications operation partners. CITIC Telecom International also expects to expand its market through the acquisition of other companies.

v. Quality control

CITIC Telecom International, as a mobile voice services provider, complies with strict quality and control standards. Some subsidiaries of CITIC Telecom International have obtained ISO9001 Quality Management Standard Certification, ISO27001 Information Security Management System Certification, ISO20000 IT Service Management System Certification, ISO14001 Environmental Management System and TL9000 Certified Quality Management System Certification for Telecom.

In addition to compliance with external international quality standards, CITIC Telecom International's subsidiaries implement and monitor quality control through the quality control managers, joint department execution committees, publication of product quality manuals based on the requirements of ISO9001 and TL9000, and formulating product quality development plans, operating policies and quality targets.

vi. R&D of new products and technologies

CITIC Telecom International actively develops new technologies and products in response to market demands and changes. For its telecommunications services in Macau, CITIC Telecom International has started providing a three in one network service after the launch of a new cloud service, further expanded its Wi-Fi network and acquired a cable television license. For its telecommunications hub business, CITIC Telecom International utilizes its established global mobile IPX platform in order to further launch a series of innovative international transfer businesses and services, including international VoLTE voice service, integrated communication, instant messaging for mobile operators, and develops products based on smart phone application technologies. In order to cater to 4G communications businesses, CITIC Telecom International also provides number management services, international internet roaming services, unified communication services and video communication services. For data services, CITIC Telecom International has further improved its VPN services and launched the "SmartCLOUD™ VC" video conferencing service, which provides multi-point video conferencing services to customers any time, anywhere, and CITIC Telecom International also provides hosted value added services including data center equipments deposit service, local internet service and video conference management service in order to reinforce the company's competitive position in the market.

(b) AsiaSat

CITIC Limited Group's satellite transponder leasing and sales business is operated by its jointly controlled entity, AsiaSat. As of December 31, 2013, Bowenvale Limited held a 74.43% of equity interest in AsiaSat, and CITIC Limited held a 50.5% equity interest in Bowenvale Limited. AsiaSat is not consolidated as a subsidiary of CITIC Limited.

AsiaSat's business includes the leasing and sale of satellite transponders to customers, broadcasting, communications and data uploading and downloading services. A service fee is charged based on the number of transponders leased or usage volume. The satellites owned and operated by AsiaSat provide high performance satellite transponder resources and services for its television broadcasting and communications users, and are capable of satisfying customer demands for a fast and efficient satellite communications network.

b. General Aviation

(a) Overview

CITIC Limited Group's general aviation business is primarily operated through its subsidiary, COHC, and provides general aviation services (offshore helicopter oil flight services and other general aviation flight services) and general aviation maintenance services. As of December 31, 2013, CITIC Limited held a 51.03% equity interest in CITIC Zhonghaizhi, which held a 42.18% of equity interest in COHC.

The following table sets out the revenue and net profit attributable to equity shareholders of COHC for the periods indicated:

	For the years ended December 31					
	2011		2012		2013	
	Revenue	Net Profit Attributable to Equity Shareholders	Revenue	Net Profit Attributable to Equity Shareholders	Revenue	Net Profit Attributable to Equity Shareholders
	(in millions of RMB)					
COHC	987	139	1,091	143	1,187	192

(b) Competitive Strengths

Sizable aircraft fleet and highly qualified pilots

As of December 31, 2013, COHC had 49 helicopters, 33 of which are self-owned helicopters, 7 are leased, and nine are managed on behalf of customers. In addition, COHC has a leading general aviation crew of 157 pilots, many of whom hold medals of honor, and helicopter licenses from the EU and the US. The aircrafts can handle customers' demands for different types of flight missions, including regulatory enforcement inspections or scientific investigations.

Leading market share in the general aviation flight services market and excellent safety records

In the field of general aviation flight services, COHC is the leading offshore oil helicopter flight service provider in China. In 2013, COHC's market share ranked first in the offshore oil helicopter flight service market in China in terms of flying operation hours. COHC has abided by and surpassed the safety standards formulated by the Civil Aviation Administration of China in all respects in 2012 and 2013, and has maintained a leading safety record among its domestic peers.

Nationwide base network and complete general aviation maintenance qualifications

COHC has a main operations base in Shenzhen. Its base network covers three sea areas, namely the South China Sea, the East China Sea and the Bohai Sea, as well as economically-developed areas in China including the Yangtze River Delta and the Pearl River Delta. In the field of general aviation maintenance services, COHC operates the only authorized repair center for Airbus Helicopters (formerly known as Eurocopters) in China. COHC also holds maintenance licenses issued by multiple international professional organizations. With its vast and in-depth know-how expertise and a highly-qualified maintenance team, COHC is well-equipped to provide professional support services to different types of military and civilian helicopters.

(c) Services and Products

COHC provides the following services:

- Offshore oil helicopter flight services, including the transportation of personnel and materials to offshore oil platforms or oil mining vessels, and other services required by offshore platforms, including VIP flight services, emergency medical aid, and typhoon evacuation services;

- Other general aviation flight services, including aerial photography, maritime patrol, maritime surveillance, maritime search and rescue, polar route operations, police aviation, fishery, aerial forest protection, electricity and other flight operations; and

- General aviation maintenance services, including helicopter overhaul, helicopter mechanical component maintenance, aircraft equipment maintenance, helicopter refit, development of helicopter test equipment and on-site technical support services.

Currently, COHC's main operational base is in Shenzhen, and has operations bases in Zhuhai, Zhanjiang, Dongfang, Zhoushan, Tianjin. Its bases cover markets in the South China Sea, the East China Sea, the Bohai Sea, the Yangtze River Delta, the Pearl River Delta (including Hong Kong and Macao), and Beijing-Tianjin Region.

The following table sets out the details of revenue of COHC for the periods indicated:

	For the years ended December 31					
	2011		2012		2013	
	Revenue	Proportion	Revenue	Proportion	Revenue	Proportion
		(%)		(%)		(%)
	(in millions of RMB, except percentages)					
General aviation flights services	924	93.6	1,053	96.5	1,142	96.2
General aviation maintenance services	63	6.4	38	3.5	45	3.8
Total	987	100.0	1,091	100.0	1,187	100%

(d) Procurement and Supply

COHC's helicopter fleet is comprised of the EC 225LP, EC 155B/B1, AS 332L1, SA365N, EC135P2 Airbus series helicopters and other helicopters models including A109E and KA32BC11. In recent years, COHC has attempted to diversify its feet by introducing different models of helicopters. In 2013, COHC purchased two S92 helicopters manufactured by Sikorsky Aircraft Corporation. All of COHC's self-owned helicopters are imported, and the aviation materials consumed, helicopter and engine maintenance, main component guarantees are purchased or conducted overseas.

(e) Customers, Sales and Marketing

COHC's marketing strategy typically involves making sales to large institutional customers. Over the years, COHC has leveraged its rich operational experience to maintain a track record of safe operations and long-standing, amicable and collaborative relationships with major customers, while keeping close track of the market demand and engaging in timely exploration of new customer needs.

In 2013, COHC's offshore oil helicopter flight services covered the eastern and western regions of the South China Sea, the East China Sea and the Bohai Sea. COHC provides long-term helicopter flight services to major domestic and foreign petroleum companies, including China National Offshore Oil Corporation and other major petroleum companies. COHC also provides short-term helicopter flight services to Canadian Husky Energy Inc., CGGV, among other companies.

In 2013, COHC's general aviation flight business provided helicopter enforcement and leasing services to a number of customers, including, among others, China Central Television, the State Oceanic Administration of the PRC, the Polar Research Institute of China, the Guangdong Maritime Safety Administration, China Southwest Airlines Ranger Station, and China Rescue & Salvage Bureau of Ministry of Transport of the PRC. COHC has sent helicopters to participate in China's North Pole and South Pole scientific expeditions on multiple occasions since 2009 as the designated provider of general aviation services.

(f) Quality Control

In business flights, COHC has maintained a good safety record over the years. There were no incidents of hijacking, bombing, aviation security, flight or ground incidents in 2012 and 2013. The aircraft incident rate for the general aviation flight business in 2012 is 0.34. The aircraft incident rate for the general aviation flight business of COHO in 2013 is 0.298, which is significantly lower than the standard incident rate of 5 formulated by the Civil Aviation Administration of China, putting COHC well ahead of its domestic peers.

In the field of general aviation maintenance, COHC has a highly knowledgeable and skilled maintenance crew possessing a comprehensive set of maintenance licenses. As of December 31, 2013, COHC employed 332 maintenance personnel, with 228 of them holding aircraft maintenance licenses issued by the Civil Aviation Administration of China and 25 of them holding inspection licenses or the aircraft maintenance licenses issued by Europe's Joint Aviation Authorities. In addition, COHC has been granted the civil aviation maintenance license in China, maintenance licenses by European Aviation Safety Agency (EASA), authorised maintenance center of Airbus helicopter company and maintenance service approvals of a number of helicopters models, eligibility to act as Turbomeca's engine maintenance center, Rockwell Collin's sales and after-sales maintenance agent, Goodrich's sale and maintenance agent for its winches department. COHC has accumulated a wealth of experience in general aviation maintenance and is at the forefront of the domestic general aviation industry.

(g) R&D and Technical Reserves

In terms of pilots training, COHC's pilots are of leading international technical standards and possess extensive flying experience. COHC has also developed a rigorous flight training system and regularly provides overseas training for its pilots.

In terms of R&D and technical reserves, the general aviation maintenance technology and testing equipment used by COHC is the most advanced among its peers in the industry. COHC obtains an expansive range of aviation maintenance licenses and continuously upgrades its technological expertise to enhance the operations of its routine maintenance business. Furthermore, it has developed a general purpose ATE (automated test equipment) platform for the maintenance and inspection of different aviation models and devices.

c. Publishing

CITIC Limited Group's publishing business is operated through its subsidiary, CITIC Press. CITIC Press holds all required licenses for publishing, distribution and retail granted by the State Administration of Press, Publication, Radio, Film and Television.

In the field of publishing, CITIC Press is a leading Chinese publication brand for books on economics and management. In 2013, CITIC Press published 614 books with a total sales volume of 14.21 million copies, with 24 books winning 32 national awards in the process.

In the field of distribution, CITIC Press maintains traditional retail channels while actively developing online sales channels. In 2013, approximately half of CITIC Press's revenue is generated from sales through online bookstores. CITIC Press has also cooperated with China Mobile, China Telecom, and China Unicom, the three major telecommunications operators, to open CITIC book zones in their mobile reading malls.

In the field of retailing, as of December 31, 2013, CITIC Press was operating nearly 120 CITIC Press bookstores in 13 airports in China. CITIC Press's bookstores are physical retail platforms with unique resources and huge commercial value. The continuous visitor traffic in airports, relatively high income level of targeted customers, good advertising effects and other factors enable CITIC Press bookstores to become important portals of brand promotion for CITIC Limited Group. Participation in the cultural industry through CITIC Press also plays an invaluable part in helping CITIC Limited Group realize its long-term social values and fulfill its corporate social responsibilities. In 2013, CITIC Press entered into agreements with a number of leading US education and training institutions and reputable domestic schools, paving the way to developing a new line of business in education and training.

Being the only subsidiary of CITIC Limited Group involved in the cultural industry, CITIC Press will form four main business areas in publishing, digital new media, education and training, and cultural consumption, through acquisitions and the establishment of new business platforms. CITIC Press strives to develop into a new culture media company providing professional and high-quality services in this new economic era.

In 2013, the revenue of CITIC Press was RMB548 million.

d. Comprehensive Outsourcing Services

CITIC Limited Group operates and invests in the comprehensive outsourcing services business through its wholly-owned subsidiary, CITIC Tianjin.

CITIC Tianjin's main businesses includes financial institution background center operational management, supply chain finance, information management and back-up, process services outsourcing services and other outsourcing services. CITIC Tianjin is one of the few professional operators in China that is capable of providing comprehensive outsourcing services from beginning to end to its customers. CITIC Tianjin currently has professional financial outsourcing service bases and subsidiaries in Beijing, Tianjin and Ningbo.

In 2013, CITIC Tianjin's revenue was RMB121 million.

e. Tourism

The tourism business of CITIC Limited Group is operated by its wholly-owned subsidiary, CITIC Tourism.

CITIC Tourism's main business includes travel agency related services such as inbound and outbound tourism, domestic tourism, mainland residents travelling to Taiwan, visa services and other agency services, hotel services, and tourism resources development services. Since 2000, CITIC Tourism has been ranked among "The Best 100 Tourism Companies" by the China National Tourism Administration. In 2007, CITIC Tourism was certified by the Beijing Municipal Commission of Tourism Development as a 5A Travel Agency. In 2012, the Beijing Municipal Commission of Tourism Development also selected CITIC Tourism as a pilot travel agency for Beijing's tourism standardization. CITIC Tourism's "Trust Tour" is a well-known travel brand in China.

CITIC Tourism's subsidiaries are distributed throughout Beijing, Shanghai, Tianjin, Shaanxi, Shanxi, Guangdong, Shandong, Henan, Xinjiang, Hunan, Inner Mongolia, Zhejiang, Tibet and other regions in China, forming a strong business network with significant competitive advantages of scale. CITIC Tourism organized 31,400 tours and served 771,700 customers in 2013.

In 2013, CITIC Tourism's revenue was RMB2,138 million.

f. Football Club

CITIC Limited Group's football club business is operated by its subsidiary, Guoan Club.

Guoan Club has been one of the leading football clubs in the professional football league in China in terms of performance over the years. From 2009 to 2013, the attendance rates of its games ranked the first in China and among the top in Asia, with an average of approximately 40,000 spectators attending each game.

Since joining China's top professional football league, Guoan Club won the championship of the Chinese Football Association Super League once and the Chinese Football Association Cup three times. Guoan Club has trained more than 50 players at different levels of the Chinese national football teams and enjoys a good reputation within and outside China, boosting CITIC Group's public image and enriching the overall CITIC brand.

In 2013, the revenue of Guoan Club was RMB244 million.

F. SYNERGY

(A) Objectives and Strategies of Developing the Synergized Businesses

CITIC Limited Group develops synergy under the principles of legality, compliance, market-orientation and respect for the interests of the subsidiaries and investee companies of CITIC Limited.

The synergic goal of CITIC Limited Group is to establish a customer-oriented comprehensive services platform and continuously increase its enterprise value through effective synergic operation and integrated development between CITIC Limited and its subsidiaries and investee companies.

CITIC Limited Group has clear synergic strategy that through the effective allocation, integration and sharing of its resources provide diversified and comprehensive customer-oriented services, improve its overall competitiveness and brand influence, build the "Combined Team" strategy via synergy to enhance the competitive advantages in the diversified businesses of CITIC Limited and realize the comprehensive, coordinated and sustainable development between its financial and industrial sectors.

(B) Foundation of Synergy

After years of development, CITIC Limited Group has built up the diversified business landscape to develop finance and industry businesses simultaneously. It has strong bases and capacity for synergy in business type, customer, business network, branding, personnel and expertise. Through cooperation among subsidiaries and investee companies, CITIC Limited Group has formed a diversified service model and good corporate culture with the center of customers which lays a solid foundation for CITIC Limited Group to improve its comprehensive service capacity and overall enterprise value.

a. Business Type

CITIC Limited Group conducts diversified businesses. Especially in financial services, the licenses of CITIC Limited Group cover banking, securities, trust, insurance, fund, futures and other businesses. The diversity of its businesses provided broad space and innovation potential to its multiple-field and multiple-tier synergy.

b. Customer

The subsidiaries and investee companies of CITIC Limited have accumulated important customer resources in their respective business areas in the process of developing their own businesses. CITIC Limited Group has signed strategic cooperation agreements with many Chinese and overseas large enterprise groups to establish all-around long-term cooperative relationships with them. CITIC Limited Group has established cooperative understanding with several provincial and municipal governments and participated in the implementation of regional key projects in these areas. In terms of financial services, the financial subsidiaries and investee companies of CITIC Limited have accumulated a group of Fortune Global 500 and Fortune China 500 enterprise customers and high net value individual customer resources. In terms of industrial businesses, CITIC Construction has a solid overseas customer base, covering major emerging economies such as Africa and Latin America. CITIC Heavy Industries' customers cover various areas such as construction materials, mining, metallurgical, power generation and the energy-saving and environmental protection. CITIC Dicastal's customers are major global automobile manufacturers. CITIC Metal has built up long-term relationships with major Chinese metal enterprises.

These customers are the valuable resource for CITIC Limited Group building its comprehensive service platform. CITIC Limited Group leverages advantage in its customer base, which forms strong synergic effect and facilitates the sustained growth of its future revenue.

c. Business Network

CITIC Limited Group has built a business network in its core businesses covering China and extending to the major foreign markets and regions around the world, including Asia, Europe, South America, North America, Australia and Africa. The subsidiaries and investee companies of CITIC Limited focus on building, and manufacturing close relationships with their customers and local governments and provide assistance to other subsidiaries and investee companies and branches in respect of business development, project management, financial services and other professional areas which effectively promotes the business expansion of CITIC Limited Group.

The financial subsidiaries and investee companies of CITIC Limited, in particular CITIC Bank and CITIC Securities, have established extensive business network. In addition, CITIC Limited Group promotes the establishment of regional joint meeting mechanism in 33 cities and regions including Hangzhou, Shanghai, Tianjin, Changsha, Chongqing, Xi'an, Dalian, and Guangzhou, which strengths the information exchange and regional cooperation among subsidiaries and investee companies, enhances the joint exploration of regional markets.

d. Brand

The brand of "中信", "CITIC", and "" is an important foundation of synergy of CITIC Limited Group. With 30 years' accumulation, the brand of "CITIC" has won great recognition and identification in China and increasingly worldwide. Subsidiaries and investee companies of CITIC Limited increasingly benefit from the extensive influence of "CITIC" brand, and continue to increase the value of the brand of "CITIC" through achievements in their respective fields. Relying on the reputation, recognition and cohesion of the brand of "CITIC", subsidiaries and investee companies of CITIC Limited strengthen the synergy cooperation, adding value and vitality to the brand of "CITIC" and further expanding and highlighting its professionalism and comprehensive service capabilities in different areas.

To build the reputation of CITIC's comprehensive financial services, financial subsidiaries and investee companies of CITIC Limited carried out joint brand publicity through media promotion, outdoor advertising, convention and exhibition and various other methods in Beijing, Shanghai, Guangzhou, Tianjin, Hangzhou and other regions.

e. Talented Personnel and Expertise

As it developed, CITIC Limited Group possessed a range of talented personnel in its various business areas. These excellent professionals became a strong foundation for the development of the diversified business platform. Expertise and industry knowledge of these talented personnel from various business areas, assured the implementation of CITIC Limited Group's strategies of the synergized businesses, and provided support for the enhancement and development of its various businesses.

CITIC Limited Group actively integrates talents, expertise and information to improve its operational capacity and overall profitability. Meanwhile, CITIC Limited Group advocates and promotes to share all types of knowledge within the Group and establish an effective personnel training and exchanging mechanism.

(C) System and Achievements of the Synergized Businesses

a. System and Mechanism

CITIC Limited Group has established synergistic mechanisms throughout CITIC Limited, its subsidiaries and investee companies and branches, standardized its synergistic systems and cooperation mechanisms, established information exchange channels and regional and business cooperation platforms and formed great synergistic culture. As a result, the foundation of its synergy is established and adaptable.

b. Models and Achievements

(a) Providing Customer-oriented Comprehensive Services

i. Enterprise customers

CITIC Limited Group actively established strategic cooperation partnerships with Global Fortune 500 companies, industry leading companies and provincial and municipal governments to continuing provide comprehensive financial solutions to strategic customers. CITIC Limited Group leveraged various cutting-edge competitiveness to achieve a beneficial cooperation with those customers. As of December 31, 2013, CITIC Limited Group has entered into strategic cooperation agreements with multiple large-scale enterprises in China and abroad in fields including petroleum, telecommunication, electricity, coal, architecture, equipment manufacturing, and finance. Embracing the bilateral future development strategies, the parties cooperate in fields including comprehensive financial services, infrastructure, resources and energy, high-end equipment manufacturing, special steel, energy conservation and environment protection, and municipal comprehensive operation.

The subsidiaries and investee companies of CITIC Limited actively conduct joint marketing and provides comprehensive financial service to key corporate customers in the model of "commercial bank + investment bank + trust + insurance". They have also made significant achievements in equity and debt securities financing and assets management, which gradually form a regular cooperation mechanism of complementary advantages and profit sharing.

ii. Individual customers

CITIC Limited organizes the financial subsidiaries and investee companies to give full play to their strengths. It applies various financial instruments, deepens the joint development of financial products, utilizes physical networks, marketing team and electronic channels and other various methods to conduct diversified sales. This allows CITIC Limited to gradually improve the cooperation model and process of product design, sale and management while exploring the inter-agency incentive and profit distribution mechanism, and realizing the increases in comprehensive financial services for high-end individual customers. In 2013, the financial subsidiaries and investee companies of CITIC Limited have jointly developed 281 products, with a total value of RMB140.7 billion.

CITIC Limited organizes its industrial subsidiaries and investee companies' unique products and services in the fields of real estate, press and tourism, to provide CITIC unique value-added services to the customers of financial subsidiaries and investee companies, while promoting subsidiaries and investee companies to jointly create "Family Wealth Management Salon", "CITIC Sky Library", "CITIC Book Selection" "CITIC Community Bookstore", "Trust Tour", "e CITIC" and other tailored products and services. Along with enhancing customers' experience and improving customers' loyalty, CITIC Limited Group promotes the development of its non-financial businesses.

(b) Synergic Development of Financial and Industrial Companies

i. Synergy between financial and industrial companies

The financial subsidiaries and investee companies of CITIC Limited leverage the comprehensive advantage and help the industrial subsidiaries and investee companies to develop their ability of financing, capital management and application which distinguishes these industrial subsidiaries and investee companies from their competitors. Industrial subsidiaries and investee companies also leverage their industrial expertise and help the financial subsidiaries and investee companies to improve project management and risk control and to foster new business models and new areas of profit growth.

ii. Synergy between industrial companies

As its businesses have developed, due to the product supply and demand and the needs of major construction projects, CITIC Limited Group has formed an upstream and downstream relationship in various industrial value chains. The connection between industrial chains can provide assistance to the business development among subsidiaries and investee companies, expand business scale and decrease operational costs. In areas such as high-end equipment manufacturing, real estate and infrastructure, CITIC Limited leverages the expertise of subsidiaries and investee companies to realize the technology upgrades and innovations, service transformation and jointly exploit the outside markets.

iii. "Go Global" synergy

CITIC Limited Group actively implements the national "Go Global" strategy. Based on the resource, channels and experience accumulated through the resource and energy investment and project contracting businesses conducted overseas such as in Africa, Latin America, Middle Asia, Australia, CITIC Limited Group integrated various resources of subsidiaries and investee companies and strategic partners to pursues synergic global expansion opportunities and deepens its exploration in the overseas markets as a coordinated "Combined Team".

G. INFORMATION TECHNOLOGY

CITIC Limited Group focuses significantly on information technology and believes information technology is a key measure to support the business growth and internal controls of CITIC Limited Group.

(A) Governance and Plans

CITIC Limited Group has established an advanced information technology governance framework with the information technology team established at the senior management level, coordinating and supervising the information technology development. CITIC Limited has established the Information Management Department, which is responsible for (i) compiling overall information planning based on the development strategies and control modes of CITIC Limited Group; (ii) setting standardized norms for information technology development; (iii) constructing and operating information management system and information technology infrastructure; (iv) developing and utilizing data and information resources; (v) establishing information security and information technology service management system; (vi) promoting the construction of core business information technology systems; and (vii) evaluating its outcome of its efforts on information technology development. The subsidiaries of CITIC Limited have either established information technology department or equipped with professionals to take charge of the construction and operational maintenance of business, management and customer service information systems.

CITIC Limited Group recognizes the importance of planning its information technology development. Centering on the development prospective and objectives, combining with considering the needs of business development and control mode, CITIC Limited Group has compiled program which can meet the demands of both listing enterprises' characteristics and external regulatory requirements, and can provide guidance to the development of the information technology systems of CITIC Limited Group.

(B) Infrastructure and Information Systems

CITIC Limited Group has built management information systems, financial core business systems, non-financial core business systems and other basic application systems. CITIC Limited Group has developed enterprise network covering mainland China and overseas subsidiaries, providing comprehensive and efficient information network support services. Enterprise networks have deployed network management and security management centers, achieved professionalization of network and security management, and effectively mitigated internal and external security risk. By means of virtualization technology, CITIC Limited Group has built information technology shared service centers and data centers which carry all kinds of management applications, provide data as well as information services, and has realized the integration and sharing of information resources. Furthermore, CITIC Limited Group has established virtual backup systems which can provide local and remote backup service for information technology shared service center and data center and provide uniform backup service for the core businesses systems of the subsidiaries.

(C) Research and Development and Risk Management

CITIC Limited Group has retained professional personnel to make general planning, requirements analysis, structure design, software quality control, system deployment, and secondary development during operating maintenance of information system. CITIC Limited Group has formulated strict division of responsibilities, workflow, contingency plans, and outsourcing service modes for the operation and maintenance of information systems, which can safeguard the normal operation of various information systems.

Based on the ISO 27001 formulated by international standardization organizations and Information Systems Security Protection Series Standard GB/T 22239-2008 issued by the PRC government, CITIC Limited Group has comprehensively deployed the information risk management procedures and completed the classification and filing procedures for the classified security protection of information system.

CITIC Limited Group strives for the effective management of information technology risks and for institutional construction. CITIC Limited Group regularly arranges annual risk management work related to information technology and strives for establishment and improvement of rules and regulations in respect of risk management. CITIC Limited Group has established seven management systems including organizational management, application management, information management, network management, equipment management, platform management, and security management. Pursuant to the information technology risk management requirements of CITIC Limited and industry regulatory requirements, the subsidiaries of CITIC Limited have established relevant systems which are suitable to the respective industry characteristics.

H. EMPLOYEE

CITIC Limited Group had 75,240, 82,459 and 90,588 employees (excluding those under secondment) as of December 31, 2011, 2012 and 2013, respectively. As of December 31, 2013, out of the 90,588 employees, 367 are at CITIC Limited and 90,221 at its wholly-owned and partially-owned subsidiaries. As of December 31, 2013, 12,829 employees were at major enterprises registered overseas (including Hong Kong and Macau), representing for 14.16% of total number of employees of CITIC Limited Group.

The table below sets forth details of the employees at CITIC Limited Group by education level as of December 31, 2013:

	Number	**% of total**
Doctoral degree and above	288	0.32
Masters degree	10,584	11.68
Bachelors degree	42,267	46.66
Below Bachelors degree	37,449	41.34
Total	**90,588**	**100**

The table below sets forth details of the employees at CITIC Limited Group by functions as of December 31, 2013:

	Number	**% of total**
Operational management	29,401	32.46
Professional technology employees	35,501	39.19
Operational skills employees	25,686	28.35
Total	**90,588**	**100**

CITIC Limited Group believes the skill and loyalty of its employees is vital to its sustainable growth. CITIC Limited Group has adopted a market-oriented performance assessment and incentive system, under which compensation is linked to employee's performance. Performance assessment systems provide the basis for human resources related decisions such as compensation adjustment, bonus distribution, promotion, talent development, and employee incentives. CITIC Limited Group provides various benefits to its employees, such as basic pension insurance, basic medical insurance, employment injury insurance, unemployment insurance, maternity insurance and housing provident fund, in accordance with the relevant laws and regulations of the PRC and other overseas jurisdictions.

CITIC Limited Group provides a diverse range of training to its employees, including orientation for new hires, professional skill training, qualification training and professional technology management training to improve employees' professional skills, and provide them with diversified career paths in order to better attract and retain talent. CITIC Limited Group has various training types, including video conference training, field training, domestic and overseas study. CITIC Limited Group combines various content and training types to provide customized and effective trainings. Meanwhile, by fully taking the comprehensive operational advantage of diversified businesses, CITIC Limited Group annually organizes excellent management personnel to serve temporarily in different industries and different business sectors, so as to cultivating talents in practice.

The labor union of CITIC Limited Group safeguards the rights and interests of its employees, and coordinates closely with management with respect to human resources matters. As of the Latest Practicable Date, the operations of CITIC Limited Group has never been affected by any strike or significant labor dispute. CITIC Limited Group believes its management will continue to maintain good relationships with the senior management, the labor union and its employees.

I. PROPERTIES

Properties of CITIC Limited Group are mainly situated in the PRC.

(A) Head Office

CITIC Limited Group's head office is located at Capital Mansion, 6 Xinyuan Nanlu, Chaoyang District, Beijing, the PRC.

(B) Owned Properties

As of December 31, 2013, 1,793 properties were owned and used by CITIC Limited Group with an aggregate gross floor area of approximately 2,606,832.57 square meters in the PRC, which are mainly used as offices and places of business operation for subsidiaries and branches and for other proposes.

Relevant building ownership certificates for 1,590 properties with an aggregate gross floor area of approximately 2,055,411.77 square meters among properties owned and used by CITIC Limited Group in the PRC have been obtained. Such properties represent 78.85% of the total gross floor area of CITIC Limited Group's self-owned properties in the PRC, among which 2 properties with an aggregate gross floor area of approximately 202,489.95 square meters have obtained building ownership certificates, yet remain to be transferred to CITIC Limited Group. In the opinion of Jia Yuan Law Offices, CITIC Pacific's PRC legal counsel, there is no substantive legal obstacle preventing it from completing the transfer formalities.

CITIC Limited Group has entered into property purchase contracts with third parties to acquire 8 properties with an aggregate gross floor area of approximately 47,211.02 square meters, which are pending application for the building ownership certificates. Such properties represent 1.81% of the total gross floor area of CITIC Limited Group's self-owned properties in the PRC. CITIC Limited Group has confirmed that the sellers have obtained the pre-sale permits or building ownership certification documents for such properties, and that it has paid the consideration to the sellers in accordance with the property purchase contracts. In the opinion of Jia Yuan Law Offices, CITIC Pacific's PRC legal counsel, since the property purchase contracts between the third parties and CITIC Limited Group are not in violation of the PRC laws, there is no substantive legal obstacle preventing CITIC Limited Group from obtain the building ownership certificates for such properties.

CITIC Limited Group possesses 19 properties with an aggregate area of approximately 184,300.94 square meters for which CITIC Limited Group has not obtained relevant building ownership certificates but has obtained the land use right certificates for the land where such properties are located by transferring, and the properties have fulfilled necessary requirements including land use, engineering planning, and construction licenses and obtained relevant certificates. Such properties account for 7.07% of the aggregate gross floor area of CITIC Limited Group's self-owned properties in the PRC. The housing regulatory authority of where such properties are located have issued evidentiary documents indicating that such properties are actually owned and used by CITIC Limited Group. CITIC Limited Group is applying for building ownership certificates for such properties and there is no substantial obstacle. In the opinion of Jia Yuan Law Offices, CITIC Pacific's PRC legal counsel, CITIC Limited Group is the actual owner and user of the properties and there is no substantive legal obstacle preventing it from obtaining the building ownership certificates for such properties.

CITIC Limited Group possesses 176 properties with an aggregate gross floor area of approximately 319,908.84 square meters for which CITIC Limited Group has not obtained building ownership certificates. Such properties represent 12.27% of the total gross floor area of CITIC Limited Group's self-owned properties in the PRC, among which 77 properties with an aggregate gross floor area of approximately 117,714.41 square meters have obtained land use right certificates for the land where such properties are situated, representing 4.52% of the aggregate gross floor area of CITIC Group's self-owned properties in the PRC. Among the 77 properties, 3 properties with an aggregate gross floor area of approximately 3,202.95 square meters have obtained evidentiary documents issued by house management departments where the properties are situated, indicating that CITIC Limited Group is the actual owner and user of these properties. CITIC Limited Group is applying for building ownership certificates for such properties and there is no substantial obstacles preventing it from consummating the process. In addition, 99 properties with an aggregate gross floor area of approximately 202,194.43 square meters have not obtained land use right certificates for the land where such properties are situated, representing 7.75% of the total gross floor area of CITIC Limited Group's self-owned properties in the PRC, among which 8 properties with an aggregate gross floor area of approximately 12,066.55 square meters have obtained land use permission where the properties are situated. According to evidentiary documents issued by house regulatory authority where the properties are situated, CITIC Limited Group is the actual owner and users of such properties. CITIC Limited Group is applying for building ownership certificates for such properties and there is no substantial obstacles preventing it from completing the formalities. Given that the abovementioned properties are mainly used for office, leasing and farming, etc., and used by some of CITIC Automobile and CITIC Investment Holding's subsidiaries for their ordinary business operations, which do not constitute the main business of CITIC Limited Group, the current legal status of such properties has no material adverse effect on CITIC Limited Group's business operations.

(C) Land Use Rights

As of December 31, 2013, CITIC Limited Group owned 661 parcels of land with a total site area of approximately 13,690,064.24 square meters in the PRC:

CITIC Limited Group has obtained land use right certificates for 615 parcels of land with a total site area of approximately 13,066,296.64 square meters through sales, transfer, and administrative reservation allocation, representing 95.44% of the total site area of self-owned land by CITIC Limited Group in the PRC, among which 602 parcels of with a total site area of 5,878,441.13 square meters are obtained through sales or transfer. Among the land obtained through administrative reservation allocation, CITIC Limited Group has obtained confirmation from local governments in respect of the reservation of allocation for 11 parcels of land with a total site area of 7,154,927.87 square meters. In the opinion of Jia Yuan Law Offices, CITIC Pacific's PRC legal counsel, CITIC Limited Group has legally obtained land use rights of these lands and is entitled to transfer, lease, create mortgage over or otherwise dispose the land use rights obtained through sales or transfer. For 11 parcels of land obtained through administrative reservation allocation, CITIC Limited is entitled to occupy and use such land within the scope of the statutory land use, but the disposal of such land must be conducted in compliance with relevant laws and regulations. In addition, 2 parcels of land with a total site area of approximately 32,927.64 square meters have obtained land use rights certificate, yet remain to be transferred to CITIC Limited Group. In the opinion of Jia Yuan Law Offices, CITIC Pacific's PRC legal counsel, there is no substantive legal obstacle preventing it from completing the transfer formalities.

CITIC Limited Group has entered into the relevant contract for the sale of one parcel of allocation land with a total site area of 2,393.77 square meters and paid the premium pursuant to the contract, representing 0.02% of the total site area of self-owned land by CITIC Limited Group in the PRC. In the opinion of Jia Yuan Law Offices, CITIC Pacific's PRC legal counsel, CITIC Limited Group could apply for such land use right certifications with no substantive legal obstacle.

There are currently 45 parcels of land with a total site area of 621,373.83 square meters which have not yet completed sales formalities, represent 4.54% of the total site area of self-owned land by CITIC Limited Group in the PRC. Such lands represent a low percentage of the total site area of self-owned land of CITIC Limited Group in the PRC. Therefore, the current legal status of such properties has no material adverse effect on CITIC Limited Group's business operations.

(D) Leased Properties

As of December 31, 2013, CITIC Limited Group leased from independent third parties 1,745 properties in the PRC with an aggregate gross floor areas of approximately 1,729,954.25 square meters, with the gross floor area of each property ranging from approximately 15 to 54,790.52 square meters. For the above leased land:

With regards to 1,099 properties with an aggregate gross floor area of approximately 1,053,727.63 square meters, the lessors have obtained the building ownership certificates or consent letters from owners authorizing the lessors to lease or sublease the relevant properties. For 646 properties with an aggregate gross floor area of approximately 674,631.74 square meters among the above properties CITIC Limited Group leased, the lessors are unable to provide building ownership certificates or consent letters from owners authorizing the lessors to lease or sublease the relevant properties.

CITIC Limited Group has not registered most of the aforementioned 1,745 leased properties, primarily due to the lack of cooperation from certain lessors in terms of completing the registration procedures and lack of lease agreements registration services provided by certain local authorities. Pursuant to the *Administrative Measures for Commodity House Leasing*, competent administrative authorities can impose a fine up to RMB10,000 if relevant parties fail to register their lease agreements.

According to Jia Yuan Law Offices, CITIC Pacific's PRC legal counsel, (i) a lease is legitimate and valid if the lessor owns the ownership rights of such properties or has obtained consents from owners of the properties; (ii) a lessor is not entitled to lease out such properties if she/he does not have relevant ownership rights or has not obtained consents from owners of such properties. CITIC Limited Group's ability to continuously lease such properties may be affected in the event that any third party challenges the ownership of such properties or the right to lease out such properties; and (iii) according to relevant provisions of the PRC laws, failure in lease agreement registration will not compromise the validity of lease agreement. Nonetheless, housing regulatory authorities may set a time limit for completion of such registration, failing which a fine of not less than RMB1,000 and up to RMB10,000 may be imposed. Therefore, CITIC Limited Group is entitled to use such leased properties pursuant to lease agreements, though it may face the risk of being fined if it does not complete such registration in accordance with requirements of housing regulatory authorities.

(E) Leased Land

As of December 31, 2013, CITIC Limited Group leased from independent third parties 28 parcels of land in the PRC with a total site area of approximately 829,244.86 square meters.

For the above leased land:

With regards to 7 parcels of land leased by CITIC Limited Group in the PRC with a total site area of approximately 218,773.99 square meters, the lessors have obtained the land use right certificates or consent from owners authorizing the lessors to lease or sublease the relevant land. In the opinion of Jia Yuan Law Offices, CITIC Pacific's PRC legal counsel, the leases are legitimate and valid.

With regards to 21 parcels of land leased by CITIC Limited Group in the PRC with a total site area of approximately 610,470.87 square meters, the lessors have not been able to provide the relevant land use right certificates or consent letter from owners authorizing the lessors to lease or sublease the relevant land. In the opinion of Jia Yuan Law Offices, CITIC Pacific's PRC legal counsel, a lessor is not entitled to lease such land if she/he has not obtained consent from owners of such land. In the event that any third party challenges the ownership of such land, CITIC Limited Group's ability to continuously lease such land may be affected.

Most of the abovementioned properties are used for farming and cultivation, as well as some of CITIC Automobile's subsidiaries' ordinary business operations, which are not the main business of CITIC Limited Group. Therefore, it has no adverse effect on CITIC Limited Group's business operations and financial condition even CITIC Limited Group cannot lease such properties continuingly because of the ownership defects of the leased properties.

J. INTELLECTUAL PROPERTY RIGHTS

CITIC Limited Group strongly emphasizes the establishment, application, administration and protection of intellectual property rights. Through research, development and application in its ordinary course of business, CITIC Limited Group has obtained various intellectual property rights which value enormously to CITIC Limited Group's businesses.

"中信", "CITIC" and "" trademarks, trademarks containing words or patterns of "中信", "CITIC" and "", and trademarks of variant design on words or patterns of "中信", "CITIC" and "", are all applied for registration by CITIC Group.

CITIC Group has entered into trademark licensing agreements with CITIC Limited and its related subsidiaries, pursuant to which CITIC Group has authorized CITIC Limited and its related subsidiaries to use the trademarks above in the names and business activities. The transactions under the trademark licensing agreements will constitute continuing connected transactions of CITIC Pacific upon Completion. Given that the transactions contemplated under trademark licensing agreements are without consideration, according to Rule 14A.33(3)(a) of the Listing Rules, the transaction is exempted from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

K. LEGAL AND REGULATORY PROCEEDINGS

(A) Overview

CITIC Limited Group may be involved in legal and/or regulatory proceedings or disputes in the ordinary course of business. As of December 31, 2013, CITIC Limited Group was not aware of any legal and/or regulatory proceedings or disputes that, in the opinion of the management, would have a material adverse effect on the business, financial condition, results of operations or prospects and lead material administrative penalties, litigation and arbitration.

CITIC Limited Group's operations in the PRC are subject to review and inspections by relevant governmental authorities, including MOF, PBOC, CBRC, CSRC, CIRC, SAFE, NAO, SAT and SAIC. As of December 31, 2013, CITIC Limited Group was not aware of any material administrative penalties caused by the review or inspections conducted by such government departments that would have a material adverse effect on the business, financial condition, results of operations or prospects.

(B) Qualifications

Major domestic subsidiaries of CITIC Limited have acquired all the major licenses, permissions and accords that are necessary to conduct their major business.

(C) Litigation and Arbitration

As of December 31, 2013 CITIC Limited Group was involved in 167 material unresolved litigations and arbitrations, each of which amounted to more than RMB30 million, and among which:

- CITIC Limited Group was a plaintiff or claimant in 164 material unresolved litigations and the aggregate amount in dispute involved in such claims was approximately RMB11,194 million. Such proceedings were mainly related to disputes on loan agreements, guarantee agreements, bills, agreements of construction projects, bankruptcy reorganization, loan fraud and other agreements.

- CITIC Limited Group was a defendant in three material unresolved litigations and the aggregate amount in dispute involved in such claims was approximately RMB228 million. Such proceedings were mainly related to disputes on joint venture cooperation agreements of real estate development, bankruptcy right offset disputes and loan contract disputes. All these proceedings were at the trial stage.

- CITIC Limited Group was a claimant in one material unresolved arbitration and the aggregate amount in dispute involved in such claims was approximately RMB40 million. Such arbitration was brought by CITIC USA regarding contract debt disputes, and is at the hearing stage.

(D) Administrative Proceedings and Penalties

As of December 31, 2013, CITIC Limited Group was not aware of any material ongoing administrative penalties against it. From January 1, 2011 to December 31, 2013, none of the directors of CITIC Limited was involved in any material administrative violations, proceedings or penalties.

In addition to the tax related penalties, due to CITIC Limited Group's breach of regulatory rules from January 1, 2011 to December 31, 2013, regulatory authorities in the PRC (including but not limited to, the tax, banking, planning, land management and construction regulatory authorities) had imposed on CITIC Limited Group certain administrative penalties including fines. Among these penalties, there were 7 administrative penalties involving fines of an amount of more than RMB500,000 in each case, with an aggregate amount fines of approximately RMB9,576,200, and the highest amount of fine was RMB2,758,100. As of the Latest Practicable Date, CITIC Limited Group had paid in full all of these fines. All of the abovementioned violations occurred at subsidiary level, and did not involve CITIC Limited.

In response to the aforementioned incidents, CITIC Limited Group timely adopted remedial measures to improve the non-compliance situations. These administrative penalties have not led to rescinds or restrictions of CITIC Limited Group's approvals, license, authorization or records which are necessary for its business operations. In addition, CITIC Limited Group has assigned relevant departments to be in charge of CITIC Limited Group's overall compliance and to arrange or provide training to employees, formulate and refine the procedures and provisions of CITIC Limited Groups internal controls. In the opinion of Jia Yuan Law Offices, CITIC Pacific's PRC legal counsel, (i) all the abovementioned fines were paid in full by CITIC Limited Group; (ii) the total amount of such administrative fines represented a small proportion of CITIC Limited Group's total assets and net assets; and (iii) such administrative fines did not result in revocation or limitation in terms of approvals, licenses, authorization, records essential to CITIC Limited Group's business operation. As such, CITIC Limited Group is of the view that the abovementioned administrative penalties, respectively or in the aggregate, would not have a material adverse effect on CITIC Limited Group's business, financial condition and results of operations.

A. RISK MANAGEMENT POLICY

CITIC Limited Group believes that effective risk management plays a crucial role in maintaining the healthy development of business. Based on its development strategies, CITIC Limited Group has established a comprehensive risk management system covering all business segments so as to monitor, evaluate and manage financial, operational, compliance and legal risks arising from business activities. Certain of the Target Group's assets are publicly listed and have in place well-established and complete risk management mechanisms, which have been adapted to market conditions and withstood challenges from the market to achieve efficiencies in risk management, ensuring that value is created to the business from efficient risk management.

The overall goals of CITIC Limited Group's risk management policy are to balance risks and benefits to meet the demands of strategic development, optimize risk undertaking to realize effective resources distribution, comply with laws and regulations to guarantee healthy and orderly development and provide accurate and reliable information to meet market regulatory requirements.

CITIC Limited Group envisages the development of its risk management capabilities into a new strategic advantage and core competitive strength of CITIC Limited Group. This shall be achieved through the establishment of a three-stage risk management system of pre-event checking, process monitoring and post-event supervision, and comprehensive and sustained supervision over the each operational management process so that risks are recognized, controlled and accepted.

CITIC Limited Group's risk management system and regime aim to ensure the smooth and stable operation of each business segment, in particular laying the solid foundation for achieving business performance during the Track Record Period through effectively recognizing and controlling risks of businesses undertaken by CITIC Limited Group.

B. RISK MANAGEMENT STRUCTURE

CITIC Limited Group's risk management structure is made up of "four tiers" and "three lines of defenses" and developed on the basis of its corporate governance structure. The "four tiers" are (i) board of directors; (ii) senior management; (iii) the risk management departments of CITIC Limited; and (iv) subsidiaries. The "three lines of defenses" are (i) the business operations departments of CITIC Limited Group; (ii) the risk management departments of CITIC Limited Group; and (iii) the auditing department of CITIC Limited and the internal auditing departments or specialized auditing teams of its subsidiaries.

(A) The "Four Tiers" of the Risk Management Structure

a. *Board of Directors*

The board of directors of the Target Group is ultimately responsible for the risk management and internal control and compliance of CITIC Limited Group. To strengthen internal supervision and risk control, the board of directors has established a risk and auditing committee, under which working groups are further set up as the committee's operating units. The working groups are constituted from members of functional departments with relevant risk and auditing responsibilities, and provide support and other services to the committee so as to ensure that the committee has sufficient resources to carry out its duties.

Risk and Auditing Committee

The main responsibilities of the risk and auditing committee are:

- Make recommendations to the board of directors on the appointment, re-appointment, or changing the external auditing organizations based on the relevant laws and regulations and CITIC Limited Group's practical situation;

- Adopt appropriate measures to supervise the work of external auditing organizations, checking on the independence and objectivity of such institutions and the effectiveness of auditing programs, and reviewing reports produced by external auditing organizations;

- Provide guidance on and evaluate the work of internal auditing institutions, and put forward improvement suggestions and other advice;

- Coordinate and supervise effective communication between internal and external auditing organizations, and promote the combined use of work produced by both organizations;

- Provide advice on the formulation of CITIC Limited Group's internal auditing system and supervise its implementation;

- Review and supervise the effective operation of CITIC Limited Group's financial reporting system, internal control system and risk management system, and review financial information and its disclosure;

- Consider risk management strategies and resolution plans on the management of significant risks, review annual reports on comprehensive risk management, supervise the work of risk management institutions and other powers exercised by such institutions as authorized by the board of directors; and

- Report to the board of directors, draft resolutions must be submitted to the board of directors for review and considerations.

b. Senior Management

On the senior management tier, the senior management of CITIC Limited Group is responsible for leading the daily work of comprehensive risk management and is accountable to the board of directors for the effectiveness of such work. The strategy and investment management committee, assets and liabilities management committee and internal supervision management committee have also been set up under the control of senior management. These committees will evaluate the risk status of the company from different points of view and provide support to the operations of the company with decisions.

c. Risk Management Departments of CITIC Limited

CITIC Limited has established a risk management department with detailed responsibilities to implement comprehensive risk management. The risk management department is accountable to the senior management and also provides support and other services for the risk and auditing committee of the board of directors. It is mainly in charge of research and formulation of plans in relation to the establishment of CITIC Limited's risk management and internal control systems, adoption of risk management policies and systems, providing risk assessment recommendations on the major decisions taken by CITIC Limited, gathering and analyzing overall risk so as to produce an consolidated risk management report for CITIC Limited Group, formulating risk management resolution plans targeted at material risks faced by CITIC Limited Group, guiding and supervision of subsidiaries to ensure that they carry out comprehensive risk management and adopting other measures to strength internal control.

In addition to the risk management department of CITIC Limited, other departments such as the strategy and planning department, financial department, and legal department also participate and contribute their respective expertise in the auditing and strategic planning process of business activities, playing important roles in the overall risk management and control of CITIC Limited Group.

d. Subsidiaries

Each subsidiary has either established its own professional risk management department based on the characteristics of each of its business or designated a specific department responsible for leading risk management work and staff positions with risk management duties. In accordance with the overall risk management framework and the rules and powers imposed by CITIC Limited Group, the risk management department of each subsidiary (or designated department responsible for risk management) may be in charge of its own risk management operations, identify risk areas within its organization, monitor business risks and submit risk reports to CITIC Limited in a timely manner. Other responsibilities include (i) formulating the subsidiary's risk management policies and procedures according to requirements of CITIC Limited Group and industry regulations; (ii) organizing collection and evaluation of certain risks of the subsidiaries; (iii) submitting periodic reports to CITIC Limited on risk management in the subsidiary; (iv) promptly notifying subsidiary's business departments of the significant operational risks and cooperating with such departments for the resolution of risks; (v) periodic reporting of risk monitoring information in the subsidiary, monitoring and promptly reporting significant risks of business operations; and (vi) conducting self evaluation on the subsidiary's risk management system and providing risk management suggestions to senior management.

(B) The "Three Lines of Defenses" of the Risk Management Structure

CITIC Limited Group has established a comprehensive risk management system according to its structural framework and business scale, establishing "three lines of defenses" constituting of business operations departments, risk management departments and internal auditing departments so as to effectively recognize, evaluate, monitor and control different risks to guarantee the stable operation of CITIC Limited Group.

- First line of defense: consists of the business operations departments of CITIC Limited Group, responsible for, identifying, evaluating, handling and reporting risks at the frontline of the business and take main responsibility for risks faced by the entity.

- Second line of defense: consist of the risk management departments of CITIC Limited Group, responsible for making risk management policies, rules and procedure, providing resolutions to handle risks.

- Third line of defense: consist of the examination and the auditing department of CITIC Limited and the internal auditing departments or specialised auditing teams of its subsidiaries, responsible for auditing and supervising the risk management procedures and risk controlling activities established by CITIC Limited Group.

C. RISK MANAGEMENT MEASURES

(A) Risk Management System

The risk management system of CITIC Limited Group combines external regulations with internal regulations. CITIC Limited established a risk management department responsible for formulating risk management rules, encouraging the implementation of risk management in subsidiaries and system to ensure the healthy operation of CITIC Limited Group. CITIC Limited Group considers internal control from a development strategy perspective and treats internal control as an important tool for strengthening management, control and risk precaution. CITIC Limited Group conducts its risk management activities and builds its comprehensive risk management system based on the guiding principles of *Enterprise Risk Management Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), *Central Enterprise Comprehensive Risk Management Guidelines* promulgated by SASAC in 2006; and *Enterprises Internal Control Basic Regulations* promulgated by MOF, CSRC, NAO, CBRC and CIRC in 2008, and other relevant guidelines and national policies.

CITIC Limited Group has gradually formed an internal control system in accordance with the relevant laws and regulations promulgated by the Chinese government, such as emphasizing the system of approval at all levels, establishing a scientific decision making procedure, strengthening contract management and legal assessments conducted on significant business project, emphasizing the importance of audit supervising, conducting routine audit and special checks on project operation, capital transfers and reporting system for material events, and actively taking measures targeted at existing problems so as to effectively control risks.

(B) Risk Management Process

CITIC Limited Group is committed to constant improvement of risk control and management mechanisms to boost the risk recognition and evaluation ability of each tier of its risk management system. Through methods such as off-site monitoring and on-site checking. CITIC Limited Group is able to fully understand its subsidiaries' operations, financial condition and major business developments so as to evaluate potential risks that may arise, strengthen risk management and supervision over major projects and businesses; conduct management of counterparty risk and exposures to material risks; and implement risk reporting, supervision and risk control over weak links in the business and other potential risks.

To enhance the comprehensive nature and initiative of risk management, the risk management department of CITIC Limited has conducted assessment of risks to identify risks to CITIC Limited and CITIC Limited Group's systematic risks, monitor and control risks in relation to key projects and business segments and its respective subsidiaries through its subsidiaries' periodic risk management reporting system. A risk management report consolidating risks of CITIC Limited, systematic risks and business risks of CITIC Limited Group may be submitted to the board of directors for deliberation.

(C) Risk Management Measures

CITIC Limited Group is faced with various major risks, mainly including strategic risks, policy-related risks, financial risks, credit risks, market risks, operational risks, legal and compliance risks, country risks and reputational risks.

CITIC Limited Group has adopted the following measures against these risks:

a. Strategic Control and Model Optimization

CITIC Limited Group learns from international advanced experience to conduct effective management of its business operational plans, and formulate a corresponding comprehensive planning and audit management system which has effectively restricted and standardized the business operations of its subsidiaries. The subsidiaries make their own annual operational plans based on the available and allocated resources, after taking into account their respective development strategies and changes in the market conditions. Such plans will be submitted to CITIC Limited for approval. Management of business operational plays an active role in the restriction and standardization of the business operations of its subsidiaries.

To promote sustainable, healthy and steady development and achieve business objectives, efforts have been taken to conduct strategic control and model optimization and, based on the comprehensive planning and audit management system currently imposed on subsidiaries, develop an asset operation accountability system and subsidiary performance assessment system which are capital management oriented and value management oriented. This can help to enhance the value creating and dividend paying abilities of subsidiaries, formulate a series of related regulations to standardize the management of subsidiaries and enhance the asset consolidation ability. CITIC Limited Group will continue to develop strategies, optimize internal controls and business models, so as to allow CITIC Limited to benefit from its strategic management, resource allocation, risk management and coordination.

b. Building a Comprehensive Risk Management System

CITIC Limited has established the strategy and investment management committee, assets and liabilities management committee and internal supervision management committee, pushing forward reform of the audit system, strengthening asset profitability, liquidity and security management, and enhancing supervisory management functions. Other functions include encouraging the establishments of comprehensive risk management organizations and positions within each operating units in CITIC Limited Group, implementation of risk management duties, strengthening management system and operational flow infrastructure and the standard of internal conducts. In addition, the committees will conduct risk assessments on key projects and business segments, identify and resolve material risks in a prompt manner, through key risk indicators and a good risk alert system, strengthen management over counterparty risk and industry risks and further standardise internal trading activities and risk transfers, and strengthen checks on subsidiaries implementation of the risk management system. As some of CITIC Limited Group's key projects are at a crucial construction period, management of these projects will be strengthened with rigorous contract management, cost control and safety measures to ensure the desired implementation. Problems arising during the construction phase will be promptly identified and addressed in a timely manner to speed up construction process without compromising quality of the projects.

c. Management of Liquidity and Finance

Attaching great importance to liquidity management, CITIC Limited Group actively expands financing channels while strictly controlling new investment and credit extension to ensure that the funding needs of ongoing projects will be met first. CITIC Limited Group's debt structure will be optimized to reduce the cost of debt. CITIC Limited Group will strengthen its liquidity assessment and management, and the prevention and control of financial risks of its subsidiaries. Timely adjustments will also be made to the ratio, interest rates and term structure of the asset and liability portfolio in accordance with the changes on international and domestic financial markets to reduce market and currency risks.

CITIC Limited Group, through appropriate capital management and investment and financing plans, prudently manages liquidity risks to ensure timely repayment of current debts, and its ability to raise capital from market at reasonable costs when needed to have sufficient liquidity to meet daily operating demands.

CITIC Limited Group has implemented a unified and multi-tiered financial control management system. CITIC Limited Group guides, manages and supervises each aspect of financial management of first tier subsidiaries, such as the disclosure of assets operation, cost check, revenue, allocation and financial information, as well as assets management. CITIC Limited Group also established a complete set of financial risk control systems to identify, evaluate, monitor and control potential financial risks from operation. CITIC Limited Group, based on the financial services regulatory framework monitors the capital structure and adequacy of subsidiaries through timely monitoring and analysis to ensure that the capital structure and capital adequacy of subsidiaries meet the demands required under industry regulations and business development, and actively reassess the capital structures of non-financial subsidiaries and supervise their financing methods to ensure that their capital structure is in line with business development and enhance their abilities to handle risks. In addition, to optimize resources allocation and improve capital allocation efficiencies, CITIC Limited Group manages and utilizes capital in a centralized manner. CITIC Limited Group uniformly manages owned capital and borrowed capital and performs centralised allocation according to development and the capital demand of each business segment.

d. Legal, Compliance and Reputation Risks Control

CITIC Limited Group will continue to provide legal support and services for key businesses and major projects and strengthen legal assessments of significant contracts. CITIC Limited Group will further develop the structure and management of its legal structure and legal teams, improve related legal work streams and raise the legal awareness of all employees so as to elevate the level of compliance management. CITIC Limited Group's group-wide information disclosure system will be set up to meet the requirements for the overseas listing. As the Chinese government introduces increasingly stringent requirements for production safety and environmental protection, CITIC Limited Group will enhance the management of safety and compliance risks of non-financial subsidiaries. CITIC Limited Group will step up supervision and management of CITIC Limited Group's reputational risks, improve the related response mechanisms, strictly observe the authorized use of the trademarks of "中信", "CITIC" and "" and maintain the good reputation and legitimate interests of CITIC Limited Group.

e. Strengthen Internal Auditing Function

CITIC Limited Group considers its internal control function from a development strategy perspective, and treats internal controls as an important tool for strengthening management, control and risk precaution. As an important part of internal controls, internal audit and risk management are crucial to the healthy operation of CITIC Limited Group.

CITIC Limited has established an internal auditing department, whose functions include implementing internal audit supervision and management, the scope of internal audit covers financing management, accounting checking, operations management, employee remuneration, information system, risk management and internal control. Centering on the needs of CITIC Limited Group's operational management, the internal auditing department carries out routine audit on subsidiaries, and annual special audits on major investment projects and business segments according to risk assessment results. At the beginning of each year, the internal audit department will conduct special analysis of subsidiaries' annual reports and provide analysis reports. To strengthen the tracking and rectification of the problems discovered through internal auditing, the internal audit department will conduct follow up audit of the previous audit projects; conduct economic responsibility audit of subsidiaries' management. CITIC Limited has also developed an audit management information system and formulated a series of regulations including *Internal Audit Working Rules*, *Management Measures of Tracking Rectification of Issues Discovered by Auditing*, forming a preliminary three-tier regulation system of internal auditing system, internal auditing business standards and internal auditing working guidance, consistently improving the level of standardization of auditing work, ensuring the independence and objectiveness of auditing supervisory work, and promoting mechanisms which can assist with the long-term improvement of units that were audited and internal control systems. To strengthen internal management and control, CITIC Limited proactively promotes the transformation and development of its internal auditing to continuously strengthen auditing supervision, guaranteeing the smooth implementation of CITIC Limited Group's development strategies.

For the auditing management and work guidance of subsidiaries, CITIC Limited strives to perfect and optimize CITIC Limited Group's overall internal auditing system. CITIC Limited identifies optimization plans for the establishment of internal auditing institutions and related risk management positions in subsidiaries. Pursuant to regulations, the first-tier subsidiaries shall independently establish internal auditing institutions that are in compliance with relevant standards. If conditions are not mature, the first-tier subsidiaries shall set up special internal auditing positions to conduct auditing; the internal auditing work of subsidiaries is subject to the direct guidance of main persons in charge in the company, who are in charge of auditing within the scope of these subsidiaries, while the auditing business are subject to the guidance of CITIC Limited's auditing department. The auditing department of CITIC Limited will evaluate subsidiaries' auditing work annually and distribute the evaluation reports and annual guidance on auditing work conducted by subsidiaries, showcasing the strengths of CITIC Limited Group's overall auditing system.

f. Human Resource Management

CITIC Limited Group implements strategic human resources management, formulates and executes strategic human resources plans in accordance with market competition and CITIC Limited Group's strategy. CITIC Limited Group manages subsidiaries by recruiting, evaluating and incentivising senior and middle management of subsidiaries and other core talents, evaluating subsidiaries' market competitiveness and long term operating capacity through a market-oriented performance evaluation system, and promoting organization reform, ensuring the talent supply for the sustainable development of CITIC Limited Group.

To strengthen the control and influence in invested enterprises and guarantee its rights as an investor, CITIC Limited Group has adopted the *Interim Measures for Management of the Appointed Board and Supervisory Members*, which emphasizes that the appointed directors and supervisory and management members must be responsible for CITIC Limited Group, implement CITIC Limited Group's intentions and decisions when conducting operational activities of invested enterprises, and promptly report all the major matters of invested enterprises regarding CITIC Limited Group's interests to ensure the preservation and appreciation of assets. CITIC Limited Group proposes uniform human resources management policies and monitors their implementation to establish a complete human resources regulation system for effectively safeguard against human resources risks and labor disputes through systematic management.

g. Information Management

CITIC Limited Group has established an information management system with "CITIC features" that is adapted to diversified business, multiple equity types and widespread institutions distribution, and forming uniform and stratified working management model. The management application system covers CITIC Limited Group's principal functional departments and subsidiaries, and conducts centralized data management. Centralized information technology sharing service and data center are established by CITIC Limited Group to support the application of information management and of the digitalization of business information relating to subsidiaries. CITIC Limited Group realizes risk management modernization by digitalization to improve the risk management standards of CITIC Limited Group. By accelerating the pace of development of information management system infrastructure, uniform standards; promptly collecting business operating data; accurately recognizing, evaluating and forewarning risks; integrating application system; sharing information resources; promoting risk management reform and process optimization or restructuring through digitalization.

A. OVERVIEW

As of the Latest Practicable Date, CITIC Group held 99.9% of the issued share capital of the Target Company directly. CITIC Group's wholly-owned subsidiary, CITIC Enterprise Management, held 0.1% of the issued share capital of the Target Company. CITIC Group held indirectly 57.51% equity interest in CITIC Pacific. Immediately after the Completion, CITIC Pacific will hold 100% of the equity interest of CITIC Limited and CITIC Group will continue to be the controlling shareholder of CITIC Pacific. Therefore, CITIC Group and CITIC Pacific are both considered as the controlling shareholders of the Target Company under the Listing Rules.

B. RETAINED BUSINESSES

After the restructuring of CITIC Limited, CITIC Group retained several non-core businesses, which are not suitable to be listed overseas due to restrictions imposed by laws, regulations and policies and/or whose relevant conditions are not in line with the long-term strategy of CITIC Limited Group. These businesses will be selectively injected into the Enlarged Group or disposed by CITIC Group through other means, subject to their own circumstances and market conditions. The total assets as of December 31, 2013 and the net profit attributable to shareholders for the year ended December 31, 2013 of the retained business of CITIC Group accounted for less than 3% of that of CITIC Group on a consolidated basis. The retained business of CITIC Group is not in material competition with the businesses of CITIC Limited Group. The following are major subsidiaries that were not included as part of CITIC Limited Group by CITIC Group during the restructuring of CITIC Limited:

- CITIC Networks Co., Ltd., whose principal businesses include basic telecommunication and value-added telecommunication. It has obtained the operation qualification of basic and value-added telecommunication business from the PRC government.

- CITIC Assets Management Co., Ltd., whose principal businesses include asset management such as disposition of the non-performing assets, short-term financing pawn, financing leasing, commercial factoring and private equity investment and other quasi-financial service businesses.

- CITIC Bohai Aluminium Holding Company Limited, whose principal businesses include design, production and installation of curtain walls; production and deep processing of aluminium products; deep processing of aluminium band; leasing of plant building and equipment; transportation and other industrial services.

- CITIC Ningbo Co., Ltd., whose principal business is hotel operations and services.

- CITIC Electromechanical Co., Ltd., whose principal businesses include manufacturing of basic parts mainly including medium-to-large iron casting and forged pieces; manufacturing of vehicles auto parts mainly including heavy auto axle; manufacturing of specialized products mainly including special caterpillar vehicles.

- CITIC Medical & Health Group Co., Ltd., whose principal businesses include medical industrial investment, health care and elderly care, health management, pharmaceuticals and medical services.

- CITIC Mineral Technology Development Co., Ltd., whose principal businesses include mineral development, geological exploring, management of geological environment and development and transfer of related technologies, with its operations mainly in the PRC and certain mining rights overseas.

In addition, as of the Latest Practicable Date, CITIC Limited had completed the transfer of some of its businesses to CITIC Group, details of which are set out in the section headed "History and Restructuring of the Target Group" in this circular.

C. RELATIONSHIP BETWEEN THE TARGET GROUP AND THE CONTROLLING SHAREHOLDERS

The directors of the Target Company confirm that the Target Group can operate independently from CITIC Group (especially the retained business of CITIC Group) based on the following reasons:

(A) Asset Independence

The Target Group independently owns a complete set of assets necessary for its production and operations.

(B) Operational Independence

The Target Group has a complete business system which is clearly delineated from the retained business of the controlling shareholders, without reliance on the controlling shareholders or other connected persons in any material respects. The retained businesses of CITIC Group are its non-core businesses which are not suitable to be listed overseas due to the restrictions imposed by the laws, regulations and policies and/or whose relevant conditions are not in line with the long-term strategy of CITIC Limited Group. There is no material competition or unfair connected transactions between the Target Group and the retained business of CITIC Group.

(C) Financial Independence

The Target Group has independent financial accounting systems, conducts independent accounting and makes independent financial decisions pursuant to its articles of association. The Target Group opens independent bank accounts with the banks without any shared use with the controlling shareholders. The Target Group pays taxes as an independent tax payer without mixed or joint payments with its controlling shareholders.

The Target Group has full control of its entire assets. Neither any assets nor funds of the Target Group are taken by the controlling shareholders which would be detrimental to the interests of the Target Group. There is no interference of the Target Group's use of funds by the controlling shareholders.

(D) Institutional Independence

The Target Company has established its shareholders' meetings, board of directors, board of supervisors and operational management and terms of reference of each function. The Target Group has established standardized and effective corporate governance and organizational structure based on its business characteristics and business development needs. The Target Group has the discretion to establish institutes, and it has set up independent functional departments. Each functional department of the Target Group has clear responsibilities, performs its duties independently and cooperates with each other to ensure the standardized operation of the Target Group.

(E) Personnel Independence

The Target Group has established relevant labor, human resources and remuneration systems pursuant to the relevant labor laws and regulations. The directors, supervisors and senior management of the Target Company are elected or appointed in strict compliance with the Company Law and the articles of association. The Target Group is independent from the controlling shareholders and any of their respective controlled companies in areas such as the contractual relationship of the employees, the established human resources system and social welfare. Some of the directors, supervisors, senior management of the Target Company also hold positions in its controlling shareholder, the details of which as of the Latest Practicable Date are as follows:

Mr. Chang Zhenming: chairman of CITIC Limited, chairman of CITIC Group, and chairman of the Board and executive Director of CITIC Pacific;

Mr. Wang Jiong: vice chairman and general manager of CITIC Limited, vice chairman and general manager of CITIC Group;

Mr. Zhu Xiaohuang: chairman of the board of supervisors of CITIC Limited, chairman of the board of supervisors of CITIC Group;

Mr. Dou Jianzhong: executive director and deputy general manager of CITIC Limited, executive director of CITIC Group;

Mr. Zhao Jingwen: executive director and deputy general manager of CITIC Limited, executive director of CITIC Group;

Mr. Yang Jinming: non-executive director of CITIC Limited, non-executive director of CITIC Group;

Mr. Yu Zhensheng: non-executive director of CITIC Limited, non-executive director of CITIC Group;

Ms. Qu Yonglan: non-executive director of CITIC Limited, non-executive director of CITIC Group;

Ms. Cao Pu: non-executive director of CITIC Limited, non-executive director of CITIC Group;

Mr. Lin Meifang: non-employee representative supervisor of CITIC Limited, non-employee representative supervisor of CITIC Group.

None of the personnel above receives his or her remuneration from CITIC Group and the personnel independence of the Target Group is not affected by such personnel holding concurrent positions in the controlling shareholders of the Target Company. Upon Completion, in the event of any conflict of interest concerning transactions between CITIC Pacific and CITIC Group, Directors holding positions with the controlling shareholder of CITIC Pacific will abstain from voting with regard to the relevant resolutions. The disinterested Directors (including executive Directors, non-executive Directors and independent non-executive Directors, as applicable), with sufficient knowledge of the business of the Enlarged Group, will be able to make decisions on the relevant resolutions in the interest of CITIC Pacific and its Shareholders, taken as a whole.

D. POTENTIAL CONTINUING CONNECTED TRANSACTIONS

Immediately following the Completion, CITIC Group will continue to be the controlling shareholder of CITIC Pacific and will therefore, continue to be a connected person of CITIC Pacific. As the Target Group will become part of the Group upon Completion, transactions between the Enlarged Group and its connected persons (including CITIC Group and its associates) will constitute connected transactions of the Enlarged Group upon Completion. CITIC Pacific will comply with the reporting, announcement and independent shareholders' approval requirements under the Listing Rules (if applicable) in respect of the continuing connected transactions.

As of the Latest Practicable Date, the issued share capital of CITIC Pacific were as follows:

Types	Number of Shares	in millions of *HK$*
Issued and fully paid	3,649,444,160	1,460

Note:

1. The concepts of authorised share capital and nominal value of the Shares are not applicable to CITIC Pacific as a Hong Kong incorporated company pursuant to applicable laws of Hong Kong.

Details of the shareholding structure of CITIC Pacific as of the date of this circular and immediately after the Completion and the Placing are set out below:

	As of the date of this circular		Immediately after the Completion and the Placing assuming 21,253,879,470 Consideration Shares and Placing Shares (in aggregate) have been issued	
	Number of Shares held	Approximate percentage of total issued share capital	Number of Shares held	Approximate percentage of total issued share capital *(Note 2)*
CITIC Group *(Note 1)*	2,098,736,285	57.51%	18,677,492,723	75%
Public	1,550,707,875	42.49%	6,225,830,907	25%
Total	**3,649,444,160**	**100%**	**24,903,323,630**	**100%**

Notes:

1. As of the date of this circular, CITIC Group indirectly held Shares of CITIC Pacific through one of its overseas wholly-owned subsidiaries.

2. Assuming none of the outstanding share options of CITIC Pacific will be exercised from the date of this circular and up to the Closing Date.

The following discussion and analysis should be read in conjunction with the audited combined financial statements of the Target Group as of and for the years ended December 31, 2011, 2012 and 2013, and the accompanying notes, included in "Appendix I – Accountants' Report of the Target Group". The combined financial statements have been prepared in accordance with HKFRS. This financial information may not necessarily reflect what the Target Group's financial condition, results of operations and cash flows would have been had the Target Group been a stand-alone company during the periods presented, nor is it necessarily indicative of the future performance of the Enlarged Group.

For an illustration of the financial information of the Enlarged Group as a result of the Completion, see "Appendix II – Unaudited Pro Forma Financial Information of the Enlarged Group." The unaudited pro forma financial information is based upon (i) the audited consolidated financial statements of the Group as of and for the year ended December 31, 2013; and (ii) the combined financial statements of the Target Group as of and for the year ended December 31, 2013, and adjusted on a pro forma basis to reflect the effect of the Acquisition.

The following discussion and analysis contains forward-looking statements that reflect the current views of the Target Group's management and involve risks and uncertainties. These statements are based on assumptions and analysis made by the Target Group in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Target Group believes are appropriate under the circumstances. However, the actual results of the Target Group may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including but not limited to, those discussed below and in the "Risk Factors" and other sections of this circular.

A. OVERVIEW

(A) General

CITIC Group is the largest international conglomerate in China. It conducts its business mainly through CITIC Limited Group. For the years ended December 31, 2011, 2012 and 2013, the total revenue of CITIC Limited Group was RMB198,763 million, RMB222,590 million and RMB251,789 million, respectively, and the profit for the year attributable to equity shareholders of the Target Company was RMB31,700 million, RMB28,404 million and RMB34,260 million, respectively. As of December 31, 2011, 2012 and 2013, the total assets of CITIC Limited Group were RMB3,014,697 million, RMB3,270,994 million and RMB3,965,703 million, respectively, and the total equity attributable to equity shareholders of the Target Company were RMB162,338 million, RMB192,800 million and RMB225,051 million, respectively.

(B) Main Businesses

CITIC Limited Group operates businesses globally in six business segments, including financial services, real estate and infrastructure, engineering contracting, resources and energy, manufacturing and other businesses.

- *Financial Services*. CITIC Limited Group operates financial services businesses in different segments, including banking, securities, trust and insurance.

- *Real Estate and Infrastructure*. The real estate and infrastructure business of CITIC Limited Group consists mainly of development, sales and investment of properties, and the investment and management of infrastructure projects such as highways and port terminals.

- *Engineering Contracting*. The engineering contracting business of CITIC Limited Group consists mainly of contracting of infrastructure, housing and industrial construction, as well as engineering design.

- *Resources and Energy*. The resources and energy business of CITIC Limited Group consists mainly of the development, processing and trading of resources and energy.

- *Manufacturing*. The manufacturing business of CITIC Limited Group consists mainly of the manufacturing of heavy machinery, power electronic equipments, automobile aluminium wheels, automobile aluminium castings and other products.

- *Other Businesses*. The other businesses of CITIC Limited Group include, among other things, telecommunications, general aviation, publishing, comprehensive outsourcing and tourism services.

B. MAJOR EXTERNAL FACTORS AFFECTING THE TARGET GROUP'S RESULTS OF OPERATIONS

The businesses, financial condition and results of operations of the Target Group are significantly affected by various external factors, many of which may not be within the control of the Target Group. A discussion on some of these factors is set out below.

(A) Macroeconomic Conditions in China

The Target Group's businesses are primarily conducted in China and most of its income is generated within China. The results of operations and financial condition of the Target Group are significantly affected by China's macroeconomic conditions and the economic measures undertaken by the PRC government. China has experienced rapid economic growth over the past three decades. According to the National Bureau of Statistics, the real GDP of China grew at a CAGR of 9.3% from 2007 to 2012. The growth rate of China's economy has slowed down since 2012 but is still at a relatively higher level comparing to that of other major economies.

- *Financial Services:* The economic growth of China has increased both the business activities of PRC enterprises and the wealth of individuals; it has also promoted the rapid growth of the businesses of domestic commercial banks, investment banks, securities, trust and insurance businesses. Recently, the PRC government implemented a series of macroeconomic and monetary policies, including adjusting the applicable benchmark interest rate and statutory deposit reserve requirement for commercial banks, restricting the credit scale of commercial banks so as to control loan growth, releasing the securities industry's risk control indicators, promoting the reform of the pension system and gradually establishing a multi-level social welfare and security system, all of which have significantly impacted the development of China's financial industry, the growth of the Target Group's financial services business and its results of operations. The accumulation of wealth of individuals also promotes the development of the personal wealth management market. The needs for personal finance services and the investment needs of individual customers with high net worth will bring new development opportunities to the financial industry and point it in a new strategic direction. Meanwhile, internet finance has brought changes in the operation mode and concept to the financial industry. Internet finance has also enabled the financial industry to implement development strategies which is market and customer-oriented and helped to promote the development of mixed operations in the financial industry.

- *Real estate and Infrastructure:* China's economic growth, urbanization and industrialization, and the improvement in living standards of the Chinese people are promoting development of the real estate and infrastructure industry. Meanwhile, the PRC government periodically adjusts the regulations applicable to the real estate market and infrastructure development in order to attain its policy objectives, such as avoiding an over-heated real estate market or over-expanded infrastructure construction scale, or stimulating the real estate market and promoting investment in fixed assets during economic depressions.

- *Resources and Energy:* The Target Group's resources and energy business is particularly affected by macroeconomic factors, such as industrial production growth, the fluctuation of prices on the resources and energy market, the urbanization process and the stability and development of international trading. In addition, the increasing financialization of commodities, such as crude oil, iron ore and non-ferrous metals, makes their spot prices more dependent on foreign exchange rates, interest rates and other financial indicators rather than the prices implied by supply and demand. As a result, spot prices often deviate significantly from their costs, making the Target Group's resources and energy business further subject to changes in macroeconomic factors.

- *Manufacturing:* With China's economic growth, the increase in its urban population and the rising levels of disposable income, China's demand for industrial products and consumer products has increase. This increase has both directly and indirectly increased the demand for the Target Group's manufacturing business products. Various policy measures taken by the PRC government to increase China's domestic demand has also significantly affected the growth of the Target Group's manufacturing business and its results of operations. For example, investments in the large-scale PRC infrastructure projects enhanced the demand for the Target Group's heavy machinery products, while the purchase restriction policy and other monitoring and control policies in the automobile industry have unfavorably impacted its automobile aluminium wheels and automobile aluminium castings business.

(B) Regulatory Environment

The Target Group conducts business in various sectors that are subject to strict regulation by the PRC and foreign government authorities. The Target Group's business and results of operations are significantly subject to changes in the laws, regulations and policies in the relevant industries of the PRC and other countries, including those applicable to the Target Group's scope of services and products, pricing and charging standards, capital adequacy requirements, repayment capacity requirements and risk control measures.

- *Financial Services:* The financial services business of the Target Group is mainly subject to the supervision and monitoring by regulatory agencies such as the PBOC, the CBRC, the CSRC, the CIRC and the SAFE. Recently, the relevant PRC regulatory agencies have implemented a series of policies that is gradually allowing banking and non-banking financial institutions to develop and launch various new businesses and allowing them to provide or invest in new financial instruments. For example, the PBOC and the CIRC have approved the issuance of financing bonds by enterprises so as to promote the gradual development of the relevant markets. In addition, in recent years trust laws and regulations have gradually allowed trust companies to expand their business to asset management, which has expanded their scope of business and strengthened their risk control capabilities. These changes to the statutory environment have directly impacted the results of operations of the Target Group's financial services business.

- *Real Estate and Infrastructure:* The PRC government historically has adjusted or launched macroeconomic control policies (including those with respect to land grants, pre-sale of real estate, construction and supply of affordable housing, bank financing and taxation) to encourage or to restrict the development of the real estate market. The measures taken by the PRC government to monitor and control the monetary supply, the credit quota and fixed assets may also have a direct impact on the Target Group's real estate and infrastructure business and its results of operations.

- *Engineering Contracting, Resources and Energy, Manufacturing and Others:* The Target Group's engineering contracting, resources and energy, manufacturing and other businesses are subject to domestic and foreign laws and regulations, including those with respect to industry entry qualification, import and export, environmental protection, health and safety, taxation, and foreign exchange control. Changes in these laws and regulations may have a significant impact on the Target Group's businesses, its results of operations and financial condition. For example, the applicable regional policies and local resources available have become important factors that affect the distribution and strategic direction of the PRC resources and energy industry, which continues to migrate towards the regions with the most advantageous policies and abundant resources.

Meanwhile, as the Target Group is seeking to allocate its resources globally as part of its globalization strategy, its financial services business, engineering contracting business, resources and energy business, manufacturing business and other businesses are subject to the applicable laws and regulations of different countries with respect to market entry restrictions. The Target Group plans to use equity investment, joint investment, merger and acquisition and other methods in innovative ways so as to reduce the impact of market entry restrictions of the relevant countries on its global business layout and global resource allocation.

(C) Interest Rate Environment

Monetary policy is an important measure used by the PRC government to carry out macroeconomic adjustments and controls. To curb excessive inflation, the PBOC raised the benchmark RMB deposit and lending interest rates five consecutive times from October 2010 to July 2011. The PBOC further adjusted the monetary policy in 2012 and reduced the benchmark RMB deposit and lending interest rates twice. In recent years, as part of the overall reform of the banking system, the PBOC has implemented a series of initiatives designed to gradually liberalize inter-bank market interest rates, bond market interest rates and foreign currency deposit interest rates. In addition, the PBOC removed the lower limit for the lending rates of financial institutions on July 20, 2013, which further promoted the marketization of interest rates.

The profitability of some of the Target Group's business segments is sensitive to the monetary policies set by the PRC government and the condition of the monetary market, including such factors as interest rate and liquidity levels. Deposit and lending interest rates will directly affect the net interest income of the banking business of the Target Group. As the PRC government continues to implement its policy on interest rate marketization, competition among banks will continue to play an increasingly important role in the pricing of interest rates, which may unfavorably affect the net interest income and results of operations of the banking business of the Target Group. As the real estate and infrastructure, engineering contracting, resources and energy and manufacturing businesses of the Target Group operate in capital-intensive industries, the relevant monetary policies and general interest rate environment will affect the financing costs of these businesses and further affect their results of operations and financial condition. In addition, as most of the customers of the Target Group's real estate business rely on mortgage financing to purchase homes, the regulations or measures taken by the PRC government to restrict home buyers' ability to receive mortgage loans or to increase mortgage financing costs may curb the market demand for the Target Group's real estate, which may have an adverse effect on its results of operations.

(D) Exchange Rate Environment

The value of the Renminbi is influenced by the political and economic conditions of the PRC. The PRC government has permitted the Renminbi to fluctuate within a monitored band based on market supply and demand and with reference to a basket of foreign currencies since July 21, 2005. In June 2010, the PBOC decided to further reform the RMB exchange rate regime to increase the flexibility of the RMB exchange rate. If the Renminbi appreciates (or depreciates) against the U.S. dollar or other currencies, it may lead to foreign exchange losses (or gains) on the Target Group's foreign currency-denominated assets and liabilities, respectively.

The Target Group also conducts many of its businesses overseas, including the engineering contracting business, resources and energy development, processing and trading business. The Target Group also plans to expand its current overseas businesses, and the Target Group's income and expenses denominated in foreign currencies will likely increase with such expansion. Thus, changes in foreign exchange rates may affect both the pricing of the products and services offered by the Target Group and its expenditures on products and services purchased with foreign currencies. This will further affect the financial condition and results of operations of the Target Group. In addition, the Target Group will face foreign exchange risks when investing in foreign currencies. As there is uncertainty regarding investment timing and the amount of funds recoverable, fluctuations in foreign exchange rates may affect the Target Group's results of operations.

(E) Competitive Landscape of the Market

The Target Group faces intensive market competition in all business segments. Such market competition may lead to pressure to reduce the prices of the Target Group's products and services, which may further affect its business and results of operations. Some of the Target Group's competitors may have more extensive financial resources and better brand reputation in the relevant industries when compared to the Target group. The financial condition, results of operations, business and prospects of the Target Group will depend on whether it can maintain its competitiveness in each of the relevant industries it operates in.

The competitive landscape and the Target Group's competitiveness also vary significantly among different products and services. For example, since the Target Group focuses on the high-end manufacturing business, the Target Group is able to compete directly and effectively with first-class international manufacturers. In some overseas markets where its customer base and market image is not as well-developed and where competition is strong, the Target Group faces pressure to reduce its prices, which adversely impacts its profitability.

With respect to the financial services business of the Target Group, competition in the PRC financial industry has recently increased due to the enactment of certain market-oriented deregulation policies. To remain competitive, the Target Group needs to provide customers with personalized, comprehensive and differentiated financial products and services. Meanwhile, internet finance and mobile finance have gradually become more attractive options for financing compared to traditional financial services, due to their ability to provide better transparency, enhanced participation, better collaboration, lower intermediary costs, convenient operations and the ability to match both the supply and demand for funds. The rapid development of internet finance and mobile finance requires the financial services segment of the Target Group to promptly adjust its development strategies in order to seize new market opportunities.

C. MAJOR INTERNAL FACTORS AFFECTING THE TARGET GROUP'S RESULTS OF OPERATIONS

The businesses, financial condition and results of operations of the Target Group are also significantly affected by various internal factors. A discussion on some of these factors is set out below.

(A) Centralized Management and Synergistic Operations

The Target Group has a diversified business structure covering the financial services, real estate and infrastructure, engineering contracting, resources and energy, manufacturing and others businesses, and has established a strong foundation for the collaboration of its business network, customers, brands, talents and professional experience. After years of development, the Target Group has been building on and improving its diversified business platform, establishing a workflow to enhance collaborative work among its subsidiaries, and enhancing its enterprise value through the efficient collaboration and integrated development of its headquarters and various subsidiaries.

The Target Group is committed to effectively allocating, integrating and sharing its various resources in order to (i) provide diversified and comprehensive services that are centered on the customers, (ii) enhance the Group's overall competitiveness and brand influence, (iii) enhance the differentiated competitive advantages of its business segments, and (iv) realize the comprehensive, coordinated and sustainable development of its financial and industrial businesses. Whether the Target Group can achieve its goals for further enhancing centralized management system and synergistic operations will have a significant impact on its business growth, results of operations and financial condition.

(B) Mergers, Acquisitions and Business Integration

Business acquisitions and integration have been an important driver for the Target Group's income and profit growth. For example, the Target Group completed its acquisition of KSM Castings in 2011. However, in the event that such business segments cease to be the focus of the Target Group's core business, fail to meet the profitability target of the Target group, or are adversely affected by new regulatory requirements, the Target Group may sell these businesses. The Target Group will acquire or dispose of certain businesses from time to time based on its business targets.

In the future, the Target Group plans to seek opportunities for further integrating and connecting its various businesses, to seize market consolidation opportunities from the PRC market through mergers and acquisitions by taking advantage of its strong competitive advantages, to continue its global investments and to further develop its businesses in an integrated way. It believes that the successful implementation of business acquisitions and integration will create synergistic effects and strengthen its market position so as to obtain new growth opportunities. The success of the Target Group's expansion strategy through acquisitions depends to a large extent on the following factors:

- the Target Group's ability to identify suitable acquisition targets and to complete such acquisitions on commercially acceptable terms or prices;

- whether the Target Group can obtain the necessary financing for such acquisitions or for the completion of its expansion plans, and the relevant terms and costs;

- the regulatory approvals necessary for the acquisitions; and

- the Target Group's ability to integrate the acquired businesses and to make use of the anticipated synergy effects achieved through the integration.

Some acquisitions and disposals have had a significant impact on the Target Group's results of operations and financial condition. The impact of such transactions should be taken into account when comparing the results of operations of the Target Group for different time periods. In addition, the Target Group's mergers and acquisitions and business integration plans may require the Target Group's management to expend significant time and energy, which may, to certain extent, distract the management's focus from the Target Group's core businesses.

(C) Enhancement of the Operation and Competitiveness of Business Segments

The profitability of different business segments and different products and services within the same business segment of the Target Group varies greatly. The combination of products and services of the various business segments of the Target Group and any changes to the Target Group's business strategies, market condition, customer needs and other factors may from time to time affect the income and profitability of the Target Group.

The Target Group will closely follow up with and adjust the products and services combinations of all business segments and further expand the scope of its products and services offerings while focusing on those with a higher gross margin, higher market demand and potential and higher barriers to market entry. When the Target Group advocates for each subsidiary to improve their operating capacity and enhance their competitiveness, it also categorizes each subsidiary as a key company, an actively-cultivated company, or a financial investment company and makes corresponding policies for managing, supporting, cultivating, adjusting and disposal of the company.

For key companies, the Target Group emphasizes innovation and structure adjustments, actively responds to the changes in the industries it operates in, and encourages the subsidiaries to create, enhance and maintain industrial competitive advantages through pressure from market competition. For the actively-cultivated companies, the Target Group focuses on determining their market position and identifying its core competitiveness, promoting technology innovations in order to guarantee the subsidiaries' rapid development in the industries they operate in, mainly through the integrated resources and transportation capacities of the Group. For the financial investment companies, the Target Group will determine the minimum requirements for investment returns and promptly dispose of the subsidiaries that fail to meet the requirements, in order to avoid any negative impact on the Target Group's overall competitiveness. By implementing differentiated management and control policies for each category, the Target Group seeks to enhance the overall operations and competitiveness of the Target Group's various business segments through dynamic optimization, with the ultimate aim to maintain and enhance the overall profitability of the Target Group.

(D) Selection of Investment Fields and Screening of Investment Projects

Since its establishment, CITIC Group has actively explored its business development opportunities by staying at the forefront of the market. Through seizing key market opportunities during the economic development and transformation of China and selecting strategic investment areas and investment projects, CITIC Group has gradually formed a diversified and comprehensive industry structure and become the largest international conglomerate in the PRC.

CITIC Limited Group's multi-sector and cross-regional business structure focusing on both financial and industrial businesses has helped it rapidly and efficiently integrate its existing resources into new strategic areas and deepen the development of its existing business segments. The Target Group's relevant subsidiaries may, through the sharing of network and resource advantages of various business segments of the Target Group in compliance with relevant laws and regulations, make better-informed decisions when selecting investment areas and screening investment projects. Based on its long operating history and in-depth understanding of different business segments, the headquarters of the Target Group have advantages with respect to global awareness and strategic vision that enable it to make more accurate selections of investment areas and projects that are strategic, long-term, cross-industrial or in emerging industries. To realize its strategic objective, the Enlarged Group plans to adjust its industry structure and allocation of resources, and alter its method and channel of industry development in order to realize the global allocation of resources. Therefore, the Enlarged Group's selection of investment areas and screening of investment projects will have a significant impact on the results of operations and financial conditions of the Target Group.

D. BASIS OF PREPARATION

The combined financial statements of the Target Group include the financial information of the Target Group except for the assets and liabilities and the results of operation of the Group. Through the Acquisition, the Group proposes to acquire 100% equity interests in the Target Group from CITIC Group and CITIC Enterprise Management. For the purpose of the Acquisition, the combined financial statements of the Target Group have been prepared and presented on the basis that the structure of the Target Group immediately before the Completion, which consists of the Target Company and its subsidiaries but excludes the Group, had been in existence throughout the three years ended December 31, 2011, 2012 and 2013 or since the respective dates of incorporation or establishment of the companies comprising the Target Group or when they first came under the control of the CITIC Group to December 31, 2013, whenever there is a shorter period.

The combined financial statements of the Target Group are presented in RMB, its functional currency. The functional currencies of overseas subsidiaries of the Target Group are determined in accordance with the primary economic environment in which they operate, and are translated into RMB for the preparation of the combined financial statements.

E. CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The preparation of the combined financial statements of the Target Group requires selecting accounting policies and making estimates and judgments that affect items reported in the combined financial statements. The determination of these accounting policies is fundamental to our results of operations and financial condition and requires management to make subjective and complex judgments about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial condition, results of operations or cash flows.

(A) Critical Accounting Policies

Set forth below are those accounting policies that are of critical importance to the Target Group or involve the most significant estimates and judgments used in the preparation of the combined financial statements of the Target Group. For more information regarding the critical accounting policies of the Target Group, see Note 2 to the Accountants' Report of the Target Group set forth in Appendix I to this circular.

(B) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Target Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

- *Interest income*. Interest income arising from the use of entity assets by others is recognized in profit or loss based on the duration and the effective interest rate. Interest income includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

The effective interest method is a method of calculating the amortized cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Target Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest on the impaired financial assets is recognized using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

- *Fee and commission income*. Fee and commission income is recognized when the corresponding service is provided, except where the fee is charged to cover the costs of a continuing service to, or risk borne for, the customer, or is interest in nature. In these cases, the fee is recognized as income in the accounting period in which the costs or risk is incurred and is accounted for as interest income.

  Origination or commitment fees received/paid by the Target Group which result in the creation or acquisition of a financial asset are deferred and recognized as an adjustment to the effective interest rate. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognized on a straight-line basis over the commitment period.

- *Sales of goods and provision for services*. Revenue is recognized when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

  Service fee income is recognized when the services are rendered.

- *Sales of properties*. Revenue from sales of properties under development is only recognized when the significant risks and rewards of ownership have been transferred to the buyer. The Target Group considers that the significant risks and rewards of ownership are transferred when the buildings contracted for sale are completed and the relevant permits essential for the delivery of the properties have been issued by the authorities.

  Revenue from completed properties held for sale is recognized at the date when the sales agreement is signed.

- *Contract revenue*. When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognized using the percentage of completion method.

  The Target Group measured the stage of completion by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

  When the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable.

- *Rental income from operating leases*. Rental income receivable under operating leases is recognized in profit or loss in equal installments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

- *Dividend income*. Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.

  Dividend income from listed investments is recognized when the share price of the investment goes ex-dividend.

- *Government grants*. Government grants are recognized in the balance sheet initially when there is reasonable assurance that they will be received and that the Target Group will comply with the conditions attaching to them. Grants that compensate the Target Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Target Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(C) Financial Instruments

Initial recognition

The Target Group classifies its financial instruments into different categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred. The categories are: fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial instruments are measured initially at fair value, which normally will be equal to the transaction price plus, in case of a financial asset or financial liability not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or issue of the financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

The Target Group recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets and financial liabilities at fair value through profit or loss is recognized using trade date accounting. Other financial assets and financial liabilities are recognized using settlement date accounting. From these dates, any gains and losses arising from changes in fair value of the financial assets or financial liabilities at fair value through profit or loss are recorded.

Categorization

Fair value through profit or loss

This category comprises financial assets and financial liabilities held for trading, and those designated at fair value through profit or loss upon initial recognition, but excludes those investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured.

Trading financial instruments are financial assets or financial liabilities which are acquired or incurred principally for the purpose of trading, or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Financial instruments are designated at fair value through profit or loss upon initial recognition when:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;

- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or

- the separation of the embedded derivative(s) from the financial instrument is not prohibited.

Financial assets and financial liabilities under this category are carried at fair value. Changes in the fair value are included in profit or loss in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds or the net payment and the carrying value is included in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than (a) those that the Target Group intends to sell immediately or in the near term, which will be classified as held for trading; (b) those that the Target Group, upon initial recognition, designates as of fair value through profit or loss or as available-for-sale; or (c) those where the Target Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale.

Loans and receivables mainly comprise loans and advances to customers and other parties, deposits and placements with banks and non-bank financial institutions, investments classified as receivables, and trade and other receivables.

Loans and receivables are carried at amortized cost using the effective interest method, less impairment losses, if any. Where the receivables are interest-free loans made to related parties without any fixed repayment term or the effect of discounting would be immaterial, the receivables are stated at cost less allowance for impairment of doubtful debts.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity for which the Target Group has the positive intention and ability to hold to maturity, other than (a) those that the Target Group, upon initial recognition, designates as of fair value through profit or loss or as available-for-sale; and (b) those that meet the definition of loans and receivables.

Held-to-maturity investments are carried at amortized cost using the effective interest method less impairment losses, if any.

If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held-to-maturity, it shall be reclassified as available-for-sale and re-measured at fair value.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other three categories above. They include financial assets intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in the market environment.

Available-for-sale financial assets are carried at fair value. Unrealized gains and losses arising from changes in the fair value are recognized in other comprehensive income and accumulated separately in equity, except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities which are recognized in profit or loss. Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognized in profit or loss.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be measured reliably, and derivatives that are linked to and must be settled by delivery of such unquoted equity securities are carried at cost less impairment losses, if any.

When the available-for-sale financial assets are sold, gains or losses on disposal include the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments which are previously recognized in other comprehensive income shall be reclassified from equity to profit or loss.

Other financial liabilities

Financial liabilities, other than trading liabilities and those designated at fair value through profit or loss, are measured at amortized cost using the effective interest method.

Other financial liabilities mainly comprise deposits from banks and non-bank financial institutions, placements from banks and non-bank financial institutions, trade and other payables, deposits from customers, bank and other loans, and debt securities issued.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If there is no publicly available latest traded price nor a quoted market price on a recognized stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is based on the relevant government yield curve as of the balance sheet date plus an adequate constant credit spread. Where other pricing models are used, inputs are based on market data at the balance sheet date.

Derecognition

A financial asset is derecognized when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expires.

The Target Group uses the weighted average method to determine realized gains and losses to be recognized in profit or loss on derecognition.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that includes both the derivative and a host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. The embedded derivatives are separated from the host contract and accounted for as a derivative when (i) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; and (ii) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss. When the embedded derivative is separated, the host contract is accounted for in accordance with the above subsection "Financial instrument".

(D) Impairment of assets

Financial assets

The carrying amounts of the Target Group's assets are reviewed at balance sheet date to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Target Group about one or more of the following loss events which has an impact on the future cash flows on the assets that can be estimated reliably:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the issuer;
- disappearance of an active market for financial assets because of financial difficulties of the issuer; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, the carrying amount is reduced to the estimated recoverable amount by means of a charge to profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of loans and receivables and held-to-maturity investments, which are measured at amortized cost, whose recovery is considered doubtful but not remote. In this case, the impairment losses are recorded using an allowance account. When the Target Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against loans and receivables or held-to-maturity investments directly and any amounts held in the allowance account relating to that borrower/investment are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

Loans and receivables

Impairment losses on loans and receivables are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets). Receivables with a short duration are not discounted if the effect of discounting is immaterial.

The total allowance for credit losses consists of two components: individual impairment allowances, and collective impairment allowances.

The Target Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The individual impairment allowance is based upon management's best estimate of the present value of the cash flows which are expected to be received discounted at the original effective interest rate. In estimating these cash flows, management makes judgments about the borrower's financial situation and the net realizable value of any underlying collateral or guarantees in favor of the Target Group. Each impaired asset is assessed on its own merits.

In assessing the need for collective loan loss allowances, management uses statistical modeling and considers historical trends of factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, the Target Group makes assumptions both to define the way the Target Group models inherent losses and to determine the required input parameters, based on historical experience and current economic conditions.

The accuracy of the impairment allowances the Target Group makes depends on how well the Target Group can estimate future cash flows for individually assessed impairment allowances and the model assumptions and parameters used in determining collective impairment allowances. While this necessarily involves judgment, the Target Group believes that the impairment allowances on loans and advances to customers are reasonable and supportable.

Any subsequent changes to the amounts and timing of the expected future cash flows compared to the prior estimates that can be linked objectively to an event occurring after the write-down, will result in a change in the impairment allowances on loans and receivables and be charged or credited to the income statement. A reversal of impairment losses is limited to the loans and receivables' carrying amount that would have been determined had no impairment loss been recognized in prior years.

When there is no reasonable prospect of recovery, the loan and the related interest receivables are written off.

Loans and receivables with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Target Group has made concessions that it would not otherwise consider. Renegotiated loans and receivables are subject to ongoing monitoring to determine whether they remain impaired or past due.

Held-to-maturity investments

Impairment on held-to-maturity investments is considered at both an individual and collective level. The individual impairment allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate, where the effect of discounting is material.

All significant assets found not to be individually impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the income statement. A reversal of impairment losses shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

Available-for-sale financial assets

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that had been recognized in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that asset previously recognized in profit or loss.

For unquoted available-for-sale equity securities that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the equity securities and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Such impairment losses are not reversed.

Impairment losses recognized in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognized in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognized. Reversals of impairment losses in such circumstances are recognized in profit or loss.

Non-financial assets

Internal and external sources of information are reviewed at balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at re-valued amounts);
- land use rights;
- investments in subsidiaries, associates and joint ventures;
- goodwill; and
- intangible assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- <u>Calculation of recoverable amount</u>

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(E) Inventories

Manufacturing, resources and energy segments

Inventories of the manufacturing, and resources and energy segments are carried at the lower of cost and net realizable value.

Cost is calculated using the first-in first out, specific identification or weighted average cost formula as appropriate, and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Real estate and infrastructure segment

Inventories in respect of property development activities under the real estate and infrastructure segment are carried at the lower of cost and net realizable value. Cost and net realizable values are determined as follows:

- *Property under development for sale*

The cost of properties under development for sale comprises the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalized. Net realizable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

- *Completed property held for sale*

In the case of completed properties developed by the Target Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(F) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured. Exchange gains and losses are recognized in profit or loss, except for the differences arising for the translation of available-for-sale equity investments, which is recognized in other comprehensive income.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(G) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Target Group's internal organization, management requirements and internal reporting system. An operating segment is a component of the Group that meets the following respective conditions:

- engage in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Target Group's management to make decisions about resource to be allocated to the segment and assess its performance; and
- for which financial information regarding financial position, results of operations and cash flows are available.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of:

- the nature of products and services;
- the nature of production processes;
- the type or class of customers;
- the methods used to distribute the products or provide the services; and
- the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the combined financial statements.

(H) Critical accounting estimates and judgments

Set forth below are the critical accounting estimates and judgments that the Target Group has made in the process of applying its accounting policies and that have the most significant effect on the amounts recognized in the Accountants' Report of the Target Group included in Appendix I to this circular. For more information regarding the critical accounting estimates and judgments of the Target Group, see Note 3 to the Accountants' Report of the Target Group set forth in Appendix I to this circular.

Impairment losses on loans and advances, available-for-sale and held-to-maturity debt investments

The Target Group reviewed the portfolios of loans and advances, available-for-sale and held-to-maturity debt investments periodically to assess whether impairment losses exist and if they exist, the amounts of impairment losses. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows identified with an individual loan, available-for-sale investments or held-to-maturity debt investment. It also includes observable data indicating adverse changes in the repayment status of borrowers or issuers in the assets portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

The impairment loss for a loan that is individually assessed for impairment is the decrease in the estimated discounted future cash flow of that asset. For the impairment loss of held-to-maturity debt investments, the Target Group measures the impairment loss on the basis of the instrument's fair value using an observable market price as of the measurement date. The impairment loss for an available-for-sale debt investment is the difference between the acquisition costs (net of any principal repayments and amortization) and the fair value, less any impairment loss previously recognized in the profit or loss at the measurement date.

When loans and advances are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the loans and advances that are being assessed. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss.

Provision for inventories

The Target Group reviews the carrying amounts of inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net realizable value. The Target Group estimates the net realizable value, based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down. The change in the write-down would affect the Target Group's profit during the year.

Impairment of non-financial assets

Assets such as fixed assets and intangible assets are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognized.

The recoverable amount of an asset (asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. Since a market price of the asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing value in use, significant judgments are exercised over the asset's production, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumptions.

F. SUMMARY FINANCIAL INFORMATION

The summary historical combined financial statement set forth below should be read in conjunction with the combined financial information included in the Accountants' Report of the Target Group set forth in Appendix I to this circular, together with the accompanying notes, which have been prepared in accordance with HKFRS. The summary historical combined income statements for the years ended December 31, 2011, 2012 and 2013 and the combined balance sheets as of December 31, 2011, 2012 and 2013 set forth below are derived from the combined financial information, including the accompanying notes, set forth in "Appendix I — Accountants' Report of the Target Group".

(A) Summary Historical Combined Income Statements Data

	For the year ended December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Interest income	107,481	139,723	164,139
Interest expenses	(40,855)	(62,819)	(77,576)
Net interest income	**66,626**	**76,904**	**86,563**
Fee and commission income	12,445	15,922	23,123
Fee and commission expenses	(627)	(984)	(1,508)
Net fee and commission income	**11,818**	**14,938**	**21,615**
Sales of goods and services	117,519	127,762	141,356
Other revenue	2,800	2,986	2,255
	120,319	**130,748**	**143,611**
Total revenue	**198,763**	**222,590**	**251,789**
Cost of sales and services	(102,908)	(112,202)	(125,340)
Other net income	8,758	5,288	6,094
Impairment losses on			
– Loans and advances to customers	(6,220)	(12,709)	(10,739)
– Others	(3,027)	(3,105)	(2,933)
Other operating expenses	(37,760)	(44,452)	(51,923)
Net valuation gain on investment properties	69	80	118
Share of profit of associates, net of tax	4,568	1,050	1,824
Share of profit of joint ventures, net of tax	603	1,044	750
Profit before net finance charges and tax	**62,846**	**57,584**	**69,640**
Finance costs	(2,659)	(3,859)	(4,615)
Finance income	635	1,276	1,152
Net finance charges	**(2,024)**	**(2,583)**	**(3,463)**

	For the year ended December 31,		
	2011	2012	2013
	(in millions of RMB)		
Profit before tax	**60,822**	**55,001**	**66,177**
Income tax	(15,366)	(14,242)	(16,500)
Profit for the year	**45,456**	**40,759**	**49,677**
Attributable to:			
Equity shareholders of the Target Company	31,700	28,404	34,260
Non-controlling interests	13,756	12,355	15,417

(B) Summary Historical Combined Balance Sheets Data

	As of December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Assets			
Cash and deposits	785,580	713,323	680,285
Placements with banks and non-bank financial institutions	151,004	151,803	122,314
Financial assets at fair value through profit or loss	8,617	14,057	12,310
Derivative financial assets	4,741	4,254	7,768
Trade and other receivables	52,880	58,032	59,645
Amount due from customers for contract work	2,284	1,416	1,374
Inventories	73,627	88,564	83,695
Financial assets held under resale agreements	162,210	69,082	287,247
Loans and advances to customers and other parties	1,416,691	1,634,293	1,903,049
Available-for-sale financial assets	144,174	228,306	215,396
Held-to-maturity investments	107,827	134,405	154,792
Investments classified as receivables	–	56,435	300,158
Interests in associates	30,050	31,479	35,696
Interests in joint ventures	8,313	9,066	9,324
Fixed assets	33,498	36,144	47,038
Investment properties	5,298	4,500	4,681
Intangible assets	7,283	9,606	12,414
Goodwill	3,030	3,045	2,967
Deferred tax assets	5,381	8,427	10,930
Other assets	12,209	14,757	14,620
Total assets	**3,014,697**	**3,270,994**	**3,965,703**

	As of December 31, 2011	2012	2013
	(in millions of RMB)		
Liabilities			
Deposits from banks and non-bank financial institutions	535,067	369,403	557,904
Placements from banks and non-bank financial institutions	3,865	17,165	41,372
Derivative financial liabilities	4,002	3,592	6,944
Trade and other payables	94,396	128,317	138,633
Amount due to customers for contract work	844	4,142	6,322
Financial assets sold under repurchase agreements	1,806	11,732	7,949
Deposits from customers	1,949,300	2,233,122	2,632,152
Employee benefits payables	11,732	13,673	13,967
Income tax payable	6,922	5,828	5,773
Bank and other loans	73,239	75,296	95,280
Debt securities issued	82,525	115,155	132,403
Provisions	1,316	474	500
Deferred tax liabilities	2,181	2,369	1,804
Other liabilities	3,176	3,851	5,062
Total liabilities	**2,770,371**	**2,984,119**	**3,646,065**
Equity			
Share capital	128,000	128,000	128,000
Reserves	34,338	64,800	97,051
Total equity attributable to equity shareholders of the Target Company	**162,338**	**192,800**	**225,051**
Non-controlling interests	81,988	94,075	94,587
Total equity	**244,326**	**286,875**	**319,638**
Total liabilities and equity	**3,014,697**	**3,270,994**	**3,965,703**

PRINCIPAL COMPONENTS OF COMBINED INCOME STATEMENTS

Net Interest Income

Net interest income is primarily attributable to the financial services business of the Target Group. Net interest income of the Target Group is affected by the difference between the yields on its interest-earning assets and the costs of its interest-bearing liabilities, as well as the average balances of these assets and liabilities.

The following table sets forth the breakdown of the net interest income of the Target Group by sources for the periods indicated:

	For the year ended December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Interest income arising from			
Deposits with central banks, banks and non-bank financial institutions	7,906	12,715	14,103
Placements with banks and non-banks financial institutions	4,126	6,990	5,488
Financial assets held under resale agreements	4,796	5,208	11,200
Investments classified as receivables	–	795	6,097
Loans and advances to customers and other parties	83,013	103,377	113,494
Investments in debt securities	7,636	10,616	13,754
Others	4	22	3
Subtotal	107,481	139,723	164,139
Interest expenses arising from			
Deposits from banks and non-bank financial institutions	(6,823)	(14,779)	(19,599)
Placements from banks and non-banks financial institutions	(427)	(247)	(943)
Financial assets sold under repurchase agreements	(474)	(537)	(467)
Deposits from customers	(31,785)	(45,437)	(54,213)
Debt securities issued	(1,251)	(1,778)	(2,352)
Others	(95)	(41)	(2)
Subtotal	(40,855)	(62,819)	(77,576)
Net interest income	66,626	76,904	86,563

Net fee and commission income

The Target Group derives all of its net fee and commission income from its financial services business. Fee and commission income of the Target Group primarily consists of (i) bank card fees, (ii) trustee fees, (iii) consultancy and advisory fees, (iv) commission for wealth management services and (v) settlement fees. Bank card fees primarily consists of credit card fees, which include transaction commissions from merchants on the use of credit cards, installment service charge, late payment fees, annual fees and other service charges on credit cards. The Target Group also general a small portion of bank card fees on cash withdrawal and transfer services and from merchants on the use of debit cards. Trustee fees primarily consist of trustee fees charged on three types of trust businesses, i.e. financing trust, investment trust and business management trust. Consultancy and advisory fees primarily consist of fees eared from providing financial information, analysis and advice to clients, and designing specific financial services solutions for clients. Commission for wealth management services primarily consist of commissions and fees earned from providing wealth management products to individual and corporate clients. Settlement fees primarily consist of domestic and international settlement fees. Fee and commission expenses primarily consists of fees paid to cooperation businesses in connection with the Target Group's fee- and commission-based services that could be directly allocated to the provision of these services.

The following table sets forth the composition of the fee and commission income of the Target Group for the periods indicated:

	For the year ended December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Fee and commission income			
Consultancy and advisory fees	2,926	3,365	4,633
Bank card fees	2,283	3,820	5,626
Settlement fees	1,755	2,630	2,367
Commission for wealth management services	874	721	2,491
Agency fees and commission	755	967	1,272
Guarantee fees	1,055	558	1,285
Trustee fees	2,441	3,368	4,636
Custodian fees	320	483	776
Others	36	10	37
Subtotal	12,445	15,922	23,123
Fee and commission expenses	(627)	(984)	(1,508)
Net fee and commission income	11,818	14,938	21,615

Sales of goods and services

Sales of goods and services mainly include sales of goods, revenue from construction contracts and service fee income.

The following table sets forth the components of the sales of goods and services of the Target Group for the periods indicated:

	For the year ended December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Sales of goods	96,434	106,022	116,575
Revenue from construction contracts	14,287	12,949	14,435
Service fee income	5,035	7,418	7,823
Others	1,763	1,373	2,523
Total	117,519	127,762	141,356

Sales of goods are primarily derived from the resources and energy, real estate and infrastructure and manufacturing businesses of the Target Group. Sales of goods from the resources and energy business primarily consist of revenue from import and export of commodities, resources and energy processing and sales of aluminium, coal and crude oil. Sales of goods from the real estate and infrastructure business primarily consists of revenue from sales of properties and primary land development. Sales of goods from the manufacturing business primarily consist of revenue from the sales of heavy machinery, power electronic, automobile aluminium wheels, automobile aluminium castings and other products.

Revenue from construction contracts is primarily derived from the engineering contracting business of the Target Group, including revenue from infrastructure, housing and industrial construction contracts.

Service fee income is primarily derived from the other businesses, engineering contracting and real estate and infrastructure businesses. Service fee income from the other businesses primarily consists of revenue from the provision of tourism services, comprehensive outsourcing services and general aviation transportation and maintenance services. Service fee income from the engineering contracting business primarily consists of revenue from the provision of general municipal design and architectural design services. Service fee income from the real estate and infrastructural business primarily consists of property-related auxiliary service fees, property management fees, highway toll income and port stevedoring charges and storage charges.

Other revenue

Other revenue, primarily derived from the financial services business of the Target Group, primarily consists of the net trading gain from dealing in foreign currencies, financial derivatives and debt securities, the net gain from disposal of available-for-sale financial assets and the net hedging gain from cash flow hedges.

The following table sets forth the components of other revenue of the Target Group for the periods indicated:

	For the year ended December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Net trading gain	2,468	2,769	2,095
Net gain from financial assets designated at fair value through profit or loss	1	2	2
Net gain/(loss) from disposal of available-for-sale financial assets	312	199	(2)
Net hedging gain	19	16	160
Total	2,800	2,986	2,255

Cost of sales and services

Cost of sales and services mainly includes costs of goods sold, costs of construction contracts and costs of services rendered.

The following table sets forth the components of the cost of sales and services of the Target Group for the periods indicated:

	For the year ended December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Costs of goods sold	84,596	95,875	105,236
Costs of construction contracts	13,503	9,951	13,011
Costs of services rendered	4,221	5,731	6,054
Others	588	645	1,039
Total	102,908	112,202	125,340

Costs of goods sold are primarily incurred by the resources and energy, manufacturing and real estate and infrastructure businesses of the Target Group. Costs of construction contracts are primarily incurred by the engineering contracting business of the Target Group. Costs of services rendered are primarily incurred by the others, engineering contracting and real estate and infrastructure businesses.

Other net income

Other net income primarily consists of government grants, gains from disposal of available-for-sale financial assets and net foreign exchange gains.

Impairment losses

Impairment losses primarily consist of impairment losses on loans and advances to customers and impairment losses on other assets. Impairment losses on loans and advances are primarily incurred by the financial services business of the Target Group. Impairment losses on other assets primarily consist of impairment losses on fixed assets, available-for-sale financial assets and trade and other receivables and inventories.

The following table sets forth the components of the impairment losses of the Target Group for the periods indicated:

	For the year ended December 31,		
	2011	**2012**	**2013**
		(in millions of RMB)	
Impairment losses charged/(reversed) for:			
Placements with banks and non-bank financial institutions	–	–	7
Trade and other receivables	853	180	588
Amount due from customers for contract work	326	805	–
Inventories	889	360	101
Loans and advances to customers	6,220	12,709	10,739
Available-for-sale financial assets	223	112	746
Held-to-maturity investments	33	(6)	(85)
Interests in associates	1	1,473	–
Interests in joint ventures	–	–	6
Fixed assets	411	68	1,467
Intangible assets	119	23	36
Others	172	90	67
Total	9,247	15,814	13,672

Other operating expenses

Other operating expenses primarily consist of general and administrative expenses, business tax and surcharges and selling expenses. General and administrative expenses primarily consists of labor costs, property management expenses, depreciation and amortization, research and development expenses and other miscellaneous expenses. Business tax and surcharges primarily consists of business tax and educational surcharge. Selling expenses primarily consists of sales commissions, labor costs, transportation costs, depreciation and amortization, lease expenses and other miscellaneous expenses.

Net revaluation gain on investment properties

The Target Group classifies investment properties as interests in land or buildings which are held to earn rentals or for capital appreciation or both. Investment properties are stated in the balance sheet at fair values which are reviewed annually. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognized in profit or loss.

Share of profit of associates, net of tax

Share of profit of associates, net of tax represents the aggregate share of the Target Group's associates' net profit attributable to the Target Group's interests in those associates. An associate is an entity in which the Target Group or Target Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions. For the years ended December 31, 2011, 2012 and 2013, the share of profit of associates, net of tax of the Target Group was primarily derived from the net profit from (i) CITIC Securities Co., Ltd.; and (ii) Chongqing Chengyu Highway Co., Ltd.

Share of profit of joint ventures, net of tax

Share of profit of joint ventures, net of tax represents the aggregate share of the Target Group's joint ventures' net profit attributable to the Target Group's interests in those joint ventures. A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement. For the years ended December 31, 2011, 2012 and 2013, the share of profit of joint ventures, net of tax of the Target Group was primarily derived from the net profit from (i) CITIC Canada Energy Limited; (ii) Bowenvale Limited and (iii) CITIC-Prudential.

Finance costs

Finance costs represent the interest expenses on bank and other loans and debt securities, excluding capitalized interest expense. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset.

The following table sets forth composition of the finance costs of the Target Group for the periods indicated:

	For the year ended December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Interest on bank advances and other borrowings wholly repayable within five years	5,274	6,065	6,038
Interest on other loans and debt securities issued	585	2,311	3,183
Other interest expenses	15	26	31
Total interest expenses on financial liabilities not at fair value through profit or loss	5,874	8,402	9,252
Less: Interest expense capitalized	(3,215)	(4,543)	(4,637)
	2,659	3,859	4,615

The following table sets forth the breakdown by business segments of the finance costs of the Target Group for the periods indicated:

	For the year ended December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Financial Services	–	–	72
Real estate and infrastructure	568	872	1,224
Engineering contracting	4	48	28
Resources and energy	772	894	792
Manufacturing	337	435	511
Others	93	98	117
Unallocated	2,668	3,022	3,508
Elimination	(1,783)	(1,510)	(1,637)
Total	2,659	3,859	4,615

Finance income

Finance income primarily consists of the interest income from the bank deposits of the non-financial services businesses of the Target Group.

The following table sets forth the breakdown by business segments of the finance income of the Target Group for the periods indicated:

	For the year ended December 31,		
	2011	2012	2013
	(in millions of RMB)		
Financial Services	1	1	1
Real estate and infrastructure	50	262	401
Engineering contracting	65	359	374
Resources and energy	83	469	184
Manufacturing	88	142	315
Others	33	42	27
Unallocated	624	295	192
Elimination	(309)	(294)	(342)
Total	635	1,276	1,152

Income tax

Income tax consists of current and deferred income tax expenses for jurisdictions in which the Target Company and its subsidiaries are subject to income tax. For the three years ended December 31, 2011, 2012 and 2013, income tax of the Target Group includes PRC income tax, PRC land appreciation tax and overseas income tax.

Certain subsidiaries of the Target Group in the PRC are entitled to preferential tax treatment of (i) high-tech enterprises, or (ii) enterprises located in the western region at preferential tax rates ranging from 7.5% to 15%. Except for those subsidiaries subject to preferential tax treatments, the statutory income tax rate applicable to the Target Group's other subsidiaries in the PRC for the years ended December 31, 2011, 2012 and 2013 was 25%. In addition, withholding tax is levied on profit distribution upon declaration or remittance at a rate of 10%, unless a lower rate is available pursuant to applicable treaties.

The Target Group's subsidiaries that are engaged in the property development business in the PRC are subject to land appreciation tax as determined by the local authorities in the area where those subsidiaries' property development projects are located.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries. In addition, withholding tax is levied on profit distribution upon declaration or remittance at the rates of taxation prevailing in the overseas countries and regions in which the Target Group's subsidiaries operate.

For the year ended December 31, 2011, 2012 and 2013, the Target Group's effective income tax rate was 25.3%, 25.9% and 24.9%, respectively.

G. RESULTS OF OPERATIONS

(A) 2013 Compared to 2012

Interest income

Interest income of the Target Group increased by RMB24,416 million (or 17.5%) from RMB139,723 million in 2012 to RMB164,139 million in 2013, primarily due to the continuous increase in the average balance of interest-earning assets.

Interest income arising from loans and advances to customers and other parties increased by RMB10,117 million (or 9.8%) from RMB103,377 million in 2012 to RMB113,494 million in 2013, primarily due to the increase in the average balance of loans and advances to customers and other parties.

Interest income arising from financial assets held under resale agreements increased by RMB5,992 million (or 115.1%) from RMB5,208 million in 2012 to RMB11,200 million in 2013, primarily due to the Target Group's increase in the allocation of high-yield inter-bank assets through the flexible use of its inter-bank funds in view of the trends of market interest rate. Both the average balance and the average yield of financial assets held under resale agreements increased from 2012 to 2013.

Interest income arising from investments classified as receivables increased by RMB5,302 million (or 666.9%) from RMB795 million in 2012 to RMB6,097 million in 2013, primarily due to the increase in investment in trust investment plans and investment management products managed by securities companies.

Interest income arising from investments in debt securities increased by RMB3,138 million (or 29.6%) from RMB10,616 million in 2012 to RMB13,754 million in 2013, primarily due to the Target Group's increase in its investment in debt securities and improvement in the term structure of the its debt securities portfolio based on its comprehensive consideration of risk and reward. Both the average balance and the average yield of debt securities increased from 2012 to 2013.

Interest expenses

Interest expenses of the Target Group increased by RMB14,757 million (or 23.5%) from RMB62,819 million in 2012 to RMB77,576 million in 2013, primarily due to the increase in the average balance of the interest-bearing liabilities of the Target Group.

Interest expenses arising from deposits from customers increased by RMB8,776 million (or 19.3%) from RMB45,437 million in 2012 to RMB54,213 million in 2013, primarily due to the increase in the average balance of deposits from customers.

Interest expenses arising from the deposits from banks and non-bank financial institutions increased by RMB4,820 million (or 32.6%) from RMB14,779 million in 2012 to RMB19,599 million in 2013, primarily due to the increase in the average balance of deposits from banks and non-bank financial institutions and the rise in the average cost rate of deposits from banks and non-bank financial institutions.

Fee and commission income

Fee and commission income of the Target Group increased by RMB7,201 million (or 45.2%) from RMB15,922 million in 2012 to RMB23,123 million in 2013, primarily due to the increase in income from bank card fees, commission for wealth management services, trustee fees and consultancy and advisory fees.

Fee and commission expenses

Fee and commission expenses of the Target Group increased by RMB524 million (or 53.3%) from RMB984 million in 2012 to RMB1,508 million in 2013, primarily due to the increase in settlement expenses arising from the use of the settlement networks of various bank card associations.

Sales of goods and services

Sales of goods and services of the Target Group increased by RMB13,594 million (or 10.6%) from RMB127,762 million in 2012 to RMB141,356 million in 2013, primarily due to the increase in the sales of goods and services from the real estate and infrastructure business, the others business and the engineering contracting business.

The increase in the sales of goods and services from the real estate and infrastructure business from 2012 to 2013 was primarily because CITIC Real Estate began the settlement of sales for its CITIC New Town project in Beijing and CITIC Hang Town project in Shenzhen and significantly increased the settlement amount of sales for its CITIC Town project in Beijing.

The increase in the sales of goods and services from the others business from 2012 to 2013 was primarily due to the increase in sales of goods and services from the coal trade and transportation business of CITIC Automobile.

The increase in the sales of goods and services from the engineering contracting business from 2012 to 2013 was primarily due to the increase in the sales of goods and services from CITIC Construction as a result of the increase in the settlement of revenue from construction contracts for the social housing projects in Angola.

The decrease in the sales of goods and services from the resources and energy business from 2012 to 2013, except for the increase in sales of goods and services of CITIC United Asia primarily due to (i) the increase in demand for platinum resulting from the significant decrease in the market price of platinum and (ii) the business development efforts targeting industrial users of platinum, was primarily due to the decrease in the sales of goods and services of CITIC Metal and CITIC Resources. The decrease in sales of the goods and services of CITIC Metal was primarily due to the decrease in the sales of steel and coal and, to a lesser extent, ferroniobium and iron ore, as a result of the general downturn in the steel industry. The decrease in the sales of goods and services of CITIC Resources was primarily due to the decrease in both the price and sales volume of its products as a result of the decrease in the demand for energy and commodities due to the weak global economic recovery.

Other revenue

Other revenue of the Target Group decreased by RMB731 million (or 24.5%) from RMB2,986 million in 2012 to RMB2,255 million in 2013, primarily due to the decrease in net trading gain. Net trading gain decreased by RMB674 million (or 24.3%) from RMB2,769 million in 2012 to RMB2,095 million in 2013, primarily due to the decrease in net trading gain from derivatives and debt securities.

Cost of sales and services

Cost of sales and services of the Target Group increased by RMB13,138 million (or 11.7%) from RMB112,202 million in 2012 to RMB125,340 million in 2013, except for the decrease in the cost of sales and services from the resources and energy business primarily due to the decrease in sales volumes, primarily due to the increase in the cost of sales and services from the real estate and infrastructure business, the others business and the engineering contracting business.

The increase in the cost of sales and services from the real estate and infrastructure business from 2012 to 2013 was primarily because CITIC Real Estate began the settlement of sales for its CITIC New Town project in Beijing and CITIC Hang Town project in Shenzhen and significantly increased the settlement amount of sales for its CITIC Town project in Beijing.

The increase in the cost of sales and services from the others business from 2012 to 2013 was primarily due to the increase in cost of sales and services from the coal trade and transportation business of CITIC Automobile.

The increase in the cost of sales and services from the engineering contracting business from 2012 to 2013 was primarily due to the increase in cost of sales and services from CITIC Construction as a result of the construction work done at the social housing projects in Angola.

Other net income

Other net income of the Target Group increased by RMB806 million (or 15.2%) from RMB5,288 million in 2012 to RMB6,094 million in 2013, primarily due to the increase in (i) the interest income from available-for-sale financial assets of the Target Company; (ii) the net foreign exchange gains from certain subsidiaries of the Target Company and (iii) the share of net profit from the joint ventures of the Target Company.

Impairment losses

Impairment losses on loans and advances to customers and other parties decreased by RMB1,970 million (or 15.5%) from RMB12,709 million in 2012 to RMB10,739 million in 2013, primarily due to decrease in impairment losses on loans and advances to customers and other parties of CITIC Bank.

Impairment losses on other assets of the Target Group decreased by RMB172 million (or 5.5%) from RMB3,105 million in 2012 to RMB2,933 million in 2013, primarily due to the decrease in the impairment losses charged for interests in associates and for amount due from customers for contract work.

Other operating expenses

Other operating expenses of the Target Group increased by RMB7,471 million (or 16.8%) from RMB44,452 million in 2012 to RMB51,923 million in 2013, primarily due to the increase in general and administrative expenses, such as labor costs, property management expenses, depreciation and amortization, other administrative expenses and other miscellaneous expenses, and in business tax and surcharges.

Net valuation gain on investment properties

Net valuation gain on investment properties of the Target Group increased by RMB38 million (or 47.5%) from RMB80 million in 2012 to RMB118 million in 2013.

Share of profit of associates, net of tax

Share of profit of associates, net of tax of the Target Group increased by RMB774 million (or 73.7%) from RMB1,050 million in 2012 to RMB1,824 million in 2013.

Share of profit of joint ventures, net of tax

Share of profit of joint ventures, net of tax of the Target Group decreased by RMB294 million (or 28.2%) from RMB1,044 million in 2012 to RMB750 million in 2013.

Profit before net finance charges and tax

Primarily as a result of the foregoing, profit before net finance charges and tax of the Target Group increased by RMB12,056 million (or 20.9%) from RMB57,584 million in 2012 to RMB69,640 million in 2013. The gross profit margin, of the Target Group calculated by dividing profit before net finance charges and tax by total revenue, increased from 25.9% in 2012 to 27.7% in 2013, primarily due to the increase in net interest income, net fee and commission income, sales of goods and services, other net income and share of profit of associates, net of tax, and the decrease in impairment losses on assets.

Finance costs

Finance costs of the Target Group increased by RMB756 million (or 19.6%) from RMB3,859 million in 2012 to RMB4,615 million in 2013, primarily due to the increase in the interest on other loans and debt securities issued.

Finance income

Finance income of the Target Group decreased by RMB124 million (or 9.7%) from RMB1,276 million in 2012 to RMB1,152 million in 2013.

Profit before tax

Primarily as a result of the foregoing, profit before tax of the Target Group increased by RMB11,176 million (or 20.3%) from RMB55,001 million in 2012 to RMB66,177 million in 2013.

Income tax

Income tax of the Target Group increased by RMB2,258 million (or 15.9%) from RMB14,242 million in 2012 to RMB16,500 million in 2013, primarily due to the increase in profit before tax. The effective income tax rate decreased from 25.9% in 2012 to 24.9% in 2013, primarily due to the decrease in the tax effect of unused tax losses not recognized, the tax effect of non-deductible expenses and the effect of different tax rates in other jurisdiction.

Profit for the year

Primarily as a result of the foregoing, profit for the year of the Target Group increased by RMB8,918 million (or 21.9%) from RMB40,759 million in

2012 to RMB49,677 million in 2013. The net profit margin of the Target Group increased from 18.3% in 2012 to 19.7% in 2013.

Profit for the year attributable to non-controlling interests

Profit for the year attributable to non-controlling interests of the Target Group increased by RMB3,062 million (or 24.8%) from RMB12,355 million in 2012 to RMB15,417 million in 2013.

(B) 2012 Compared to 2011

Interest income

Interest income of the Target Group increased by RMB32,242 million (or 30.0%) from RMB107,481 million in 2011 to RMB139,723 million in 2012, primarily due to the increase in both the average balance and the average yield of its interest-earning assets.

Interest income arising from loans and advances to customers and other parties increased by RMB20,364 million (or 24.5%) from RMB83,013 million in 2011 to RMB103,377 million in 2012, primarily due to the increase in the average balance of loans and advances to customers and other parties and the interest in the average yield of loans and advances to customers and other parties as a result of the continuous rise in CITIC Bank's pricing capability.

Interest income arising from deposits with central banks, banks and non-bank financial institutions increased by RMB4,809 million (or 60.8%) from RMB7,906 million in 2011 to RMB12,715 million in 2012, primarily due to (i) the increase in the average balance of the deposits with the PBOC as a result of the growth in deposits from customers and the increase in statutory deposit reserve requirement, and (ii) the increase in the average balance of the deposits with banks and non-bank financial institutions as a result of CITIC Bank's activity participation in the inter-bank treasury market.

Interest income arising from investment in debt securities increased by RMB2,980 million (or 39.0%) from RMB7,636 million in 2011 to RMB10,616 million in 2012, primarily due to the Target Group's increase in its investment in debt securities and improvement in the term structure of the its debt securities portfolio based on its comprehensive consideration of risk and reward. Both the average balance and the average yield of debt securities increased from 2011 to 2012.

The interest income arising from placements with banks and non-banks financial institutions increased by RMB2,864 million (or 69.4%) from RMB4,126 million in 2011 to RMB6,990 million in 2012, primarily due to the increase in the average balance of the placements with banks and non-bank financial institutions as a result of CITIC Bank's activity participation in the inter-bank treasury market.

Interest expenses

Interest expenses of the Target Group increased by RMB21,964 million (or 53.8%) from RMB40,855 million in 2011 to RMB62,819 million in 2012, primarily due to the increase in the average balance and the average cost rate of the interest-bearing liabilities of the Target Group.

The interest expenses arising from deposits from customers increased by RMB13,652 million (or 43.0%) from RMB31,785 million in 2011 to RMB45,437 million in 2012, primarily due to the increase in the average cost rate and the average balance of deposits from customers.

Interest expenses arising from deposits from banks and non-bank financial institutions increased by RMB7,956 million (or 116.6%) from RMB6,823 in 2011 to RMB14,779 million in 2012, primarily due to the increase in the average balance of the deposits from banks and non-banks financial institutions.

Fee and commission income

Fee and commission income of the Target Group increased RMB3,477 million (or 27.9%) from RMB12,445 million in 2011 to RMB15,922 million in 2012, primarily due to the increase in income from bank card fees, trustee fees and settlement fees.

Fee and commission expenses

Fee and commission expenses of the Target Group increased by RMB357 million (or 56.9%) from RMB627 million in 2011 to RMB984 million in 2012, primarily due to the increase in settlement expenses arising from the use of the settlement networks of various bank card associations.

Sales of goods and services

Sales of goods and services of the Target Group increased by RMB10,243 million (or 8.7%) from RMB117,519 million in 2011 to RMB127,762 million in 2012, primarily due to the increase in sales of goods and services from the resources and energy, manufacturing and others businesses.

The increase in the sales of goods and services from the resources and energy business from 2011 to 2012 is primarily due to the substantial increase in the sales of aluminium ingots and coal that CITIC Resources imported from Australia and other countries to China and the increase in the sales of steel and non-ferrous metal of CITIC Metal.

The increase in the sales of goods and services from the manufacturing business from 2011 to 2012 is primarily due to the impact of the acquisition of KSM Castings by CITIC Dicastal and the increase in the sales of complete-set equipment project and installation and mining equipments by CITIC Heavy Industries. In October 2011, CITIC Dicastal acquired KSM Castings and began to consolidate KSM Castings' results of operation. As a result, CITIC Discastal consolidated the sales of goods and services of KSM Castings for two months in 2011.

The increase in the sales of goods and services from the others business from 2011 to 2012 was primarily due to the increase in sales of goods and services from the coal trade and transportation business and other services of CITIC Automobile and the trade business of CITIC Industrial Investment.

Other revenue

Other revenue of the Target group increased by RMB186 million (or 6.6%) from RMB2,800 million in 2011 to RMB2,986 million in 2012, primarily due to the increase in net trading gain.

Cost of sales and services

Cost of sales and services of the Target Group increased by RMB9,294 million (or 9.0%) from RMB102,908 million in 2011 to RMB112,202 million in 2012, primarily due to the increase in the cost of sales and services from the resources and energy, manufacturing and others businesses.

The increase in the cost of sales and services from the resources and energy business from 2011 to 2012 was primarily due to the substantial increase in the sales of aluminium ingots and coal that CITIC Resources imported from Australia and other countries to China and the increase in the sales of non-ferrous metal and steel by CITIC Metal.

The increase in the cost of sales and services from the manufacturing business from 2011 to 2012 was primarily due to the impact of the acquisition of KSM Castings by CITIC Dicastal in October 2011, as CITIC Dicastal consolidated two months' of KSM Castings' results in 2011, and the increase in the sales of complete-set equipment project and installation and mining equipments by CITIC Heavy Industries.

The increase in the cost of sales and services from the others business from 2011 to 2012 was primarily due to the increase in the cost of sales and services from the coal trade and transportation business and other services of CITIC Automobile.

Other net income

Other net income of the Target Group decreased by RMB3,470 million (or 39.6%) from RMB8,758 million in 2011 to RMB5,288 million in 2012, primarily due to the Target Group's pre-tax gain from the disposal of its entire 25.2% equity interest in Macarthur Coal Limited in 2011 in the amount of RMB4,506 million.

Impairment losses

Impairment losses on loans and advances to customers and other parties of the Target Group increased by RMB6,489 million (or 104.3%) from RMB6,220 million in 2011 to RMB12,709 million in 2012, primarily due to the increase in impairment losses on loans and advances to customers and other parties of CITIC Bank.

Impairment losses on other assets of the Target Group increased by RMB78 million (or 2.6%) from RMB3,027 million in 2011 to RMB3,105 million in 2012, primarily due to the increase in the impairment losses charged for interests in associates.

Other operating expenses

Other operating expenses of the Target Group increased by RMB6,692 million (or 17.7%) from RMB37,760 million in 2011 to RMB44,452 million in 2012, primarily due to the increase in general and administrative expenses, such as labor costs, property management expenses, research and development expenditures and other miscellaneous expenses, and in business tax and surcharges.

Net valuation gain on investment properties

Net valuation gain on investment properties of the Target Group increased by RMB11 million (or 15.9%) from RMB69 million in 2011 to RMB80 million in 2012.

Share of profit of associates, net of tax

Share of profit of associates, net of tax of the Target Group decreased by RMB3,518 million (or 77.0%) from RMB4,568 million in 2011 to RMB1,050 million in 2012, primarily due to the decrease in the share of net profit of CITIC Securities.

Share of profit of joint ventures, net of tax

Share of profit of joint ventures, net of tax of the Target Group increased by RMB441 million (or 73.1%) from RMB603 million in 2011 to RMB1,044 million in 2012.

Profit before net finance charges and tax

Primarily as a result of the foregoing, profit before net finance charges and tax of the Target Group decreased by RMB5,262 million (or 8.4%) from RMB62,846 million in 2011 to RMB57,584 million in 2012. The gross profit margin, of the Target Group calculated by dividing profit before net finance charges and tax by total revenue, decreased from 31.6% in 2011 to 25.9% in 2012, primarily due to the increase in impairment losses on assets and the decrease in the share of net profit of associates and other net income.

Finance costs

Finance costs of the Target Group increased by RMB1,200 million (or 45.1%) from RMB2,659 million in 2011 to RMB3,859 million in 2012, primarily due to the increase in the interest on debt securities issued of the Target Company and the interest on loans of certain subsidiaries of the Target Company.

Finance income

Finance income of the Target Group increased by RMB641 million (or 100.9%) from RMB635 million in 2011 to RMB1,276 million in 2012.

Profit before tax

Primarily as a result of the foregoing, profit before tax of the Target Group decreased by RMB5,821 million (or 9.6%) from RMB60,822 million in 2011 to RMB55,001 million in 2012.

Income tax

Income tax of the Target Group decreased by RMB1,124 million (or 7.3%) from RMB15,366 million in 2011 to RMB14,242 million in 2012, primarily due to the decrease in profit before tax. The effective income tax rate increased from 25.3% in 2011 to 25.9% in 2012, primarily due to the increase in the tax effect of non-deductible expenses.

Profit for the year

Primarily as a result of the foregoing, profit for the year of the Target Group decreased by RMB4,697 million (or 10.3%) from RMB45,456 million in 2011 to RMB40,759 million in 2012. The net profit margin of the Target Group decreased from 22.9% in 2011 to 18.3% in 2012.

Profit for the year attributable to non-controlling interests

Profit for the year attributable to non-controlling interests of the Target Group decreased by RMB1,401 million (or 10.2%) from RMB13,756 million in 2011 to RMB12,355 million in 2012.

H. SEGMENT RESULTS OF OPERATIONS

The Target Group reported its financial results by six segments including financial services, real estate and infrastructure, engineering contracting, resources and energy, manufacturing and other businesses. The tables in this section set forth certain information with respect to the segment results of operations of the Target Group. For more information, see Note 14 to the Accountants' Report of the Target Group included in Appendix I to this circular.

The following table sets forth the revenue of each business segment of the Target Group before inter-segment elimination for the periods indicated:

	For the year ended December 31,					
	2011		2012		2013	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(in millions of RMB, except for percentages)					
Financial Services	80,424	40.5%	93,033	41.8%	108,328	43.0%
Real estate and infrastructure	16,635	8.4%	12,926	5.8%	27,202	10.8%
Engineering contracting	17,626	8.9%	16,674	7.5%	18,385	7.3%
Resources and energy	60,710	30.5%	69,772	31.3%	67,971	27.0%
Manufacturing	16,385	8.2%	19,757	8.9%	19,121	7.6%
Others	9,229	4.6%	12,395	5.6%	12,784	5.1%
Unallocated	2,761	1.4%	3,418	1.5%	3,733	1.5%
Elimination	(5,007)	(2.5%)	(5,385)	(2.4%)	(5,735)	(2.3%)
Total	198,763	100.0%	222,590	100.0%	251,789	100.0%

The following table sets forth the profit or loss before tax of each business segment of the Target Group before inter-segment elimination for the periods indicated:

	For the year ended December 31,					
	2011		2012		2013	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(in millions of RMB, except for percentages)					
Financial Services	49,140	80.8%	46,259	84.1%	57,805	87.3%
Real estate and infrastructure	3,872	6.4%	4,402	8.0%	4,390	6.6%
Engineering contracting	1,367	2.2%	2,654	4.8%	2,481	3.8%
Resources and energy	5,321	8.7%	(363)	(0.7%)	(128)	(0.2%)
Manufacturing	1,356	2.2%	1,313	2.4%	1,001	1.5%
Others	608	1.0%	670	1.2%	899	1.4%
Unallocated	(315)	(0.5%)	433	0.8%	(337)	(0.5%)
Elimination	(527)	(0.8%)	(367)	(0.6%)	66	0.1%
Total	60,822	100.0%	55,001	100.0%	66,177	100.0%

(A) 2013 Compared to 2012

Financial Services. Revenue of the financial services business of the Target Group increased by RMB15,295 million (or 16.4%) from RMB93,033 million in 2012 to RMB108,328 million in 2013, primarily due to the increase in net interest income of CITIC Bank as a result of the continuous increase in the average balance of interest-earning assets. Profit before tax of the financial services business of the Target Group increased by RMB11,546 million (or 25.0%) from RMB46,259 million in 2012 to RMB57,805 million in 2013, primarily due to the increase in the operating income of CITIC Bank and the decrease in the impairment losses on assets.

Real Estate and Infrastructure. Revenue from the real estate and infrastructure business of the Target Group increased by RMB14,276 million (or 110.4%) from RMB12,926 million in 2012 to RMB27,202 million in 2013, primarily because CITIC Real Estate began recognition of sales for its CITIC New Town project in Beijing and CITIC Hang Town project in Shenzhen and significantly increased the recognized amount of sales for its CITIC Town project in Beijing. The profit before tax from the real estate and infrastructure business of the Target Group decreased by RMB12 million (or 0.3%) from RMB4,402 million in 2012 to RMB4,390 million in 2013.

Engineering Contracting. Revenue from the engineering contracting business of the Target Group increased by RMB1,711 million (or 10.3%) from RMB16,674 million in 2012 to RMB18,385 million in 2013, primarily due to the increase in the settlement of revenue of construction contracts from CITIC Construction as a result of the construction work done at the social housing projects in Angola. The profit before tax from the engineering contracting business of the Target Group decreased by RMB173 million (or 6.5%) from RMB2,654 million in 2012 to RMB2,481 million in 2013, primarily because the major engineering contracting projects of CITIC Construction were at an early stage of development when the construction cost was higher.

Resources and Energy. Revenue from the resources and energy business of the Target Group decreased by RMB1,801 million (or 2.6%) from RMB69,772 million in 2012 to RMB67,971 million in 2013, primarily due to the decrease in the revenue from the trade business of CITIC Resources and CITIC Metal. Loss before tax from the resources and energy business of the Target Group decreased by RMB235 million (or 64.7%) million from RMB363 million in 2012 to RMB128 million in 2013, primarily because in December 2012 CITIC Metal completed the acquisition of Tianjin Precious Metal Exchange Co., Ltd. and began to consolidate its results of operations. The resources and energy business of the Target Group recorded a loss before tax in 2013 primarily because key markets for the Target Group's energy and commodities products suffered from an overall contraction in demand and a softening in selling prices whilst operating costs and expenses generally increased.

Manufacturing. The revenue from the manufacturing business of the Target Group decreased by RMB636 million (or 3.2%) from RMB19,757 million in 2012 to RMB19,121 million in 2013, except for the increase in the revenue of CITIC Dicastal as a result of the continuous growth of the PRC automobile industry, primarily due to the decrease in the revenue of CITIC Heavy Industries as a result of (i) the unfavorable market conditions, (ii) the high proportion of revenue generated from sales of complete-set equipment projects and the extended production period for complete-set equipment projects and (iii) the execution of energy management contract projects. As complete-set projects usually take more than one year to execute, and the revenue for the construction and installation part of the complete-set projects are recognized based on the percentage of work competed, the increase in the sales of complete-set projects had an unfavorable effect on the realization of revenue and profit for 2013. Energy management contract projects require CITIC Heavy Industry to advance payments for the modification of equipment at the early stage of the projects. The customers pay the expenses for the modification with the saved energy costs at the later stage of the projects. Therefore, CITIC Heavy Industry cannot recognize revenue at the construction period of the projects. Profit before tax from the manufacturing business of the Target Group decreased by RMB312 million (or 23.8%) from RMB1,313 million in 2012 to RMB1,001 million in 2013, primarily attributable to the decrease in the profit of CITIC Heavy Industries due to the same reasons for the decrease in its revenue.

Others. The revenue from the others business of the Target Group increased by RMB389 million (or 3.1%) from RMB12,395 million in 2012 to RMB12,784 million in 2013, primarily due to the increase in the revenue of CITIC Automobile. The profit before tax from the others business of the Target Group increased by RMB229 (or 34.2%) from RMB670 million in 2012 to RMB899 million in 2013, primarily due to the increase in the share of net profit of CITIC Telecom International.

(B) 2012 Compared to 2011

Financial Services. Revenue from the financial services business of the Target Group increased by RMB12,609 million (or 15.7%) from RMB80,424 million in 2011 to RMB93,033 million in 2012, primarily due to the increase in the net interest income of CITIC Bank as a result of the increase in both the average balance and the average yield of its interest-bearing assets. Profit before tax from the financial services business of the Target Group decreased by RMB2,881 million (or 5.9%) from RMB49,140 million in 2011 to RMB46,259 million in 2012, primarily due to the decrease in the share of net profit of CITIC Securities.

Real Estate and Infrastructure. Revenue from the real estate and infrastructure business of the Target Group decreased by RMB3,709 million (or 22.3%) from RMB16,635 million in 2011 to RMB12,926 million in 2012, primarily due to the significant decrease in the settlement amount of the sales of the properties of the CITIC Town project in Beijing developed by CITIC Real Estate. Profit before tax from the real estate and infrastructure business of the Target Group increased by RMB530 million (or 13.7%) from RMB3,872 million in 2011 to RMB4,402 million in 2012, primarily due to the increase in the non-operating income of CITIC Industrial Investment.

Engineering Contracting. Revenue from the engineering contracting business of the Target Group decreased by RMB952 million (or 5.4%) from RMB17,626 million in 2011 to RMB16,674 million in 2012, primarily due to the increase in revenue from the Angola Social Housing Project Kilamba Kiaxi Phase I developed by CITIC Construction, as it entered into its last stage of development. The profit before tax from the engineering contracting business of the Target Group increased by RMB1,287 million (or 94.1%) from RMB1,367 million in 2011 to RMB2,654 million in 2012, primarily due to the decrease in cost of sales and services from the Angola Social Housing Project Kilamba Kiaxi Phase I as it entered its last stage of development.

Resources and Energy. Revenue from the resources and energy business of the Target Group increased by RMB9,062 million (or 14.9%) from RMB60,710 million in 2011 to RMB69,772 million in 2012, primarily due to the substantial increase in the sales of aluminium ingots and coal that CITIC Resources imported from Australia and other countries to China. Loss before tax for the resources and energy business of the Target Group was RMB363 million in 2012, compared to profit before tax of RMB5,321 million in 2011, primarily because (i) the Target Group recorded a pre-tax gain of RMB4,506 million in 2011 from the disposal its entire 25.2% equity interest in Marcathur Coal Limited; and (ii) as a result of CITIC Dameng's performance and with reference to CITIC Dameng's then market share price, in 2012 CITIC Resources recorded an impairment loss on its interest in CITIC Dameng in the amount of RMB1,536 million.

Manufacturing. Revenue from the manufacturing business of the Target Group increased by RMB3,372 million (or 20.6%) from RMB16,385 million in 2011 to RMB19,757 million in 2012, primarily due to (i) the impact of the acquisition by CITIC Dicastal of KSM Castings in October 2011 as CITIC Dicastal consolidated two months' of KSM Castings' results in 2011, and (ii) the increase in the sales of complete-set equipment project and related installation and the sales of mining equipment of CITIC Heavy Industries. Profit before tax from the manufacturing business of the Target Group decreased by RMB43 million (or 3.2%) from RMB1,356 million in 2011 to RMB1,313 million in 2012.

Others. The revenue from the others business of the Target Group increased by RMB3,166 million (or 34.3%) from RMB9,229 million in 2011 to RMB12,395 million in 2012, primarily due to the increase in the revenue of CITIC Automobile from its coal trade and transportation business and other services and of CITIC Industrial Investment from its trade business. The Profit before tax from the others business of the Target Group increased by RMB62 million (or 10.2%) from RMB608 million in 2011 to RMB670 million in 2012, primarily due to the increase in the profit of CITIC Industrial Investment.

Geographical information

The following table sets forth the breakdown of the Target Group's revenue and total assets by geographical area:

	Revenue from external customers For the year ended December 31,			Total assets As of December 31,		
	2011	2012	2013	2011	2012	2013
			(in millions of RMB)			
Mainland China	160,308	182,812	206,847	2,823,837	3,068,369	3,751,286
Hong Kong and Macau	19,057	18,081	21,520	170,087	175,845	189,776
Overseas	19,398	21,697	23,422	20,773	26,780	24,641
	198,763	222,590	251,789	3,014,697	3,270,994	3,965,703

I. PRINCIPAL COMPONENTS OF THE COMBINED BALANCE SHEET

(A) Assets

As of December 31, 2011, 2012 and 2013, total assets of the Target Group amounted to RMB3,014,697 million, RMB3,270,994 million and RMB3,965,703 million, respectively. The principal components of the total assets include (i) loans and advances to customers and other parties, (ii) cash and deposits, (iii) investments classified as receivables, (iv) financial assets held under resale agreements, (v) available-for-sale financial assets, (vi) held-to-maturity investments, (vii) placements with banks and non-bank institutions, (viii) inventories, (ix) trade and other receivables and (x) fixed assets, representing 48.0%, 17.2%, 7.6%, 7.2%, 5.4%, 3.9%, 3.1%, 2.1%, 1.5% and 1.2%, respectively, of the total assets of the Target Group as of December 31, 2013.

Cash and deposits

Cash and deposits primarily consist of cash, bank deposits (under non-financial services segment), balances with central banks (under financial services segment) and deposits with banks and non-bank financial institutions (under financial services segment). Balances with central banks include statutory deposit reserve funds, surplus deposit reserve funds and fiscal deposits. In addition to statutory deposit reserve funds, the amount of RMB2,953 million, RMB9,300 million and RMB8,544 million included in cash and deposits as of December 31, 2011, 2012 and 2013, respectively, are restricted in use. These restricted-use cash and deposits mainly include deposit pledged for loans, guaranteed deposits and cash received from sale of properties before completion which is under the supervision by the Housing Administration Bureau of the PRC.

The following table sets forth the composition of the cash and deposits of the Target Group as of the dates indicated:

	As of December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Cash	5,043	6,731	6,879
Bank deposits (under the non-financial services segment)	31,953	43,578	43,179
Balances with central banks (under the financial services segment)			
– Statutory deposit reserve funds	297,992	356,243	420,657
– Surplus deposit reserve funds	60,637	62,223	66,056
– Fiscal deposits	2,790	3,034	3,640
Deposits with banks and non-bank financial institutions (under the financial services segment)	387,165	241,514	139,874
Total	785,580	713,323	680,285

Balances with central banks (under the financial services segment) increased from December 31, 2011 to December 31, 2013, primarily due to the growth in deposits from customers and the increase in statutory deposit reserve requirement.

Deposits with banks and non-bank financial institutions (under the financial services segment) decreased from December 31, 2011 to December 31, 2013, primarily due to the decrease in participation in the inter-bank business by CITIC Bank.

Bank deposits (under the non-financial services segment) of the Target Group remained stable from December 31, 2012 to December 31, 2013. Bank deposits (under the non-financial services segment) of the Target Group increased by RMB11,625 million (or 36.4%) from RMB31,953 million as of December 31, 2011 to RMB43,578 million as of December 31, 2012, primarily due to the increase in bank deposits of CITIC Metal, CITIC Construction and CITIC Heavy Industries. The increase in the bank deposits of CITIC Metal was primarily because it acquired Tianjin Precious Metal Exchange Co., Ltd. in December 2012 and began to consolidate the financial conditions of this company. The increase in the bank deposits of CITIC Construction was primarily due to the increase in advance construction contracts receipts and unsettlement construction contracts payments. The increase in the bank deposits of CITIC Heavy Industries was primarily due to the proceeds it received from its listing on the Shanghai Stock Exchange in July 2012.

Placements with banks and non-bank financial institutions

Placements with banks and non-bank financial institutions primarily consists of the funds the financial services business of the Target Group placed with banks and other financial institutions. Non-bank financial institutions primarily include securities companies, trust companies, insurance companies, financial leasing companies and others. Placements with banks and non-bank financial institutions of the Target Group is primarily attributable to CITIC Bank.

Placements with banks and non-bank financial institutions decreased by RMB29,489 million (or 19.4%) from RMB151,803 million as of December 31, 2012 to RMB122,314 million as of December 31, 2013, primarily because the Target Group proactively decreased its placements with banks and non-bank financial institutions based on its liquidity management requirement and its expectation for market interest rates.

Placements with banks and non-bank financial institutions increased by RMB799 million (or 0.5%) from RMB151,004 million as of December 31, 2011 to RMB151,803 million as of December 31, 2012, primarily due to the Target Group's active participation in the inter-bank money market.

The following table sets forth the composition of placements with banks and non-bank financial institutions of the Target Group as of the dates indicated:

	As of December 31,		
	2011	2012	2013
	(in millions of RMB)		
Banks	140,556	132,686	101,132
Non-bank financial institutions	10,456	19,125	21,197
Total	151,012	151,811	122,329
Less: Allowances for impairment losses	(8)	(8)	(15)
Total	151,004	151,803	122,314

The following table sets forth the maturity profile of placements with banks and non-bank financial institutions of the Target Group as of the dates indicated:

	As of December 31,		
	2011	2012	2013
	(in millions of RMB)		
Within one month	68,900	48,721	27,747
Between one month and one year	82,082	103,015	94,447
Over one year	22	67	120
Total	151,004	151,803	122,314

Trade and other receivables

Trade and other receivables primarily consist of trade and bills receivables, interest receivables and prepayments, deposits and other receivables.

The following table sets forth the composition of the trade and other receivables of the Target Group as of the dates indicated:

	As of December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Trade and bills receivables	14,005	16,967	14,403
Interest receivables	10,398	13,716	16,550
Prepayments, deposits and other receivables	28,477	27,349	28,692
Total	52,880	58,032	59,645

Trade and other receivables increased by RMB1,613 million (or 2.8%) from RMB58,032 million as of December 31, 2012 to RMB59,645 million as of December 31, 2013, primarily due to the increase in the interest receivables of CITIC Bank.

Trade and other receivables increased by RMB5,152 million (or 9.7%) from RMB52,880 million as of December 31, 2011 to RMB58,032 million as of December 31, 2012, primarily due to the increase in the interest receivables of CITIC Bank, in the bills receivables of CITIC Metal and in the trade receivables of CITIC Real Estate and CITIC Heavy Industries.

The following table sets forth the ageing analysis of trade and bills receivables of the Target Group based on invoice date and net of allowances for impairment losses as of the dates indicted:

	As of December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Within one year	12,941	14,463	13,065
Over one year	1,769	3,156	1,788
	14,710	17,619	14,853
Less: allowances for impairment losses	(705)	(652)	(450)
	14,005	16,967	14,403

Inventories

Inventories of the Target Group primarily consists of raw materials, work-in-progress, finished goods and properties. Properties primarily consist of properties under development for sale, properties held for sale and other properties. Inventories of the Target Group are primarily attributable to its non-financial services business, especially the real estate and infrastructure business.

The following table sets forth the composition of the inventories of the Target Group as of the dates indicated:

	As of December 31,		
	2011	2012	2013
	(in millions of RMB)		
Raw materials	2,317	1,821	1,918
Work-in-progress	2,236	1,759	2,168
Finished goods	5,849	4,416	4,967
Properties			
Properties under development for sale	54,798	72,720	62,181
Properties held for sale	2,420	4,543	9,890
Others	5,419	3,264	2,277
Others	588	41	294
Total	73,627	88,564	83,695

Inventories decreased by RMB4,869 million (or 5.5%) from RMB88,564 million as of December 31, 2012 to RMB83,695 million as of December 31, 2013, primarily due to the significant settlement of sales of the properties from CITIC Real Estate's property development projects CITIC New Town and CITIC Town in Beijing.

Inventories increased by RMB14,937 million (or 20.3%) from RMB73,627 million as of December 31, 2011 to RMB88,564 million as of December 31, 2012, primarily due to the increase in CITIC Real Estate's properties pending settlement, mainly its CITIC Town project in Beijing and Central Business District project in Tianjin.

Financial assets held under resale agreements

Financial assets held under resale agreements, consisting of debt securities, discounted bills and others, are primarily attributable to CITIC Bank.

Financial assets held under resale agreements of the Target Group increased by RMB218,165 million (or 315.8%) from RMB69,082 million as of December 31, 2012 to RMB287,247 million as of December 31, 2013, primarily because, in view of the trend of market interest rate, the Target Group increase the asset allocation for financial assets held under resale by flexible use of its inter-bank funds.

Financial assets held under resale agreements of the Target Group decreased by RMB93,128 million (or 57.4%) from RMB162,210 million as of December 31, 2011 to RMB69,082 million as of December 31, 2012, primarily because, based on the level of yields of different products, CITIC Bank adjusted the structure of its portfolio, decreased the scale of financial assets held under resale agreements, and appropriately increase the scale of other products.

The following table sets forth a breakdown of the financial assets held under resale agreements of the Target Group by counterparties as of the dates indicated:

	As of December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
PBOC	24,410	–	–
Banks	123,500	61,495	282,515
Non-bank financial institutions	14,300	7,587	4,732
Total	162,210	69,082	287,247

The following table sets forth a breakdown of the financial assets held under resale agreements of the Target Group by types of collaterals as of the dates indicated:

	As of December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Discounted bills	37,931	44,707	225,046
Debt securities	113,094	15,128	48,292
Others	11,185	9,247	13,909
Total	162,210	69,082	287,247

The following table sets forth a breakdown of the financial assets held under resale agreements of the Target Group by remaining maturity as of the dates indicated:

	As of December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Within one month	143,589	44,414	132,445
Between one month and one year	16,168	22,742	149,879
Over one year	2,453	1,926	4,923
	162,210	69,082	287,247

Loans and advances to customers and other parties

Loans and advances to customers and other parties primarily consist of corporate loans and personal loans. Corporate loans primarily consist of loans, discounted loans and lease payment receivables. Personal loans primarily consist of residential mortgage loans, business loans, credit card and other loans. Loans and advances to customers and other parties of the Target Group are primarily attributable to its financial services business. The continued increase in the loans and advances to customers and other parties from December 31, 2011 to December 31, 2013 was primarily attributable to CITIC Bank.

The following table sets forth the composition of loans and advances to customers and other parties of the Target Group as of the dates indicated:

	As of December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Corporate loans			
Loans	1,123,986	1,262,228	1,440,991
Discounted bills	49,451	74,994	64,769
Lease payment receivables	1,704	1,043	696
	1,175,141	1,338,265	1,506,456
Personal loans			
Residential mortgages	178,888	194,614	220,369
Business loans	37,546	63,539	97,767
Credit cards	32,133	54,165	86,494
Others	19,630	22,329	35,923
	268,197	334,647	440,553
	1,443,338	1,672,912	1,947,009
Less: Allowances for			
Individual impairment allowances	(7,039)	(9,942)	(11,644)
Collective impairment allowances	(19,608)	(28,677)	(32,316)
	(26,647)	(38,619)	(43,960)
Total	1,416,691	1,634,293	1,903,049

The continuous increase in corporate loans from December 31, 2011 to December 31, 2013 was primarily because CITIC Bank actively optimized the business structure of its corporate asset business and the allocation of its credit resources and expanded the channel for corporate asset allocation, so as to facilitate the steady growth of its high-yield asset business while expanding the financing channels for its customers and meeting its customer's financing needs.

The proportion of personal loans to loans and advances to customers and third parties increased from 18.6% as of December 31, 2011 to 20.0% as of December 31, 2012, and further to 22.6% as of December 31, 2013, primarily due to CITIC Bank's vigorous expansion of its retail banking business. Within personal loans, the proportion of business loans increased from 14.0% as of December 31, 2011 to 19.0% as of December 31, 2012 and further to 22.2% as of December 31, 2013, and the proportion of credit card loans increased from 12.0% as of December 31, 2011 to 16.2% as of December 31, 2012 and further to 19.6% as of December 31, 2013. The increase of the proportion of business loans and credit card loans to personal loans was primarily because CITIC Bank adjusted its retail credit product structure and focused on the development of personal business loans and credit card loans while maintaining residential mortgage as its core retail business.

The following table sets forth a breakdown of the loans and advances to customers and other parties of the Target Group by types of collaterals as of the dates indicated:

	As of December 31,					
	2011		2012		2013	
	Amount	%	Amount	%	Amount	%
	(in millions of RMB, except percentages)					
Unsecured loans	333,365	23.1%	335,377	20.0%	404,585	20.8%
Guaranteed loans	343,036	23.8%	417,946	25.0%	500,073	25.7%
Loans with pledged assets	717,486	49.7%	844,595	50.5%	977,582	50.2%
Discounted loans	49,451	3.4%	74,994	4.5%	64,769	3.3%
Total	1,443,338	100.0%	1,672,912	100.0%	1,947,009	100.0%

As of December 31, 2011, 2012 and 2013, the proportion of unsecured loans to total loans and advances to customers and third parties were 23.1%, 20.0% and 20.8%, respectively. Except for the decrease in discounted loans from December 31, 2012 to December 31, 2013, the three other types of loans all increased steadily from December 31, 2011 to December 31, 2013, and their respective proportion to loans and advances to customers and third parties also remained stable during the same period.

The following table sets forth a breakdown, by assessment method of allowances for impairment losses, of loans and advances to customers and other parties of the Target Group as of the dates indicated:

	At December 31, 2011				
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	Total	Gross impaired loans and advances as a percentage of gross total loans and advances
	(in millions of RMB)				
Gross loans and advances	1,427,479	877	14,982	1,443,338	1.10%
Less: Allowances for impairment losses	(18,856)	(752)	(7,039)	(26,647)	
	1,408,623	125	7,943	1,416,691	

	At December 31, 2012				
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances			Gross impaired loans and advances as a percentage of gross total loans and advances
		for which allowances are collectively assessed	for which allowances are individually assessed	Total	
	(in millions of RMB)				
Gross loans and advances	1,653,995	1,296	17,621	1,672,912	1.13%
Less: Allowances for impairment losses	(27,694)	(983)	(9,942)	(38,619)	
	1,626,301	313	7,679	1,634,293	

	At December 31, 2013				
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances			Gross impaired loans and advances as a percentage of gross total loans and advances
		for which allowances are collectively assessed	for which allowances are individually assessed	Total	
	(in millions of RMB)				
Gross loans and advances	1,921,967	3,552	21,490	1,947,009	1.29%
Less: Allowances for impairment losses	(29,636)	(2,680)	(11,644)	(43,960)	
	1,892,331	872	9,846	1,903,049	

Impaired loans and advances include loans and advances for which objective evidence of impairment exists and which have been assessed as bearing significant impairment losses. These loans and advances include loans and advances for which objective evidence of impairment has been identified individually, or collectively. Collective identification is based on the portfolios of homogeneous loans and advances. As of December 31, 2011, 2012 and, 2013, impaired loans and advances for which allowances are collectively or individually assessed amounted to RMB15,859 million, RMB18,917 million and RMB25,042 million, respectively, representing 1.10%, 1.13% and 1.29%, respectively, of the loans and advances to customers and other parties of the Target Group. As of December 31, 2011, 2012 and 2013, allowances for impairment losses on loans and advances to customers and other parties were RMB7,791 million, RMB10,925 million and RMB14,324 million, respectively.

Available-for-sale financial assets

Available-for-sale financial assets mainly include debt securities, wealth management products, certificates of deposits and equity investments.

The following table sets forth the composition of the available-for-sale financial assets of the Target Group as of the dates indicated:

	As of December 31,		
	2011	2012	2013
	(in millions of RMB)		
Debt securities	127,267	192,617	173,386
Wealth management products	10,423	26,510	33,568
Certificate of deposits	1,766	3,787	4,828
Equity investments	5,217	5,862	4,796
	144,673	228,776	216,578
Less: Allowances for impairment losses	(499)	(470)	(1,182)
Total	144,174	228,306	215,396

The decrease in available-for-sale financial assets from December 31, 2012 to December 31, 2013 was primarily because CITIC Bank proactively adjusted its debt securities allocation scale and investment structure based on its liquidity management requirement and its expectation for market interest rates.

The increase in available-for-sale financial assets from December 31, 2011 to December 31, 2012 was primarily due to the increase in debt securities and wealth management products. The increase in available-for-sale debt securities was primarily because CITIC Bank increased investment in high-yield medium to long term bonds and high-credit-rating corporate bonds based on its judgment of the trends of future market interest rates and full consideration of investment returns, risks and liquidity management requirements. The increase in available-for-sale wealth management products was primarily due to the increase in the wealth management products of the Target Company and CITIC Construction.

The following table sets forth a breakdown of the available-for-sale financial assets of the Target Group by types of issuers as of the dates indicated:

	As of December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Government	22,911	35,096	38,578
PBOC	11,611	6,325	–
Policy banks	39,477	19,252	26,713
Banks and non-bank financial institutions	14,415	81,356	85,928
Corporate entities	55,760	86,277	64,177
	144,174	228,306	215,396

The following table sets forth a breakdown of the available-for-sale financial assets of the Target Group by remaining maturity as of the dates indicated:

	As of December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Within three months	29,149	37,481	32,330
Between three months and one year	34,446	57,787	27,546
Over one year	75,245	125,672	149,138
No fixed terms	5,334	7,366	6,382
	144,174	228,306	215,396

Held-to-maturity investments

The held-to-maturity investments of the Target Group consist of debt securities and are mainly attributable to its financial services business. The increase in held-to-maturity investments from December 31, 2011 to December 31, 2013 is primarily because CITIC Bank increased investment in high-yield medium to long term bonds and high-credit-rating corporate bonds based on its judgment of the trends of future market interest rates and full consideration of investment returns, risks and liquidity management requirements.

The following table sets forth a breakdown of the held-to-maturity investments of the Target Group by types of issuers as of the dates indicated:

	As of December 31,		
	2011	2012	2013
	(in millions of RMB)		
Government	38,899	35,280	40,119
PBOC	13,523	4,728	–
Policy banks	24,631	24,733	20,296
Banks and non-bank financial institutions	18,389	49,024	61,471
Corporate entities	12,385	20,640	32,906
	107,827	134,405	154,792

The following table sets forth a breakdown of the held-to-maturity investments of the Target Group by remaining maturity as of the dates indicated:

	As of December 31,		
	2011	2012	2013
	(in millions of RMB)		
Within three months	1,807	1,137	5,309
Between three months and one year	24,846	18,092	12,709
Over one year	81,174	115,176	136,774
	107,827	134,405	154,792

Investments classified as receivables

Investments classified as receivables primarily consist of trust investment plans, investment management products managed by securities companies, wealth management products issued by financial institutions, corporate bonds and other investments. The investments classified as receivables of the Target Group are entirely attributable to its financial services business.

The following table sets forth the breakdown of the investments classified as receivables of the Target Group by the types of assets as of the dates indicated:

	As of December 31,		
	2011	2012	2013
	(in millions of RMB)		
Trust investment plans	–	26,880	96,999
Investment management products managed by securities companies	–	3,269	114,987
Wealth management products issued by financial institutions	–	4,030	65,558
Corporate bonds	–	15,370	20,814
Others	–	6,886	1,800
Total	–	56,435	300,158

Investments classified as receivables increased by RMB243,723 million (or 431.9%) from RMB56,435 million as of December 31, 2012 to RMB300,158 million as of December 31, 2013, primarily due to the increase in investment management products managed by securities companies, trust investment plans and wealth management products issued by financial institutions.

Fixed assets

Fixed assets primarily consist of properties, plants and equipment and land use rights.

The following table sets forth the composition of the net book value of the fixed assets of the Target Group as of the dates indicated:

	As of December 31,		
	2011	2012	2013
	(in millions of RMB)		
Plants and buildings	12,163	13,671	14,948
Machinery and equipment	8,600	8,183	9,074
Construction in progress	4,242	4,745	4,795
Office and other equipment	2,392	2,705	3,653
Motor vehicles	2,072	2,832	3,330
Land use rights	3,482	3,407	10,540
Others	547	601	698
Total	33,498	36,144	47,038

Fixed assets increased by RMB10,894 million (or 30.1%) from RMB36,144 million as of December 31, 2012 to RMB47,038 million as of December 31, 2013, primarily due to the increase in land use rights. Land use rights increased by RMB7,133 million (or 209.4%) from RMB3,407 million as of December 31, 2012 to RMB10,540 million as of December 31, 2013, primarily due to the land use rights CITIC Heye acquired in Beijing.

Fixed assets increased by RMB2,646 million (or 7.9%) from RMB33,498 million as of December 31, 2011 to RMB36,144 million as of December 31, 2012, primarily due to the increase in plants and buildings. Plants and buildings increased by RMB1,508 million (or 12.4%) from RMB12,163 million as of December 31, 2011 to RMB13,671 million as of December 31, 2012, primarily attributable to CITIC Bank and CITIC Investment Holdings.

(B) Liabilities

As of December 31, 2011, 2012 and 2013, total liabilities of the Target Group amounted to RMB2,770,371 million, RMB2,984,119 million and RMB3,646,065 million, respectively. The principal components of the total liabilities include (i) deposits from customers, (ii) deposits from banks and non-bank financial institutions, (iii) trade and other payables, (iv) debt securities issued and (v) bank and other loans, representing 72.2%, 15.3%, 3.8%, 3.6% and 2.6%, respectively, of the total liabilities of the Target Group as of December 31, 2013.

Deposits from banks and non-bank financial institutions

Deposits from banks and non-bank financial institutions of the Target Group are entirely attributable to CITIC Bank, primarily consist of inter-bank time deposits (including call deposits) and inter-bank demand deposits.

The following table sets forth the composition of the deposits from banks and non-bank financial institutions of the Target Group as of the dates indicated:

	As of December 31,		
	2011	2012	2013
	(in millions of RMB)		
Banks	414,150	245,488	328,140
Non-bank financial institutions	120,917	123,915	229,764
	535,067	369,403	557,904

The following table sets forth the breakdown of the deposits from banks and non-bank financial institutions of the Target Group by remaining maturity as of the dates indicated:

	As of December 31,		
	2011	2012	2013
	(in millions of RMB)		
Within three months	525,399	298,745	350,604
Between three months and one year	9,668	70,658	161,734
Over one year	–	–	45,566
	535,067	369,403	557,904

Trade and other payables

Trade and other payables primarily consist of trade and bills payables, advances from customers, interest payables, other taxes payables, settlement accounts, payment and collection clearance accounts and other payables.

The following table sets forth the composition of the trade and other payables of the Target Group as of the dates indicated:

	As of December 31,		
	2011	2012	2013
	(in millions of RMB)		
Trade and bills payables	25,879	29,262	32,828
Advances from customers	22,084	36,666	25,874
Interest payables	14,274	22,686	29,335
Other taxes payables	3,526	3,791	3,340
Settlement accounts	1,169	808	11,897
Payment and collection clearance accounts	444	502	319
Other payables	27,020	34,602	35,040
Total	94,396	128,317	138,633

Trade and other payables increased by RMB10,316 million (or 8.0%) from RMB128,317 million as of December 31, 2012 to RMB138,633 million as of December 31, 2013, primarily due to the increase in settlement accounts, interest payables and trade and bills payables.

Settlement accounts increased by RMB11,089 million (or 1,372.4%) from RMB808 million as of December 31, 2012 to RMB11,897 million as of December 31, 2013, primarily attributable to CITIC Bank. Interest payables increased by RMB6,649 million (or 29.3%) from RMB22,686 million as of December 31, 2012 to RMB29,335 million as of December 31, 2013, primarily due to the increase in CITIC Bank's interest payables on deposits and other interest payables.

Trade and bills payables increased by RMB3,566 million (or 12.2%) from RMB29,262 million as of December 31, 2012 to RMB32,828 million as of December 31, 2013, primarily due to the increase in the trade payables of CITIC Construction and CITIC Real Estate. The increase in the trade payables of CITIC Construction was primarily due to increase in the trade payables from its engineering contracting projects in Angola and Venezuela. The increase in the trade payables of CITIC Real Estate was primarily due to the construction costs it accrued in accordance with the construction progress made at its property development projects CITIC Redwood Bay in Zhuhai, CITIC Hang Town in Shenzhen and Central Business District project in Tianjin.

Trade and other payables increased by RMB33,921 million (or 35.9%) from RMB94,396 million as of December 31, 2011 to RMB128,317 million as of December 31, 2012, primarily due to the increase in advances from customers, interest payables, other payables and the trade and bills payables.

Advances from customers increased by RMB14,582 million (or 66.0%) from RMB22,084 million as of December 31, 2011 to RMB36,666 million as of December 31, 2012, primarily attributable to CITIC Construction's engineering contracting projects in Angola and Venezuela and CITIC Real Estate's property development projects CITIC New Town and CITIC Town in Beijing and CITIC Kaixuan Town in Huizhou.

Interest payables increased by RMB8,412 million (or 58.9%) from RMB14,274 million as of December 31, 2011 to RMB22,686 million as of December 31, 2012, primarily due to the increase in CITIC Bank's interest payables on deposits and other interest payables.

Other payables increased by RMB7,582 million (or 28.1%) from RMB27,020 million as of December 31, 2011 to RMB34,602 million as of December 31, 2012, primarily because CITIC Metal acquired Tianjin Precious Metal Exchange Co., Ltd. in December 2012 and began to consolidate its financial conditions and CITIC Real Estate increased its project cooperation payables.

Trade and bills payables increased by RMB3,383 million (or 13.1%) from RMB25,879 million as of December 31, 2011 to RMB29,262 million as of December 31, 2012, primarily attributable to the engineering contracting projects of CITIC Construction in Angola and Venezuela and the extension of credit terms obtained by CITIC United Asia from its suppliers for its platinum sales business.

The following table sets forth the ageing analysis of the trade and other payables of the Target Group based on the maturity dates as of the dates indicated:

	As of December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
On demand	7,652	10,629	23,487
Within three months	5,313	4,605	4,320
Between three months and one year	11,844	13,972	4,763
Over one year	1,070	56	258
	25,879	29,262	32,828

Deposits from customers

Deposits from customers of the Target Group are entirely attributable to CITIC Bank, and primarily consist of demand deposits, time and call deposits and outward remittance and remittance payables from its corporate and personal customers.

The following table sets forth the composition of the deposits from customers of the Target Group as of the dates indicated:

	As of December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Demand deposits			
Corporate customers	763,511	830,728	919,994
Personal customers	91,761	102,120	127,430
Subtotal	855,272	932,848	1,047,424
Time and call deposits			
Corporate customers	835,035	983,527	1,191,074
Personal customers	254,202	310,311	387,311
Subtotal	1,089,237	1,293,838	1,578,385
Outward remittance and remittance payables	4,791	6,436	6,343
Total	1,949,300	2,233,122	2,632,152

The rapid and steady growth of the deposits from corporate customers of the Target Group was primarily because CITIC Bank made proactive efforts to transform the growth model of its corporate liabilities business, expanded its diversified source channels of corporate deposits, reinforced the growth of its low-cost deposits with stable sources, strengthened the uniform planning, refined management and systematic marketing of its institutional business to support and drive forward corporate liabilities business with products such as cash management, supply chain finance, investment banking and international business, and enhanced its innovation of deposit products.

The steady growth of the deposits from personal customers of the Target Group was primarily because CITIC Bank steadily moved its retail banking at outlets towards sales orientation and provided more comprehensive wealth management to retail customers. By boosting construction of savings channels and innovating wealth management products, CITIC Bank achieved steady growth in retail assets under management

Bank and other loans

Bank and other loans include bank loans and other loans, primarily attributable to the non-financial services businesses of the Target Group.

The following table sets forth the composition of bank and other loans of the Target Group as of the dates indicated:

	As of December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Bank loans			
Unsecured loans	54,660	36,251	37,453
Loans pledged with assets	10,338	15,389	13,953
Guaranteed loans	463	2,877	8,952
Subtotal	65,461	54,517	60,358
Other loans			
Unsecured loans	7,398	17,697	32,530
Loans pledged with assets	161	1,983	2,182
Guaranteed loans	219	1,099	210
Subtotal	7,778	20,779	34,922
Total	73,239	75,296	95,280

Bank and other loans increased by RMB19,984 million (or 26.5%) from RMB75,296 million as of December 31, 2012 to RMB95,280 million as of December 31, 2013, primarily due to the increase in unsecured loans under other loans and guaranteed loans under bank loans.

Unsecured loans under other loans increased by RMB14,833 million (or 83.8%) from RMB17,697 million as of December 31, 2012 to RMB32,530 million as of December 31, 2013, primarily attributable to (i) the increase in unsecured loans from CITIC Real Estate's Port of Dalian project, CITIC New Town and CITIC Town property development projects in Beijing, Huizhou project and Ligang South Bay project in Guangzhou, and (ii) the new financing the Target Company obtained.

Guaranteed loans under bank loans increased by RMB6,075 million (or 211.2%) to from RMB2,877 million as of December 31, 2012 RMB8,952 million as of December 31, 2013, primarily because (i) CITIC Metal increased guaranteed loans for its investment in Companhia Brasileira de Metalurgia e Mineração, or CBMM and (ii) certain subsidiaries of CITIC United Asia changed their financing means by replacing note financing with low cost guaranteed loans to reduce their financial costs.

Bank and other loans increased by RMB2,057 million (or 2.8%) from RMB73,239 million as of December 31, 2011 to RMB75,296 million as of December 31, 2012, primarily due to the increase in unsecured loans under other loans, in loans pledged with assets under bank loans and in guaranteed loans under bank loans.

Unsecured loans under other loans increased by RMB10,299 million (or 139.2%) from RMB7,398 million as of December 31, 2011 to RMB17,697 million as of December 31, 2012, primarily attributable to CITIC Real Estate's CITIC Town project in Beijing, Port of Dalian project, CITIC Town project in Changchun, CITIC Hang Town project in Shenzhen and Huizhou project.

Loans pledged with assets under bank loans increased by RMB5,051 million (or 48.9%) from RMB10,338 million as of December 31, 2011 to RMB15,389 million as of December 31, 2012, primarily attributable to CITIC Real Estate's CITIC Town project in Beijing, Liang South Bay project in Guangzhou, CITIC New Town project in Beijing, CITIC Town project in Changchun and Huizhou project.

Guaranteed loans under bank loans increased by RMB2,414 million (or 521.4%) from RMB463 million as of December 31, 2011 to RMB2,877 million as of December 31, 2012, primarily attributable to CITIC Real Estate's Ligang South Bay project in Guangzhou and Zhongxin Bay project in Zhuhai and CITIC Metal's investment in CBMM.

The following table sets forth the breakdown of the bank and other loans of the Target Group by maturity as of the dates indicated:

	As of December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Within one year or repayable on demand	33,422	32,169	36,289
Between two and five years	35,513	36,931	54,600
Over five years	4,304	6,196	4,391
	73,239	75,296	95,280

The following table sets forth the breakdown of the bank and other loans of the Target Group by currencies as of the dates indicated:

	As of December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
RMB	46,214	53,941	55,339
US dollar	21,147	16,971	33,979
Hong Kong dollar	3,313	2,786	2,413
Other currencies	2,565	1,598	3,549
Total	73,239	75,296	95,280

Debt securities issued

Debt securities issued primarily consist of corporate bonds, notes, subordinated debts, certificates of deposits and convertible bonds. The increase in debt securities issued of the Target Group from December 31, 2011 to December 31, 2013 was primarily because the Target Group obtained more financing through issuance of debt securities to optimize its debt structure and reduce the cost of financing.

The following table sets forth the composition of debt securities issued by the Target Group as of the dates indicated:

	As of December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Corporate bonds issued	28,888	28,844	25,632
Notes issued	20,941	30,325	45,583
Subordinated debts issued	24,120	43,901	45,279
Certificates of deposit issued	8,576	11,593	15,686
Convertible bonds issued	–	492	223
	82,525	115,155	132,403

Debt securities issued increased by RMB17,248 million (or 15.0%) from RMB115,155 million as of December 31, 2012 to RMB132,403 million as of December 31, 2013, primarily due to the increase in notes issued and certificates of deposits issued.

Notes issued increased by RMB15,258 million (or 50.3%) from RMB30,325 million as of December 31, 2012 to RMB45,583 million as of December 31, 2013, primarily due to the financial notes with face value of RMB15,000 million and fixed interest rate of 5.20% per annum issued by CITIC Bank in November 2013.

Certificates of deposit issued increased by RMB4,093 million (or 35.3%) from RMB11,593 million as of December 31, 2012 to RMB15,686 million as of December 31, 2013, primarily due to the increase in interbank deposits and certificates of deposits issued by CBI.

Debt securities issued increased by RMB32,630 million (or 39.5%) from RMB82,525 million as of December 31, 2011 to RMB115,155 million as of December 31, 2012, primarily due to the increase in subordinated debts issued, notes issued and certificates of deposits issued.

Subordinated debts issued increased by RMB19,781 million (or 82.0%) from RMB24,120 million as of December 31, 2011 to RMB43,901 million as of December 31, 2012, primarily due to the fixed rate subordinated debts due 2027 with face value of RMB20,000 million issued by CITIC Bank in June 2012.

Notes issued increased by RMB9,384 million (or 44.8%) from RMB20,941 million as of December 31, 2011 to RMB30,325 million as of December 31, 2012, primarily due to the medium term notes with face value of RMB9,000 million issued by the Target Company in March 2012.

Certificates of deposits issued increased by RMB3,017 million (or 35.2%) from RMB8,576 million as of December 31, 2011 to RMB11,593 million as of December 31, 2012, entirely due to increase in certificates of deposits issued by CITIC Bank.

The following table sets forth the breakdown of the debt securities issued of the Target Group by remaining maturity as of the dates indicated:

	As of December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Within one year or repayable on demand	9,560	13,388	22,043
Between two and five years	19,783	23,453	33,552
Over five years	53,182	78,314	76,808
	82,525	115,155	132,403

J. CASH FLOWS

The following table sets forth a selected summary of the combined cash flows statements for the periods indicated:

	For the year ended December 31,		
	2011	2012	2013
	(in millions of RMB)		
Net cash generated from/ (used in) operating activities	306,175	(34,860)	(121,997)
Net cash used in investing activities	(2,300)	(124,585)	(35,753)
Net cash generated from financing activities	8,590	26,536	25,153
Net increase/(decrease) in cash and cash equivalents	312,465	(132,909)	(132,597)
Cash and cash equivalents at January 1	199,987	509,189	376,375
Effect of exchange rate changes	(3,263)	95	(1,567)
Cash and cash equivalents at December 31	509,189	376,375	242,211

(A) Net cash generated from/(used in) operating activities

Cash inflows generated from the operating activities of the Target Group are primarily due to changes in deposits from customers and deposits from banks and non-bank financial institutions. Cash outflows used in the operating activities of the Target Group are primarily due to changes in loans and advances to customers and other parties, investments classified as receivables, financial assets held under resale agreements and deposits with banks and non-bank financial institutions. For detailed information on the changes in deposits from customers, deposits from banks and non-bank financial institutions, loans and advances to customers and other parties, investments classified as receivables, financial assets held under resale agreements and deposits with banks and non-bank financial institutions, please refer to "— I. Principal Components of the Combined Balance Sheet" section of this circular.

In 2013, the Target Group had net cash used in operating activities of RMB121,997 million, primarily because the net cash outflows arising from changes in working capital and income taxes paid in aggregate exceeded the adjusted profit before tax of the Target Group. The cash outflows arising from changes in working capital were primarily due to (i) an RMB288,329 million increase in loans and advances to customers and other parties, (ii) an RMB243,723 million increase in investments classified as receivables, (iii) an RMB218,223 million increase in financial assets held under resale agreements, and (iv) an RMB83,450 million increase in deposits with banks and non-bank financial institutions. The cash inflows arising from changes in working capital were primarily due to (i) an RMB411,418 million increase in deposits from customers, and (ii) an RMB190,322 million increase in deposits from banks and non-bank financial institutions.

In 2012, the Target Group had net cash used in operating activities of RMB34,860 million, primarily because the net cash outflows arising from changes in working capital and income taxes paid in aggregate exceeded the adjusted profit before tax of the Target Group. The cash outflows arising from changes in working capital were primarily due to (i) an RMB226,920 million increase in loans and advances to customers and other parties, (ii) an RMB165,427 million decrease in deposits from banks and non-bank financial institutions, (iii) an RMB56,435 million increase in investments classified as receivables, and (iv) an RMB32,969 million increase in deposits with banks and non-bank financial institutions. The cash inflows arising from changes in working capital were primarily due to (i) an RMB285,776 million increase in deposits from customers, and (ii) an RMB93,129 million decrease in financial assets held under resale agreements.

In 2011, the Target Group had net cash generated from operating activities of RMB306,175 million, primarily because the Target Group generated net cash inflows from changes in working capital. The cash inflows arising from changes in working capital were primarily due to (i) an RMB394,215 million increase in deposits from banks and non-bank financial institutions, and (ii) an RMB251,950 million increase in deposits from customers. The cash inflows arising from changes in working capital were primarily due to (i) an RMB175,129 million increase in loans and advances to customers and other parties, (ii) an RMB117,386 million increase in deposits with banks and non-bank financial institutions, (iii) an RMB67,903 million increase in placements with banks and non-bank financial institutions.

(B) Net cash used in investing activities

Cash inflows generated from investing activities of the Target Group primarily consist of proceeds from disposal and redemption of investments. Cash outflows used in investing activities primarily consist of payments for acquisition of investments, primarily attributable to CITIC Bank.

In 2013, the Target Group had net cash used in investing activities of RMB35,753 million, primarily due to the payments for acquisition of investments of RMB535,585 million, partially offset by the proceeds from disposal and redemption of investments of RMB522,164 million.

In 2012, the Target Group had net cash used in investing activities of RMB124,585 million, primarily due to the payments for acquisition of investments of RMB702,251 million, partially offset by the proceeds from disposal and redemption of investments of RMB583,789 million.

In 2011, the Target Group had net cash used in investing activities of RMB2,300 million, primarily due to the payments for acquisition of investments of RMB517,490 million, partially offset by the proceeds from disposal and redemption of investments of RMB516,993 million.

(C) Net cash generated from financing activities

Cash inflows generated from financing activities of the Target Group primarily consist of proceeds from new bank and other loans and from new debt securities issued. Cash outflows used in financing activities primarily consist of repayments of bank and other loans and debt securities issued and interest paid on bank and other loans and debt securities issued.

In 2013, the Target Group had net cash generated from financing activities of RMB25,153 million, primarily due to the proceeds from new bank and other loans of RMB84,997 million and from new debt securities issued of RMB32,183 million, partially offset by the repayments of bank and other loans and debt securities issued of RMB76,580 million and interest paid on bank and other loans and debt securities issued of RMB10,417 million.

In 2012, the Target Group had net cash generated from financing activities of RMB26,536 million, primarily due to the proceeds from new bank and other loans of RMB61,395 million and from new debt securities issued of RMB44,847 million, partially offset by the repayments of bank and other loans and debt securities issued of RMB72,964 million and interest paid on bank and other loans and debt securities issued of RMB8,412 million.

In 2011, the Target Group had net cash generated from financing activities of RMB8,590 million, primarily due to the proceeds from new bank and other loans of RMB50,418 million, the proceeds from new debt securities issued of RMB11,000 million, and capital injection received from non-controlling interest of RMB10,536 million, partially offset by the repayments of bank and other loans and debt securities issued of RMB53,248 million.

K. LIQUIDITY AND CAPITAL RESOURCES

(A) Overview

The financial services business of Target Group fund its loan and investment portfolio principally through its deposits from customers and other methods. The non-financial services businesses of the Target Group fund their working capital and other capital requirements primarily from cash flows from operating activities, proceeds from issuing equity securities, borrowings from commercial banks and other financial institutions, proceeds from issuing debt securities and other methods. As of December 31, 2013, the Target Group had cash and deposits of RMB680,285 million.

Upon Completion, the Enlarged Group will continue to rely on cash from operating activities, borrowing from commercial banks and other financial institutions and issuance of bonds or other securities to meet its working capital requirements.

(B) Total Equity

As of December 31, 2011, 2012 and 2013, the total equity of the Target Group was RMB244,326 million, RMB286,875 million and RMB319,638 million. The following table sets forth the components of the changes in the total equity of the Target Group for the periods indicated:

	Total equity attributable to equity shareholders of the Target Company	Non-controlling interests	Total equity
		(in millions of RMB)	
As of January 1, 2011	131,765	59,545	191,310
Profit for the year	31,700	13,756	45,456
Other comprehensive income for the year	(1,537)	(470)	(2,007)
Total comprehensive income for the year	30,163	13,286	43,449
Capital contribution by shareholders	–	10,536	10,536
Arising from restructuring in 2011	173	–	173
Acquisition of subsidiaries under common control	222	–	222
Dividends paid by subsidiaries to non-controlling interests	–	(1,189)	(1,189)
Others	15	(190)	(175)
Other changes in equity	410	9,157	9,567
As of December 31, 2011	162,338	81,988	244,326

	Total equity attributable to equity shareholders of the Target Company	Non-controlling interests	Total equity
		(in millions of RMB)	
Profit for the year	28,404	12,355	40,759
Other comprehensive income for the year	76	173	249
Total comprehensive income for the year	28,480	12,528	41,008
Capital contribution by shareholders	–	4,275	4,275
Dividends paid by subsidiaries to non-controlling interests	–	(3,094)	(3,094)
Acquisition of subsidiaries under common control	207	(204)	3
Transactions with non-controlling interests	1,225	(1,610)	(385)
Dividends received from CITIC Pacific Limited	766	–	766
Others	(216)	192	(24)
Other changes in equity	1,982	(441)	1,541
As of December 31, 2012	192,800	94,075	286,875

	Total equity attributable to equity shareholders of the Target Company	Non-controlling interests	Total equity
		(in millions of RMB)	
Profit for the year	34,260	15,417	49,677
Other comprehensive income for the year	(4,182)	(1,102)	(5,284)
Total comprehensive income for the year	30,078	14,315	44,393
Capital contribution by shareholders	–	308	308
Dividends paid by subsidiaries to non-controlling interests	–	(3,180)	(3,180)
Acquisition of subsidiaries under common control	(1,895)	–	(1,895)
Transactions with non-controlling interests	3,367	(10,910)	(7,543)
Dividends received from CITIC Pacific Limited	670	–	670
Others	31	(21)	10
Other changes in equity	2,173	(13,803)	(11,630)
As of December 31, 2013	225,051	94,587	319,638

(C) Commitments and Contingent Liabilities

Credit commitments

Credit commitments of the Target Group primarily consist of loan commitments, credit card limits, financial guarantees and letters of credit. Loan commitments represent the undrawn amount of approved loans with signed contracts and credit card limits. Financial guarantees and letters of credit represent guarantee provided by the Target Group to guarantee the performance of customers to third parties.

The following table sets forth the contractual amounts of the credit commitments of the Target Group as of the dates indicated:

	As of December 31,		
	2011	2012	2013
	(in millions of RMB)		
Loan commitments			
– With an original maturity of within one year	80,113	100,858	86,020
– With an original maturity of one year or beyond	15,667	11,158	48,755
Guarantees	64,527	103,727	129,670
Letters of credit	243,703	166,275	199,833
Acceptances	503,196	665,621	695,018
Credit card commitments	60,937	80,452	95,217
Others	3,807	4,400	2,568
	971,950	1,132,491	1,257,081

Bond redemption obligations

CITIC Bank is an underwriting agent of PRC government bonds. CITIC Bank has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. As of December 31, 2011, 2012 and 2013, the bond redemption obligations of CITIC Bank were RMB5,465 million, RMB4,525 million and RMB3,792 million.

Guarantees provided

Guarantees provided by the Target Group primarily consist of loan guarantees and other liquidity guarantees to related parties and third parties.

The following table sets forth the composition of guarantees provided of the Target Group, except for guarantees that have been recognized as liabilities, as of the dates indicated:

	As of December 31,		
	2011	2012	2013
	(in millions of RMB)		
Related parties	5,470	4,420	4,700
Third parties	550	1,402	3,154
Total	6,020	5,822	7,854

Capital commitments

Capital commitments of the Target Group were made primarily to make capital construction and to purchase property, plant and equipment for its business expansion.

The following table sets forth the capital commitments of the Target Group not provided for in its financial statements as of the dates indicated:

	As of December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Contracted for	19,045	22,498	20,624
Authorized but not contracted for	1,620	400	736
Total	20,665	22,898	21,360

Operating lease commitments

The Target Group leases certain properties and fixed assets such as equipments under operating leases.

The following table sets forth the future minimum lease payments under non-cancellable operating lease commitments of the Target Group as of the dates indicated:

	As of December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Within one year	1,547	2,073	2,869
Between one and two years	1,378	1,889	2,657
Between two and three years	1,269	1,742	2,376
Over three years	4,570	4,864	7,596
	8,764	10,568	15,498

Contingent liabilities

Due to the nature of its business, the Target Company and its subsidiaries are involved in certain legal proceedings in the ordinary course of business, including litigation and arbitration. The Target Group makes provision, from time to time, for the probable losses with respect to those claims when its management can reasonably estimate the outcome of the proceedings, in light of the legal advice received by the Target Group. The Target Group does not make provision for pending litigation when the outcome of the litigation cannot be reasonably estimated or when its management believes that the probability of loss is remote or that any resulting liabilities will not have a material adverse effect on its financial condition or business operation.

(D) Involvement with uncombined structured entities

Interests in Structured Entities Sponsored by Third Party Institutions

The Target Group holds interests in structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. The Target Group invests in the wealth management products, investment management products managed by securities companies, trust investment plans, asset-backed financings and investment funds managed by these structured entities but does not combine these structured entities in its financial statements. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and are financed through issuance of notes to investors.

The following table sets forth the carrying amounts of interests held by the Target Group in the structured entities sponsored by third party institutions, as well as the line items in the balance sheets in which relevant assets are recognized, as of the dates indicated:

	As of December 31, 2011						
	Held-to-maturity investments	Available-for-sale financial assets	Investments classified as receivables	Financial assets held under resale agreements	Total	Guarantee	Maximum loss exposure
				(in millions of RMB)			
Wealth management products	–	480	–	–	480	–	480
Investment management products managed by securities companies	–	–	–	–	–	–	–
Trust investment plans	–	4,114	–	–	4,114	3,807	7,921
Asset-backed financings	89	6	–	–	95	–	95
Investment funds	–	475	–	–	475	–	475
Total	89	5,075	–	–	5,164	3,807	8,971

	As of December 31, 2012						
	Held-to-maturity investments	Available-for-sale financial assets	Investments classified as receivables	Financial assets held under resale agreements	Total	Guarantee	Maximum loss exposure
				(in millions of RMB)			
Wealth management products	–	21,716	4,030	–	25,746	–	25,746
Investment management products managed by securities companies	–	–	3,269	698	3,967	–	3,967
Trust investment plans	–	2,869	26,880	1,227	30,976	4,400	35,376
Asset-backed financings	30	3	–	–	33	–	33
Investments finds	–	1,548	–	–	1,548	–	1,548
Total	30	26,136	34,179	1,925	62,270	4,400	66,670

	As of December 31, 2013						
	Held-to-maturity investments	Available-for-sale financial assets	Investments classified as receivables	Financial assets held under resale agreements	Total	Guarantee	Maximum loss exposure
				(in millions of RMB)			
Wealth management products	–	21,058	65,558	–	86,616	–	86,616
Investment management products managed by securities companies	–	432	114,987	7,706	123,125	–	123,125
Trust investment plans	20	9,956	96,999	1,951	108,926	2,568	111,494
Asset-backed financings	202	15	–	–	217	–	217
Investment funds	–	918	–	–	918	–	918
Total	222	32,379	277,544	9,657	319,802	2,568	322,370

The maximum loss exposure of the above wealth management products, investment management products managed by securities companies, trust investment plans and investment funds is the fair value of the assets held by the Target Group as of the dates indicated. The maximum loss exposure of the asset-backed financings is the amortized cost or fair value of the assets held by the Target Group at the balance sheet dates in accordance with the line items of these assets recognized in the balance sheets as of the dates indicated.

Interests in structured entities sponsored by the Target Group

Uncombined structured entities sponsored by the Target Group primarily consist of non-principal-guaranteed wealth management products and trust plans issued by the Target Group. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through issuance of notes to investors. Interest held by the Target Group in these structured entities includes fees charged by providing management services. As of December 31, 2013, the carrying amount of management fee receivables recognized in the combined balance sheet of the Target Group was RMB474 million.

As of December 31, 2013, the amount of assets held by the uncombined non-principal-guaranteed wealth management products and trust plans sponsored by the Target Group was RMB976 billion.

As of December 31, 2013, the amount of the placements from the Target Group with non-principal-guaranteed wealth management products sponsored by the Target Group was RMB5,750 million. For the year ended December 31, 2013, the maximum exposure of the placements from the Target Group with non-principal guaranteed wealth management products sponsored by the Target Group is RMB7,450 million. The Directors are of the view that these transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

For the year ended December 31, 2013, the amount of fee and commission income recognized from the abovementioned structured entities by the Target Group is RMB7,115 million.

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Target Group after January 1, 2013 but matured before December 31, 2013 is RMB233,000 million.

(E) Capital expenditure

The capital expenditure of the Target Group primarily consist of expenditure for the purchase of property and equipment, intangible assets (including software and land use rights), investment property and project under construction. For the years ended December 31, 2011, 2012 and 2013, the capital expenditure of the Target Group amounted to RMB12,835 million, RMB11,207 million and RMB21,067 million.

L. CERTAIN INFORMATION OF FINANCIAL DERIVATIVES

A subsidiary under the financial services segment acts as an intermediary to offer derivative products including interest rate and currency forwards and swaps to its customers. These derivative positions are managed through entering back to back deals with external parties to ensure the remaining exposures are within acceptable risk levels. Derivatives are also used for proprietary trading purposes.

A subsidiary under the non-financial services segment enters into forward and swap contracts to hedge its exposure to fluctuations in foreign exchange rates, commodity prices and interest rates.

Fair value hedge is adopted by a subsidiary under the financial services segment to hedge the movements in market interest rates by using interest rate swaps. Cash flow hedge is adopted by certain subsidiaries under the financial services, and resources and energy segments to hedge their foreign currency risk, commodity price risk and interest rate risk by using foreign currency forward contracts, commodity forward contracts and interest rate swaps.

The notional amounts of the derivatives indicate the volume of transactions outstanding at the balance sheet dates; they do not represent amounts at risk. The following table sets forth the notional amounts and the fair value of the financial derivatives of the Target Group as of the dates indicated:

	As of December 31,								
	2011			2012			2013		
	Nominal amount	Assets (positive fair value)	Liabilities (negative fair value)	Nominal amount	Assets (positive fair value)	Liabilities (negative fair value)	Nominal amount	Assets (positive fair value)	Liabilities (negative fair value)
	(in millions of RMB)								
Hedging instruments									
Fair value hedge:									
– Interest rate derivatives	4,971	396	–	6,450	470	(3)	8,021	210	(59)
Cash flow hedge:									
– Interest rate derivatives	328	–	(12)	1,403	–	(10)	945	3	–
– Currency derivatives	527	12	–	138	–	–	1,008	29	–
– Other derivatives	65	38	(198)	189	94	(159)	40	2	(77)
Non-hedging instruments									
– Interest rate derivatives	195,459	1,231	(1,336)	219,836	799	(911)	199,756	1,294	(1,257)
– Currency derivatives	406,287	3,044	(2,443)	551,780	2,891	(2,495)	899,831	6,230	(5,549)
– Other derivatives	1,064	20	(13)	21,584	–	(14)	63,255	–	(2)
	608,701	4,741	(4,002)	801,380	4,254	(3,592)	1,172,856	7,768	(6,944)

Off-Balance Sheet Arrangements

Except as disclosed in this circular, including that in the subsections headed "Financial Information of the Target Group – Commitments and Contingent Liabilities" and "Financial Information of the Target Group – Involvement with uncombined structured entities," the Target Group has not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. The Target Group does not have any variable interest in any uncombined entity that provides financing, liquidity, market risk or credit support to the Target Group or engages in leasing or hedging or research and development services with the Target Group.

M. KEY FINANCIAL RATIOS

The following financial ratios are calculated based on the financial information that was prepared as if the entities comprising the Target Group constituted a single reporting unit throughout the Track Record Period. These financial ratios would likely have been different had all the entities comprising the Target Group been in fact operated and financed as a single business.

The following table sets forth the key financial ratio of the Target Group for the periods indicated:

	For the year ended December 31,		
	2011	**2012**	**2013**
Average return on equity	22%	16%	16%

Average return on equity

Return on equity is the profit for the year of the Target Group attributable to the equity shareholders of the Target Company divided by the average of the total equity attributable to equity shareholders of the Target Company at the beginning and the end of each financial period. From 2011 to 2012, the average return on equity of the Target Group decreased from 22% to 16%, and remained stable from 2012 to 2013 primarily due to the changes in profit for the year of the Target Group.

N. NON-GAAP FINANCIAL MEASURE

The Target Group uses EBITDA to provide additional information regarding our operating performance. EBITDA refers to its earnings before the following items:

- Financial costs;
- Income tax; and
- Depreciation and amortization.

EBITDA is not a standard measure under HKFRSs. As the core businesses of the Target Group are capital-intensive, capital expenditure requirements and levels of debt and interest expenses may have a significant impact on the profit for the year of companies with similar operating results. Therefore, the Target Group believes the investor community commonly uses this type of financial measure to assess the operating performance of companies in the market sectors of the Target Group.

As a measure of its operating performance, the Target Group believes that the most directly comparable HKFRSs measure to EBITDA is profit for the year. The Target Group uses EBITDA in addition to profit for the year because profit for the year includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as amortization of intangible assets and finance costs, including interest expenses capitalized under cost of sales and services. These accounting items may vary between companies depending on the method of accounting adopted by each company. By reducing differences in capital expenditures and the associated depreciation expenses as well as reported tax positions, intangible assets amortization, finance costs, including capitalized interest expenses under cost of sales and services and other non-operating items, EBITDA provides further information regarding the operating performance of the Target Group and an additional measure for comparing the operating performance of the Target Group with the results of other companies.

The following table reconciles the Target Group's profit for the year under HKFRSs to its definition of EBITDA for the periods indicated:

	For the year ended December 31,		
	2011	**2012**	**2013**
	(in millions of RMB)		
Profit for the year	45,456	40,759	49,677
Adjusted for:			
Finance costs	2,659	3,859	4,615
Income tax	15,366	14,242	16,500
Depreciation and amortization	2,447	3,530	3,446
EBIDTA	65,928	62,390	74,238

From 2011 to 2012, the EBITDA of the Target Group decreased by RMB3,538 million (or 5.4%) from RMB65,928 million to RMB62,390 million, primarily due to the increase in impairment losses on assets, and the decrease in share of net profit and other net income. From 2012 to 2013, the EBITDA of the Target Group increased by RMB11,848 million (or 19%) to RMB74,238 million, primarily due to the increase in net interest income, net fee and commission income, sales of goods and services, other net income and share of net profit or joint venture, and the decrease in impairment losses on assets.

The investors should not consider the EBITDA as defined by the Target Group in isolation or construe it as an alternative to profit for the year or as an indicator of operating performance or any other standard measure under HKFRSs. While EBITDA provides an additional financial measure for investors to assess the operating performance of the Target Group, the use of EBITDA has certain limitations because it does not reflect all items of income and expense that affect its operations. The items that are adjusted for may continue to be incurred in the business of the Target Group and should be considered in the overall understanding and assessment of the results of operation of the Target Group. In addition, EBITDA does not reflect changes in working capital, capital expenditures and other investing and financing activities and should not be considered a measure of the liquidity of the Target Troup. The definition of EBITDA of the Target Group as described in this circular may not be identical to EBITDA measures used by the Target Group for other purposes and may not be comparable to the same or similarly titled measures used by other companies.

O. QUANTITATIVE AND QUALITATIVE ANALYSIS OF FINANCIAL RISKS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the business of the Target Group. The Target Group has established policies and procedures to identify and analyze these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. See the section entitled "Risk Management" in this circular and Note 46 to the Accountants' Report of the Target Group in Appendix I of this circular for an overview of the risk management process of the Target Group.

(A) Credit Risk

Credit risk mainly includes issuer risks, credit risks and country risks from loan business and treasury business within the financial services segment of the Target Group. For loan business, the Target Group identifies and manages the credit risk through its definitions of target markets, credit approval process, strict counterparty selection and due diligence procedures, ongoing evaluation of the contractual capacity and collaterals of counterparties, and risk prevention and mitigation measures. For treasury business, credit risk represents impairment losses of asset value attributable to the Target Group resulting from lowering of ratings for issuers of debt securities. The Target Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

The Target Group is also confronted with credit risk resulting from receivables that arising from sale of goods and rendering of services within the non-financial services segments. The relevant subsidiaries have established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. These evaluations focus on the customers' financial position, the external ratings of the customers and their bank credit records where available.

The maximum exposure to credit risk at the balance sheet dates without taking into consideration of any collateral held or other credit enhancement is represented by the net balance of each type of financial assets in the balance sheets after deducting any impairment allowance.

The following table sets forth the maximum exposure to credit risk of the Target Group at the dates indicated:

	As of December 31, 2011	2012	2013
	(in millions of RMB)		
Deposits and balances with banks and non-bank financial institutions	780,537	706,592	673,406
Placements with banks and non-bank financial institutions	151,004	151,803	122,314
Financial assets at fair value through profit or loss	8,205	12,283	11,031
Derivative financial assets	4,741	4,254	7,768
Trade and other receivables	47,594	51,665	55,489
Financial assets held under resale agreements	162,210	69,082	287,247
Loans and advances to customers and other parties	1,416,691	1,634,293	1,903,049
Available-for-sale financial assets	128,729	196,261	178,063
Held-to-maturity investments	107,827	134,405	154,792
Investments classified as receivables	–	56,435	300,158
	2,807,538	3,017,073	3,693,317
Credit commitments and guarantees provided	977,970	1,138,313	1,264,935
Maximum credit risk exposure	3,785,508	4,155,386	4,958,252

(B) Liquidity Risk

Liquidity risk arises when there is mismatch between maturity dates of financial assets and financial liabilities. Each of the Target Group's operating entity formulates liquidity risk management policies and procedures within the Target Group's overall liquidity risk management frame work and takes into consideration of the business and regulatory requirements applicable to individual entity.

The Target Group manages liquidity risk by holding liquid assets (including deposits, other short term funds and securities) of appropriate quality and quantity to ensure that short term funding requirements are covered within prudent limits. Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material demand for payments in the ordinary course of business. The Target Group performs stress testing on its liquidity position on a regular and ad-hoc basis.

The following table sets forth the remaining maturities of the financial assets and liabilities of the Target Group at the dates indicated:

	As of December 31, 2011				
	On demand	Within 1 year	Between 1 year to 5 years	More than 5 years	Total
			(in millions of RMB)		
Total financial assets	130,519	1,676,102	395,676	618,065	2,820,362
Total financial liabilities	(1,080,625)	(1,371,868)	(170,017)	(75,094)	(2,697,604)
Financial asset-liability gap	(950,106)	304,234	225,659	542,971	122,758

	As of December 31, 2012				
	On demand	Within 1 year	Between 1 year to 5 years	More than 5 years	Total
			(in millions of RMB)		
Total financial assets	141,211	1,736,801	451,479	731,587	3,061,078
Total financial liabilities	(1,204,354)	(1,350,936)	(265,418)	(91,399)	(2,912,107)
Financial asset-liability gap	(1,063,143)	385,865	186,061	640,188	148,971

	As of December 31, 2013				
	On demand	Within 1 year	Between 1 year to 5 years	More than 5 years	Total
	(in millions of RMB)				
Total financial assets	186,125	2,057,135	663,194	844,278	3,750,732
Total financial liabilities	(1,322,951)	(1,772,372)	(403,244)	(88,118)	(3,586,685)
Financial asset-liability gap	(1,136,826)	284,763	259,950	756,160	164,047

(C) Interest Rate Risk

Interest rate risk arises from mismatch between re-pricing dates of financial assets and liabilities affected by market interest rates. Each of the Target Group's operating entity has formulated its own interest risk management policies procedures covering identification, measurement, monitoring and control of risks. The Target Group manages interest rate risk by setting risk exposure limits to control potential loss from interest rate risk at an acceptable level.

The following table sets forth the exposure to interest rate risk arising from the financial assets and financial liabilities of the Target Group at the dates indicated:

	As of December 31, 2011				
	Non-interest bearing	Less than one year	Between one and five years	More than five years	Total
	(in millions of RMB)				
Total financial assets	60,364	2,633,728	87,724	38,546	2,820,362
Total financial liabilities	(59,472)	(2,467,221)	(135,465)	(35,446)	(2,697,604)
Financial asset-liability gap	892	166,507	(47,741)	3,100	122,758

	As of December 31, 2012				
	Non-interest bearing	Less than one year	Between one and five years	More than five years	Total
	(in millions of RMB)				
Total financial assets	89,770	2,747,518	152,635	71,155	3,061,078
Total financial liabilities	(104,900)	(2,516,854)	(205,891)	(84,462)	(2,912,107)
Financial asset-liability gap	(15,130)	230,664	(53,256)	(13,307)	148,971

	As of December 31, 2013				
	Non-interest bearing	Less than one year	Between one and five years	More than five years	Total
	(in millions of RMB)				
Total financial assets	98,993	3,279,947	297,017	74,775	3,750,732
Total financial liabilities	(129,722)	(3,040,254)	(338,824)	(77,885)	(3,586,685)
Financial asset-liability gap	(30,729)	239,693	(41,807)	(3,110)	164,047

Sensitivity analysis

The Target Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Target Group's net profit or loss. As of December 31, 2011, 2012 and 2013, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, would increase or decrease the Target Group's profit before tax for the 12 months immediately following December 31, 2011, 2012 and 2013 by RMB1,683 million, RMB1,597 million and RMB1,606 million, respectively.

This sensitivity analysis is based on a static interest rate risk profile of the Target Group's non-derivative assets and liabilities and certain simplified assumptions. The analysis measures only the impact of changes in the interest rates within one year, showing how annualized interest income would have been affected by re-pricing of the Target Group's non-derivative assets and liabilities within the one-year period. The analysis is based on the following assumptions: (1) all assets and liabilities that re-price or mature within three months and after three months but within one year re-price or mature at the beginning of the respective periods; (2) there is a parallel shift in the yield curve and in interest rates; and (3) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Target Group's profit before tax resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

(D) Currency Risk

Currency risk arises from the changes in exchange rates on the Target Group's foreign currency denominated assets and liabilities. The Target Group manages currency risk by entering into spot and forward foreign exchange transactions, use of derivatives, and matching its foreign currency denominated assets with corresponding liabilities in the same currency.

The following table sets forth the exposure to currency risk arising from the financial assets and financial liabilities of the Target Group at the dates indicated:

	As of December 31, 2011				
	RMB	**US$**	**HK$**	**Others**	**Total**
			(in millions of RMB)		
Total financial assets	2,590,447	139,615	71,871	18,429	2,820,362
Total financial liabilities	(2,471,694)	(123,496)	(74,771)	(27,643)	(2,697,604)
Financial asset-liability gap	118,753	16,119	(2,900)	(9,214)	122,758

	As of December 31, 2012				
	RMB	**US$**	**HK$**	**Others**	**Total**
			(in millions of RMB)		
Total financial assets	2,788,124	198,311	59,845	14,798	3,061,078
Total financial liabilities	(2,605,039)	(197,594)	(75,050)	(34,424)	(2,912,107)
Financial asset-liability gap	183,085	717	(15,205)	(19,626)	148,971

	As of December 31, 2013				
	RMB	US$	HK$	Others	Total
			(in millions)		
Total financial assets	3,418,803	257,079	56,739	18,111	3,750,732
Total financial liabilities	(3,196,667)	(268,513)	(78,134)	(43,371)	(3,586,685)
Financial asset-liability gap	222,136	(11,434)	(21,395)	(25,260)	164,047

Sensitivity analysis

The Target Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Target Group's net profit or loss. Assuming all other risk variables remained constant, an 100 basis points strengthening or weakening of the RMB against the US Dollar, HK dollar and other currencies at December 31, 2011, 2012 and 2013 would increase or decrease the Target Group's profit before tax by RMB25 million, RMB218 million and RMB332 million, respectively.

This sensitivity analysis is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions. The analysis is based on the following assumptions: (1) the foreign exchange sensitivity is the gain and loss recognized as a result of 100 basis point fluctuation in the foreign currency exchange rates against RMB; and (2) the exchange rates against RMB for all foreign currencies change in the same direction simultaneously. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Target Group's profit before tax resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis.

P. RELATED PARTY TRANSACTIONS

Related party transactions of the Target Group during the Track Record Period are set out in Note 47 to the Accounting Report of the Target Group included in Appendix I of this circular. Some of these related party transactions which are expected to continue after the Completion and will constitute potential continuing connected transaction of the Company are set out in the section headed ''Relationship with Controlling Shareholders and Potential Continuing Connected Transactions'' in this circular. The Directors are of the view that the related party transactions of the Target Group were conducted on an arms length basis and on normal commercial terms between the relevant parties.

Q. DISTRIBUTABLE RESERVES

According to the audited combined financial statements and the accompanying notes, prepared in accordance with HKFRSs and included in "Appendix I – Accountants' Report of the Target Group," as of December 31, 2013, the amount of reserves available for distribution to shareholders of the Target Company was RMB10,881 million.

R. DIVIDEND POLICY

The Group believes that returning profits to Shareholders is one of its most important objectives. The Group uses profits to fund future business expansion, with the aim of retaining any remaining earnings to ensure healthy finances and provide good Shareholder returns. When determining the dividend payout ratio for any particular fiscal year, under the long-term comprehensive goal of improving shareholder return, we will consider providing the Shareholders with a stable and sustainable dividend yield. The amount of dividends actually distributed to the Shareholders will depend upon many factors, including the Group's cash and retained earnings level, earnings and financial condition, operating requirements, capital expenditure and investment plans and any other conditions that the Directors may deem relevant, and will be subject to approval of the Group's board of directors.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from KPMG, Certified Public Accountants, Hong Kong.

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

May 14, 2014

The Directors
CITIC Pacific Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to CITIC Limited (the "Target Company") and its subsidiaries but excluding CITIC Pacific Limited and the subsidiaries of CITIC Pacific Limited (hereinafter collectively referred to as the "Target Group") comprising the combined balance sheets of the Target Group and the balance sheets of the Target Company as at December 31, 2011, 2012 and 2013 and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Target Group, for each of the years ended December 31, 2011, 2012 and 2013 ("Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the circular of CITIC Pacific Limited (the "Company") dated May 14, 2014 (the "Circular") in connection with the proposed acquisition of the Target Group by the Company.

The Target Company was established in the People's Republic of China (the "PRC") with limited liability on December 27, 2011 under the Company Law of the PRC.

The Target Company and principal subsidiaries comprising the Target Group have adopted December 31, as their financial year end date. Details of the principal subsidiaries, in which the Target Company has direct and indirect interests as at December 31, 2011, 2012 and 2013, and the names of the respective auditors are set out in note 53(a) of Section B. The statutory financial statements of the Target Company and its principal subsidiaries were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC or other relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated or established.

The directors of the Target Company have prepared the combined financial statements of the Target Group for the Relevant Periods (the "Underlying Financial Statements") which were audited by KPMG Huazhen (Special General Partnership) in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Target Company, its subsidiaries or the Target Group in respect of any period subsequent to December 31, 2013.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report and on the basis of preparation set out in Section B below, a true and fair view of the state of affairs of the Target Group and the Target Company as at December 31, 2011, 2012 and 2013 and the Target Group's combined results and cash flows for the Relevant Periods then ended.

A FINANCIAL INFORMATION OF THE TARGET GROUP

1 Combined income statements

	Section B Note	**2011** *RMB million*	**2012** *RMB million*	**2013** *RMB million*
Interest income		107,481	139,723	164,139
Interest expenses		(40,855)	(62,819)	(77,576)
Net interest income	*5(a)*	66,626	76,904	86,563
Fee and commission income		12,445	15,922	23,123
Fee and commission expenses		(627)	(984)	(1,508)
Net fee and commission income	*5(b)*	11,818	14,938	21,615
Sales of goods and services	*5(c)*	117,519	127,762	141,356
Other revenue	*5(d)*	2,800	2,986	2,255
		120,319	130,748	143,611
Total revenue		198,763	222,590	251,789
Cost of sales and services	*6*	(102,908)	(112,202)	(125,340)
Other net income		8,758	5,288	6,094
Impairment losses on	*7(c)*			
– Loans and advances to customers		(6,220)	(12,709)	(10,739)
– Others		(3,027)	(3,105)	(2,933)
Other operating expenses		(37,760)	(44,452)	(51,923)
Net valuation gain on investment properties	*29(a)*	69	80	118
Share of profit of associates, net of tax		4,568	1,050	1,824
Share of profit of joint ventures, net of tax		603	1,044	750
Profit before net finance charges and tax		62,846	57,584	69,640
Finance costs		(2,659)	(3,859)	(4,615)
Finance income		635	1,276	1,152
Net finance charges	*7(a)*	(2,024)	(2,583)	(3,463)

	Section B Note	**2011** *RMB million*	**2012** *RMB million*	**2013** *RMB million*
Profit before tax	*7*	60,822	55,001	66,177
Income tax	*8*	(15,366)	(14,242)	(16,500)
Profit for the year		45,456	40,759	49,677
Attributable to:				
Equity shareholders of the Target Company		31,700	28,404	34,260
Non-controlling interests		13,756	12,355	15,417
Profit for the year		45,456	40,759	49,677
Earnings per share (RMB)	*12*			
Basic and diluted		0.25	0.22	0.27

The accompanying notes form part of the Financial Information.

2 Combined statements of comprehensive income

	Section B Note	2011 RMB million	2012 RMB million	2013 RMB million
Profit for the year		45,456	40,759	49,677
Other comprehensive income (after tax and reclassification adjustments)	13			
Items that have been reclassified or may be reclassified subsequently to profit or loss:				
Available-for-sale financial assets: net movement in fair value reserve		(68)	(267)	(4,684)
Cash flow hedge: net movement in hedging reserve		–	44	(159)
Share of other comprehensive income of associates and joint ventures		(794)	214	789
Exchange differences on translation of financial statements of subsidiaries, associates and joint ventures		(1,145)	258	(1,230)
Other comprehensive income for the year, net of tax		(2,007)	249	(5,284)
Total comprehensive income for the year		43,449	41,008	44,393
Attributable to:				
Equity shareholders of the Target Company		30,163	28,480	30,078
Non-controlling interests		13,286	12,528	14,315
Total comprehensive income for the year		43,449	41,008	44,393

The accompanying notes form part of the Financial Information.

3 Combined balance sheets

	Section B Note	2011 RMB million	2012 RMB million	2013 RMB million
Assets				
Cash and deposits	*15*	785,580	713,323	680,285
Placements with banks and non-bank financial institutions	*16*	151,004	151,803	122,314
Financial assets at fair value through profit or loss	*17*	8,617	14,057	12,310
Derivative financial assets	*18*	4,741	4,254	7,768
Trade and other receivables	*19*	52,880	58,032	59,645
Amount due from customers for contract work		2,284	1,416	1,374
Inventories	*20*	73,627	88,564	83,695
Financial assets held under resale agreements	*21*	162,210	69,082	287,247
Loans and advances to customers and other parties	*22*	1,416,691	1,634,293	1,903,049
Available-for-sale financial assets	*23*	144,174	228,306	215,396
Held-to-maturity investments	*24*	107,827	134,405	154,792
Investments classified as receivables	*25*	–	56,435	300,158
Interests in associates	*27*	30,050	31,479	35,696
Interests in joint ventures	*28*	8,313	9,066	9,324
Fixed assets	*29*	33,498	36,144	47,038
Investment properties	*29*	5,298	4,500	4,681
Intangible assets	*30*	7,283	9,606	12,414
Goodwill	*31*	3,030	3,045	2,967
Deferred tax assets	*32(b)*	5,381	8,427	10,930
Other assets	*33*	12,209	14,757	14,620
Total assets		3,014,697	3,270,994	3,965,703

	Section B Note	2011 RMB million	2012 RMB million	2013 RMB million
Liabilities				
Deposits from banks and non-bank financial institutions	34	535,067	369,403	557,904
Placements from banks and non-bank financial institutions	35	3,865	17,165	41,372
Derivative financial liabilities	18	4,002	3,592	6,944
Trade and other payables	36	94,396	128,317	138,633
Amount due to customers for contract work		844	4,142	6,322
Financial assets sold under repurchase agreements	37	1,806	11,732	7,949
Deposits from customers	38	1,949,300	2,233,122	2,632,152
Employee benefits payables		11,732	13,673	13,967
Income tax payable	32(a)	6,922	5,828	5,773
Bank and other loans	39	73,239	75,296	95,280
Debt securities issued	40	82,525	115,155	132,403
Provisions	41	1,316	474	500
Deferred tax liabilities	32(b)	2,181	2,369	1,804
Other liabilities		3,176	3,851	5,062
Total liabilities		2,770,371	2,984,119	3,646,065
Equity	42			
Share capital		128,000	128,000	128,000
Reserves		34,338	64,800	97,051
Total equity attributable to equity shareholders of the Target Company		162,338	192,800	225,051
Non-controlling interests		81,988	94,075	94,587
Total equity		244,326	286,875	319,638
Total liabilities and equity		3,014,697	3,270,994	3,965,703

The accompanying notes form part of the Financial Information.

4 Balance sheets

	Section B Note	2011 RMB million	2012 RMB million	2013 RMB million
Assets				
Cash and deposits	*15*	13,562	4,702	3,966
Financial assets at fair value through profit or loss	*17*	51	1,406	28
Derivative financial assets	*18*	–	–	3
Trade and other receivables	*19*	13,856	20,036	22,287
Loans and advances to customers and other parties	*22*	28,890	26,649	20,972
Available-for-sale financial assets	*23*	5,018	22,279	24,147
Investments in subsidiaries	*26*	157,898	161,167	169,796
Interests in associates	*27*	19,106	19,105	19,054
Interests in joint ventures	*28*	2,008	2,008	2,008
Fixed assets	*29*	27	33	24
Other assets	*33*	6,300	227	226
Total assets		246,716	257,612	262,511
Liabilities				
Trade and other payables	*36*	7,513	8,205	3,980
Employee benefits payables		729	703	715
Bank and other loans	*39*	20,019	14,561	22,384
Debts securities issued	*40*	44,829	53,662	49,598
Deferred tax liabilities	*32(b)*	27	34	41
Other liabilities		5,519	5,533	5,204
Total liabilities		78,636	82,698	81,922
Equity	*42*			
Share capital		128,000	128,000	128,000
Reserves		40,080	46,914	52,589
Total equity		168,080	174,914	180,589
Total liabilities and equity		246,716	257,612	262,511

The accompanying notes form part of the Financial Information.

5 Combined statements of changes in equity

	Section B Note	Attributable to equity shareholders of the Target Company											
		Share capital	Capital reserve	Hedging reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Exchange reserve	Other reserve	Sub-total	Non-controlling interests	Total equity
		RMB million	*RMB million* (note 42(c)(i))	*RMB million* (note 42(c)(ii))	*RMB million* (note 42(c)(iii))	*RMB million* (note 42(c)(iv))	*RMB million* (note 42(c)(v))	*RMB million*	*RMB million* (note 42(c)(vi))	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At January 1, 2011		–	–	–	–	–	–	279	–	131,486	131,765	59,545	191,310
Changes in equity for 2011													
Profit for the year		–	–	–	–	–	–	31,700	–	–	31,700	13,756	45,456
Other comprehensive income for the year	13	–	–	–	–	–	–	(1,537)	–	–	(1,537)	(470)	(2,007)
Total comprehensive income for the year		–	–	–	–	–	–	30,163	–	–	30,163	13,286	43,449
Capital contribution by shareholders		–	–	–	–	–	–	–	–	–	–	10,536	10,536
Arising from restructuring in 2011		128,000	33,681	–	–	–	–	(30,022)	–	(131,486)	173	–	173
Acquisition of subsidiaries under common control		–	217	–	–	–	–	5	–	–	222	–	222
Dividends paid by subsidiaries to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(1,189)	(1,189)
Others		–	–	–	–	–	–	15	–	–	15	(190)	(175)
Other changes in equity		128,000	33,898	–	–	–	–	(30,002)	–	(131,486)	410	9,157	9,567
At December 31, 2011		128,000	33,898	–	–	–	–	440	–	–	162,338	81,988	244,326

	Section B Note	Share capital RMB million	Capital reserve RMB million (note 42(c)(i))	Hedging reserve RMB million (note 42(c)(ii))	Investment revaluation reserve RMB million (note 42(c)(iii))	Surplus reserve RMB million (note 42(c)(iv))	General reserve RMB million (note 42(c)(v))	Retained earnings RMB million	Exchange reserve RMB million (note 42(c)(vi))	Sub-total RMB million	Non-controlling interests RMB million	Total equity RMB million
		Attributable to equity shareholders of the Target Company										
At January 1, 2012		128,000	33,898	–	–	–	–	440	–	162,338	81,988	244,326
Changes in equity for 2012												
Profit for the year		–	–	–	–	–	–	28,404	–	28,404	12,355	40,759
Other comprehensive income for the year	13	–	–	28	(138)	–	–	–	186	76	173	249
Total comprehensive income for the year		–	–	28	(138)	–	–	28,404	186	28,480	12,528	41,008
Capital contribution by shareholders		–	–	–	–	–	–	–	–	–	4,275	4,275
Appropriation to reserves	42(d)(i)	–	–	–	–	648	9,208	(9,856)	–	–	–	–
Dividends paid by subsidiaries to non-controlling interests		–	–	–	–	–	–	–	–	–	(3,094)	(3,094)
Acquisition of subsidiaries under common control		–	207	–	–	–	–	–	–	207	(204)	3
Transfer of state-owned shares of a subsidiary to National Social Security Fund		–	–	–	–	–	–	(222)	–	(222)	222	–
Transactions with non-controlling interests		–	1,225	–	–	–	–	–	–	1,225	(1,610)	(385)
Dividends received from CITIC Pacific Limited		–	766	–	–	–	–	–	–	766	–	766
Others		–	6	–	–	–	–	–	–	6	(30)	(24)
Other changes in equity		–	2,204	–	–	648	9,208	(10,078)	–	1,982	(441)	1,541
At December 31, 2012		128,000	36,102	28	(138)	648	9,208	18,766	186	192,800	94,075	286,875

	Section B Note	Share capital RMB million	Capital reserve RMB million (note 42(c)(i))	Hedging reserve RMB million (note 42(c)(ii))	Investment revaluation reserve RMB million (note 42(c)(iii))	Surplus reserve RMB million (note 42(c)(iv))	General reserve RMB million (note 42(c)(v))	Retained earnings RMB million	Exchange reserve RMB million (note 42(c)(vi))	Sub-total RMB million	Non-controlling interests RMB million	Total equity RMB million
		Attributable to equity shareholders of the Target Company										
At January 1, 2013		128,000	36,102	28	(138)	648	9,208	18,766	186	192,800	94,075	286,875
Changes in equity for 2013												
Profit for the year		–	–	–	–	–	–	34,260	–	34,260	15,417	49,677
Other comprehensive income for the year	13	–	–	(91)	(3,151)	–	–	–	(940)	(4,182)	(1,102)	(5,284)
Total comprehensive income for the year		–	–	(91)	(3,151)	–	–	34,260	(940)	30,078	14,315	44,393
Capital contribution by shareholders		–	–	–	–	–	–	–	–	–	308	308
Appropriation to reserves	42(d)(i)	–	–	–	–	621	6,296	(6,917)	–	–	–	–
Dividends paid by subsidiaries to non-controlling interests		–	–	–	–	–	–	–	–	–	(3,180)	(3,180)
Acquisition of subsidiaries under common control		–	(1,895)	–	–	–	–	–	–	(1,895)	–	(1,895)
Transactions with non-controlling interests		–	3,367	–	–	–	–	–	–	3,367	(10,910)	(7,543)
Dividends received from CITIC Pacific Limited		–	670	–	–	–	–	–	–	670	–	670
Others		–	31	–	–	–	–	–	–	31	(21)	10
Other changes in equity		–	2,173	–	–	621	6,296	(6,917)	–	2,173	(13,803)	(11,630)
At December 31, 2013		128,000	38,275	(63)	(3,289)	1,269	15,504	46,109	(754)	225,051	94,587	319,638

The accompanying notes form part of the Financial Information.

6 Combined cash flow statements

	Section B Note	2011 RMB million	2012 RMB million	2013 RMB million
Cash flows from operating activities				
Profit before taxation		60,822	55,001	66,177
Adjustments for:				
– Depreciation and amortisation	7(c)	2,447	3,530	3,446
– Impairment losses	7(c)	9,247	15,814	13,672
– Net valuation gain on investment properties	29(a)	(69)	(80)	(118)
– Share of profits of associates, net of tax		(4,568)	(1,050)	(1,824)
– Share of profits of joint ventures, net of tax		(603)	(1,044)	(750)
– Interest expenses on debts securities issued	5(a)	1,251	1,778	2,352
– Finance income	7(a)	(635)	(1,276)	(1,152)
– Finance costs	7(a)	2,659	3,859	4,615
– Net (gain)/loss from disposal of available-for-sale financial assets	5(d)	(312)	(199)	2
– Net gain on disposal of subsidiaries, associates and joint ventures	7(c)	(5,621)	(644)	(1,092)
		64,618	75,689	85,328
Changes in working capital				
Increase in balances and deposits with banks and non-bank financial institutions		(117,386)	(32,969)	(83,450)
(Increase)/decrease in placements with banks and non-bank financial institutions		(67,903)	(19,601)	7,204
(Increase)/decrease in financial assets at fair value through profit or loss and derivative financial assets		(5,186)	(1,358)	5,562
Increase in trade and other receivables		(2,212)	(7,935)	(734)
Decrease in amount due from customers for contract work		871	868	42
(Increase)/decrease in inventories		(16,590)	(14,937)	4,869

	Section B Note	2011 RMB million	2012 RMB million	2013 RMB million
(Increase)/decrease in financial assets held under resale agreements		(14,582)	93,129	(218,223)
Increase in loans and advances to customers and other parties		(175,129)	(226,920)	(288,329)
Increase in investments classified as receivables		–	(56,435)	(243,723)
Increase/(decrease) in other assets		792	(2,360)	(6,351)
Increase/(decrease) in deposits from banks and non-bank financial institutions		394,215	(165,427)	190,322
(Decrease)/increase in placements from banks and non-bank financial institutions		(2,233)	13,802	24,409
Decrease in financial liabilities at fair value through profit or loss and derivative financial liabilities		(10,729)	–	–
Increase in trade and other payables		23,885	35,536	7,903
(Decrease)/increase in amount due to customer for contract work		(1,214)	3,298	2,180
Increase/(decrease) in financial assets sold under repurchase agreements		1,431	1,437	(3,749)
Increase in deposits from customers		251,950	285,776	411,418
Increase in employee benefits payables		1,711	1,941	294
Increase/(decrease) in provisions		204	(842)	26
(Decrease)/increase in other liabilities		(6,409)	677	1,211
Cash generated from/(used in) operations		320,104	(16,631)	(103,791)
Income tax paid		(13,929)	(18,229)	(18,206)
Net cash generated from/(used in) operating activities		306,175	(34,860)	(121,997)

	Section B Note	2011 RMB million	2012 RMB million	2013 RMB million
Cash flows from investing activities				
Proceeds from disposal and redemption of investments		516,993	583,789	522,164
Proceeds from disposal of fixed assets, intangible assets and other assets		98	1,191	208
Proceeds from disposal of subsidiaries, associates and joint ventures		5,177	125	1,474
Dividends received from equity investments, associates and joint ventures		1,571	1,518	1,425
Acquisition of additional interest in non-controlling interests		–	–	(8,987)
Payments for acquisition of investments		(517,490)	(702,251)	(535,585)
Payments for additions of fixed assets, intangible assets and other assets		(6,977)	(6,716)	(11,272)
Net cash payment for acquisition of subsidiaries, associates and joint ventures		(1,869)	(2,962)	(4,717)
Net cash payment for disposal of subsidiaries		–	(388)	(1,292)
Interest received		197	1,109	829
Net cash used in investing activities		(2,300)	(124,585)	(35,753)

	Section B Note	**2011** *RMB million*	**2012** *RMB million*	**2013** *RMB million*
Cash flows from financing activities				
Capital injection received from non-controlling interests		10,536	4,275	308
Proceeds from new bank and other loans		50,418	61,395	84,997
Repayment of bank and other loans and debt securities issued		(53,248)	(72,964)	(76,580)
Proceeds from new debt securities issued		11,000	44,847	32,183
Interest paid on bank and other loans and debt securities issued		(7,237)	(8,412)	(10,417)
Dividends paid to non-controlling interests		(1,189)	(3,094)	(3,180)
Other net cash (outflow)/inflow relating to other financing activities		(1,690)	489	(2,158)
Net cash generated from financing activities		8,590	26,536	25,153
Net increase/(decrease) in cash and cash equivalents		312,465	(132,909)	(132,597)
Cash and cash equivalents at January 1		199,987	509,189	376,375
Effect of exchange rate changes		(3,263)	95	(1,567)
Cash and cash equivalents at December 31	*50*	509,189	376,375	242,211

The accompanying notes form part of the Financial Information.

B NOTES TO THE FINANCIAL INFORMATION OF THE TARGET GROUP

1 GENERAL INFORMATION

(a) Background

CITIC Limited (the "Target Company") was established in the People's Republic of China (the "PRC") with limited liability on December 27, 2011, as part of the restructuring of the original CITIC Group (中國中信集團公司) in 2011. The original CITIC Group was then renamed as CITIC Group Corporation (中國中信集團有限公司) (referred as "CITIC Group" thereafter). Details of the restructuring in 2011 ("2011 Restructuring") are set out in note 1(b).

CITIC Group and Beijing CITIC Enterprise Management Co, Ltd ("CITIC Enterprise Management") own 99.9% and 0.1% equity interests, respectively, in the Target Company. CITIC Group is established in the PRC, and CITIC Enterprise Management is a wholly owned subsidiary of CITIC Group established in the PRC.

The reporting entity comprises the Target Company and its subsidiaries but excluding CITIC Pacific Limited and the subsidiaries of CITIC Pacific Limited (the "Target Group"). A list of principal subsidiaries of the Target Group is disclosed in note 53(a). The details of the group structure and basis of preparation and presentation for the Financial Information of the Target Group are disclosed in notes 1(c) and 2(a) respectively.

The Target Group is principally engaged in financial services, real estate and infrastructure, engineering contracting, resources and energy, manufacturing activities and other businesses.

(b) 2011 Restructuring

As part of the 2011 Restructuring, the Target Company was established on December 27, 2011 with a registered capital of RMB128 billion, representing a total of 128 billion shares with par value of RMB1 each. On the same date, CITIC Group injected certain of its assets and liabilities, subsidiaries, associates and joint ventures to the Target Company in exchange for 127,872 million shares of the Target Company (representing 99.9% of the total share capital of the Target Company), and CITIC Enterprise Management paid cash in exchange for 128 million shares of the Target Company (representing 0.1% of the total share capital of the Target Company).

The carrying amount of the subsidiaries, associates and joint ventures injected to the Target Company is determined by:

(i) the fair value of the assets and liabilities of the subsidiaries and net assets of the associates and joint ventures that were converted into limited liability companies as part of the 2011 Restructuring as of December 31, 2010; and

(ii) the carrying amount of assets and liabilities of the subsidiaries and net assets of the associates and joint ventures that had been limited liability companies or joint stock companies before the 2011 Restructuring recorded by the subsidiaries, associates and joint ventures as of December 31, 2010.

The subsidiaries, associates and joint ventures that were transferred to the Target Company as a result of the 2011 Restructuring were controlled by CITIC Group before and after the restructuring, and there were no significant change in business and operations of these companies. The control is not transitory and, consequently, there was a continuation of the risks and benefits to the same controlling shareholder and the 2011 Restructuring is regarded as a business combination of entities under common control. The results of the above subsidiaries, associates and joint ventures for the year ended December 31, 2011 were therefore presented in the Financial Information as if the 2011 Restructuring had completed on January 1, 2011.

(c) Proposed Acquisition

It is proposed that CITIC Pacific Limited ("CITIC Pacific") will acquire 100% equity interests in CITIC Limited from CITIC Group and CITIC Enterprise Management ("Proposed Acquisition").

CITIC Pacific is a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. It is currently a 57.51% subsidiary indirectly owned by the Target Company. CITIC Group held equity interest in CITIC Pacific through the Target Company. Prior to the completion of the Proposed Acquisition, the subsidiaries of the Target Company which hold shares of CITIC Pacific will transfer such shares of CITIC Pacific to one or more overseas wholly-owned subsidiaries of CITIC Group for their respective business needs. Upon the completion of the Proposed Acquisition, CITIC Group will hold shares of CITIC Pacific indirectly through its wholly-owned subsidiaries.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and presentation

For the purpose of preparation of the Financial Information of the Target Group, the assets and liabilities, and the results of the Target Company and its subsidiaries but excluding CITIC Pacific and the subsidiaries of CITIC Pacific ("CITIC Pacific Group") are combined. CITIC Pacific Group has been managed and financially controlled separately from the Target Group. No significant adjustments or allocations of expenses were made in the Financial Information.

For the purpose of the Proposed Acquisition as stated in note 1(c), the Financial Information of the Target Group have been prepared and presented on the basis that the structure of the Target Group (i.e. the Target Company and its subsidiaries but excluding CITIC Pacific Group) had been in existence throughout the three years ended December 31, 2011, 2012 and 2013 or since the respective dates of incorporation or establishment of the companies comprising the Target Group or when they first came under the control of the controlling shareholder, CITIC Group, whenever there is a shorter period. The assets and liabilities of the combining subsidiaries and net assets of combining associates and joint ventures are included in the Financial Information using the carrying amount of the subsidiaries, associates and joint ventures from the perspective of CITIC Group. Any excess of the carrying amount of the assets and liabilities, subsidiaries, associates and joint ventures injected to the Target Company over share capital is recognised in the capital reserve.

Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated in preparing the Financial Information of the Target Group. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Transactions between the Target Group and CITIC Pacific Group during the years ended December 31, 2011, 2012 and 2013 were not eliminated. The dividends declared by CITIC Pacific which were received by the Target Group are deemed as shareholders' contribution and recognised in the capital reserve.

(b) Statement of compliance

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Target Group has adopted all the new and revised HKFRSs to all periods presented ("Relevant Periods") in the Financial Information, except for any new standards or interpretations that are not yet effective for the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in note 52.

This is the Target Group's first Financial Information prepared in accordance with HKFRSs and HKFRS 1 "First-time Adoption of Hong Kong Financial Reporting Standards" has been applied.

(c) Functional currency and presentation currency

The functional currency of the Target Company is Renminbi ("RMB"). The functional currencies of overseas subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into RMB for the preparation of the Financial Information (see note 2(i)). The Financial Information of the Target Group are presented is RMB and, unless otherwise stated, expressed in millions of Renminbi.

(d) Basis of measurement

The measurement basis used in the preparation of the Financial Information is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investment properties (see note 2(m));

– financial assets and liabilities at fair value through profit or loss (including trading financial assets or trading financial liabilities) (see note 2(j));

– available-for-sale financial assets, except for those whose fair value cannot be measured reliably (see note 2(j)); and

– fair value hedged items (see note 2(k)(i)).

(e) Use of estimates and judgement

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. Judgements made by management that have significant effect on the Financial Information and estimates with a significant risk of material adjustment in subsequent period are described in note 3. Revisions to accounting estimates are recognised in the period which the estimates are revised and in any future periods affected.

(f) Subsidiaries and non-controlling interests

Subsidiaries are entities (including structured entities) over which the Target Group has control. The Target Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Target Group has power, only substantive rights (held by the Target Group and other parties) are considered.

An investment in a subsidiary is combined into the Financial Information of the Target Group from the date that control commences until the date that control ceases.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial information of the subsidiary is included in the Financial Information as if the combination had occurred at the date the ultimate controlling party first obtained control. Therefore the opening balances and the comparative figures of the Financial Information are restated. In the preparation of the Financial Information, the subsidiary's assets, liabilities and results of operations are included in the combined balance sheet and the combined statement of comprehensive income, respectively, based on their carrying amounts, from the date that common control was established. Net profit earned by the acquiree prior to the date of acquisition is separately disclosed.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises not under common control, the identifiable assets, liabilities and results of operations of the subsidiaries are combined into the Financial Information from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

Non-controlling interests are presented in the combined balance sheet within equity, separately from equity attributable to the equity shareholders of the Target Company. Non-controlling interests in the results of the Target Group are presented on the face of the combined statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Target Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the combined balance sheet in accordance with note 2(j).

When the Target Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(j)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(g)).

In the Target Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(u)(ii)). The results of subsidiaries are accounted for by the Target Company on the basis of dividends received and receivable.

(g) Associates and joint ventures

An associate is an entity in which the Target Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Target Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the Financial Information of the Target Group under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Target Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Target Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(u)(ii)). Any acquisition-date excess over cost, the Target Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Target Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income of the Target Group. The Target Group's interest in associate or joint venture is included in the Financial Information from the date that significant influence or joint control commences until the date that significant influence or joint control ends.

When the Target Group's share of losses exceeds its interest in the associate or the joint venture, the Target Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Target Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Target Group's interest is the carrying amount of the investment under the equity method together with the Target Group's long-term interests that in substance form part of the Target Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Target Group and its associate and joint venture are eliminated to the extent of the Target Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Target Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(j)).

In the Target Company's balance sheet, investments in associates and joint ventures are stated at cost less impairment losses (see note 2(u)(ii)).

(h) Goodwill

Goodwill arising on the acquisition of subsidiaries, joint ventures and associates represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree at the date of acquisition over the fair value of the Target Group's share of the identifiable net assets acquired. If this is less than the fair value of the net assets of the acquiree in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Positive goodwill will be stated in the combined balance sheet as a separate asset or included within joint ventures and associates at cost less accumulated impairment losses and is subject to impairment testing at least annually. Impairment losses on goodwill are not reversed. Negative goodwill is recognised in profit or loss immediately on acquisition.

(i) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured. Exchange gains and losses are recognised in profit or loss, except for the differences arising for the translation of available-for-sale equity investments, which is recognised in other comprehensive income.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(j) Financial instruments

(i) Initial recognition

The Target Group classifies its financial instruments into different categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred. The categories are: fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial instruments are measured initially at fair value, which normally will be equal to the transaction price plus, in case of a financial asset or financial liability not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or issue of the financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

The Target Group recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets and financial liabilities at fair value through profit or loss is recognised using trade date accounting. Other financial assets and financial liabilities are recognised using settlement date accounting. From these dates, any gains and losses arising from changes in fair value of the financial assets or financial liabilities at fair value through profit or loss are recorded.

(ii) Categorisation

Fair value through profit or loss

This category comprises financial assets and financial liabilities held for trading, and those designated at fair value through profit or loss upon initial recognition, but excludes those investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured.

Trading financial instruments are financial assets or financial liabilities which are acquired or incurred principally for the purpose of trading, or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives that do not qualify for hedge accounting (note 2(k)) are accounted for as trading instruments.

Financial instruments are designated at fair value through profit or loss upon initial recognition when:

– the assets or liabilities are managed, evaluated and reported internally on a fair value basis;

– the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;

– the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or

– the separation of the embedded derivative(s) from the financial instrument is not prohibited.

Financial assets and financial liabilities under this category are carried at fair value. Changes in the fair value are included in profit or loss in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds or the net payment and the carrying value is included in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than (a) those that the Target Group intends to sell immediately or in the near term, which will be classified as held for trading; (b) those that the Target Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (c) those where the Target Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale.

Loans and receivables mainly comprise loans and advances to customers and other parties, deposits and placements with banks and non-bank financial institutions, investments classified as receivables, and trade and other receivables.

Loans and receivables are carried at amortised cost using the effective interest method, less impairment losses, if any (see note 2(u)(i)). Where the receivables are interest-free loans made to related parties without any fixed repayment term or the effect of discounting would be immaterial, the receivables are stated at cost less allowance for impairment of doubtful debts.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity for which the Target Group has the positive intention and ability to hold to maturity, other than (a) those that the Target Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; and (b) those that meet the definition of loans and receivables.

Held-to-maturity investments are carried at amortised cost using the effective interest method less impairment losses, if any (see note 2(u)(i)).

If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held-to-maturity, it shall be reclassified as available-for-sale and remeasured at fair value.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other three categories above. They include financial assets intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in the market environment.

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in other comprehensive income and accumulated separately in equity, except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities which are recognised in profit or loss. Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 2(x)(vii) and 2(x)(i) respectively.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be measured reliably, and derivatives that are linked to and must be settled by delivery of such unquoted equity securities are carried at cost less impairment losses, if any (see note 2(u)(i)).

When the available-for-sale financial assets are sold, gains or losses on disposal include the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments which are previously recognised in other comprehensive income shall be reclassified from equity to profit or loss.

Other financial liabilities

Financial liabilities, other than trading liabilities and those designated at fair value through profit or loss, are measured at amortised cost using the effective interest method.

Other financial liabilities mainly comprise deposits from banks and non-bank financial institutions, placements from banks and non-bank financial institutions, trade and other payables, deposits from customers, bank and other loans, and debt securities issued.

(iii) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is based on the relevant government yield curve as at the balance sheet date plus an adequate constant credit spread. Where other pricing models are used, inputs are based on market data at the balance sheet date.

(iv) Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

The Target Group uses the weighted average method to determine realised gains and losses to be recognised in profit or loss on derecognition.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(vi) Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that includes both the derivative and a host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. The embedded derivatives are separated from the host contract and accounted for as a derivative when (a) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; and (b) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss.

When the embedded derivative is separated, the host contract is accounted for in accordance with note (ii) above.

(k) Hedging

Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item. The Target Group assesses and documents whether the financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risks both at hedge inception and on an ongoing basis. The Target Group discontinues prospectively hedge accounting when (a) the hedging instrument expires or is sold, terminated or exercised; (b) the hedge no longer meets the criteria for hedge accounting; or (c) the Target Group revokes the designation.

(i) Fair value hedge

A fair value hedge seeks to offset risks of changes in the fair value of recognised asset or liability that will give rise to a gain or loss being recognised in profit or loss. The hedging instrument is measured at fair value, with fair value changes recognised in profit or loss. The carrying amount of the hedged item is adjusted by the amount of the changes in fair value of the hedging instrument attributable to the risk being hedged. This adjustment is recognised in profit or loss to offset the effect of the gain or loss on the hedging instrument.

When a hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting, or the Target Group revokes designation of the hedge relationship, any adjustment up to that point, to a hedged item for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

(ii) Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, or the foreign currency risk of a committed future transaction, the effective part of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If the hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to the profit or loss in the same period or periods during which the asset acquired or liability assumed affects the profit or loss (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the Target Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(iii) Hedge effectiveness testing

In order to qualify for hedge accounting, the Target Group carries out prospective effectiveness testing to demonstrate that it expects the hedge to be highly effective at the inception of the hedge and throughout its life. Actual effectiveness (retrospective effectiveness) is also demonstrated on an ongoing basis.

The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed. The method which the Target Group adopts for assessing hedge effectiveness will depend on its risk management strategy.

For fair value hedge relationships, the Target Group utilises the cumulative dollar offset method or regression analysis as effectiveness testing methodologies. For cash flow hedge relationships, the Target Group utilises the change in variable cash flow method or the cumulative dollar offset method using the hypothetical derivative approach.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness, the changes in fair value or cash flows must offset each other in the range of 80 per cent to 125 per cent for the hedge to be deemed effective.

(l) Financial assets held/sold under resale/repurchase agreements

Financial assets held under resale agreements are transactions that the Target Group acquires financial assets which will be resold at a predetermined price in the future date under resale agreements. Financial assets sold under repurchase agreements are transactions that the Target Group sells financial assets which will be repurchased at a predetermined price in the future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under the resale and repurchase agreements in the balance sheet. Assets held under resale agreements are reported not as purchases of the financial assets, but as receivables in the balance sheet. Assets sold under repurchase agreements continue to be recognised in the balance sheet.

The difference between the sale and repurchase consideration, and that between the purchase and resale consideration, are amortised over the period of the respective transaction using the effective interest method and are included in interest income and interest expense respectively.

(m) Investment properties

Investment properties are interests in land and/or buildings which are held to earn rentals or for capital appreciation or both. These include land held for a currently undetermined future use. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met.

Investment properties are stated in the balance sheet at fair values which are reviewed annually. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

(n) Other property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses (note 2(u)(ii)).

Assets in the course of construction for production, rental or administrative purposes are carried at cost, less any impairment losses. Cost includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of overheads.

Construction-in-progress represents property and equipment under construction and is transferred to fixed assets when ready for its intended use.

No depreciation is provided in respect of construction in progress. Upon completion and commissioning for operation, depreciation will be provided at the appropriate rate specified below.

Property, plant and equipment are depreciated at rates sufficient to write off their cost, less impairment losses, if any, to their estimated residual values, over their estimated useful lives on a straight line basis as follows:

– Plant and buildings	5 – 70 years
– Machinery and equipment	3 – 26 years
– Office and other equipment, motor vehicles and others	3 – 10 years

Freehold land within the category of plant and buildings are not depreciated.

Assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

(o) Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses. Land use rights are amortised on a straight-line basis over the respective periods of grant, usually within 10 to 50 years.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in note 2(u)(ii).

(p) Intangible assets (other than goodwill)

Intangible assets acquired by the Target Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(u)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets are amortised from the date they are available for use as follows:

– Roads and tunnels operating rights	Over the estimated useful lives of 30 years
– Mining assets	Over the estimated useful lives of the mines in accordance with the production plan of the entities concerned and the proven probable reserves of the mines using the unit-of-production method.

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(q) Inventories

(i) Manufacturing, resources and energy segments

Inventories of the manufacturing, and resources and energy segments are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in first out, specific identification or weighted average cost formula as appropriate, and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Real estate and infrastructure segment

Inventories in respect of property development activities under the real estate and infrastructure segment are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– *Property under development for sale*

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 2(cc)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– *Completed property held for sale*

In the case of completed properties developed by the Target Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(r) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(x)(v). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as "amount due from customers for contract work" or "amount due to customers for contract work". Progress billing not yet billed to the customer are included in "trade and other receivable". Amount received before the related work is performed are presented in "trade and other payables".

(s) Operating leases

Leases which do not transfer substantially all the risks and rewards of ownership to the lessee are classified as operating leases.

Where the Target Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Target Group's depreciation policies, as set out in note 2(n) except where the asset is classified as an investment property. Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(u)(ii). Revenue arising from operating leases is recognised in accordance with the Target Group's revenue recognition policies, as set out in note 2(x)(vi).

Where the Target Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(m)).

(t) Repossessed assets

In the recovery of impaired loans and advances, the Target Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Where it is intended to achieve an orderly realisation of the impaired assets and the Target Group is no longer seeking repayment from the borrower, repossessed assets are reported in "other assets".

When the Target Group seizes assets to compensate for the losses of loans and advances and interest receivables, the repossessed assets are initially recognised at fair value, plus any taxes paid for the seizure of the assets, litigation fees and other expenses incurred for collecting the repossessed assets are included in the carrying value of repossessed assets. Repossessed assets are recognised at the carrying value, net of allowances for impairment losses.

Impairment losses on initial classification and on subsequent remeasurement are recognised in profit or loss.

(u) Impairment of assets

(i) Financial assets

The carrying amounts of the Target Group's assets are reviewed at balance sheet date to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Target Group about one or more of the following loss events which has an impact on the future cash flows on the assets that can be estimated reliably:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower;
- disappearance of an active market for financial assets because of financial difficulties; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, the carrying amount is reduced to the estimated recoverable amount by means of a charge to profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of loans and receivables and held-to-maturity investments, which are measured at amortised cost, whose recovery is considered doubtful but not remote. In this case, the impairment losses are recorded using an allowance account. When the Target Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against loans and receivables or held-to-maturity investments directly and any amounts held in the allowance account relating to that borrower/investment are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Loans and receivables

Impairment losses on loans and receivables are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets). Receivables with a short duration are not discounted if the effect of discounting is immaterial.

The total allowance for credit losses consists of two components: individual impairment allowances, and collective impairment allowances.

The Target Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The individual impairment allowance is based upon management's best estimate of the present value of the cash flows which are expected to be received discounted at the original effective interest rate. In estimating these cash flows, management makes judgements about the borrower's financial situation and the net realisable value of any underlying collateral or guarantees in favour of the Target Group. Each impaired asset is assessed on its own merits.

In assessing the need for collective loan loss allowances, management uses statistical modelling and considers historical trends of factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, the Target Group makes assumptions both to define the way the Target Group models inherent losses and to determine the required input parameters, based on historical experience and current economic conditions.

The accuracy of the impairment allowances the Target Group makes depends on how well the Target Group can estimate future cash flows for individually assessed impairment allowances and the model assumptions and parameters used in determining collective impairment allowances. While this necessarily involves judgement, the Target Group believes that the impairment allowances on loans and advances to customers are reasonable and supportable.

Any subsequent changes to the amounts and timing of the expected future cash flows compared to the prior estimates that can be linked objectively to an event occurring after the write-down, will result in a change in the impairment allowances on loans and receivables and be charged or credited to the income statement. A reversal of impairment losses is limited to the loans and receivables' carrying amount that would have been determined had no impairment loss been recognised in prior years.

When there is no reasonable prospect of recovery, the loan and the related interest receivables are written off.

Loans and receivables with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Target Group has made concessions that it would not otherwise consider. Renegotiated loans and receivables are subject to ongoing monitoring to determine whether they remain impaired or past due.

Held-to-maturity investments

Impairment on held-to-maturity investments is considered at both an individual and collective level. The individual impairment allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate, where the effect of discounting is material.

All significant assets found not to be individually impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of impairment losses shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Available-for-sale financial assets

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that had been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

For unquoted available-for-sale equity securities that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the equity securities and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Such impairment losses are not reversed.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

(ii) ***Non-financial assets***

Internal and external sources of information are reviewed at balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– land use rights;

– investments in subsidiaries, associates and joint ventures;

– goodwill; and

– intangible assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(v) Employee benefits

(i) Short-term employee benefits

During the accounting period when an employee has rendered service to the Target Group, the Target Group recognises the undiscounted amount of short-term employee benefits as a liability and as an expense, unless another HKFRS requires or permits the inclusion of the benefits in the cost of an asset. Short-term employee benefits include wages, bonuses and social security contributions such as medical insurance, work-related injury insurance and maternity insurance, as well as housing provident funds, which are all calculated based on the regulated benchmark and ratio. Where the payment of liability is expected not to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services, and the effect would be material, these liabilities are stated at their present values in the balance sheet.

(ii) Defined contribution retirement schemes

Pursuant to the relevant laws and regulations in the PRC, The Target Group has joined a defined contribution retirement plan for the employees arranged by local government organisations of labour and social security. The Target Group is required to make contributions to a separate entity which could be the government or publicly administered retirement schemes at certain rates of the salaries, bonuses and certain allowances of its employees. The contributions are charged to profit or loss for the current period on an accrual basis. A member of the schemes is entitled to a pension equal to a fixed proportion of the salary prevailing at his or her retirement date, payable by local government organisations of labour and social security.

In addition to the statutory provision plan, the Target Group's employees have joined its annuity scheme which was established by the CITIC Group in accordance with policies regarding the state owned enterprise annuity policy. The Target Group has made annuity contributions in proportion to its employee's gross wages which are expensed in profit or loss when the contributions are made.

The Target Group also operates defined contribution retirement schemes and Mandatory Provident Fund schemes for certain subsidiaries operating in Hong Kong. Contributions are charged to profit or loss as and when the contribution fall due.

(w) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Target Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within "other liabilities". The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Target Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(w)(iii) if and when: (1) it becomes probable that the holder of the guarantee will call upon the Target Group under the guarantee; and (2) the amount of that claim on the Target Group is expected to exceed the amount currently carried in other liabilities in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(w)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(w)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Target Group or the Target Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(x) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Target Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Interest income

Interest income arising from the use of entity assets by others is recognised in profit or loss based on the duration and the effective interest rate. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Target Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest on the impaired financial assets is recognised using the rate of interest used to discount future cash flows ("unwinding of discount") for the purpose of measuring the related impairment loss.

(ii) Fee and commission income

Fee and commission income is recognised when the corresponding service is provided, except where the fee is charged to cover the costs of a continuing service to, or risk borne for, the customer, or is interest in nature. In these cases, the fee is recognised as income in the accounting period in which the costs or risk is incurred and is accounted for as interest income.

Origination or commitment fees received/paid by the Target Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

(iii) Sales of goods and provision for services

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Service fee income is recognised when the services are rendered.

(iv) Sales of properties

Revenue from sales of properties under development is only recognised when the significant risks and rewards of ownership have been transferred to the buyer. The Target Group considers that the significant risks and rewards of ownership are transferred when the buildings contracted for sale are completed and the relevant permits essential for the delivery of the properties have been issued by the authorities.

Revenue from completed properties held for sale is recognised at the date when the sales agreement is signed.

(v) Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method.

The Target Group measured the stage of completion by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(vi) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(vii) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(viii) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Target Group will comply with the conditions attaching to them. Grants that compensate the Target Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Target Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(y) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities and withholding tax.

The balance sheet liability method is adopted whereby deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss; or in respect of those temporary differences which arise either from goodwill not deductible for tax purposes, or relating to investments in subsidiaries to the extent that the Target Group controls the timing of the reversal and it is probable that the temporary differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Provision for withholding tax that will arise on the remittance of retained earnings is only made where there is a current intention to remit such earnings.

Deferred tax assets are recognised to the extent that their future utilisation is probable. Deferred tax arising from revaluation of investment properties is recognised on the rebuttable presumption that the recovery of the carrying amount of the properties would be through sale and calculated at the applicable tax rates.

Current tax assets and liabilities are offset, and deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(z) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Target Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(aa) Related parties

(a) A person, or a close member of that person's family, is related to the Target Group if that person:

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or the Target Group's parent.

(b) An entity is related to the Target Group if any of the following conditions applies:

(i) The entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(bb) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Target Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Target Group that meets the following respective conditions:

– engage in business activities from which it may earn revenues and incur expenses;

– whose operating results are regularly reviewed by the Target Group's management to make decisions about resource to be allocated to the segment and assess its performance; and

– for which financial information regarding financial position, results of operations and cash flows are available.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of:

– the nature of products and services;

– the nature of production processes;

– the type or class of customers;

– the methods used to distribute the products or provide the services; and

– the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the Financial Information.

(cc) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment losses on loans and advances, available-for-sale and held-to-maturity debt investments

The Target Group reviewed the portfolios of loans and advances, available-for-sale and held-to-maturity debt investments periodically to assess whether impairment losses exist and if they exist, the amounts of impairment losses. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows identified with an individual loan, available-for-sales investments or held-to-maturity debt investment. It also includes observable data indicating adverse changes in the repayment status of borrowers or issuers in the assets portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

The impairment loss for a loan that is individually assessed for impairment is the decrease in the estimated discounted future cash flow of that asset. For the impairment loss of held-to-maturity debt investments, the Target Group measures the impairment loss on the basis of the instrument's fair value using an observable market price as at the measurement date. The impairment loss for an available-for-sale debt investment is the difference between the acquisition costs (net of any principal repayments and amortisation) and the fair value, less any impairment loss previously recognised in the profit or loss at the measurement date.

When loans and advances are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the loans and advances that are being assessed. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss.

(b) Impairment of available-for-sale equity investments

For available-for-sale equity investments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the Target Group considers historical data of market volatility and historical share price of the specific equity investment as well as other factors, such as sector performance, and financial information regarding the investee.

(c) Fair value of financial instruments

The fair value of financial instruments that are traded in an active market is based on their quoted market prices in an active market at the valuation date. A quoted market price is a price from an active market where price information is readily and regularly available from an exchange or from a dealer quotation and where this price information represents actual and recurring market transactions on an arm's length basis.

For all other financial instruments, the Target Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at balance sheet date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on observable market data at each balance sheet date.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the balance sheet dates that would have been determined by market participants acting at arm's length.

(d) Classification of held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments if the Target Group has the intention and ability to hold them until maturity. In evaluating whether the requirements to classify a financial asset as held-to-maturity are met, management makes significant judgements. Failure in correctly assessing the Target Group's intention and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

(e) Provision for inventories

The Target Group reviews the carrying amounts of inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net realisable value. The Target Group estimates the net realisable value, based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down. The change in the write-down would affect the Target Group's profit during the year.

(f) Impairment of non-financial assets

As described in note 2(u)(ii), assets such as fixed assets and intangible assets are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

The recoverable amount of an asset (asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. Since a market price of the asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing value in use, significant judgements are exercised over the asset's production, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumptions.

(g) Depreciation

Depreciation of operating assets constitutes a substantial operating cost for the Target Group. The cost of fixed assets is charged as depreciation expense over the estimated useful life of the respective assets using the straight-line method. The management periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates.

(h) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets, which principally relate to tax losses and deductible temporary differences, are recognised when the future taxable profit will be available against such deferred tax assets. Hence, it requires formal assessment by management regarding the future profitability to utilise the deferred tax assets. The outcome of their actual utilisation may be different.

4 TAXATION

The major applicable taxes and tax rates of the Target Group are as follows:

(a) Taxes applicable to sales of goods and provision of services

The types of taxes applicable to the Target Group's sale of goods and rendering of services include the following:

Types	Tax basis and applicable rate
Business tax	3% or 5% of the relevant taxable revenue
Value added tax ("VAT")	Output VAT is 3% to 17% of product sales and taxable service revenue, based on tax laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable
Land appreciation tax	Appreciation amount at applicable tax rate

(b) Income tax

The statutory income tax rate of the Target Company for the years ended December 31, 2011, 2012 and 2013 is 25%.

Certain subsidiaries of the Target Group in the PRC are entitled to preferential tax treatment of high-tech enterprises, and enterprises located in the western region at preferential tax rates ranging from 7.5% to 15%. Except for the above preferential tax treatments, the income tax rate applicable to the Target Group's other subsidiaries in the PRC for the years ended December 31, 2011, 2012 and 2013 is 25%.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

5 REVENUE

As a multi-industry conglomerate, the Target Group is principally engaging in financial services, real estate and infrastructure, engineering contracting, resources and energy, manufacturing and other businesses.

For financial services segment, revenue mainly comprises net interest income, net fee and commission income and net trading gain (see notes 5(a), 5(b) and 5(d)(i)). For non-financial services segments, revenue mainly comprises total invoiced value of goods supplied net of taxes, service fee income and revenue from construction contracts (see note 5(c)).

The Target Group's customer base is diversified and there is no single customer with which transactions have exceeded 10% of the Target Group's revenue.

(a) Net interest income

	Note	**2011** *RMB million*	**2012** *RMB million*	**2013** *RMB million*
Interest income arising from:				
Deposits with central banks, banks and non-bank financial institutions		7,906	12,715	14,103
Placements with banks and non-banks financial institutions		4,126	6,990	5,488
Financial assets held under resale agreements		4,796	5,208	11,200
Investments classified as receivables		–	795	6,097
Loans and advances to customers and other parties	*(i)*	83,013	103,377	113,494
Investments in debt securities	*(ii)*	7,636	10,616	13,754
Others		4	22	3
		107,481	139,723	164,139
Interest expenses arising from:				
Deposits from banks and non-bank financial institutions		(6,823)	(14,779)	(19,599)
Placements from banks and non-banks financial institutions		(427)	(247)	(943)
Financial assets sold under repurchase agreements		(474)	(537)	(467)
Deposits from customers		(31,785)	(45,437)	(54,213)
Debt securities issued		(1,251)	(1,778)	(2,352)
Others		(95)	(41)	(2)
		(40,855)	(62,819)	(77,576)
Net interest income		66,626	76,904	86,563

Notes:

(i) Interest income amounted to RMB159 million, RMB249 million and RMB373 million arising from loans and advances to customers and other parties includes interest income accrued on individually assessed impaired financial assets for the years ended December 31, 2011, 2012 and 2013, respectively.

(ii) Interest income from investments in debt securities is mainly derived from unlisted investments.

(iii) Interest income includes interest income arising from financial assets at fair value through profit or loss amounted to RMB188 million, RMB370 million and RMB302 million for the years ended December 31, 2011, 2012 and 2013, respectively.

(b) Net fee and commission income

	2011 *RMB million*	**2012** *RMB million*	**2013** *RMB million*
Consultancy and advisory fees	2,926	3,365	4,633
Bank card fees	2,283	3,820	5,626
Settlement fees	1,755	2,630	2,367
Commission for wealth management services	874	721	2,491
Agency fees and commission	755	967	1,272
Guarantee fees	1,055	558	1,285
Trustee fees	2,441	3,368	4,636
Custodian fees	320	483	776
Others	36	10	37
	12,445	15,922	23,123
Fee and commission expenses	(627)	(984)	(1,508)
Net fee and commission income	11,818	14,938	21,615

(c) Sales of goods and provision of services

	2011 *RMB million*	**2012** *RMB million*	**2013** *RMB million*
Sales of goods	96,434	106,022	116,575
Revenue from construction contracts	14,287	12,949	14,435
Service fee income	5,035	7,418	7,823
Others	1,763	1,373	2,523
	117,519	127,762	141,356

(d) Other revenue

	Note	**2011** *RMB million*	**2012** *RMB million*	**2013** *RMB million*
Net trading gain	*(i)*	2,468	2,769	2,095
Net gain from financial assets designated at fair value through profit or loss		1	2	2
Net gain/(loss) from disposal of available-for-sale financial assets	*(ii)*	312	199	(2)
Net hedging gain	*(iii)*	19	16	160
		2,800	2,986	2,255

(i) ***Net trading gain***

	2011	2012	2013
	RMB million	*RMB million*	*RMB million*
Trading profit:			
– debt securities	88	503	304
– foreign currencies	1,402	1,455	1,526
– derivatives	977	811	265
– investment funds	1	–	–
	2,468	2,769	2,095

(ii) ***Net gain from disposal of available-for-sale financial assets***

	Note	2011	2012	2013
		RMB million	*RMB million*	*RMB million*
Net profit/(loss) from disposal of available-for-sale financial assets		652	(24)	742
Net revaluation (loss)/gain reclassified from other comprehensive income on disposal	*13(b)*	(340)	223	(744)
		312	199	(2)

(iii) ***Net hedging gain***

	2011	2012	2013
	RMB million	*RMB million*	*RMB million*
Net (loss)/gain from			
– fair value hedge	(1)	–	2
– cash flow hedge	20	16	158
	19	16	160

6 COSTS OF SALES AND SERVICES

	Note	2011	2012	2013
		RMB million	*RMB million*	*RMB million*
Costs of goods sold	*20*	84,596	95,875	105,236
Costs of construction contracts		13,503	9,951	13,011
Costs of services rendered		4,221	5,731	6,054
Others		588	645	1,039
		102,908	112,202	125,340

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Net finance charges

	Note	**2011** *RMB million*	**2012** *RMB million*	**2013** *RMB million*
Interest on bank advances and other borrowings wholly repayable within five years		5,274	6,065	6,038
Interest on other loans and debt securities issued		585	2,311	3,183
Other interest expenses		15	26	31
Total interest expenses on financial liabilities not at fair value through profit or loss		5,874	8,402	9,252
Less: interest expense capitalised*		(3,215)	(4,543)	(4,637)
	14	2,659	3,859	4,615
Interest income	*14*	(635)	(1,276)	(1,152)
		2,024	2,583	3,463

* Capitalisation rates applied to funds borrowed are 7.6%, 8.6% and 7.8% per annum for the years ended December 31, 2011, 2012 and 2013, respectively.

(b) Staff costs

	2011 *RMB million*	**2012** *RMB million*	**2013** *RMB million*
Salaries and bonuses	13,623	16,396	19,177
Contributions to defined contribution retirement schemes	202	240	293
Others	4,183	4,653	5,830
	18,008	21,289	25,300

(c) Other items

	Note	2011 RMB million	2012 RMB million	2013 RMB million
Amortisation				
– land use rights	*29(a)*	71	79	144
– intangible assets	*30*	253	365	480
	14	324	444	624
Depreciation	*29(a), 14*	2,123	3,086	2,822
Impairment losses charged/ (reversed) for:	*43(a)*			
– placements with banks and non-bank financial institutions		–	–	7
– trade and other receivables		853	180	588
– amount due from customers for contract work		326	805	–
– inventories		889	360	101
– loans and advances to customers and other parties		6,220	12,709	10,739
– available-for-sale financial assets		223	112	746
– held-to-maturity investments		33	(6)	(85)
– interests in associates		1	1,473	–
– interests in joint ventures		–	–	6
– fixed assets		411	68	1,467
– intangible assets		119	23	36
– others		172	90	67
	14	9,247	15,814	13,672
Operating lease charges: minimum lease payments		93	99	134
Net foreign exchange gain		(947)	(45)	(534)
Auditors' remuneration		66	63	67
Government grants		(149)	(2,522)	(1,429)
Net gain on disposal of subsidiaries, associates and joint ventures		(5,621)	(644)	(1,092)

8 INCOME TAX IN THE INCOME STATEMENTS

(a) Income tax in the income statements:

	Note	2011 *RMB million*	2012 *RMB million*	2013 *RMB million*
Current tax – Mainland China				
Provision for enterprise income tax for the year		13,462	16,127	17,314
Land appreciation tax		1,001	699	686
		14,463	16,826	18,000
Current tax – Hong Kong				
Provision for Hong Kong Profits Tax for the year		1,279	274	146
Current tax – Overseas				
Provision for the year		22	35	5
		15,764	17,135	18,151
Deferred tax				
Origination and reversal of temporary differences	*32(b)*	(398)	(2,893)	(1,651)
		15,366	14,242	16,500

The particulars of the applicable income tax rates are disclosed in note 4.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2011	2012	2013
	RMB million	*RMB million*	*RMB million*
Profit before tax	60,822	55,001	66,177
Less: Share of results of			
– associates	(4,568)	(1,050)	(1,824)
– joint ventures	(603)	(1,044)	(750)
	55,651	52,907	63,603
Notional tax on profit before tax at statutory tax rate of 25%	13,913	13,227	15,901
Effect of different tax rates in other jurisdictions	167	(219)	(373)
Tax effect of unused tax losses not recognised	240	352	150
Tax effect of non-deductible expenses	1,126	1,529	1,362
Tax effect of non-taxable income	(55)	(432)	(545)
Others	(25)	(215)	5
Actual tax expense	15,366	14,242	16,500

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of directors' remuneration are set out as follows:

	Fees	Salaries	Discretionary bonus	Social insurance and housing fund	Total remuneration (before tax)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2011					
Chairman					
Chang Zhenming *(note (i))*	–	465.0	1,311.5	116.7	1,893.2
Vice Chairman					
Tian Guoli *(note (i))*	–	418.5	1,172.0	116.5	1,707.0
Executive Directors					
Dou Jianzhong *(note (ii))*	249.2	2,567.2	855.7	114.3	3,786.4
Wang Jiong *(note (i))*	–	409.2	1,105.0	106.6	1,620.8
Directors					
Yang Jinming *(note (iii))*	–	–	–	–	–
Yu Zhensheng *(note (iii))*	–	–	–	–	–
Qu Yonglan *(note (iii))*	–	–	–	–	–
Cao Pu *(note (iii))*	–	–	–	–	–
Supervisors					
Lin Meifang *(note (iii))*	–	–	–	–	–
Wang Xuemei *(note (iii))*	–	–	–	–	–
Zheng Xuexue *(note (iv))*	–	–	–	–	–
Liu Hesheng *(note (iv))*	–	–	–	–	–
	249.2	3,859.9	4,444.2	454.1	9,007.4

Notes:

(i) The discretionary bonus payment for Mr. Chang Zhenming, Mr. Tian Guoli and Mr. Wang Jiong were deferred to the period from 2012 to 2014.

(ii) Mr. Dou Jianzhong was also the Chairman of the Board of Directors and the Executive President of CITIC International Financial Holdings Limited ("CIFH"), a subsidiary of the Target Company, and he received his fees, salaries and discretionary bonus from CIFH.

(iii) No emoluments were paid by the Target Company to Mr. Yang Jinming, Mr. Yuzhensheng, Ms. Qu Yonglan, Ms. Cao Pu, Mr. Lin Meifang and Ms. Wang Xuemei, the Directors of the Target Company, for the year ended December 31, 2011.

(iv) No emoluments were paid by the Target Company to Mr. Zheng Xuexue and Mr. Liu Hesheng, the Employee Supervisors of the Target Company, for the year ended December 31, 2011.

	Fees	Salaries	Discretionary bonus	Social insurance and housing fund	Total remuneration (before tax)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2012					
Chairman					
Chang Zhenming *(note (i))*	–	495.0	1,156.0	131.6	1,782.6
Vice Chairman					
Tian Guoli *(note (i))*	–	445.5	1,031.5	131.6	1,608.6
Executive Directors					
Dou Jianzhong *(note (ii))*	243.2	2,568.6	1,712.4	127.2	4,651.4
Wang Jiong *(note (i))*	–	440.6	1,007.0	121.1	1,568.7
Directors					
Yang Jinming *(note (iii))*	–	–	–	–	–
Yu Zhensheng *(note (iii))*	–	–	–	–	–
Qu Yonglan *(note (iii))*	–	–	–	–	–
Cao Pu *(note (iii))*	–	–	–	–	–
Supervisors					
Lin Meifang	–	264.0	1,301.9	100.3	1,666.2
Wang Xuemei	–	223.2	1,070.0	95.5	1,388.7
Zheng Xuexue *(note (iv))*	–	–	–	–	–
Liu Hesheng *(note (iv))*	–	–	–	–	–
	243.2	4,436.9	7,278.8	707.3	12,666.2

Notes:

(i) The discretionary bonus payment for Mr. Chang Zhenming, Mr. Tian Guoli and Mr. Wang Jiong were deferred to the period from 2013 to 2015.

(ii) Mr. Dou Jianzhong was also the Chairman of the Board of Directors and the Executive President of CITIC International Financial Holdings Limited ("CIFH"), a subsidiary of the Target Company, and he received his fees, salaries and discretionary bonus from CIFH.

(iii) No emoluments were paid by the Target Company to Mr. Yang Jinming, Mr. Yuzhensheng, Ms. Qu Yonglan and Ms. Cao Pu, the Directors of the Target Company, for the year ended December 31, 2012.

(iv) No emoluments were paid by the Target Company to Mr. Zheng Xuexue and Mr. Liu Hesheng, the Employee Supervisors of the Target Company, for the year ended December 31, 2012.

	Fees	Salaries paid	Discretionary bonus paid	Social insurance and housing fund	Total remuneration (before tax)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2013					
Chairman					
Chang Zhenming *(note (i))*	–	495.0	–	150.7	645.7
Vice Chairman					
Wang Jiong *(notes (i), (iii))*	–	445.5	–	129.0	574.5
Executive Directors					
Dou Jianzhong *(note (ii))*	239.4	3,300.9	–	140.2	3,680.5
Zhao Jingwen *(notes (i), (iii))*	–	435.6	–	140.2	575.8
Directors					
Yang Jinming *(note (iv))*	–	–	–	–	–
Yu Zhensheng *(note (iv))*	–	–	–	–	–
Qu Yonglan *(note (iv))*	–	–	–	–	–
Cao Pu *(note (iv))*	–	–	–	–	–
Supervisors					
Lin Meifang	–	278.4	1,270.2	110.0	1,658.6
Wang Xuemei	–	236.4	1,055.1	105.3	1,396.8
Zheng Xuexue *(note (v))*	–	–	–	–	–
Liu Hesheng *(note (v))*	–	–	–	–	–
Former Vice Chairman resigned in 2013					
Tian Guoli *(notes (i), (iii))*	–	139.5	–	46.3	185.8
	239.4	5,331.3	2,325.3	821.7	8,717.7

Notes:

(i) The total compensation packages for Mr. Chang Zhenming, Mr. Wang Jiong, Mr. Zhao Jingwen and Mr. Tian Guoli have not been finalised in accordance with the regulations of the relevant PRC authorities. The remuneration not yet accrued is not expected to have a significant impact on the Target Company's 2013 Financial Information. Their discretionary bonus is deferred to the period from 2014 to 2016.

(ii) Mr. Dou Jianzhong was also the Chairman of the Board of Directors and the Executive President of CITIC International Financial Holdings Limited ("CIFH"), a subsidiary of the Target Company, and he received his fees, salaries and discretionary bonus from CIFH.

(iii) Changes in directors during the year ended December 31, 2013:

– Mr. Wang Jiong was appointed as the Vice Chairman of the board of director in May 2013.

– Mr. Zhao Jingwen was appointed as the Executive Director in October 2013.

– Mr. Tian Guoli resigned the position of the Vice Chairman of the board of director in April 2013.

(iv) No emoluments were paid by the Target Company to Mr. Yang Jinming, Mr. Yu Zhensheng, Ms. Qu Yonglan and Ms. Cao Pu, the Directors of the Target Company, for the year ended December 31, 2013.

(v) No emoluments were paid by the Target Company to Mr. Zheng Xuexue and Mr. Liu Hesheng, the Employee Supervisors of the Target Company, for the year ended December 31, 2013.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended December 31, 2011, 2012 and 2013, of the five individuals which the highest emoluments, none are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other five individuals are as follows:

	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Fees	581.7	421.6	–
Salaries and other emoluments	7,515.6	11,626.7	13,084.9
Discretionary bonuses	17,291.8	15,447.0	15,205.8
Equity settled share based payment expenses	22,944.7	8,739.4	4,728.4
Retirement scheme contributions	419.6	248.3	305.7
	48,753.4	36,483.0	33,324.8

The emoluments of the remaining individuals with the highest emoluments are within the following bands:

	2011	**2012**	**2013**
	Number of individuals	*Number of individuals*	*Number of individuals*
HKD 1,000,001 to HKD 2,000,000	–	–	–
HKD 2,000,001 to HKD 3,000,000	–	–	–
HKD 3,000,001 to HKD 5,000,000	–	–	–
Above HKD 5,000,001	5	5	5

During the years ended December 31, 2011, 2012 and 2013, no emoluments were paid by the Target Group to the five highest paid individuals as an inducement to join or upon joining the Target Group or as compensation for loss of office.

11 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE TARGET COMPANY

The profit attributable to equity shareholders of the Target Company includes a profit of RMB94 million, RMB6,392 million and RMB5,874 million, for the period from December 27, 2011 to December 31, 2011, and years ended December 31, 2012 and 2013, respectively, which has been dealt with in the financial information of the Target Company.

12 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Target Company of RMB31,700 million, RMB28,404 million and RMB34,260 million for the years ended December 31, 2011, 2012 and 2013, respectively, and the number of 128,000 million shares.

The Target Company did not have any potential dilutive shares during the years ended December 31, 2011, 2012 and 2013. Accordingly, diluted earnings per share is the same as basic earnings per share.

13 OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to each component of other comprehensive income

	2011			2012			2013		
	Before tax amount	**Tax benefit**	**Net-of-tax amount**	**Before tax amount**	**Tax benefit/ (expense)**	**Net-of-tax amount**	**Before tax amount**	**Tax benefit**	**Net-of-tax amount**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Available-for-sale financial assets: net movement in fair value reserve	(80)	12	(68)	(424)	157	(267)	(6,209)	1,525	(4,684)
Cash flow hedge: net movement in hedging reserve	–	–	–	58	(14)	44	(159)	–	(159)
Share of other comprehensive income of associates and joint ventures	(794)	–	(794)	214	–	214	789	–	789
Exchange differences on translation of financial statements of subsidiaries, associates and joint ventures	(1,145)	–	(1,145)	258	–	258	(1,230)	–	(1,230)
	(2,019)	12	(2,007)	106	143	249	(6,809)	1,525	(5,284)

(b) Components of other comprehensive income, including reclassification adjustments

	Note	2011 *RMB million*	2012 *RMB million*	2013 *RMB million*
Fair value losses of available-for-sale financial assets		(420)	(201)	(6,953)
Less: Net amounts previously recognised in other comprehensive income transferred to profit or loss in the current year	*5(d)(ii)*	340	(223)	744
Tax effect		12	157	1,525
		(68)	(267)	(4,684)
Gains/(losses) arising from cash flow hedge		–	58	(159)
Tax effect		–	(14)	–
		–	44	(159)
Share of other comprehensive income of associates and joint ventures		(794)	214	789
Exchange differences on translation of financial statements of subsidiaries, associates and joint ventures		(1,145)	258	(1,230)
		(2,007)	249	(5,284)

14 SEGMENT REPORTING

The Target Group has presented six reportable segments which are financial services, real estate and infrastructure, engineering contracting, resources and energy, manufacturing and others. Reportable segments are identified based on operating segments which are determined based on the structure of the Target Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Target Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance is regularly reviewed by the Target Group's management to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information regarding financial position, financial performance and cash flows is available. The details of these six reportable segments are as follows:

– Financial services: this segment provides banking, trust, asset management and other financial services.

– Real estate and infrastructure: this segment includes development, sale and holding of properties and operation of infrastructures.

– Engineering contracting: this segment provides contracting and design services for infrastructure, property and industrial projects.

– Resources and energy: the major businesses in this segment include exploration, processing and trading of resources and energy products, including crude oil, coal and iron ore.

– Manufacturing: this segment includes manufacturing of heavy machineries, aluminium wheels and other products.

– Others: others include various businesses including aviation services, publication services and others.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Target Group's management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets and liabilities include all assets and liabilities with the exception of interests in associates and joint ventures and other unallocated corporate assets and liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

The measure used for reporting segment profit is "profit from combined activities". To arrive at segment results, the Target Group's profit before tax are further adjusted for items not specially attributed to individual segments, such as share of results of associates and joint ventures and head office or corporate administrative costs.

Inter-segment pricing is based on similar terms as those available to other external parties.

Information regarding the Target Group's reportable segments as provided to the Target Group's most senior executive management for purposes of resources allocation and assessment of segment performance for the years ended December 31, 2011, 2012 and 2013 is set out below:

		Year ended December 31, 2011								
		Financial services	Real estate and infrastructure	Engineering contracting	Resources and energy	Manufacturing	Others	Unallocated	Elimination	Total
	Note	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Revenue from external customers		80,270	15,970	15,837	60,703	16,367	9,164	452	–	198,763
Inter-segment revenue		154	665	1,789	7	18	65	2,309	(5,007)	–
Reportable segment revenue		80,424	16,635	17,626	60,710	16,385	9,229	2,761	(5,007)	198,763
Profit from combined activities		53,555	4,542	1,803	6,781	2,206	657	1,741	(1,916)	69,369
Share of profit/(loss) of associates, net of tax		2,884	1,027	20	606	48	(25)	8	–	4,568
Share of profit/(loss) of joint ventures, net of tax		161	187	–	(1)	–	256	–	–	603
Finance income	*7(a)*	1	50	65	83	88	33	624	(309)	635
Finance costs	*7(a)*	–	(568)	(4)	(772)	(337)	(93)	(2,668)	1,783	(2,659)
Depreciation and amortisation	*7(c)*	(903)	(246)	(104)	(389)	(603)	(182)	(20)	–	(2,447)
Impairment losses	*7(c)*	(6,558)	(1,120)	(413)	(987)	(46)	(38)	–	(85)	(9,247)
Profit before tax		49,140	3,872	1,367	5,321	1,356	608	(315)	(527)	60,822

	At December 31, 2011								
	Financial services	Real estate and infrastructure	Engineering contracting	Resources and energy	Manufacturing	Others	Unallocated	Elimination	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Reportable segment assets	2,752,789	102,018	21,385	41,713	22,380	12,321	109,527	(85,799)	2,976,334
Interests in associates	19,657	3,059	98	4,498	2,425	225	88	–	30,050
Interests in joint ventures	3,470	1,475	41	1,244	–	2,083	–	–	8,313
Reportable segment liabilities	2,589,448	92,100	18,305	32,080	19,464	7,730	97,243	(85,999)	2,770,371

		Year ended December 31, 2012								
	Note	Financial services *RMB million*	Real estate and infrastructure *RMB million*	Engineering contracting *RMB million*	Resources and energy *RMB million*	Manufacturing *RMB million*	Others *RMB million*	Unallocated *RMB million*	Elimination *RMB million*	Total *RMB million*
Revenue from external customers		93,354	11,753	14,709	69,766	19,756	12,133	1,119	–	222,590
Inter-segment revenue		(321)	1,173	1,965	6	1	262	2,299	(5,385)	–
Reportable segment revenue		93,033	12,926	16,674	69,772	19,757	12,395	3,418	(5,385)	222,590
Profit from combined activities		59,653	4,766	3,231	2,372	2,487	755	3,162	(1,592)	74,834
Share of profit/(loss) of associates, net of tax		655	456	45	(175)	78	(18)	9	–	1,050
Share of profit/(loss) of joint ventures, net of tax		150	134	(11)	494	–	276	1	–	1,044
Finance income	*7(a)*	1	262	359	469	142	42	295	(294)	1,276
Finance costs	*7(a)*	–	(872)	(48)	(894)	(435)	(98)	(3,022)	1,510	(3,859)
Depreciation and amortisation	*7(c)*	(1,126)	(225)	(108)	(856)	(899)	(304)	(12)	–	(3,530)
Impairment losses	*7(c)*	(13,074)	(119)	(814)	(1,773)	(60)	17	–	9	(15,814)
Profit before tax		46,259	4,402	2,654	(363)	1,313	670	433	(367)	55,001

	At December 31, 2012								
	Financial services *RMB million*	Real estate and infrastructure *RMB million*	Engineering contracting *RMB million*	Resources and energy *RMB million*	Manufacturing *RMB million*	Others *RMB million*	Unallocated *RMB million*	Elimination *RMB million*	Total *RMB million*
Reportable segment assets	2,965,001	129,021	35,792	42,995	27,833	13,490	104,317	(88,000)	3,230,449
Interests in associates	22,484	3,150	126	3,062	2,397	176	84	–	31,479
Interests in joint ventures	3,629	1,345	30	1,717	–	2,345	–	–	9,066
Reportable segment liabilities	2,759,165	114,194	33,350	32,075	18,364	27,211	87,742	(87,982)	2,984,119

		Year ended December 31, 2013								
	Note	Financial services *RMB million*	Real estate and infrastructure *RMB million*	Engineering contracting *RMB million*	Resources and energy *RMB million*	Manufacturing *RMB million*	Others *RMB million*	Unallocated *RMB million*	Elimination *RMB million*	Total *RMB million*
Revenue from external customers		108,305	25,522	16,603	67,935	19,120	12,600	1,704	–	251,789
Inter-segment revenue		23	1,680	1,782	36	1	184	2,029	(5,735)	–
Reportable segment revenue		108,328	27,202	18,385	67,971	19,121	12,784	3,733	(5,735)	251,789
Profit from combined activities		70,274	4,574	2,164	2,408	2,203	882	2,976	(1,297)	84,184
Share of profit/(loss) of associates, net of tax		927	661	44	(91)	124	142	17	–	1,824
Share of profit/(loss) of joint ventures, net of tax		92	163	(17)	288	–	224	–	–	750
Finance income	*7(a)*	1	401	374	184	315	27	192	(342)	1,152
Finance costs	*7(a)*	(72)	(1,224)	(28)	(792)	(511)	(117)	(3,508)	1,637	(4,615)
Depreciation and amortisation	*7(c)*	(1,292)	(272)	(71)	(551)	(963)	(283)	(14)	–	(3,446)
Impairment losses	*7(c)*	(12,125)	87	15	(1,574)	(167)	24	–	68	(13,672)
Profit before tax		57,805	4,390	2,481	(128)	1,001	899	(337)	66	66,177

	At December 31, 2013								
	Financial services *RMB million*	Real estate and infrastructure *RMB million*	Engineering contracting *RMB million*	Resources and energy *RMB million*	Manufacturing *RMB million*	Others *RMB million*	Unallocated *RMB million*	Elimination *RMB million*	Total *RMB million*
Reportable segment assets	3,655,558	135,602	33,769	41,159	30,264	16,876	102,728	(95,273)	3,920,683
Interests in associates	22,602	3,375	128	4,765	2,244	2,488	94	–	35,696
Interests in joint ventures	3,830	1,354	8	1,865	–	2,267	–	–	9,324
Reportable segment liabilities	3,419,880	119,462	28,230	34,883	19,987	30,433	87,445	(94,255)	3,646,065

(b) Geographical information

An analysis of the Target Group's revenue and total assets by geographical area are as follows:

	Revenue from external customers			Total assets		
	2011	**2012**	**2013**	**2011**	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Mainland China	160,308	182,812	206,847	2,823,837	3,068,369	3,751,286
Hong Kong and Macau	19,057	18,081	21,520	170,087	175,845	189,776
Overseas	19,398	21,697	23,422	20,773	26,780	24,641
	198,763	222,590	251,789	3,014,697	3,270,994	3,965,703

15 CASH AND DEPOSITS

		The Target Group			The Target Company		
		2011	**2012**	**2013**	**2011**	**2012**	**2013**
	Note	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Cash		5,043	6,731	6,879	–	–	–
Bank deposits (under non-financial services segment)		31,953	43,578	43,179	13,562	4,702	3,966
Balances with central banks (under financial services segment)	*(i)*						
– Statutory deposit reserve funds	*(ii)*	297,992	356,243	420,657	–	–	–
– Surplus deposit reserve funds	*(iii)*	60,637	62,223	66,056	–	–	–
– Fiscal deposits		2,790	3,034	3,640	–	–	–
Deposits with banks and non-bank financial institutions (under financial services segment)		387,165	241,514	139,874	–	–	–
		785,580	713,323	680,285	13,562	4,702	3,966

Notes:

(i) The balances with central banks represent deposits placed with central banks by China CITIC Bank Corporation Limited ("CITIC Bank") and CITIC Finance Company Limited ("CITIC Finance"), subsidiaries of the Target Group under the financial services segment.

(ii) CITIC Bank and CITIC Finance place statutory deposit reserves with the People's Bank of China ("PBOC") and overseas central banks where they have operations. The statutory deposit reserves are not available for use in their daily business.

As at December 31, 2011, 2012 and 2013, the statutory deposit reserve placed with the PBOC was calculated at 19%, 18% and 18%, respectively, of the eligible RMB deposits from the customers of the PRC branches of CITIC Bank. In addition, CITIC Bank is required to deposit an amount equivalent to 5%, 5% and 5% of its foreign currency deposits from the customers of the PRC branches as statutory deposit reserve as at December 31, 2011, 2012 and 2013, respectively.

As at December 31, 2013, the statutory deposit reserve placed with the PBOC was calculated at 15% of the eligible RMB deposits from the customers of CITIC Finance. In addition, CITIC Finance is required to deposit an amount equivalent to 5% of its foreign currency deposits from the customers as statutory deposit reserve as at December 31, 2013. CITIC Finance was established in 2012 and had not accepted deposits from the customers in that year.

The statutory RMB deposit reserve rates applicable to PRC subsidiaries of CITIC Bank and CITIC Finance are determined by the PBOC.

The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(iii) The surplus deposit reserve is maintained with the PBOC for the purposes of clearing.

(iv) In addition to the statutory deposit reserve funds, the amount of RMB2,953 million, RMB9,300 million and RMB8,544 million included in cash and deposits as at December 31, 2011, 2012 and 2013, respectively, are restricted in use. They mainly include deposits pledged for loans, guaranteed deposits and cash received from sale of properties before completion which is under the supervision by the Housing Administration Bureau of the PRC.

16 PLACEMENTS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

The Target Group

	Note	**2011** *RMB million*	**2012** *RMB million*	**2013** *RMB million*
Banks		140,556	132,686	101,132
Non-bank financial institutions		10,456	19,125	21,197
		151,012	151,811	122,329
Less: Allowances for impairment losses	*43(a)*	(8)	(8)	(15)
		151,004	151,803	122,314
By remaining maturity:				
Within one month		68,900	48,721	27,747
Between one month and one year		82,082	103,015	94,447
Over one year		22	67	120
		151,004	151,803	122,314

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		The Target Group			The Target Company		
	Note	**2011** *RMB million*	**2012** *RMB million*	**2013** *RMB million*	**2011** *RMB million*	**2012** *RMB million*	**2013** *RMB million*
Trading financial assets:							
– Debt securities	*(a)*	7,914	12,209	10,981	–	–	–
– Equity investments	*(b)*	148	95	27	–	–	–
– Investment funds	*(c)*	264	1,679	1,252	51	1,406	28
Financial assets designated at fair value through profit or loss	*(d)*	291	74	50	–	–	–
		8,617	14,057	12,310	51	1,406	28

	The Target Group			The Target Company		
	2011 *RMB million*	**2012** *RMB million*	**2013** *RMB million*	**2011** *RMB million*	**2012** *RMB million*	**2013** *RMB million*
Issued by:						
Government	340	3,384	5,119	–	–	–
PBOC	1,726	480	–	–	–	–
Policy banks	663	736	286	–	–	–
Banks and non-bank financial institutions	775	300	3,453	–	–	–
Corporate entities	5,113	9,157	3,452	51	1,406	28
	8,617	14,057	12,310	51	1,406	28

	The Target Group		
	2011 *RMB million*	**2012** *RMB million*	**2013** *RMB million*
By remaining maturity:			
Within three months	1,526	3,937	7,889
Between three months and one year	5,026	5,046	4,145
Over one year	1,601	3,521	205
No fixed terms	464	1,553	71
	8,617	14,057	12,310

Financial assets at fair value through profit or loss held by the Target Company have no fixed terms of repayment.

(a) Debt securities

	The Target Group		
	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Listed outside Hong Kong	–	–	1
Unlisted	7,914	12,209	10,980
	7,914	12,209	10,981

(b) Equity investments

	The Target Group		
	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Listed in Hong Kong	7	–	25
Listed outside Hong Kong	139	93	–
Unlisted	2	2	2
	148	95	27

(c) Investment funds

	The Target Group			The Target Company		
	2011	**2012**	**2013**	**2011**	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Unlisted	264	1,679	1,252	51	1,406	28

(d) Financial assets designated at fair value through profit or loss

	The Target Group		
	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Unlisted	291	74	50

18 DERIVATIVES

A subsidiary under the financial services segment acts as an intermediary to offer derivative products including interest rate and currency forwards and swaps to its customers. These derivative positions are managed through entering back to back deals with external parties to ensure the remaining exposures are within acceptable risk levels. Derivatives are also used for proprietary trading purposes.

A subsidiary under the non-financial services segment enters into forward and swap contracts to hedge its exposure to fluctuations in foreign exchange rates, commodity prices and interest rates.

The following tables provide an analysis of the notional amounts of derivatives and the corresponding fair values at the balance sheet dates. The notional amounts of the derivatives indicate the volume of transactions outstanding at the balance sheet dates; they do not represent amounts at risk.

The Target Group

		2011			2012			2013		
	Note	Nominal amount *RMB million*	Assets (positive fair value) *RMB million*	Liabilities (negative fair value) *RMB million*	Nominal amount *RMB million*	Assets (positive fair value) *RMB million*	Liabilities (negative fair value) *RMB million*	Nominal amount *RMB million*	Assets (positive fair value) *RMB million*	Liabilities (negative fair value) *RMB million*
Hedging instruments										
Fair value hedge:	*18(c)(i)*									
– Interest rate derivatives		4,971	396	–	6,450	470	(3)	8,021	210	(59)
Cash flow hedge:	*18(c)(ii)*									
– Interest rate derivatives		328	–	(12)	1,403	–	(10)	945	3	–
– Currency derivatives		527	12	–	138	–	–	1,008	29	–
– Other derivatives		65	38	(198)	189	94	(159)	40	2	(77)
Non-hedging instruments										
– Interest rate derivatives		195,459	1,231	(1,336)	219,836	799	(911)	199,756	1,294	(1,257)
– Currency derivatives		406,287	3,044	(2,443)	551,780	2,891	(2,495)	899,831	6,230	(5,549)
– Other derivatives		1,064	20	(13)	21,584	–	(14)	63,255	–	(2)
		608,701	4,741	(4,002)	801,380	4,254	(3,592)	1,172,856	7,768	(6,944)

The Target Company

	2011			2012			2013		
	Nominal amount *RMB million*	Assets (positive fair value) *RMB million*	Liabilities (negative fair value) *RMB million*	Nominal amount *RMB million*	Assets (positive fair value) *RMB million*	Liabilities (negative fair value) *RMB million*	Nominal amount *RMB million*	Assets (positive fair value) *RMB million*	Liabilities (negative fair value) *RMB million*
Hedging instruments									
Cash flow hedge:									
– Currency derivatives	–	–	–	–	–	–	788	3	–

(a) Nominal amount by remaining maturity

	The Target Group			The Target Company		
	2011	**2012**	**2013**	**2011**	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Within three months	202,394	311,774	490,595	–	–	788
Between three months and one year	244,157	322,125	419,493	–	–	–
Between one year and five years	157,264	164,188	257,786	–	–	–
Over five years	4,886	3,293	4,982	–	–	–
	608,701	801,380	1,172,856	–	–	788

(b) Credit risk weighted amounts

	2011	**2012**	**2013**
	(note (iii))	*(note (iii))*	*(note (ii))*
	RMB million	*RMB million*	*RMB million*
Interest rate derivatives	803	747	766
Currency derivatives	4,886	5,876	10,296
Other derivatives	29	3,893	8,412
Credit valuation adjustment	–	–	11,224
	5,718	10,516	30,698

Notes:

(i) The credit risk weighted amounts stated above are solely in connection with the derivatives held by CITIC Bank under the financial services segment of the Target Group.

(ii) At December 31, 2013, the credit risk weighted amount has been computed in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" promulgated by the China Banking Regulatory Commission ("CBRC") in 2012, and depends on the status of the counterparties and the maturity characteristics of the instruments, including those customer-driven back-to-back transactions. The credit risk weighted amounts stated above have taken into account the effects of bilateral netting arrangements.

(iii) At December 31, 2011 and 2012, the credit risk weighted amounts are calculated in accordance with "Regulations Governing Capital Adequacy of Commercial Banks" and other relevant regulations promulgated by the CBRC in 2004. This regulation had been superseded since January 1, 2013.

(c) Derivatives designated as hedging instruments

(i) Fair value hedge

Fair value hedge is adopted by a subsidiary under the financial services segment to hedge the movements in market interest rates by using interest rate swaps.

(ii) Cash flow hedge

Cash flow hedge is adopted by certain subsidiaries under the financial services, and resources and energy segments to hedge their foreign currency risk, commodity price risk and interest rate risk by using foreign currency forward contracts, commodity forward contracts and interest rate swaps.

19 TRADE AND OTHER RECEIVABLES

		The Target Group			The Target Company		
		2011	**2012**	**2013**	**2011**	**2012**	**2013**
	Note	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Trade and bills receivables	*(a)*	14,005	16,967	14,403	–	–	–
Interest receivables	*(b)*	10,398	13,716	16,550	140	221	444
Prepayments, deposits and other receivables	*(c)*	28,477	27,349	28,692	13,716	19,815	21,843
		52,880	58,032	59,645	13,856	20,036	22,287

At December 31, 2011, 2012 and 2013, the amount of the Target Group's prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is RMB9,119 million, RMB11,647 million and RMB10,550 million, respectively. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

At December 31, 2011, 2012 and 2013, the amount of the Target Company's prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is RMB12,857 million, RMB18,670 million and RMB18,825 million, respectively. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Trade and bills receivables

(i) Ageing analysis

As of the balance sheet dates, the ageing analysis of trade and bills receivables of the Target Group based on invoice date and net of allowances for impairment losses, are as follows:

		The Target Group		
		2011	**2012**	**2013**
	Note	*RMB million*	*RMB million*	*RMB million*
Within one year		12,941	14,463	13,065
Over one year		1,769	3,156	1,788
		14,710	17,619	14,853
Less: allowances for impairment losses	*43(a)*	(705)	(652)	(450)
		14,005	16,967	14,403

Each business unit has its own defined credit policy that is specific to the respective business environment and market practice.

(ii) Impairment of trade and bills receivables

The movement in the allowances for impairment losses on trade and other receivables during the years ended December 31, 2011, 2012 and 2013 are disclosed in note 43.

At December 31, 2011, 2012 and 2013, the Target Group's trade and bills receivables of RMB47 million, RMB58 million and RMB39 million, respectively, were individually determined to be impaired. The individually impaired receivable related to customers that were in financial difficulties and management assessed none of the receivables is expected to be recovered. Consequently, specific allowances for the entire balances were recognised.

(iii) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Target Group		
	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Less than one year past due	2,291	2,450	3,546
Over one year past due	768	1,699	29
	3,059	4,149	3,575

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Target Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(b) Interest receivables

		The Target Group			The Target Company		
		2011	**2012**	**2013**	**2011**	**2012**	**2013**
	Note	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Interest receivables		10,468	13,958	17,269	140	221	444
Less: allowances for impairment losses	*43(a)*	(70)	(242)	(719)	–	–	–
		10,398	13,716	16,550	140	221	444

(c) Prepayments, deposits and other receivables

		The Target Group			The Target Company		
		2011	**2012**	**2013**	**2011**	**2012**	**2013**
	Note	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Prepayments, deposits and other receivables		29,302	27,921	29,399	13,716	19,815	21,843
Less: allowances for impairment losses	*43(a)*	(825)	(572)	(707)	–	–	–
		28,477	27,349	28,692	13,716	19,815	21,843

20 INVENTORIES

The Target Group

	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Raw materials	2,317	1,821	1,918
Work-in-progress	2,236	1,759	2,168
Finished goods	5,849	4,416	4,967
Properties			
– Properties under development for sale	54,798	72,720	62,181
– Properties held for sale	2,420	4,543	9,890
– Others	5,419	3,264	2,277
Others	588	41	294
	73,627	88,564	83,695

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Note	**2011** *RMB million*	**2012** *RMB million*	**2013** *RMB million*
Carrying amount of inventories sold	*6*	84,596	95,875	105,236
Write down of inventories	*43(a)*	897	487	170
Reversal of write-down of inventories	*43(a)*	(8)	(127)	(69)
		85,485	96,235	105,337

21 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

The Target Group

	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
By counterparties:			
PBOC	24,410	–	–
Banks	123,500	61,495	282,515
Non-bank financial institutions	14,300	7,587	4,732
	162,210	69,082	287,247
By types of collaterals:			
Discounted bills	37,931	44,707	225,046
Debt securities	113,094	15,128	48,292
Others	11,185	9,247	13,909
	162,210	69,082	287,247
By remaining maturity:			
Within one month	143,589	44,414	132,445
Between one month and one year	16,168	22,742	149,879
Over one year	2,453	1,926	4,923
	162,210	69,082	287,247

22 LOANS AND ADVANCES TO CUSTOMERS AND OTHER PARTIES

(a) Types of loans and advances

The Target Group

	Note	2011 *RMB million*	2012 *RMB million*	2013 *RMB million*
Corporate loans				
– Loans		1,123,986	1,262,228	1,440,991
– Discounted bills		49,451	74,994	64,769
– Lease payment receivables		1,704	1,043	696
		1,175,141	1,338,265	1,506,456
Personal loans				
– Residential mortgages		178,888	194,614	220,369
– Business loans		37,546	63,539	97,767
– Credit cards		32,133	54,165	86,494
– Others		19,630	22,329	35,923
		268,197	334,647	440,553
		1,443,338	1,672,912	1,947,009
Less: Allowances for				
– Individual impairment allowances		(7,039)	(9,942)	(11,644)
– Collective impairment allowances		(19,608)	(28,677)	(32,316)
	43(a)	(26,647)	(38,619)	(43,960)
		1,416,691	1,634,293	1,903,049

The Target Company

	Note	2011 *RMB million*	2012 *RMB million*	2013 *RMB million*
Corporate loans		28,893	26,652	20,975
Less: Individual impairment allowances	*43(b)*	(3)	(3)	(3)
		28,890	26,649	20,972

The majority of the loans and advances of the Target Group are provided by CITIC Bank and other subsidiaries under the financial services segment of the Target Group to their customers.

The majority of the loan and advances provided by the Target Company are entrusted loans to subsidiaries.

(b) Types of collaterals

The Target Group

	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Unsecured loans	333,365	335,377	404,585
Guaranteed loans	343,036	417,946	500,073
Loans with pledged assets	717,486	844,595	977,582
	1,393,887	1,597,918	1,882,240
Discounted bills	49,451	74,994	64,769
Gross loans and advances	1,443,338	1,672,912	1,947,009

The Target Company

	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Unsecured loans	27,403	24,621	17,854
Guaranteed loans	90	–	–
Loans with pledged assets	1,400	2,031	3,121
Gross loans and advances	28,893	26,652	20,975

(c) Assessment method of allowances for impairment losses

The Target Group

	At December 31, 2011				
		Impaired loans and advances *(note (i))*			
	Loans and advances for which allowances are collectively assessed	for which allowances are collectively assessed	for which allowances are individually assessed	Total	Gross impaired loans and advances as a percentage of gross total loans and advances
	RMB million	*RMB million*	*RMB million*	*RMB million*	
Gross loans and advances	1,427,479	877	14,982	1,443,338	1.10%
Less: Allowances for impairment losses	(18,856)	(752)	(7,039)	(26,647)	
	1,408,623	125	7,943	1,416,691	

	At December 31, 2012				
		Impaired loans and advances *(note (i))*			
	Loans and advances for which allowances are collectively assessed	for which allowances are collectively assessed	for which allowances are individually assessed	Total	Gross impaired loans and advances as a percentage of gross total loans and advances
	RMB million	*RMB million*	*RMB million*	*RMB million*	
Gross loans and advances	1,653,995	1,296	17,621	1,672,912	1.13%
Less: Allowances for impairment losses	(27,694)	(983)	(9,942)	(38,619)	
	1,626,301	313	7,679	1,634,293	

	At December 31, 2013				
		Impaired loans and advances *(note (i))*			
	Loans and advances for which allowances are collectively assessed	**for which allowances are collectively assessed**	**for which allowances are individually assessed**	**Total**	**Gross impaired loans and advances as a percentage of gross total loans and advances**
	RMB million	*RMB million*	*RMB million*	*RMB million*	
Gross loans and advances	1,921,967	3,552	21,490	1,947,009	1.29%
Less: Allowances for impairment losses	(29,636)	(2,680)	(11,644)	(43,960)	
	1,892,331	872	9,846	1,903,049	

Notes:

(i) Impaired loans and advances include loans and advances for which objective evidence of impairment exists and which have been assessed as bearing significant impairment losses. These loans and advances include loans and advances for which objective evidence of impairment has been identified:

– individually, or

– collectively; that is the portfolios of homogeneous loans and advances.

(ii) At December 31, 2011, 2012 and 2013, the loans and advances of the Target Group for which the impairment allowances were individually assessed amounted to RMB14,982 million, RMB17,621 million and RMB21,490 million, respectively. The covered and uncovered portion of these loans and advances are as follows:

	The Target Group		
	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Covered portion	6,465	6,308	6,052
Uncovered portion	8,517	11,313	15,438
	14,982	17,621	21,490

At December 31, 2011, 2012 and 2013, the fair value of collaterals held against these loans and advances amounted to RMB11,628 million, RMB12,387 million and RMB12,852 million, respectively.

The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation.

(d) Movements of allowances for impairment losses

The Target Group

	2011			
		Impaired loans and advances		
	Loans and advances for which allowances are collectively assessed	for which allowances are collectively assessed	for which allowances are individually assessed	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*
At January 1	13,821	670	6,715	21,206
Charge for the year				
– new impairment allowances charged to profit or loss	5,741	211	2,225	8,177
– impairment allowances released to profit or loss	(692)	(46)	(1,219)	(1,957)
Unwinding of discount	–	–	(142)	(142)
Transfer out	(14)	–	(24)	(38)
Written off	–	(129)	(636)	(765)
Recoveries of loans and advances previously written off	–	46	120	166
At December 31	18,856	752	7,039	26,647

	2012			
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances		Total
		for which allowances are collectively assessed	for which allowances are individually assessed	
	RMB million	*RMB million*	*RMB million*	*RMB million*
At January 1	18,856	752	7,039	26,647
Charge for the year				
– new impairment allowances charged to profit or loss	9,077	415	4,712	14,204
– impairment allowances released to profit or loss	(239)	(56)	(1,200)	(1,495)
Unwinding of discount	–	–	(206)	(206)
Transfer out	–	–	(54)	(54)
Written off	–	(184)	(558)	(742)
Recoveries of loans and advances previously written off	–	56	209	265
At December 31	27,694	983	9,942	38,619

	2013			
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances		Total
		for which allowances are collectively assessed	for which allowances are individually assessed	
	RMB million	*RMB million*	*RMB million*	*RMB million*
At January 1	27,694	983	9,942	38,619
Charge for the year				
– new impairment allowances charged to profit or loss	1,972	2,594	11,310	15,876
– impairment allowances released to profit or loss	(30)	(42)	(5,065)	(5,137)
Unwinding of discount	–	–	(275)	(275)
Transfer out	–	–	(43)	(43)
Written off	–	(897)	(4,408)	(5,305)
Recoveries of loans and advances previously written off	–	42	183	225
At December 31	29,636	2,680	11,644	43,960

There was no movement on allowances for impairment losses for the Target Company during the years ended December 31, 2011, 2012 and 2013.

(e) Overdue loans by overdue period

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue and remains unpaid at the balance sheet dates.

The Target Group

	At December 31, 2011				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Unsecured loans	1,118	343	510	490	2,461
Guaranteed loans	612	1,863	798	1,153	4,426
Loans with pledged assets	3,976	1,029	889	986	6,880
	5,706	3,235	2,197	2,629	13,767

	At December 31, 2012				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Unsecured loans	2,210	1,083	483	668	4,444
Guaranteed loans	2,525	1,103	341	1,070	5,039
Loans with pledged assets	7,153	3,840	3,569	881	15,443
	11,888	6,026	4,393	2,619	24,926

	At December 31, 2013				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Unsecured loans	2,492	1,739	1,169	674	6,074
Guaranteed loans	3,774	4,572	1,978	499	10,823
Loans with pledged assets	9,158	6,013	4,785	782	20,738
	15,424	12,324	7,932	1,955	37,635

The Target Company

	At December 31, 2011				
	Overdue within three months *RMB million*	**Overdue between three months and one year** *RMB million*	**Overdue between one year and three years** *RMB million*	**Overdue over three years** *RMB million*	**Total** *RMB million*
Unsecured loans	–	100	128	2	230

	At December 31, 2012				
	Overdue within three months *RMB million*	**Overdue between three months and one year** *RMB million*	**Overdue between one year and three years** *RMB million*	**Overdue over three years** *RMB million*	**Total** *RMB million*
Unsecured loans	–	–	449	104	553
Loans with pledged assets	–	–	100	–	100
	–	–	549	104	653

	At December 31, 2013				
	Overdue within three months *RMB million*	**Overdue between three months and one year** *RMB million*	**Overdue between one year and three years** *RMB million*	**Overdue over three years** *RMB million*	**Total** *RMB million*
Unsecured loans	–	–	406	133	539
Loans with pledged assets	–	–	100	–	100
	–	–	506	133	639

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

		The Target Group			The Target Company		
	Note	**2011**	**2012**	**2013**	**2011**	**2012**	**2013**
		RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Debt securities	*(a)*	127,267	192,617	173,386	–	–	–
Wealth management products	*(b)*	10,423	26,510	33,568	2,859	19,708	22,610
Certificate of deposits	*(c)*	1,766	3,787	4,828	–	–	–
Equity investments	*(d)*	5,217	5,862	4,796	2,159	2,571	1,537
		144,673	228,776	216,578	5,018	22,279	24,147
Less: Allowances for impairment losses	*43(a)*	(499)	(470)	(1,182)	–	–	–
		144,174	228,306	215,396	5,018	22,279	24,147
Issued by:							
Government		22,911	35,096	38,578	–	–	–
PBOC		11,611	6,325	–	–	–	–
Policy banks		39,477	19,252	26,713	–	–	–
Banks and non-bank financial institutions		14,415	81,356	85,928	–	19,000	21,373
Corporate entities		55,760	86,277	64,177	5,018	3,279	2,774
		144,174	228,306	215,396	5,018	22,279	24,147
By remaining maturity:							
Within three months		29,149	37,481	32,330	400	9,900	12,070
Between three months and one year		34,446	57,787	27,546	580	9,100	9,303
Over one year		75,245	125,672	149,138	1,879	128	1,237
No fixed terms		5,334	7,366	6,382	2,159	3,151	1,537
		144,174	228,306	215,396	5,018	22,279	24,147

(a) Debt securities

	The Target Group		
	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Debt securities	127,267	192,617	173,386
Less: Allowances for impairment losses	(304)	(143)	(151)
	126,963	192,474	173,235
Representing:			
Listed in Hong Kong	3,728	3,824	5,114
Listed outside Hong Kong	1,114	1,550	1,614
Unlisted	122,121	187,100	166,507
	126,963	192,474	173,235

(b) Wealth management products

	The Target Group			The Target Company		
	2011	**2012**	**2013**	**2011**	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Wealth management products	10,423	26,510	33,568	2,859	19,708	22,610
Less: Allowances for impairment losses	–	(63)	(732)	–	–	–
	10,423	26,447	32,836	2,859	19,708	22,610
Representing:						
Unlisted	10,423	26,447	32,836	2,859	19,708	22,610

(c) Certificate of deposits

	The Target Group		
	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Certificate of deposits	1,766	3,787	4,828
Representing:			
Unlisted	1,766	3,787	4,828

(d) Equity investments

	The Target Group			The Target Company		
	2011	**2012**	**2013**	**2011**	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Equity investments	5,217	5,862	4,796	2,159	2,571	1,537
Less: Allowances for impairment losses	(195)	(264)	(299)	–	–	–
	5,022	5,598	4,497	2,159	2,571	1,537
Representing:						
Listed in Hong Kong	47	34	39	–	–	–
Listed outside Hong Kong	1,781	1,712	1,512	414	483	503
Unlisted	3,194	3,852	2,946	1,745	2,088	1,034
	5,022	5,598	4,497	2,159	2,571	1,537

24 HELD-TO-MATURITY INVESTMENTS

The Target Group

	Note	**2011** *RMB million*	**2012** *RMB million*	**2013** *RMB million*
Debt securities		107,964	134,535	154,840
Less: Allowances for impairment losses	*43(a)*	(137)	(130)	(48)
		107,827	134,405	154,792
Representing:				
Listed in Hong Kong		131	119	282
Listed outside Hong Kong		544	696	606
Unlisted		107,152	133,590	153,904
		107,827	134,405	154,792
Issued by:				
Government		38,899	35,280	40,119
PBOC		13,523	4,728	–
Policy banks		24,631	24,733	20,296
Banks and non-bank financial institutions		18,389	49,024	61,471
Corporate entities		12,385	20,640	32,906
		107,827	134,405	154,792
By remaining maturity:				
Within three months		1,807	1,137	5,309
Between three months and one year		24,846	18,092	12,709
Over one year		81,174	115,176	136,774
		107,827	134,405	154,792
Market value of listed debt securities		692	848	741

25 INVESTMENTS CLASSIFIED AS RECEIVABLES

The Target Group

	2011 *RMB million*	**2012** *RMB million*	**2013** *RMB million*
Trust investment plans	–	26,880	96,999
Investment management products managed by securities companies	–	3,269	114,987
Wealth management products issued by financial institutions	–	4,030	65,558
Corporate bonds	–	15,370	20,814
Others	–	6,886	1,800
	–	56,435	300,158

The total amount of investments managed by CITIC Securities Co., Ltd ("CITIC Securities"), an associate of the Target Group, and CITIC Trust Co., Ltd ("CITIC Trust"), a subsidiary of the Target Company, is RMB Nil, RMB31,380 million and RMB27,983 million at December 31, 2011, 2012 and 2013, respectively.

26 INVESTMENTS IN SUBSIDIARIES

The Target Company

	Note	**2011** *RMB million*	**2012** *RMB million*	**2013** *RMB million*
Listed shares, at cost		109,550	113,035	120,887
Unlisted shares and capital contributions, at cost		48,555	48,339	48,909
		158,105	161,374	169,796
Less: impairment losses	*43(b)*	(207)	(207)	–
		157,898	161,167	169,796
Market value of listed shares		112,332	126,598	122,203

The particulars of the principal subsidiaries are set out in note 53.

The following table lists out the information relating to CITIC Bank, CITIC Resources Holdings Limited ("CITIC Resources") and CITIC Heavy Industries Co., Limited ("CITIC Heavy Industries"), which are listed subsidiaries of the Target Group, and have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amount before any inter-company elimination:

		CITIC Bank			CITIC Resources			CITIC Heavy Industries		
		2011	**2012**	**2013**	**2011**	**2012**	**2013**	**2011**	**2012**	**2013**
	Note	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
NCI percentage		38.15%	38.15%	33.05%	43.00%	40.57%	40.59%	3.29%	28.96%	28.96%
Total assets		2,765,881	2,959,939	3,641,193	24,252	21,332	21,925	12,926	16,446	17,586
Including:										
Cash and deposits		752,926	664,758	628,187	8,477	6,801	5,499	1,670	4,276	4,678
Placements with banks and non-bank financial institutions		151,004	151,803	122,314	–	–	–	–	–	–
Financial assets at fair value through the profit and loss		8,190	12,285	11,018	2	2	2	–	–	–
Derivative financial assets		4,683	4,160	7,749	50	93	31	–	–	–
Financial assets held under resale agreements		162,210	69,082	286,767	–	–	–	–	–	–
Available-for-sale financial assets		134,518	196,849	177,960	26	21	1	–	–	–
Held-to-maturity investments		108,468	135,014	154,849	–	–	–	–	400	400
Investments classified as receivables		–	56,435	300,158	–	–	–	–	–	–
Total liabilities		(2,587,100)	(2,756,853)	(3,410,468)	(12,562)	(10,510)	(12,757)	(9,408)	(8,940)	(9,730)
Including:										
Deposits from banks and non-bank financial institutions		(535,546)	(370,108)	(559,667)	–	–	–	–	–	–
Placements from banks and non-bank financial institutions		(4,676)	(17,894)	(41,952)	–	–	–	–	–	–
Derivative financial liabilities		(3,764)	(3,412)	(6,853)	(202)	(161)	(77)	–	–	–
Financial assets sold under repurchase agreements		(9,806)	(11,732)	(7,949)	–	–	–	–	–	–
Deposits from customers		(1,968,051)	(2,255,141)	(2,651,678)	–	–	–	–	–	–
Bank and other loans		–	–	–	(2,953)	(1,985)	(5,843)	(3,433)	(3,354)	(2,581)
Net assets		178,781	203,086	230,725	11,690	10,822	9,168	3,518	7,506	7,856
Equity attributable to										
– Equity shareholders		174,496	198,356	225,601	11,582	10,725	9,173	3,512	7,499	7,849
– NCI		4,285	4,730	5,124	108	97	(5)	6	7	7
		178,781	203,086	230,725	11,690	10,822	9,168	3,518	7,506	7,856

		CITIC Bank			CITIC Resources			CITIC Heavy Industries		
		2011	**2012**	**2013**	**2011**	**2012**	**2013**	**2011**	**2012**	**2013**
		RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
	Note	*million*	*million*	*million*	*million*	*million*	*million*	*million*	*million*	*million*
Carrying amount of NCI		70,855	80,403	79,685	5,088	4,448	3,718	122	2,179	2,280
Revenue		77,092	89,711	104,813	27,689	34,659	31,398	7,041	7,236	5,083
Profit/(loss) for the year		30,844	31,385	39,717	1,836	(1,055)	(1,280)	828	872	500
Total comprehensive income		31,051	31,089	34,657	1,867	(881)	(1,355)	812	876	503
Profit/(loss) allocated to NCI		11,782	12,192	13,489	793	(436)	(585)	38	253	146
Dividends paid to NCI		982	2,588	2,677	68	40	–	–	–	44
Cash flows from/(used in) operating activities		300,104	(55,426)	(136,231)	1,821	(436)	(625)	(559)	828	(5)
Cash flows (used in)/ from investing activities		(10,598)	(101,352)	(10,321)	3,687	354	(4,106)	1,498	(1,304)	(300)
Cash flows from/(used in) financing activities		17,880	14,598	11,722	1,325	(1,728)	2,307	(350)	3,071	702

CITIC Bank is listed on the Main Board of The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange.

CITIC Resources is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

CITIC Heavy Industries is listed on the Shanghai Stock Exchange.

27 INTERESTS IN ASSOCIATES

The Target Group

		2011	**2012**	**2013**
		RMB	*RMB*	*RMB*
	Note	*million*	*million*	*million*
Share of net assets		30,116	33,018	37,236
Less: impairment losses	*43(a)*	(66)	(1,539)	(1,540)
		30,050	31,479	35,696

The Target Company

	2011	**2012**	**2013**
	RMB	*RMB*	*RMB*
	million	*million*	*million*
Listed shares, at cost	18,503	18,503	18,503
Unlisted shares, at cost	603	602	551
	19,106	19,105	19,054
Market value of listed shares	27,010	34,774	35,086

The particulars of the principal associates are set out in note 53.

The Target Group

Summarised financial information of the material associates are disclosed below:

	CITIC Securities			CITIC Dameng Holdings Limited ("CITIC Dameng")			Alumina Limited ("Alumina")			Sinopec Yizheng Chemical Fibre Company Limited ("Sinopec Yizheng")		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Gross amounts of the associates												
Total assets	148,280	168,508	271,354	7,213	7,552	7,283	–	–	18,071	11,450	11,138	10,629
Total liabilities	(61,290)	(81,824)	(181,952)	(3,663)	(4,379)	(4,390)	–	–	(1,040)	(2,458)	(2,625)	(3,566)
Net assets	86,990	86,684	89,402	3,550	3,173	2,893	–	–	17,031	8,992	8,513	7,063
Equity attributable to												
– Equity shareholder	86,587	86,465	87,688	3,230	2,934	2,721	–	–	17,031	8,992	8,513	7,063
– Non-controlling interests	403	219	1,714	320	239	172	–	–	–	–	–	–
	86,990	86,684	89,402	3,550	3,173	2,893	–	–	17,031	8,992	8,513	7,063
Revenue	26,371	13,071	20,279	3,036	2,421	2,328	–	–	2	20,180	16,988	17,677
Profit/(loss) for the year	12,604	4,307	5,308	288	(404)	(254)	–	–	3	839	(358)	(1,450)
Other comprehensive income	(2,872)	386	(647)	125	21	51	–	–	(1,872)	–	–	–
Total comprehensive income	9,732	4,693	4,661	413	(383)	(203)	–	–	(1,869)	839	(358)	(1,450)
Dividends received from associates	1,009	962	671	–	12	–	–	–	–	22	22	–
Reconciled to the Target Group's interests in associates												
Gross amounts of net assets of associates attributable to the Target Group	86,587	86,465	87,688	3,230	2,934	2,721	–	–	17,031	8,992	8,513	7,063
Target Group's effective interest	20.30%	20.30%	20.30%	32.24%	33.19%	33.18%	–	–	10.21%	18.00%	18.00%	17.25%
Target Group's share of net assets of associates	17,577	17,552	17,801	1,041	974	903	–	–	1,739	1,619	1,532	1,218
Non-controlling interests' share of net assets of associates	–	–	–	542	464	430	–	–	581	–	–	–
Others	1,060	1,030	1,031	2,017	2,000	1,980	–	–	575	25	23	125
Impairment losses	–	–	–	–	(1,536)	(1,536)	–	–	–	–	–	–
Carrying amount in the Financial Information	18,637	18,582	18,832	3,600	1,902	1,777	–	–	2,895	1,644	1,555	1,343

CITIC Securities and Sinopec Yizheng are listed on the Main Board of The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange.

CITIC Dameng is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

In 2013, the Target Group acquired a total of 10.21% of the shares of Alumina with cash of AUD 468 million (equivalent to RMB2,989 million). Alumina is a company listed on the Australian Securities Exchange and the New York Exchange, and is principally involved in bauxite mining and alumina refining operations.

The Target Group

Aggregate information of the associates that are not individually material:

	2011 *RMB million*	**2012** *RMB million*	**2013** *RMB million*
Aggregate carrying amount of individually immaterial associates in the Financial Information	6,169	9,440	10,849
Aggregate amount of the Target Group's share of those associates			
Post-tax profit for the year	1,717	438	1,120
Other comprehensive income	(210)	86	1,135
Total comprehensive income	1,507	524	2,255

28 INTERESTS IN JOINT VENTURES

The Target Group

	Note	**2011** *RMB million*	**2012** *RMB million*	**2013** *RMB million*
Share of net assets		8,353	9,106	9,363
Less: impairment losses	*43(a)*	(40)	(40)	(39)
		8,313	9,066	9,324

The Target Company

	2011 *RMB million*	**2012** *RMB million*	**2013** *RMB million*
Unlisted shares, at cost	2,008	2,008	2,008

The particulars of the principal joint ventures are set out in note 53.

The Target Group

Summarised financial information of the material joint ventures are disclosed below:

	CITIC-Prudential Life Insurance Co., Ltd.			Bowenvale Limited			CITIC Capital Holding Limited		
	2011	**2012**	**2013**	**2011**	**2012**	**2013**	**2011**	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Gross amount of the joint ventures									
Total assets	17,343	22,573	28,462	6,139	7,031	6,717	9,046	9,907	11,192
Total liabilities	(15,436)	(20,298)	(25,979)	(716)	(911)	(798)	(4,160)	(4,012)	(5,040)
Net assets	1,907	2,275	2,483	5,423	6,120	5,919	4,886	5,895	6,152
Equity attributable to									
– Equity shareholder	1,907	2,275	2,483	4,038	4,556	4,406	4,739	5,637	6,022
– Non-controlling interests	–	–	–	1,385	1,564	1,513	147	258	130
	1,907	2,275	2,483	5,423	6,120	5,919	4,886	5,895	6,152
Revenue	4,144	4,455	5,185	1,312	1,443	1,196	551	416	507
Profit/(loss) from continuing operations	321	298	204	749	630	596	236	(298)	548
Post-tax (loss)/profit from discontinued operations	–	–	–	(66)	109	–	–	–	–
Other comprehensive income	(180)	70	–	–	–	–	100	25	70
Total comprehensive income	141	368	204	683	739	596	336	(273)	618
Dividends received from joint ventures	–	–	–	61	14	–	–	–	–
Reconciled to the Target Group's interests in joint ventures									
Gross amounts of net assets of joint ventures attributable to the Target Group	1,907	2,275	2,483	4,038	4,556	4,406	4,739	5,637	6,022
Target Group's effective interest	50.00%	50.00%	50.00%	50.50%	50.50%	50.50%	11.96%	9.30%	9.43%
Target Group's share of net assets of joint ventures	954	1,138	1,242	2,039	2,301	2,225	567	524	568
Non-controlling interest' share of net assets of joint ventures	–	–	–	–	–	–	736	682	682
Others	1,124	1,124	1,124	37	37	37	80	75	77
Carrying amount in the Financial Information	2,078	2,262	2,366	2,076	2,338	2,262	1,383	1,281	1,327

The Target Group

Aggregate information of joint ventures that are not individually material:

	2011	2012	2013
	RMB million	*RMB million*	*RMB million*
Aggregate carrying amount of individually immaterial joint ventures in the Financial Information	2,783	3,195	3,369
Aggregate amount of the Target Group's share of those joint ventures			
Post-tax profit for the year	32	586	230
Total comprehensive income	32	586	230

29 FIXED ASSETS

(a) The Target Group

	Note	Property, plant and equipment									
		Plant and buildings	Machinery and equipment	Construction in progress	Office and other equipment	Motor vehicles	Others	Sub-total	Land use rights	Total	Investment properties
		RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Cost or valuation:											
At January 1, 2011		14,776	9,859	3,592	4,561	3,046	689	36,523	3,353	39,876	3,798
Exchange adjustments		(871)	(20)	(17)	(33)	(15)	(13)	(969)	(13)	(982)	(28)
Additions		1,514	1,548	3,278	1,043	186	187	7,756	746	8,502	1,501
Disposals		(222)	(188)	(683)	(198)	(60)	(156)	(1,507)	(334)	(1,841)	(45)
Transfer		472	1,265	(1,913)	11	160	2	(3)	-	(3)	3
Change in fair value of investment properties		-	-	-	-	-	-	-	-	-	69
At December 31, 2011		15,669	12,464	4,257	5,384	3,317	709	41,800	3,752	45,552	5,298
Accumulated depreciation, amortisation and impairment losses:											
At January 1, 2011		(3,173)	(2,998)	(37)	(2,476)	(1,070)	(232)	(9,986)	(260)	(10,246)	-
Exchange adjustments		29	38	-	26	11	57	161	2	163	-
Charge for the year	*7(c)*	(432)	(695)	-	(703)	(244)	(49)	(2,123)	(71)	(2,194)	-
Written back on disposals		156	114	22	162	58	63	575	59	634	-
Impairment losses	*43(a)*	(86)	(323)	-	(1)	-	(1)	(411)	-	(411)	-
At December 31, 2011		(3,506)	(3,864)	(15)	(2,992)	(1,245)	(162)	(11,784)	(270)	(12,054)	-
Net book value:											
At December 31, 2011		12,163	8,600	4,242	2,392	2,072	547	30,016	3,482	33,498	5,298
Represented by:											
Cost		15,669	12,464	4,257	5,384	3,317	709	41,800	3,752	45,552	-
Valuation		-	-	-	-	-	-	-	-	-	5,298
		15,669	12,464	4,257	5,384	3,317	709	41,800	3,752	45,552	5,298

		Property, plant and equipment									
		Plant and buildings	Machinery and equipment	Construction in progress	Office and other equipment	Motor vehicles	Others	Sub-total	Land use rights	Total	Investment properties
	Note	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Cost or valuation:											
At January 1, 2012		15,669	12,464	4,257	5,384	3,317	709	41,800	3,752	45,552	5,298
Exchange adjustments		62	43	49	2	–	3	159	6	165	15
Additions		1,607	564	3,076	1,253	1,178	274	7,952	96	8,048	453
Disposals		(224)	(1,275)	(1,023)	(303)	(131)	(125)	(3,081)	(97)	(3,178)	(1,358)
Transfer		738	600	(1,599)	16	221	12	(12)	–	(12)	12
Change in fair value of investment properties		–	–	–	–	–	–	–	–	–	80
At December 31, 2012		17,852	12,396	4,760	6,352	4,585	873	46,818	3,757	50,575	4,500
Accumulated depreciation, amortisation and impairment losses:											
At January 1, 2012		(3,506)	(3,864)	(15)	(2,992)	(1,245)	(162)	(11,784)	(270)	(12,054)	–
Exchange adjustments		6	(12)	–	(1)	1	16	10	(1)	9	–
Charge for the year	*7(c)*	(679)	(857)	–	(844)	(576)	(130)	(3,086)	(79)	(3,165)	–
Written back on disposals		42	524	–	191	68	22	847	–	847	–
Impairment losses	*43(a)*	(44)	(4)	–	(1)	(1)	(18)	(68)	–	(68)	–
At December 31, 2012		(4,181)	(4,213)	(15)	(3,647)	(1,753)	(272)	(14,081)	(350)	(14,431)	–
Net book value:											
At December 31, 2012		13,671	8,183	4,745	2,705	2,832	601	32,737	3,407	36,144	4,500
Represented by:											
Cost		17,852	12,396	4,760	6,352	4,585	873	46,818	3,757	50,575	–
Valuation		–	–	–	–	–	–	–	–	–	4,500
		17,852	12,396	4,760	6,352	4,585	873	46,818	3,757	50,575	4,500

		Property, plant and equipment									
	Note	Plant and buildings *RMB million*	Machinery and equipment *RMB million*	Construction in progress *RMB million*	Office and other equipment *RMB million*	Motor vehicles *RMB million*	Others *RMB million*	Sub-total *RMB million*	Land use rights *RMB million*	Total *RMB million*	Investment properties *RMB million*
Cost or valuation:											
At January 1, 2013		17,852	12,396	4,760	6,352	4,585	873	46,818	3,757	50,575	4,500
Exchange adjustments		(66)	(137)	(10)	(23)	(19)	(39)	(294)	(3)	(297)	(189)
Additions		1,611	506	4,303	1,840	995	725	9,980	7,336	17,316	328
Disposals		(546)	(276)	(434)	(315)	(330)	(805)	(2,706)	(79)	(2,785)	(13)
Transfer		816	2,770	(3,819)	22	70	204	63	-	63	(63)
Change in fair value of investment properties		-	-	-	-	-	-	-	-	-	118
At December 31, 2013		19,667	15,259	4,800	7,876	5,301	958	53,861	11,011	64,872	4,681
Accumulated depreciation, amortisation and impairment losses:											
At January 1, 2013		(4,181)	(4,213)	(15)	(3,647)	(1,753)	(272)	(14,081)	(350)	(14,431)	-
Exchange adjustments		20	65	-	19	-	4	108	1	109	-
Charge for the year	*7(c)*	(720)	(828)	-	(861)	(409)	(4)	(2,822)	(144)	(2,966)	-
Written back on disposals		181	209	10	266	221	12	899	-	899	-
Transfer		-	-	-	-	-	-	-	22	22	-
Impairment losses	*43(a)*	(19)	(1,418)	-	-	(30)	-	(1,467)	-	(1,467)	-
At December 31, 2013		(4,719)	(6,185)	(5)	(4,223)	(1,971)	(260)	(17,363)	(471)	(17,834)	-
Net book value:											
At December 31, 2013		14,948	9,074	4,795	3,653	3,330	698	36,498	10,540	47,038	4,681
Represented by:											
Cost		19,667	15,259	4,800	7,876	5,301	958	53,861	11,011	64,872	-
Valuation		-	-	-	-	-	-	-	-	-	4,681
		19,667	15,259	4,800	7,876	5,301	958	53,861	11,011	64,872	4,681

At December 31, 2011, 2012 and 2013, the net book value of the Target Group's premises and land use rights for which the registration procedures for ownership had not been completed was approximately RMB1,325 million, RMB2,265 million and RMB4,639 million, respectively. The Target Group anticipates that there would be no significant issues and costs in completing such procedures.

(b) The Target Company

	Motor vehicles *RMB million*	Others *RMB million*	Total *RMB million*
Cost:			
At December 27, 2011 (date of establishment)	20	56	76
Additions	11	3	14
Disposals	(4)	(24)	(28)
At December 31, 2011	27	35	62
Accumulated depreciation:			
At December 27, 2011 (date of establishment)	(11)	(45)	(56)
Charge for the year	(6)	(7)	(13)
Written back on disposals	8	26	34
At December 31, 2011	(9)	(26)	(35)
Net book value:			
At December 31, 2011	18	9	27

	Motor vehicles *RMB million*	Others *RMB million*	Total *RMB million*
Cost:			
At January 1, 2012	27	35	62
Additions	–	24	24
Disposals	(3)	(6)	(9)
At December 31, 2012	24	53	77
Accumulated depreciation:			
At January 1, 2012	(9)	(26)	(35)
Charge for the year	(4)	(7)	(11)
Written back on disposals	–	2	2
At December 31, 2012	(13)	(31)	(44)
Net book value:			
At December 31, 2012	11	22	33

	Motor vehicles *RMB million*	Others *RMB million*	Total *RMB million*
Cost:			
At January 1, 2013	24	53	77
Additions	–	4	4
Disposals	–	(3)	(3)
At December 31, 2013	24	54	78
Accumulated depreciation:			
At January 1, 2013	(13)	(31)	(44)
Charge for the year	(4)	(9)	(13)
Written back on disposals	–	3	3
At December 31, 2013	(17)	(37)	(54)
Net book value:			
At December 31, 2013	7	17	24

(c) The tenure of the properties is as follows:

The Target Group

	2011 *RMB million*	2012 *RMB million*	2013 *RMB million*
In Mainland China			
– leases of over fifty years	485	521	570
– leases of between ten to fifty years	17,980	18,510	26,909
– leases of less than ten years	208	234	256
	18,673	19,265	27,735
In Hong Kong			
– leases of over fifty years	131	151	160
– leases of between ten to fifty years	1,384	1,338	1,408
	1,515	1,489	1,568
Properties held overseas			
– freehold	559	603	625
– leases of between ten to fifty years	67	76	82
– leases of less than ten years	129	145	159
	755	824	866
	20,943	21,578	30,169

(d) Fair value measurement of properties

(i) Property valuation

Investment properties were revalued at December 31, 2011, 2012 and 2013 by the following independent professionally qualified valuers. The management of the Target Group had discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each balance sheet date.

Properties located in	Valuers in 2011
Mainland China and Hong Kong	Beijing Pan-China Assets Appraisal Co., Ltd. China United Assets Appraisals Group Knight Frank Petty Limited Prudential Surveyors International Limited Zhongzhan Assets Appraisals Company Limited Cheong Land Investment Company Limited
Overseas	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited Network Real Estate Appraisal Co., Ltd.

Properties located in	Valuers in 2012
Mainland China and Hong Kong	Beijing Sinotop Appraisal Co., Ltd. China United Assets Appraisals Group Knight Frank Petty Limited Prudential Surveyors International Limited
Overseas	Network Real Estate Appraisal Co., Ltd.

Properties located in	Valuers in 2013
Mainland China and Hong Kong	DeveChina International Appraisals Company Limited Knight Frank Petty Limited Prudential Surveyors International Limited Yinxin Appraisal Co., Ltd.
Overseas	Jones Lang LaSalle Corporate Appraisal and Advisory Company Limited

(ii) Fair value hierarchy

The following table presents the fair value of the Target Group's properties measured at the balance sheet dates on a recurring basis, categorised into the three-level hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;

– Level 3 valuations: Fair value measured using significant unobservable inputs.

	Level 3		
	Fair value at December 31, 2011 *RMB million*	**Fair value at December 31, 2012** *RMB million*	**Fair value at December 31, 2013** *RMB million*
The Target Group			
Recurring fair value measurement			
Investment properties - Mainland China			
At January 1	2,688	3,749	3,000
Additions	1,061	–	259
Disposals	(34)	(964)	(9)
Transfer	122	251	(77)
Change in fair value of investment properties	(88)	(36)	(40)
At December 31	3,749	3,000	3,133
Investment properties - Hong Kong			
At January 1	917	1,279	1,222
Exchange adjustments	(25)	12	(169)
Additions	364	451	69
Disposals	(11)	(394)	(4)
Transfer	(119)	(239)	14
Change in fair value of investment properties	153	113	146
At December 31	1,279	1,222	1,278
Investment properties - Overseas			
At January 1	193	270	278
Exchange adjustments	(3)	3	(20)
Additions	76	2	–
Change in fair value of investment properties	4	3	12
At December 31	270	278	270

The Target Group's policy is to recognise transfers between levels of fair value hierarchy at the balance sheet date in which they occur. During the years ended December 31, 2011, 2012 and 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

(iii) Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of investment properties located in Mainland China is determined by using income capitalisation approach and with reference to sales evidence as available in the market. The income capitalisation approach is the sum of the term value and the reversionary value by discounting the contracted annual rent at the capitalisation rate over the existing lease period; and the sum of average unit market rent at the capitalisation rate after the existing lease period.

The fair value of investment properties located in Hong Kong is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Target Group's buildings compared to the recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

30 INTANGIBLE ASSETS

The Target Group

	Note	Roads and tunnels operating rights *RMB million*	Mining assets *RMB million*	Others *RMB million*	Total *RMB million*
Cost:					
At January 1, 2011		4,270	309	1,377	5,956
Exchange adjustments		–	–	(41)	(41)
Additions		1,921	–	813	2,734
Disposals		–	(57)	(46)	(103)
At December 31, 2011		6,191	252	2,103	8,546
Accumulated amortisation and impairment losses:					
At January 1, 2011		(185)	(41)	(699)	(925)
Exchange adjustments		–	–	26	26
Charge for the year	*7(c)*	(61)	(12)	(180)	(253)
Written back on disposals		–	–	8	8
Impairment loss	*43(a)*	–	–	(119)	(119)
At December 31, 2011		(246)	(53)	(964)	(1,263)
Net book value:					
At December 31, 2011		5,945	199	1,139	7,283

	Note	Roads and tunnels operating rights *RMB million*	Mining assets *RMB million*	Others *RMB million*	Total *RMB million*
Cost:					
At January 1, 2012		6,191	252	2,103	8,546
Exchange adjustments		–	–	37	37
Additions		2,354	57	290	2,701
Disposals		–	–	(5)	(5)
At December 31, 2012		8,545	309	2,425	11,279
Accumulated amortisation and impairment losses:					
At January 1, 2012		(246)	(53)	(964)	(1,263)
Exchange adjustments		–	–	(23)	(23)
Charge for the year	*7(c)*	(63)	(14)	(288)	(365)
Written back on disposals		–	–	1	1
Impairment loss	*43(a)*	–	–	(23)	(23)
At December 31, 2012		(309)	(67)	(1,297)	(1,673)
Net book value:					
At December 31, 2012		8,236	242	1,128	9,606

	Note	Roads and tunnels operating rights RMB *million*	Mining assets RMB *million*	Others RMB *million*	Total RMB *million*
Cost:					
At January 1, 2013		8,545	309	2,425	11,279
Exchange adjustments		–	(24)	(27)	(51)
Additions		2,323	811	225	3,359
Disposals		(11)	–	(14)	(25)
At December 31, 2013		10,857	1,096	2,609	14,562
Accumulated amortisation and impairment losses:					
At January 1, 2013		(309)	(67)	(1,297)	(1,673)
Exchange adjustments		–	3	26	29
Charge for the year	*7(c)*	(79)	(93)	(308)	(480)
Written back on disposals		–	–	12	12
Impairment loss	*43(a)*	–	(36)	–	(36)
At December 31, 2013		(388)	(193)	(1,567)	(2,148)
Net book value:					
At December 31, 2013		10,469	903	1,042	12,414

Amortisation charge is included in "other operating expenses" in the combined income statements.

31 GOODWILL

The Target Group

	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Cost:			
At January 1	3,111	3,307	3,322
Additions	314	15	89
Disposals	(118)	–	(167)
At December 31	3,307	3,322	3,244
Accumulated impairment losses:			
At January 1	(20)	(277)	(277)
Impairment losses	(257)	–	–
At December 31	(277)	(277)	(277)
Carrying amount:			
At December 31	3,030	3,045	2,967

Goodwill is allocated to the Target Group's cash-generating units ("CGU") identified as follows:

	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Resources and energy	1,368	1,384	1,243
Financial services	1,244	1,243	1,219
Manufacturing	312	312	399
Real estates and infrastructure	106	106	106
	3,030	3,045	2,967

The recoverable amounts of the CGUs are determined based on value-in-use calculations approved by management. Based on management's impairment assessment, impairment loss of RMB257 million was recognised during the year ended December 31, 2011 in connection with the resources and energy segment. No impairment loss was recognised for the years ended December 31, 2012 and 2013.

32 INCOME TAX IN THE BALANCE SHEETS

(a) Current taxation in the balance sheets represents:

	The Target Group		
	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Income tax payable	5,482	5,439	5,462
Land appreciation tax payable	1,440	389	311
	6,922	5,828	5,773

(b) Deferred tax assets/(liabilities) recognised:

(i) The Target Group

The components of deferred tax assets/(liabilities) recognised in the balance sheets and the movements during the years ended December 31, 2011, 2012 and 2013 are as follows:

Deferred tax arising from:	*Note*	Tax losses *RMB million*	Accrued expenses *RMB million*	Impairment loss on assets other than fixed assets *RMB million*	Fair value changes of financial instruments *RMB million*	Temporary differences on depreciation and impairment loss on fixed assets *RMB million*	Revaluation of investment properties *RMB million*	Others *RMB million*	Total *RMB million*
At January 1, 2011		338	1,299	1,855	(468)	(621)	(120)	333	2,616
(Charged)/credited to profit or loss	*8(a)*	(86)	290	987	(85)	33	(365)	(376)	398
Credited to reserves		–	–	–	12	–	–	3	15
Exchange differences and others		53	(3)	(14)	11	(3)	(8)	135	171
At December 31, 2011		305	1,586	2,828	(530)	(591)	(493)	95	3,200
At January 1, 2012		305	1,586	2,828	(530)	(591)	(493)	95	3,200
Credited/(charged) to profit or loss	*8(a)*	151	507	2,442	61	(6)	(37)	(225)	2,893
Credited to reserves		–	–	–	143	–	–	1	144
Exchange differences and others		(9)	1	5	29	(7)	90	(288)	(179)
At December 31, 2012		447	2,094	5,275	(297)	(604)	(440)	(417)	6,058

	Note	Tax losses *RMB million*	Accrued expenses *RMB million*	Impairment loss on assets other than fixed assets *RMB million*	Fair value changes of financial instruments *RMB million*	Temporary differences on depreciation and impairment loss on fixed assets *RMB million*	Revaluation of investment properties *RMB million*	Others *RMB million*	Total *RMB million*
Deferred tax arising from:									
At January 2013		447	2,094	5,275	(297)	(604)	(440)	(417)	6,058
Credited/(charged) to profit or loss	8(a)	311	(2)	872	(71)	459	32	50	1,651
Credited/(charged) to reserves		–	–	–	1,525	–	–	(8)	1,517
Exchange differences and others		(89)	(9)	(18)	39	(72)	11	38	(100)
At December 31, 2013		669	2,083	6,129	1,196	(217)	(397)	(337)	9,126

(ii) ***The Target Company***

The components of deferred tax liabilities recognised in the balance sheets and the movements during the years ended December 31, 2011, 2012 and 2013 are as follows:

	Fair value changes of financial instruments *RMB million*	**Others** *RMB million*	**Total** *RMB million*
At December 27, 2011 (date of establishment)	–	–	–
Charged to reserves	(16)	(11)	(27)
At December 31, 2011	(16)	(11)	(27)
At January 1, 2012	(16)	(11)	(27)
(Charged)/credited to reserves	(18)	11	(7)
At December 31, 2012	(34)	–	(34)
At January 1, 2013	(34)	–	(34)
Charged to reserves	(7)	–	(7)
At December 31, 2013	(41)	–	(41)

(iii) Reconciliation to the balance sheets:

	The Target Group			The Target Company		
	2011	**2012**	**2013**	**2011**	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Net deferred tax assets recognised on the balance sheets	5,381	8,427	10,930	–	–	–
Net deferred tax liabilities recognised on the balance sheets	(2,181)	(2,369)	(1,804)	(27)	(34)	(41)
	3,200	6,058	9,126	(27)	(34)	(41)

(c) Deferred tax assets not recognised

The Target Group has not recognised deferred tax assets in respect of the following items:

The Target Group

	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Deductible temporary differences	686	1,288	705
Tax losses	4,321	4,880	3,868
	5,007	6,168	4,573

It is not probable that future taxable profits against which the above deductible temporary differences and tax losses can be utilised by the Target Group will be available in the relevant tax jurisdictions and entities.

Included in the Target Group's unrecognised tax losses is an amount of RMB1,366 million, RMB1,966 million and RMB1,855 million at December 31, 2011, 2012 and 2013, respectively, which can be carried forward up to five years from the years in which the loss originated. The remaining balances do not expire under current tax legislation.

The Target Company

The Target Company has not recognised deferred tax assets in respect of estimated tax losses of RMBNil, RMB356 million, RMBNil at December 31, 2011, 2012 and 2013, respectively, as it is not probable that future taxable profits against which the losses can be utilised by the Target Company will be available. The tax loss can be carried forward up to five years from the years in which the loss originated.

(d) Deferred tax liabilities not recognised

At December 31, 2011, 2012 and 2013, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB21,688 million, RMB21,222 million and RMB20,443 million, respectively. Deferred tax liabilities of RMB1,787 million, RMB1,710 million and RMB1,675 million have not been recognised in respect of the tax that would be payable on distribution of such retained profits as the Target Group does not intend to have these subsidiaries making any profit distribution in the foreseeable future.

33 OTHER ASSETS

Other assets of the Target Group and the Target Company mainly represent deposits for the purchase of long-term assets.

34 DEPOSITS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

The Target Group

	2011 *RMB million*	2012 *RMB million*	2013 *RMB million*
Banks	414,150	245,488	328,140
Non-bank financial institutions	120,917	123,915	229,764
	535,067	369,403	557,904
By remaining maturity:			
Within three months	525,399	298,745	350,604
Between three months and one year	9,668	70,658	161,734
Over one year	–	–	45,566
	535,067	369,403	557,904

35 PLACEMENTS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

The Target Group

	2011 *RMB million*	2012 *RMB million*	2013 *RMB million*
Banks	3,857	17,165	41,372
Non-bank financial institutions	8	–	–
	3,865	17,165	41,372
By remaining maturity:			
Within three months	3,082	13,887	36,458
Between three months and one year	759	3,278	4,914
Over one year	24	–	–
	3,865	17,165	41,372

36 TRADE AND OTHER PAYABLES

	The Target Group			The Target Company		
	2011	**2012**	**2013**	**2011**	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Trade and bills payables	25,879	29,262	32,828	–	–	–
Advances from customers	22,084	36,666	25,874	–	–	–
Interest payables	14,274	22,686	29,335	531	1,129	1,335
Other taxes payables	3,526	3,791	3,340	–	23	35
Settlement accounts	1,169	808	11,897	–	–	–
Payment and collection clearance accounts	444	502	319	–	–	–
Other payables	27,020	34,602	35,040	6,982	7,053	2,610
	94,396	128,317	138,633	7,513	8,205	3,980

At the balance sheet dates, the ageing analysis of the Target Group's trade and bills payable based on the maturity date is as follows:

	The Target Group		
	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
On demand	7,652	10,629	23,487
Within three months	5,313	4,605	4,320
Between three months and one year	11,844	13,972	4,763
Over one year	1,070	56	258
	25,879	29,262	32,828

37 Financial assets sold under repurchase agreements

The Target Group

	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
By counterparties:			
PBOC	541	6,491	4,949
Banks	50	4,541	3,000
Non-bank financial institutions	1,215	700	–
	1,806	11,732	7,949
By types of collaterals:			
Debt securities	1,265	11,001	3,000
Discounted bills	541	731	4,949
	1,806	11,732	7,949

38 DEPOSITS FROM CUSTOMERS

(a) Types of deposits from customers

The Target Group

	2011 *RMB million*	2012 *RMB million*	2013 *RMB million*
Demand deposits			
Corporate customers	763,511	830,728	919,994
Personal customers	91,761	102,120	127,430
	855,272	932,848	1,047,424
Time and call deposits			
Corporate customers	835,035	983,527	1,191,074
Personal customers	254,202	310,311	387,311
	1,089,237	1,293,838	1,578,385
Outward remittance and remittance payables	4,791	6,436	6,343
	1,949,300	2,233,122	2,632,152

(b) Deposits from customers include pledged deposits for the following items:

The Target Group

	The Target Group		
	2011 *RMB million*	2012 *RMB million*	2013 *RMB million*
Bank acceptances	231,807	309,526	302,969
Letters of credit	47,665	32,012	35,882
Guarantees	10,693	14,516	22,018
Others	52,774	54,337	85,265
	342,939	410,391	446,134

39 BANK AND OTHER LOANS

(a) Types of loans

		The Target Group			The Target Company		
		2011	**2012**	**2013**	**2011**	**2012**	**2013**
	Note	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Bank loans							
Unsecured loans		54,660	36,251	37,453	20,019	14,561	14,458
Loan pledged with assets	*39(d)*	10,338	15,389	13,953	–	–	–
Guaranteed loans		463	2,877	8,952	–	–	–
		65,461	54,517	60,358	20,019	14,561	14,458
Other loans							
Unsecured loans		7,398	17,697	32,530	–	–	7,926
Loan pledged with assets	*39(d)*	161	1,983	2,182	–	–	–
Guaranteed loans		219	1,099	210	–	–	–
		7,778	20,779	34,922	–	–	7,926
		73,239	75,296	95,280	20,019	14,561	22,384

(b) Maturity of loans

	The Target Group			The Target Company		
	2011	**2012**	**2013**	**2011**	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Bank and other loans are repayable						
Within one year or repayable on demand	33,422	32,169	36,289	6,236	1,286	7,860
Between two and five years	35,513	36,931	54,600	12,706	12,738	14,524
Over five years	4,304	6,196	4,391	1,077	537	–
	73,239	75,296	95,280	20,019	14,561	22,384

(c) Bank or other loans are denominated in the following currency:

	The Target Group			The Target Company		
	2011 *RMB million*	**2012** *RMB million*	**2013** *RMB million*	**2011** *RMB million*	**2012** *RMB million*	**2013** *RMB million*
RMB	46,214	53,941	55,339	3,818	4,318	2,088
US dollar	21,147	16,971	33,979	15,951	10,137	20,266
Hong Kong dollar	3,313	2,786	2,413	–	–	–
Other currencies	2,565	1,598	3,549	250	106	30
	73,239	75,296	95,280	20,019	14,561	22,384

(d) At December 31, 2011, 2012 and 2013, certain bank and other loans of the Target Group are pledged with cash and deposits, trade and other receivables, inventories, fixed assets, intangible assets and other assets with an aggregate carrying amount of RMB23,555 million, RMB28,350 million and RMB26,386 million, respectively.

(e) All of the Target Group's banking facilities are subject to the fulfilment of covenants relating to balance sheet ratios or ownership of a minimum shareholding in certain entities of the Target Group, as are commonly found in lending arrangements with financial institutions. If the Target Group were to breach the covenants the drawn down facilities would become payable on demand. The Target Group regularly monitors its compliance with these covenants. Further details of the Target Group's management of liquidity risk are set out in note 46(b). As at December 31, 2011, 2012 and 2013, none of the covenants relating to drawn down facilities had been breached.

40 DEBTS SECURITIES ISSUED

		The Target Group			The Target Company		
	Note	**2011** *RMB million*	**2012** *RMB million*	**2013** *RMB million*	**2011** *RMB million*	**2012** *RMB million*	**2013** *RMB million*
Corporate bonds issued	*(i)*	28,888	28,844	25,632	24,210	24,146	19,919
Notes issued	*(ii)*	20,941	30,325	45,583	20,619	29,516	29,679
Subordinated debts issued	*(iii)*	24,120	43,901	45,279	–	–	–
Certificates of deposits issued		8,576	11,593	15,686	–	–	–
Convertible bonds issued	*(iv)*	–	492	223	–	–	–
		82,525	115,155	132,403	44,829	53,662	49,598
By remaining maturity:							
Within one year or repayable on demand		9,560	13,388	22,043	–	3,996	3,000
Between two and five years		19,783	23,453	33,552	12,768	13,197	13,875
Over five years		53,182	78,314	76,808	32,061	36,469	32,723
		82,525	115,155	132,403	44,829	53,662	49,598

The Target Group did not have any defaults of principal, interest or other breaches with respect to its debt securities issued during the years ended December 31, 2011, 2012 and 2013.

Certain debt securities issued were purchased by subsidiaries of the Target Group. These debt securities issued were eliminated in the Financial Information.

Notes:

(i) Corporate bonds issued

		The Target Group			The Target Company		
		2011	**2012**	**2013**	**2011**	**2012**	**2013**
	Note	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
The Target Company	*(a)*	23,352	23,473	19,668	24,210	24,146	19,919
CITIC Resources	*(b)*	5,536	5,371	4,173	–	–	–
CITIC Heavy Industries	*(c)*	–	–	1,791	–	–	–
		28,888	28,844	25,632	24,210	24,146	19,919

(a) Details of corporate bonds issued by the Target Company

	2011				
	Denominated currency	**Face value in denominated currency Million**	**Issue date**	**Maturity date**	**Interest rate per annum**
02 CITIC bond	RMB	4,500	August 26, 2002	August 25, 2017	4.08%
03 CITIC bond-1	RMB	4,000	December 10, 2003	December 9, 2013	4.50%
03 CITIC bond-2	RMB	6,000	December 10, 2003	December 9, 2023	5.10%
05 CITIC bond-1	RMB	4,000	December 7, 2005	December 6, 2025	4.60%
05 CITIC bond-2	RMB	5,000	December 7, 2005	December 6, 2015	7-day interbank rate plus 1.48%
Samurai bond	JPY	10,000	September 19, 1996	September 18, 2016	4.95%

	2012				
	Denominated currency	**Face value in denominated currency Million**	**Issue date**	**Maturity date**	**Interest rate per annum**
02 CITIC bond	RMB	4,500	August 26, 2002	August 25, 2017	4.08%
03 CITIC bond-1	RMB	4,000	December 10, 2003	December 9, 2013	4.50%
03 CITIC bond-2	RMB	6,000	December 10, 2003	December 9, 2023	5.10%
05 CITIC bond-1	RMB	4,000	December 7, 2005	December 6, 2025	4.60%
05 CITIC bond-2	RMB	5,000	December 7, 2005	December 6, 2015	7-day interbank rate plus 1.48%
Samurai bond	JPY	10,000	September 19, 1996	September 18, 2016	4.95%

	2013				
	Denominated currency	Face value in denominated currency Million	Issue date	Maturity date	Interest rate per annum
02 CITIC Bond	RMB	4,500	August 26, 2002	August 25, 2017	4.08%
03 CITIC Bond-2	RMB	6,000	December 10, 2003	December 9, 2023	5.10%
05 CITIC Bond-1	RMB	4,000	December 7, 2005	December 6, 2025	4.60%
05 CITIC Bond-2	RMB	5,000	December 7, 2005	December 6, 2015	7-day interbank rate plus 1.48%
Samurai bond	JPY	10,000	September 19, 1996	September 18, 2016	4.95%

(b) Details of corporate bonds issued by CITIC Resources

On May 17, 2007, CITIC Resources issued USD 1,000 million 6.75% senior notes due 2014 at issue price of 99.726% with interest payable semi-annually. Certain senior notes were repurchased and cancelled by CITIC Resources in 2013.

(c) Details of corporate bonds issued by CITIC Heavy Industries

In 2013, CITIC Heavy Industries issued RMB1,200 million 4.85% corporate bonds due 2018, and RMB600 million 5.20% corporate bonds due 2020.

(ii) Notes issued

		The Target Group			The Target Company		
	Note	**2011** *RMB million*	**2012** *RMB million*	**2013** *RMB million*	**2011** *RMB million*	**2012** *RMB million*	**2013** *RMB million*
The Target Company	*(a)*	20,619	29,417	29,679	20,619	29,516	29,679
CITIC Bank	*(b)*	322	908	15,904	–	–	–
		20,941	30,325	45,583	20,619	29,516	29,679

(a) Details of notes issued by the Target Company

	2011				
	Denominated currency	Face value in denominated currency Million	Issue date	Maturity date	Interest rate per annum
2009 First tranche medium term note	RMB	3,000	February 17, 2009	February 18, 2014	3.85%
2010 First tranche medium term note	RMB	3,000	June 8, 2010	June 10, 2020	4.60%
2010 Second tranche medium term note	RMB	4,000	August 20, 2010	August 24, 2020	4.40%
2011 First tranche medium term note	RMB	3,000	July 28, 2011	August 2, 2018	5.85%
2011 Second tranche medium term note-1	RMB	2,000	November 15, 2011	November 16, 2018	5.10%
2011 Second tranche medium term note-2	RMB	6,000	November 15, 2011	November 16, 2021	5.30%

	2012				
	Denominated currency	Face value in denominated currency Million	Issue date	Maturity date	Interest rate per annum
2009 First tranche medium term note	RMB	3,000	February 17, 2009	February 18, 2014	3.85%
2010 First tranche medium term note	RMB	3,000	June 8, 2010	June 10, 2020	4.60%
2010 Second tranche medium term note	RMB	4,000	August 20, 2010	August 24, 2020	4.40%
2011 First tranche medium term note	RMB	3,000	July 28, 2011	August 2, 2018	5.85%
2011 Second tranche medium term note-1	RMB	2,000	November 15, 2011	November 16, 2018	5.10%
2011 Second tranche medium term note-2	RMB	6,000	November 15, 2011	November 16, 2021	5.30%
2012 Medium term note -1	RMB	4,000	March 28, 2012	March 29, 2019	5.00%
2012 Medium term note -2	RMB	5,000	March 28, 2012	March 29, 2022	5.18%

	2013				
	Denominated currency	Face value in denominated currency Million	Issue date	Maturity date	Interest rate per annum
2009 First tranche medium term note	RMB	3,000	February 17, 2009	February 18, 2014	3.85%
2010 First tranche medium term note	RMB	3,000	June 8, 2010	June 10, 2020	4.60%
2010 Second tranche medium term note	RMB	4,000	August 20, 2010	August 24, 2020	4.40%
2011 First tranche medium term note	RMB	3,000	July 28, 2011	August 2, 2018	5.85%
2011 Second tranche medium term note-1	RMB	2,000	November 15, 2011	November 16, 2018	5.10%
2011 Second tranche medium term note-2	RMB	6,000	November 15, 2011	November 16, 2021	5.30%
2012 Medium term note -1	RMB	4,000	March 28, 2012	March 29, 2019	5.00%
2012 Medium term note -2	RMB	5,000	March 28, 2012	March 29, 2022	5.18%

(b) Details of notes issued by CITIC Bank

The 2013 balance mainly represents financial notes with face value of RMB15,000 million and interest rate of 5.20% per annum. These notes were issued on November 8, 2013 and will be matured on November 12, 2018.

(iii) Subordinated debts issued

The balance represents the subordinated debts issued by CITIC bank or CITIC Bank International Limited ("CBI"), a subsidiary of CITIC Bank. The carrying value of subordinated debts is as follows:

	Note	2011 *RMB million*	2012 *RMB million*	2013 *RMB million*
Perpetual fixed rate notes	*(a)*	1,519	–	–
Floating rate notes maturing in December 2017	*(b)*	612	–	–
Fixed rate notes maturing				
– In September 2017	*(c)*	–	1,871	1,791
– In June 2020	*(d)*	3,489	3,560	3,222
– In May 2019	*(e)*	–	–	1,794
Fixed rate bonds maturing				
– In May 2020	*(f)*	5,000	5,000	5,000
– In June 2021	*(g)*	2,000	2,000	2,000
– In May 2025	*(h)*	11,500	11,500	11,500
– In June 2027	*(i)*	–	19,970	19,972
		24,120	43,901	45,279

Notes:

(a) Subordinated notes with an interest rate of 9.125% per annum and with face value of USD 250 million were issued by CKWH-UTZ Limited, a subsidiary of CBI, on May 23, 2002. On May 31, 2012, CBI exercised the call option and redeemed the subordinated notes at par value.

(b) On December 11, 2007, CBI issued subordinated floating rate notes with face value of USD 250 million. The interest rate per annum was the LIBOR for three-month US dollar deposits plus an interest margin of 1.75%. The notes were listed on the Singapore Exchange and will be matured on December 12, 2017. On December 12, 2012, CBI exercised the call option and redeemed the subordinated notes at par value.

(c) Subordinated notes with an interest rate of 3.875% per annum and with face value of USD 300 million were issued on September 27, 2012 by CBI. The notes will be matured on September 28, 2017.

(d) Subordinated notes with an interest rate of 6.875% per annum and with face value of USD 500 million were issued on June 24, 2010 by CBI. The notes are listed on the Singapore Exchange and will be matured on June 24, 2020.

(e) Subordinated notes with an interest rate of 6.00% per annum and with face value of USD 300 million were issued on November 7, 2013 by CBI. The notes will be matured on May 7, 2019.

(f) The interest rate per annum on the subordinated fixed rate bonds issued on May 28, 2010 is 4.00%. CITIC Bank has an option to redeem the bonds on May 28, 2015. If they are not redeemed, the interest rate of the bonds will remain at 4.00% per annum for the next five years.

(g) The interest rate per annum on the subordinated fixed rate bonds issued on June 22, 2006 is 4.12%. CITIC Bank has an option to redeem the bonds on June 22, 2016. If they are not redeemed, the interest rate of the bonds will increase to 7.12% per annum for the next five years.

(h) The interest rate per annum on the subordinated fixed rate bonds issued on May 28, 2010 is 4.30%. CITIC Bank has an option to redeem the bonds on May 28, 2020. If they are not redeemed, the interest rate of the bonds will remain at 4.30% per annum for the next five years.

(i) The interest rate per annum on the subordinated fixed rate bonds issued on June 21, 2012 is 5.15%. CITIC Bank has an option to redeem the bonds on June 21, 2022. If they are not redeemed, the interest rate of the bonds will remain at 5.15% per annum for the next five years.

(iv) Convertible bonds issued

They represent the convertible bonds issued by CITIC Offshore Helicopter Co., Ltd, a subsidiary of the Target Group. The details of the convertible bonds are as follows:

	Denominated currency	Face value in denominated currency Million	Issue date	Maturity date	Interest rate per annum
Corporate convertible bond	RMB	650	December 19, 2012	December 19, 2018	The first year: 0.5% The second year: 1.0% The third year: 1.5% The forth year: 2.0% The firth year: 2.0% The sixth year: 2.0%

41 PROVISIONS

The Target Group

	Environ-mental restoration expenditures *RMB million*	Estimated expenditures on projects *RMB million*	Others *RMB million*	Total *RMB million*
At January 1, 2011	231	767	113	1,111
Charge/(reversal) for the year	110	(46)	297	361
Payments made during the year	(27)	(90)	(39)	(156)
At December 31, 2011	314	631	371	1,316
At January 1, 2012	314	631	371	1,316
Exchange differences	(2)	–	1	(1)
Charge/(reversal) for the year	32	(472)	75	(365)
Payments made during the year	(28)	(59)	(27)	(114)
Transfer to payable during the year	–	(100)	(262)	(362)
At December 31, 2012	316	–	158	474
At January 1, 2013	316	–	158	474
Exchange differences	(10)	–	–	(10)
(Reversal)/charge for the year	(28)	–	120	92
Payments made during the year	(24)	–	(32)	(56)
At December 31, 2013	254	–	246	500

No provisions were made by the Target Company at December 31, 2011, 2012 and 2013.

42 CAPITAL AND RESERVES

(a) The reconciliation between the opening and closing balances of each component of the Target Group's combined equity is set out in the combined statements of changes in equity. Details of the changes in the Target Company's individual components of equity between the beginning and the end of the respective year are set out below:

The Target Company

	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	Retained earnings	Total
	RMB million	*RMB million (note 42(c)(i)*	*RMB million (note 42(c)(iii))*	*RMB million (note 42(c)(iv))*	*RMB million (note 11)*	*RMB million*
At December 27, 2011 (date of establishment)	–	–	–	–	–	–
Changes in equity for 2011:						
Capital contribution by shareholders	128,000	39,980	–	–	–	167,980
Total comprehensive income for the year	–	6	–	–	94	100
Transfer	–	94	–	–	(94)	–
At December 31, 2011 and January 1, 2012	128,000	40,080	–	–	–	168,080
Changes in equity for 2012:						
Total comprehensive income for the year	–	–	53	–	6,392	6,445
Appropriation to surplus reserve	–	–	–	648	(648)	–
Transfer of state-owned shares of a subsidiary to National Social Security Fund	–	–	–	–	(116)	(116)
Others	–	505	–	–	–	505
At December 31, 2012	128,000	40,585	53	648	5,628	174,914

	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	Retained earnings	Total
	RMB million	*RMB million (note 42(c)(i)*	*RMB million (note 42(c)(iii))*	*RMB million (note 42(c)(iv))*	*RMB million (note 11)*	*RMB million*
At January 1, 2013	128,000	40,585	53	648	5,628	174,914
Changes in equity for 2013:						
Total comprehensive income for the year	–	–	22	–	5,874	5,896
Appropriation to surplus reserve	–	–	–	621	(621)	–
Others	–	(221)	–	–	–	(221)
At December 31, 2013	128,000	40,364	75	1,269	10,881	180,589

(b) Share capital

Registered and issued share capital

	2011		2012		2013	
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount
	million	*RMB million*	*million*	*RMB million*	*million*	*RMB million*
Registered:						
Shares of RMB1 each	128,000	128,000	128,000	128,000	128,000	128,000
Issued and fully paid:						
At January 1 and December 31	128,000	128,000	128,000	128,000	128,000	128,000

(c) Nature and purpose of reserves

(i) Capital reserve

The capital reserve comprises the following:

– the amount of net assets injected by the shareholders of the Target Company in excess of the amount of share capital exchanged in 2011;

– the amounts of dividends received from CITIC Pacific, which are deemed as shareholders' contribution; and

– the amounts arising as results of transactions with non-controlling interests that do not result in a loss of control.

(ii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedge pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedge in note 2(k)(ii).

(iii) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the financial assets are derecognised and is dealt with in accordance with the accounting policies set out in note 2(j)(ii).

(iv) Surplus reserve

Under the relevant PRC laws, the Target Group's subsidiaries in Mainland China are required to appropriate 10% of its net profit, as determined under the PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. After making the appropriation to the statutory surplus reserve, the Target Group may also appropriate its net profit to the discretionary surplus reserve upon approval by shareholders at the Annual General Meeting.

Subject to the approval of the shareholders of the respective entities, statutory and discretionary surplus reserves may be used to make good prior year losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before such capitalisation.

(v) General reserve

Pursuant to the relevant notices issued by the Ministry of Finance of the PRC ("MOF"), CITIC Bank and certain subsidiaries under the financial services segment in Mainland China are required to set aside a general reserve to cover potential losses against their assets. In 2011, the minimum general reserve balance is 1% of the ending balance of gross risk-bearing assets. Effective from July 1, 2012, the minimum general reserve balance has increased to 1.5% of the ending balance of gross risk-bearing assets with a transition period of five years.

(vi) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Mainland China as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(i).

(d) Profit appropriations and retained earnings

(i) Profit appropriations and distributions

	The Target Group			The Target Company		
	2011	**2012**	**2013**	**2011**	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Appropriation to						
– Statutory surplus reserve fund	–	648	621	–	648	621
– General reserve	–	9,208	6,296	–	–	–
As at December 31	–	9,856	6,917	–	648	621

(ii) At December 31, 2011, 2012 and 2013, the amount of reserves available for distribution to shareholders of the Target Company was RMB Nil, RMB5,628 million and RMB10,881 million, respectively.

(iii) The details of the distribution of profits in respect of the year ended December 31, 2013 are disclosed in Section C *Subsequent Events*.

(e) Capital management

The Target Group's primary objectives when managing capital are to safeguard the Target Group's stability and growth, so that it can continue to provide returns for shareholders.

The Target Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with of borrowings obtained and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Certain subsidiaries under the financial services segment are subject to capital adequacy requirements imposed by the external regulators. There was no non-compliance of capital requirements throughout the three years ended December 31, 2011, 2012 and 2013.

43 MOVEMENT OF ALLOWANCES FOR IMPAIRMENT LOSSES

(a) The Target Group

		2011					
		At January 1	**Charge for the year** *(note 7(c))*	**Reversal for the year** *(note 7(c))*	**Write-offs**	**Exchange differences and others**	**At December 31**
	Note	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Placements with banks and non-bank financial institutions	*16*	8	–	–	–	–	8
Trade and other receivables	*19*	809	942	(89)	(61)	(1)	1,600
Amount due from customers for contract work		595	326	–	(151)	(40)	730
Inventories	*20*	472	897	(8)	(217)	(1)	1,143
Loans and advances to customers and other parties	*22*	21,206	8,177	(1,957)	(765)	(14)	26,647
Available-for-sale financial assets	*23*	385	223	–	(103)	(6)	499
Held-to-maturity investments	*24*	109	33	–	(5)	–	137
Interests in associates	*27*	71	1	–	(6)	–	66
Interests in joint ventures	*28*	56	–	–	(16)	–	40
Fixed assets	*29*	190	411	–	(42)	(14)	545
Intangible assets	*30*	–	119	–	–	1	120
Other assets		3,134	552	(380)	(1,339)	1	1,968
		27,035	11,681	(2,434)	(2,705)	(74)	33,503

		2012					
		At January 1	Charge for the year (note 7(c))	Reversal for the year (note 7(c))	Write-offs	Exchange differences and others	At December 31
	Note	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Placements with banks and non-bank financial institutions	16	8	–	–	–	–	8
Trade and other receivables	19	1,600	359	(179)	(312)	(2)	1,466
Amount due from customers for contract work		730	805	–	–	(39)	1,496
Inventories	20	1,143	487	(127)	(285)	22	1,240
Loans and advances to customers and other parties	22	26,647	14,204	(1,495)	(742)	5	38,619
Available-for-sale financial assets	23	499	128	(16)	(144)	3	470
Held-to-maturity investments	24	137	–	(6)	–	(1)	130
Interests in associates	27	66	1,473	–	–	–	1,539
Interests in joint ventures	28	40	–	–	–	–	40
Fixed assets	29	545	68	–	(8)	4	609
Intangible assets	30	120	23	–	–	3	146
Other assets		1,968	464	(374)	(224)	(1)	1,833
		33,503	18,011	(2,197)	(1,715)	(6)	47,596

		2013					
		At January 1	Charge for the year (note 7(c))	Reversal for the year (note 7(c))	Write-offs	Exchange differences and others	At December 31
	Note	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Placements with banks and non-bank financial institutions	16	8	7	–	–	–	15
Trade and other receivables	19	1,466	1,084	(496)	(119)	(59)	1,876
Amount due from customers for contract work		1,496	–	–	–	(45)	1,451
Inventories	20	1,240	170	(69)	(725)	(22)	594
Loans and advances to customers and other parties	22	38,619	15,876	(5,137)	(5,305)	(93)	43,960
Available-for-sale financial assets	23	470	764	(18)	(6)	(28)	1,182
Held-to-maturity investments	24	130	–	(85)	–	3	48
Interests in associates	27	1,539	–	–	–	1	1,540
Interests in joint ventures	28	40	6	–	(10)	3	39
Fixed assets	29	609	1,467	–	(28)	(40)	2,008
Intangible assets	30	146	36	–	–	(24)	158
Other assets		1,833	75	(8)	(63)	(19)	1,818
		47,596	19,485	(5,813)	(6,256)	(323)	54,689

(b) The Target Company

		2011			
	Note	**At December 27 (date of establishment)** *RMB million*	**Charge for the year** *RMB million*	**Reversal for the year** *RMB million*	**At December 31** *RMB million*
Loans and advances to customers and other parties	22	–	3	–	3
Investments in subsidiaries	26	–	207	–	207
		–	210	–	210

		2012			
	Note	**At January 1** *RMB million*	**Charge for the year** *RMB million*	**Reversal for the year** *RMB million*	**At December 31** *RMB million*
Loans and advances to customers and other parties	22	3	–	–	3
Investments in subsidiaries	26	207	–	–	207
		210	–	–	210

		2013			
	Note	**At January 1** *RMB million*	**Charge for the year** *RMB million*	**Reversal for the year** *RMB million*	**At December 31** *RMB million*
Loans and advances to customers and other parties	22	3	–	–	3
Investments in subsidiaries	26	207	–	(207)	–
		210	–	(207)	3

44 COMMITMENTS

(a) Credit commitments

Credit commitments in connection with the financial services segment of the Target Group take the form of loan commitments, credit card limits, financial guarantees and letters of credit.

Loan commitments represent the undrawn amount of approved loans with signed contracts and credit card limits. Financial guarantees and letters of credit represent guarantee provided by the Target Group and the Target Company to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Target Group to pay bills of exchange drawn on customers. The Target Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category at the balance sheet dates are set out below. The amounts disclosed in respect of loan commitments and credit card commitments assume that amounts are fully advanced. The amounts of guarantees, letters of credit and acceptances represent the maximum potential loss that would be recognised the balance sheet date if counterparties failed to perform as contracted.

	The Target Group			**The Target Company**		
	2011	**2012**	**2013**	**2011**	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Contractual amount						
Loan commitments						
– With an original maturity of within one year	80,113	100,858	86,020	–	–	–
– With an original maturity of one year or beyond	15,667	11,158	48,755	–	–	–
	95,780	112,016	134,775	–	–	–
Guarantees	64,527	103,727	129,670	12,329	9,909	5,745
Letters of credit	243,703	166,275	199,833	–	–	–
Acceptances	503,196	665,621	695,018	–	–	–
Credit card commitments	60,937	80,452	95,217	–	–	–
Others	3,807	4,400	2,568	3,807	4,400	2,568
	971,950	1,132,491	1,257,081	16,136	14,309	8,313

(b) Credit risk weighted amount on credit commitments

	2011	**2012**	**2013**
	(note (iii))	*(note (iii))*	*(note (ii))*
	RMB million	*RMB million*	*RMB million*
Credit risk weighted amount on credit commitments	375,757	414,221	428,172

(i) The above credit risk weighted amount is solely in connection with the credit commitments held by CITIC Bank under the financial services segment of the Target Group.

(ii) At December 31, 2013, the credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of counterparties and the maturity characteristics. The risk weighting used is ranging from 0% to 150%.

(iii) At December 31, 2011 and 2012, the credit risk weighted amount was calculated based on the rules of "Regulations Governing Capital Adequacy of Commercial Banks". This rule has been superseded since January 1, 2013.

(c) Bond redemption obligations

CITIC Bank is the underwriting agents of the PRC government bonds. CITIC Bank has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with the relevant rules of the MOF and PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by CITIC Bank, but not yet matured at the balance sheet dates:

The Target Group

	2011	2012	2013
	RMB million	*RMB million*	*RMB million*
Bonds redemption obligations	5,465	4,525	3,792

The Target Group estimates that the possibility of redemption before maturity is remote.

The Target Company did not have any bond redemption obligations at December 31, 2011, 2012 and 2013.

(d) Guarantees provided

Except for guarantees that have been recognised as liabilities, the guarantees issued for other enterprises at the balance sheet dates are as follows:

	The Target Group			The Target Company		
	2011	2012	2013	2011	2012	2013
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Related parties	5,470	4,420	4,700	1,500	1,500	1,500
Third parties	550	1,402	3,154	–	–	–
Subsidiaries	–	–	–	4,541	5,120	4,349
	6,020	5,822	7,854	6,041	6,620	5,849

The relationship of related parties is disclosed in note 47(a).

Included in the above table, the Target Group's counter guarantees issued to third parties at the balance sheet dates are as follows:

	The Target Group		
	2011	2012	2013
	RMB million	*RMB million*	*RMB million*
Third parties	200	–	36

No counter guarantees were issued by the Target Company to third parties at December 31, 2011, 2012 and 2013.

(e) Capital commitments

Capital commitments not provided for in the Financial Information at the balance sheet dates are as follows:

	The Target Group		
	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Contracted for	19,045	22,498	20,624
Authorised but not contracted for	1,620	400	736
	20,665	22,898	21,360

The Target Company did not have any capital commitment at December 31, 2011, 2012 and 2013.

(f) Operating lease commitments

The Target Group leases certain properties and fixed assets under operating leases. At the balance sheet dates, the Target Group's future minimum lease payments under non-cancellable operating leases are as follows:

	The Target Group		
	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Within one year	1,547	2,073	2,869
Between one and two years	1,378	1,889	2,657
Between two and three years	1,269	1,742	2,376
Over three years	4,570	4,864	7,596
	8,764	10,568	15,498

The Target Company had no operating lease commitment at December 31, 2011, 2012 and 2013.

45 CONTINGENT LIABILITIES

Outstanding litigations and disputes

As at December 31, 2011, 2012 and 2013, the Target Group was the defendant in certain pending litigations and disputes with a total gross claimed amount of RMB881 million, RMB573 million and RMB785 million, respectively. Based on the opinion of internal and external legal counsels of the Target Group, the Target Group made a provision of RMB177 million, RMB93 million and RMB71 million, at December 31, 2011, 2012 and 2013, respectively. The Target Group considers that these accruals are reasonable and adequate.

46 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the business of the Target Group. The Target Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Target Group regularly updates and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with policies and procedures.

The Target Group's exposure to these risks and the financial risk management policies and practices used by the Target Group to manage these risks are described below.

(a) Credit risk

Credit risk mainly includes issuer risks, credit risks and country risks from loan business and treasury business within the financial services segment. For loan business, the Target Group identifies and manages the credit risk through its definitions of target markets, credit approval process, strict counterparty selection and due diligence procedures, ongoing evaluation of the contractual capacity and collaterals of counterparties, and risk prevention and mitigation measures. For treasury business, credit risk represents impairment losses of asset value attributable to the Target Group resulting from lowering of ratings for issuers of debt securities. The Target Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

The Target Group is also confronted with credit risk resulting from receivables that arising from sale of goods and rendering of services within the non-financial services segments. The relevant subsidiaries have established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. These evaluations focus on the customers' financial position, the external ratings of the customers and their bank credit records where available.

(i) ***Maximum credit risk exposure***

The maximum exposure to credit risk at the balance sheet dates without taking into consideration of any collateral held or other credit enhancement is represented by the net balance of each type of financial assets in the balance sheets after deducting any impairment allowance. A summary of the maximum exposure is as follows:

The Target Group

	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Deposits and balances with banks and non-bank financial institutions	780,537	706,592	673,406
Placements with banks and non-bank financial institutions	151,004	151,803	122,314
Financial assets at fair value through profit or loss	8,205	12,283	11,031
Derivative financial assets	4,741	4,254	7,768
Trade and other receivables	47,594	51,665	55,489
Financial assets held under resale agreements	162,210	69,082	287,247
Loans and advances to customers and other parties	1,416,691	1,634,293	1,903,049
Available-for-sale financial assets	128,729	196,261	178,063
Held-to-maturity investments	107,827	134,405	154,792
Investments classified as receivables	–	56,435	300,158
	2,807,538	3,017,073	3,693,317
Credit commitments and guarantees provided	977,970	1,138,313	1,264,935
Maximum credit risk exposure	3,785,508	4,155,386	4,958,252

The Target Company

	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Deposits and balances with banks and non-bank financial institutions	13,562	4,702	3,966
Financial assets at fair value through profit or loss	51	1,406	28
Derivative financial assets	–	–	3
Trade and other receivables	13,856	20,036	22,287
Loans and advances to customers and other parties	28,890	26,649	20,972
	56,359	52,793	47,256
Credit commitments and guarantees provided	22,177	20,929	14,162
Maximum credit risk exposure	78,536	73,722	61,418

(ii) Distribution by credit exposure

		2011				
	Note	Loans and advances to customers and other parties *RMB million*	Due from banks and non-bank financial institutions *RMB million*	Financial assets held under resale agreements *RMB million*	Debt securities investments and certificates of deposits *RMB million*	Investments classified as receivables *RMB million*
Impaired						
Individually assessed						
Gross balance		14,982	30	–	724	–
Allowances for impairment		(7,039)	(8)	–	(440)	–
		7,943	22	–	284	–
Collectively assessed						
Gross balance		877	–	–	–	–
Allowances for impairment		(752)	–	–	–	–
		125	–	–	–	–
Overdue but not impaired	*(i)*					
Gross balance		5,644	–	–	–	–
Within which:						
– Within three months		5,043	–	–	–	–
– Between three months and one year		541	–	–	–	–
– Over one year		60	–	–	–	–
Allowances for impairment		(187)	–	–	–	–
		5,457	–	–	–	–
Neither overdue nor impaired						
Gross balance		1,421,835	570,100	162,210	244,477	–
Allowances for impairment	*(ii)*	(18,669)	–	–	–	–
		1,403,166	570,100	162,210	244,477	–
		1,416,691	570,122	162,210	244,761	–

		2012				
	Note	Loans and advances to customers and other parties *RMB million*	Due from banks and non-bank financial institutions *RMB million*	Financial assets held under resale agreements *RMB million*	Debt securities investments and certificates of deposits *RMB million*	Investments classified as receivables *RMB million*
Impaired						
Individually assessed						
Gross balance		17,621	29	–	374	–
Allowances for impairment		(9,942)	(7)	–	(274)	–
		7,679	22	–	100	–
Collectively assessed						
Gross balance		1,296	–	–	–	–
Allowances for impairment		(983)	–	–	–	–
		313	–	–	–	–
Overdue but not impaired	*(i)*					
Gross balance		10,012	15	–	–	–
Within which:						
– Within three months		9,334	15	–	–	–
– Between three months and one year		678	–	–	–	–
– Over one year		–	–	–	–	–
Allowances for impairment		(623)	–	–	–	–
		9,389	15	–	–	–
Neither overdue nor impaired						
Gross balance		1,643,983	436,858	69,082	342,849	56,435
Allowances for impairment	*(ii)*	(27,071)	–	–	–	–
		1,616,912	436,858	69,082	342,849	56,435
		1,634,293	436,895	69,082	342,949	56,435

		2013				
	Note	Loans and advances to customers and other parties *RMB million*	Due from banks and non-bank financial institutions *RMB million*	Financial assets held under resale agreements *RMB million*	Debt securities investments and certificates of deposits *RMB million*	Investments classified as receivables *RMB million*
Impaired						
Individually assessed						
Gross balance		21,490	96	–	422	–
Allowances for impairment		(11,644)	(15)	–	(200)	–
		9,846	81	–	222	–
Collectively assessed						
Gross balance		3,552	–	–	–	–
Allowances for impairment		(2,680)	–	–	–	–
		872	–	–	–	–
Overdue but not impaired	*(i)*					
Gross balance		15,946	30	–	–	–
Within which:						
– Within three months		14,845	30	–	–	–
– Between three months and one year		1,101	–	–	–	–
– Over one year		–	–	–	–	–
Allowances for impairment		(1,047)	–	–	–	–
		14,899	30	–	–	–
Neither overdue nor impaired						
Gross balance		1,906,021	305,256	287,247	343,664	300,158
Allowances for impairment	*(ii)*	(28,589)	–	–	–	–
		1,877,432	305,256	287,247	343,664	300,158
		1,903,049	305,367	287,247	343,886	300,158

Notes:

(i) Collaterals and other credit enhancements for overdue but not impaired loans and advances:

As at December 31, 2011, 2012 and 2013, the above loans and advances of the Target Group which were overdue but not impaired and subject to individual assessment are RMB673 million, RMB4,238 million and RMB9,938 million, respectively, of which the amount of RMB476 million, RMB2,316 million and RMB5,559 million, respectively, are covered by collaterals. The remaining amount of the loans and advances are not covered by collaterals.

The fair value of collaterals held against these loans and advances amounted to RMB1,584 million, RMB5,379 million and RMB8,069 million as at December 31, 2011, 2012 and 2013, respectively.

The fair value of collaterals was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation.

(ii) The balances represent collectively assessed allowances of impairment losses.

(iii) Loans and advances to customers and other parties analysed by economic sector concentration:

The Target Group

	2011			2012			2013		
	Gross balance *RMB million*	*%*	Loans and advances secured by collaterals *RMB million*	Gross balance *RMB million*	*%*	Loans and advances secured by collaterals *RMB million*	Gross balance *RMB million*	*%*	Loans and advances secured by collaterals *RMB million*
Corporate loans									
– Manufacturing	301,834	21%	108,898	356,703	21%	130,412	412,650	21%	149,759
– Wholesale and retail	177,121	12%	98,792	232,250	14%	133,876	298,247	15%	148,752
– Transportation, storage and postal services	125,457	9%	46,507	135,226	8%	57,017	133,884	7%	59,699
– Real estate	93,734	6%	75,870	138,027	8%	119,543	131,393	7%	115,276
– Production and supply of electric power, gas and water	79,582	6%	11,532	59,330	4%	13,749	56,805	3%	15,523
– Water, environment and public utility management	70,181	5%	29,174	62,897	4%	29,756	71,853	4%	34,543
– Public management and social organisations	54,114	4%	38,796	17,723	1%	3,241	16,992	1%	4,880
– Rental and business services	50,495	3%	26,697	53,966	3%	30,718	67,657	3%	35,537
– Construction	58,734	4%	19,918	63,653	4%	26,643	81,873	4%	32,750
– Others	114,438	8%	35,089	143,496	9%	35,870	170,333	9%	50,110
	1,125,690	78%	491,273	1,263,271	76%	580,825	1,441,687	74%	646,829
Personal loans	268,197	19%	226,213	334,647	20%	263,770	440,553	23%	330,753
Discounted bills	49,451	3%	–	74,994	4%	–	64,769	3%	–
	1,443,338	100%	717,486	1,672,912	100%	844,595	1,947,009	100%	977,582

The Target Company

	2011			2012			2013		
	Gross balance *RMB million*	*%*	Loans and advances secured by collaterals *RMB million*	Gross balance *RMB million*	*%*	Loans and advances secured by collaterals *RMB million*	Gross balance *RMB million*	*%*	Loans and advances secured by collaterals *RMB million*
Corporate loans									
– Manufacturing	719	2%	–	719	3%	–	406	2%	–
– Real estate	18,765	66%	1,300	22,426	84%	1,931	17,479	83%	3,021
– Financial services	8,811	30%	–	730	3%	–	578	3%	–
– Others	598	2%	100	2,777	10%	100	2,512	12%	100
	28,893	100%	1,400	26,652	100%	2,031	20,975	100%	3,121

(iv) Loans and advances to customers and other parties analysed by geographical sector risk concentration:

The Target Group

	2011			2012			2013		
	Gross balance *RMB million*	*%*	Loans and advances secured by collaterals *RMB million*	Gross balance *RMB million*	*%*	Loans and advances secured by collaterals *RMB million*	Gross balance *RMB million*	*%*	Loans and advances secured by collaterals *RMB million*
Mainland China	1,366,876	95%	677,703	1,587,362	95%	808,161	1,851,131	95%	942,252
Hong Kong and Macau	837	0%	–	675	0%	–	764	0%	–
Overseas	75,625	5%	39,783	84,875	5%	36,434	95,114	5%	35,330
	1,443,338	100%	717,486	1,672,912	100%	844,595	1,947,009	100%	977,582

The Target Company

	2011			2012			2013		
	Gross balance *RMB million*	*%*	Loans and advances secured by collaterals *RMB million*	Gross balance *RMB million*	*%*	Loans and advances secured by collaterals *RMB million*	Gross balance *RMB million*	*%*	Loans and advances secured by collaterals *RMB million*
Mainland China	28,139	97%	1,400	26,070	97%	2,031	20,410	97%	3,121
Hong Kong and Macau	590	2%	–	419	2%	–	406	2%	–
Overseas	164	1%	–	163	1%	–	159	1%	–
	28,893	100%	1,400	26,652	100%	2,031	20,975	100%	3,121

(v) Rescheduled loans and advances to customers and other parties

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of deterioration in the financial position of the borrower, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are a concession that the Target Group would not otherwise consider. Rescheduled loans and advances to customers are stated net of any loans and advances that have subsequently become overdue more than three months and can be analysed as follows:

The Target Group

	2011		2012		2013	
	Gross balance *RMB million*	% of total loans and advances	Gross balance *RMB million*	% of total loans and advances	Gross balance *RMB million*	% of total loans and advances
Rescheduled loans and advances overdue less than three months	4,594	0.32%	2,301	0.14%	2,285	0.12%
Rescheduled loans and advances overdue more than three months	4,208	0.29%	2,474	0.15%	6,091	0.31%
	8,802	0.61%	4,775	0.29%	8,376	0.43%

The Target Company did not have rescheduled loans and advances as at December 31, 2011, 2012 and 2013.

(vi) Offsetting

The Target Group and the Target Company have not offset financial instruments, nor have they entered into master netting arrangement or similar agreement.

(b) Liquidity risk

Liquidity risk arises when there is mismatch between maturity dates of financial assets and financial liabilities.

Each of the Target Group's operating entity formulates liquidity risk management policies and procedures within the Target Group's overall liquidity risk management frame work and takes into consideration of the business and regulatory requirements applicable to individual entity.

The Target Group manages liquidity risk by holding liquid assets (including deposits, other short term funds and securities) of appropriate quality and quantity to ensure that short term funding requirements are covered within prudent limits. Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The Target Group performs stress testing on its liquidity position on a regular and ad-hoc basis.

The following table details the remaining maturities of the Target Group's financial assets and liabilities at the balance sheet dates:

2011

	The Target Group					The Target Company				
	On demand	Within 1 year	Between 1 year to 5 years	More than 5 years	Total	On demand	Within 1 year	Between 1 year to 5 years	More than 5 years	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Total financial assets	130,519	1,676,102	395,676	618,065	2,820,362	7,465	25,065	30,536	4,611	67,677
Total financial liabilities	(1,080,625)	(1,371,868)	(170,017)	(75,094)	(2,697,604)	(12,831)	(6,437)	(25,473)	(33,139)	(77,880)
Financial asset-liability gap	(950,106)	304,234	225,659	542,971	122,758	(5,366)	18,628	5,063	(28,528)	(10,203)

2012

	The Target Group					The Target Company				
	On demand	Within 1 year	Between 1 year to 5 years	More than 5 years	Total	On demand	Within 1 year	Between 1 year to 5 years	More than 5 years	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Total financial assets	141,211	1,736,801	451,479	731,587	3,061,078	1,191	38,131	28,797	7,180	75,299
Total financial liabilities	(1,204,354)	(1,350,936)	(265,418)	(91,399)	(2,912,107)	(7,982)	(5,691)	(9,811)	(58,455)	(81,939)
Financial asset-liability gap	(1,063,143)	385,865	186,061	640,188	148,971	(6,791)	32,440	18,986	(51,275)	(6,640)

2013

	The Target Group					The Target Company				
	On demand	Within 1 year	Between 1 year to 5 years	More than 5 years	Total	On demand	Within 1 year	Between 1 year to 5 years	More than 5 years	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Total financial assets	186,125	2,057,135	663,194	844,278	3,750,732	1,678	37,423	25,995	6,534	71,630
Total financial liabilities	(1,322,951)	(1,772,372)	(403,244)	(88,118)	(3,586,685)	(9,148)	(10,860)	(28,430)	(32,692)	(81,130)
Financial asset-liability gap	(1,136,826)	284,763	259,950	756,160	164,047	(7,470)	26,563	(2,435)	(26,158)	(9,500)

(c) Interest rate risk

Each of the Target Group's operating entity has formulated its own interest risk management policies procedures covering identification, measurement, monitoring and control of risks. The Target Group manages interest rate risk by setting risk exposure limits to control potential loss from interest rate risk at an acceptable level.

(i) Asset-liabilities gap

Interest rate risk arises from mismatch between repricing dates of financial assets and liabilities affected by market interest rates.

2011

	The Target Group					The Target Company				
	Non-interest bearing *RMB million*	Less than one year *RMB million*	Between one and five years *RMB million*	More than five years *RMB million*	Total *RMB million*	Non-interest bearing *RMB million*	Less than one year *RMB million*	Between one and five years *RMB million*	More than five years *RMB million*	Total *RMB million*
Total financial assets	60,364	2,633,728	87,724	38,546	2,820,362	26,078	41,599	–	–	67,677
Total financial liabilities	(59,472)	(2,467,221)	(135,465)	(35,446)	(2,697,604)	(13,032)	(64,848)	–	–	(77,880)
Financial asset-liability gap	892	166,507	(47,741)	3,100	122,758	13,046	(23,249)	–	–	(10,203)

2012

	The Target Group					The Target Company				
	Non-interest bearing *RMB million*	Less than one year *RMB million*	Between one and five years *RMB million*	More than five years *RMB million*	Total *RMB million*	Non-interest bearing *RMB million*	Less than one year *RMB million*	Between one and five years *RMB million*	More than five years *RMB million*	Total *RMB million*
Total financial assets	89,770	2,747,518	152,635	71,155	3,061,078	44,530	30,542	227	–	75,299
Total financial liabilities	(104,900)	(2,516,854)	(205,891)	(84,462)	(2,912,107)	(13,716)	(68,223)	–	–	(81,939)
Financial asset-liability gap	(15,130)	230,664	(53,256)	(13,307)	148,971	30,814	(37,681)	227	–	(6,640)

2013

	The Target Group					The Target Company				
	Non-interest bearing *RMB million*	Less than one year *RMB million*	Between one and five years *RMB million*	More than five years *RMB million*	Total *RMB million*	Non-interest bearing *RMB million*	Less than one year *RMB million*	Between one and five years *RMB million*	More than five years *RMB million*	Total *RMB million*
Total financial assets	98,993	3,279,947	297,017	74,775	3,750,732	47,254	24,149	227	–	71,630
Total financial liabilities	(129,722)	(3,040,254)	(338,824)	(77,885)	(3,586,685)	(9,148)	(71,982)	–	–	(81,130)
Financial asset-liability gap	(30,729)	239,693	(41,807)	(3,110)	164,047	38,106	(47,833)	227	–	(9,500)

(ii) Effective interest rate

	The Target Group						The Target Company					
	Effective interest rate *(note (i))*	2011 *RMB million*	Effective interest rate *(note (i))*	2012 *RMB million*	Effective interest rate *(note (i))*	2013 *RMB million*	Effective interest rate	2011 *RMB million*	Effective interest rate	2012 *RMB million*	Effective interest rate	2013 *RMB million*
Assets												
Deposits and balances with banks and non-bank financial institutions	1.48% to 4.21%	780,537	1.50% to 4.06%	706,592	1.50% to 3.91%	673,406	0.5% to 5%	13,562	0.35% to 5%	4,702	0.35% to 2.85%	3,966
Placements with banks and non-bank financial institutions	4.33%	151,004	4.64%	151,803	4.05%	122,314		–		–		–
Financial assets held under resale agreements	4.85%	162,210	4.29%	69,082	5.02%	287,247		–		–		–
Loans and advances to customers and other parties	6.12%	1,416,691	6.69%	1,634,293	6.18%	1,903,049	8.36%	28,890	8.13%	26,649	8.74%	20,972
Investments classified as receivable		–	5.79%	56,435	6.03%	300,158		–		–		–
Investments *(note (ii))*	3.21%	298,981	3.63%	417,313	3.75%	427,518	3.23%	184,081	3.71%	205,965	3.80%	215,033
Others		205,274		235,476		252,011		20,183		20,296		22,540
		3,014,697		3,270,994		3,965,703		246,716		257,612		262,511
Liabilities												
Deposits from banks and non-bank financial institutions	3.73%	535,067	4.21%	369,403	4.25%	557,904		–		–		–
Placements from banks and non-bank financial institutions	4.25%	3,865	3.80%	17,165	2.47%	41,372		–		–		–
Financial assets sold under repurchase agreements	4.55%	1,806	4.03%	11,732	4.53%	7,949		–		–		–
Deposits from customers	1.84%	1,949,300	2.25%	2,233,122	2.20%	2,632,152		–		–		–
Bank and other loans	0% to 13%	73,239	0% to 14.4%	75,296	0.6% to 14.4%	95,280	1.1% to 6.83%	20,019	1.84% to 6.83%	14,561	1.45% to 6.83%	22,384
Debt securities issued	4.08% to 9.1%	82,525	0.5% to 6.9%	115,155	0.5% to 6.9%	132,403	3.9% to 5.9%	44,829	3.9% to 5.9%	53,662	3.9% to 5.9%	49,598
Others		124,569		162,246		179,005		13,788		14,475		9,940
		2,770,371		2,984,119		3,646,065		78,636		82,698		81,922

Notes:

(i) Except for debt securities issued, and bank and other loans, the effective interest rate is attributable to the assets and liabilities of CITIC Bank. For debt securities issued, and bank and other loans, the effective interest rate is attributable to the Target Group.

(ii) Investments of the Target Group include trading financial assets, available-for-sale financial assets, held-to-maturity investments, and interests in associates and joint ventures. Apart from the foregoing, investments of the Target Company also include investments in subsidiaries.

(iii) Sensitivity analysis

The Target Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Target Group's net profit or loss. As at December 31, 2011, 2012, 2013, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, would increase or decrease by RMB1,683 million, RMB1,597 million, RMB1,606 million, respectively.

This sensitivity analysis is based on a static interest rate risk profile of the Target Group's non-derivative assets and liabilities and certain simplified assumptions. The analysis measures only the impact of changes in the interest rates within one year, showing how annualised interest income would have been affected by repricing of the Target Group's non-derivative assets and liabilities within the one-year period. The analysis is based on the following assumptions: (1) all assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature at the beginning of the respective periods; (2) there is a parallel shift in the yield curve and in interest rates; and (3) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Target Group's profit before tax resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

(d) Currency risk

Currency risk arises from the changes in exchange rates on the Target Group's foreign currency denominated assets and liabilities. The Target Group manages currency risk by entering into spot and forward foreign exchange transactions, use of derivatives, and matching its foreign currency denominated assets with corresponding liabilities in the same currency. The exposure to currency risk arising from the financial assets and financial liabilities at the balance sheet dates is as follows (expressed in RMB million):

The Target Group

	2011				
	RMB	*USD*	*HKD*	*Others*	*Total*
Total financial assets	2,590,447	139,615	71,871	18,429	2,820,362
Total financial liabilities	(2,471,694)	(123,496)	(74,771)	(27,643)	(2,697,604)
Financial asset-liability gap	118,753	16,119	(2,900)	(9,214)	122,758

	2012				
	RMB	*USD*	*HKD*	*Others*	*Total*
Total financial assets	2,788,124	198,311	59,845	14,798	3,061,078
Total financial liabilities	(2,605,039)	(197,594)	(75,050)	(34,424)	(2,912,107)
Financial asset-liability gap	183,085	717	(15,205)	(19,626)	148,971

	2013				
	RMB	*USD*	*HKD*	*Others*	*Total*
Total financial assets	3,418,803	257,079	56,739	18,111	3,750,732
Total financial liabilities	(3,196,667)	(268,513)	(78,134)	(43,371)	(3,586,685)
Financial asset-liability gap	222,136	(11,434)	(21,395)	(25,260)	164,047

The Target Company

	2011				
	RMB	*USD*	*HKD*	*Others*	*Total*
Total financial assets	48,479	6,055	12,258	885	67,677
Total financial liabilities	(59,772)	(15,970)	(2)	(2,136)	(77,880)
Financial asset-liability gap	(11,293)	(9,915)	12,256	(1,251)	(10,203)

	2012				
	RMB	*USD*	*HKD*	*Others*	*Total*
Total financial assets	57,701	4,113	12,470	1,015	75,299
Total financial liabilities	(69,869)	(10,144)	–	(1,926)	(81,939)
Financial asset-liability gap	(12,168)	(6,031)	12,470	(911)	(6,640)

	2013				
	RMB	*USD*	*HKD*	*Others*	*Total*
Total financial assets	55,189	1,805	12,866	1,770	71,630
Total financial liabilities	(60,258)	(20,300)	(45)	(527)	(81,130)
Financial asset-liability gap	(5,069)	(18,495)	12,821	1,243	(9,500)

The Target Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Target Group's net profit or loss.

Assuming all other risk variables remained constant, an 100 basis points strengthening or weakening of the RMB against the USD, HKD and other currencies at December 31, 2011, 2012 and 2013 would increase or decrease the Target Group's profit before tax by RMB25 million, RMB218 million and RMB332 million, respectively.

This sensitivity analysis is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions. The analysis is based on the following assumptions: (1) the foreign exchange sensitivity is the gain and loss recognised as a result of 100 basis point fluctuation in the foreign currency exchange rates against RMB; and (2) the exchange rates against RMB for all foreign currencies change in the same direction simultaneously. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Target Group's profit before tax resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis.

(e) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet dates across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair value measurement*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted market for similar active markets for identical financial instruments;

– Level 2: fair values measuring using quoted prices in active market for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

The Target Group

	2011			
	Level 1 *RMB million*	**Level 2** *RMB million*	**Level 3** *RMB million*	**Total** *RMB million*
Assets				
Financial assets at fair value through profit or loss	540	8,037	40	8,617
Derivatives financial assets	12	4,678	51	4,741
Available-for-sale financial assets	16,975	119,442	7,757	144,174
	17,527	132,157	7,848	157,532
Liabilities				
Derivatives financial liabilities	–	(3,730)	(272)	(4,002)

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB million	*RMB million*	*RMB million*	*RMB million*
Assets				
Financial assets at fair value through profit or loss	1,719	12,296	42	14,057
Derivatives financial assets	14	4,063	177	4,254
Available-for-sale financial assets	15,672	201,228	11,406	228,306
	17,405	217,587	11,625	246,617
Liabilities				
Derivatives financial liabilities	–	(3,316)	(276)	(3,592)

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB million	*RMB million*	*RMB million*	*RMB million*
Assets				
Financial assets at fair value through profit or loss	1,302	10,966	42	12,310
Derivatives financial assets	15	7,741	12	7,768
Available-for-sale financial assets	18,135	178,663	18,598	215,396
	19,452	197,370	18,652	235,474
Liabilities				
Derivative financial liabilities	–	(6,850)	(94)	(6,944)

The Target Company

	2011			
	Level 1 *RMB million*	**Level 2** *RMB million*	**Level 3** *RMB million*	**Total** *RMB million*
Assets				
Financial assets at fair value through profit or loss	51	–	–	51
Available-for-sale financial assets	414	–	4,604	5,018
	465	–	4,604	5,069

	2012			
	Level 1 *RMB million*	**Level 2** *RMB million*	**Level 3** *RMB million*	**Total** *RMB million*
Assets				
Financial assets at fair value through profit or loss	1,406	–	–	1,406
Available-for-sale financial assets	483	19,000	2,796	22,279
	1,889	19,000	2,796	23,685

	2013			
	Level 1 *RMB million*	**Level 2** *RMB million*	**Level 3** *RMB million*	**Total** *RMB million*
Assets				
Financial assets at fair value through profit or loss	28	–	–	28
Derivatives financial assets	–	3	–	3
Available-for-sale financial assets	503	21,374	2,270	24,147
	531	21,377	2,270	24,178

During the years ended December 31, 2011, 2012 and 2013, there were no significant transfers between instruments in different levels.

During the years ended December 31, 2011, 2012 and 2013, there were no significant changes in valuation techniques for determining the fair value of the instruments.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

The Target Group

	2011				
	Assets				Liabilities
	Financial assets at fair value through profit or loss	Derivatives financial assets	Available-for-sale financial assets	Total	Derivatives financial liabilities
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At January 1, 2011	41	150	6,696	6,887	(437)
Total (losses)/gains:					
– in profit or loss	3	(113)	8	(102)	174
– in other comprehensive income	–	–	(68)	(68)	–
Settlements	(4)	14	1,121	1,131	(9)
At December 31, 2011	40	51	7,757	7,848	(272)
Total gains/(losses) for the year included in profit or loss for assets and liabilities held in Level 3 at balance sheet date	3	(113)	8	(102)	174

	2012				
	Assets				Liabilities
	Financial assets at fair value through profit or loss	Derivatives financial assets	Available-for-sale financial assets	Total	Derivatives financial liabilities
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At January 1, 2012	40	51	7,757	7,848	(272)
Total gains/(losses):					
– in profit or loss	2	135	–	137	(2)
– in other comprehensive income	–	–	(65)	(65)	–
Settlements	–	(9)	3,714	3,705	(2)
At December 31, 2012	42	177	11,406	11,625	(276)
Total gains/(losses) for the year included in profit or loss for assets and liabilities held in Level 3 at balance sheet date	2	135	–	137	(2)

	2013				
	Assets				Liabilities
	Financial assets at fair value through profit or loss *RMB million*	Derivatives financial assets *RMB million*	Available-for-sale financial assets *RMB million*	Total *RMB million*	Derivatives financial liabilities *RMB million*
At January 1, 2013	42	177	11,406	11,625	(276)
Total gains/(losses):					
– in profit or loss	1	(62)	(664)	(725)	180
– in other comprehensive income	–	–	33	33	–
Settlements	(1)	(103)	7,823	7,719	2
At December 31, 2013	42	12	18,598	18,652	(94)
Total gains/(losses) for the year included in profit or loss for assets and liabilities held in Level 3 at balance sheet date	1	(62)	(664)	(725)	180

In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year in the above tables are presented in "net trading gain" in the income statements.

The Target Company

	2011 Available-for-sale financial assets *RMB million*
At December 27, 2011 (date of establishment)	1,516
Total losses in other comprehensive income	(95)
Settlements	3,183
As at December 31, 2011	4,604

	2012 Available-for-sale financial assets *RMB million*
As at January 1, 2012	4,604
Total gains in other comprehensive income	20
Settlements	(1,828)
As at December 31, 2012	2,796

	2013 Available-for-sale financial assets
	RMB million
As at January 1, 2013	2,796
Total gains in other comprehensive income	29
Settlements	(555)
As at December 31, 2013	2,270

(ii) ***Fair value of other financial instruments (carried at other than fair value)***

The carrying values of other financial assets and liabilities of the Target Group approximate their fair values at the balance sheet dates, except as follows:

The Target Group

	2011				
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Financial assets					
Held-to-maturity investments	107,827	106,629	1,193	105,436	–
Financial liabilities					
Debt securities					
– Corporate bonds issued	28,888	38,619	16,283	22,336	–
– Notes issued	20,941	21,250	397	20,853	–
– Subordinated debts issued	24,120	25,170	6,670	18,500	–
– Certificates of deposits issued	8,576	7,511	–	7,511	–
	82,525	92,550	23,350	69,200	–

	2012				
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Financial assets					
Held-to-maturity investments	134,405	133,390	673	132,717	–
Financial liabilities					
Debt securities					
– Corporate bonds issued	28,844	39,040	16,622	22,418	–
– Notes issued	30,325	28,440	913	27,527	–
– Subordinated debts issued	43,901	44,056	5,586	38,470	–
– Certificates of deposits issued	11,593	11,621	–	11,621	–
– Convertible bonds issued	492	492	492	–	–
	115,155	123,649	23,613	100,036	–

	2013				
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Financial assets					
Held-to-maturity investments	154,792	147,099	547	146,532	20
Financial liabilities					
Debt securities					
– Corporate bonds issued	25,632	34,458	15,065	19,393	–
– Notes issued	45,583	41,012	507	40,505	–
– Subordinated debts issued	45,279	40,640	6,980	33,660	–
– Certificates of deposits issued	15,686	15,688	–	15,688	–
– Convertible bonds issued	223	279	279	–	–
	132,403	132,077	22,831	109,246	–

The Target Company

The carrying value of financial assets and liabilities of the Target Company approximate their fair values as at December 31, 2011, 2012 and 2013.

(iii) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair value of financial instruments on the balance sheet dates.

Debt securities and equity investments

Fair value is based on quoted market prices at the balance sheet dates for trading financial assets and liabilities (excluding derivatives), available-for-sale financial assets, and held-to-maturity investments if there is an active market. If an active market does not exist for available-for-sale financial assets, the fair value is determined using valuation techniques.

Loans and advances to customers and other parties, bank and other loans

Loans and advances to customers and other parties, and bank and other loans are repriced at market rates at least annually. Accordingly, their carrying values approximate the fair values.

Placements with from banks and non-bank financial institutions, financial assets held/sold under resale/repurchase agreements

Placements with banks and non-bank financial institutions, financial assets held/sold under resale/repurchase agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

Derivatives

The fair value of foreign currency and interest rate contracts is either based on their listed market prices or by discount cash flow model at the measurement date.

Financial guarantees

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that the lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

47 MATERIAL RELATED PARTY

(a) Relationship of related parties

(i) In addition to subsidiaries, related parties include parent company, fellow subsidiaries, joint ventures and associates of the Target Group.

(ii) For the purpose of preparing the Financial Information, CITIC Pacific is considered as a related party of the Target Group.

(iii) CITIC Group, the controlling shareholder of the Target Group, is a state-owned company established in Beijing in 1979.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Target Group is as follows:

The aggregate amount of the remuneration before tax for the year ended December 31, 2011 to Directors, Supervisors and Executive Officers amounted to RMB12.38 million.

The aggregate amount of the remuneration before tax for the year ended December 31, 2012 to Directors, Supervisors and Executive Officers amounted to RMB17.79 million.

The aggregate amount of the paid remuneration before tax for the year ended December 31, 2013 to Directors, Supervisors and Executive Officers amounted to RMB11.34 million.

(c) Financing arrangements

The Target Group

	Amounts owed to the Target Group by related parties			Amounts owed by the Target Group to related parties			Related interest income		
	2011	**2012**	**2013**	**2011**	**2012**	**2013**	**2011**	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Loans to fellow subsidiaries and CITIC Pacific	1,325	1,600	1,458	–	–	–	39	94	60
Loans to associates and joint ventures	162	166	71	–	–	–	3	3	3

The Target Company

	Amounts owed to the Company by related parties			Amounts owed by the Company to related parties			Related interest income		
	2011	**2012**	**2013**	**2011**	**2012**	**2013**	**2011**	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Loan to subsidiaries	19,503	22,348	18,852	–	–	–	24	2,001	1,834

(d) Other related party transactions

(i) Transaction amounts with related parties:

The Target Group

		2011			
	Note	**Parent company** *RMB million*	**Fellow subsidiaries and CITIC Pacific** *RMB million*	**Associates and joint ventures** *RMB million*	**Total** *RMB million*
Sales of goods	*(1)*	–	524	–	524
Interest income	*(2)*	–	39	3	42
Interest expenses	*(1)*	–	13	401	414
Fee and commission income	*(1)*	–	–	132	132
Fee and commission expenses	*(1)*	–	158	–	158
Income from other services	*(1)*	–	–	3	3
Expenses for other services	*(1)*	–	55	–	55
Interest income from deposits and receivables	*(1)*	–	–	138	138
Other operating expenses	*(1)*	–	211	16	227

		2012			
	Note	**Parent company** *RMB million*	**Fellow subsidiaries and CITIC Pacific** *RMB million*	**Associates and joint ventures** *RMB million*	**Total** *RMB million*
Sales of goods	*(1)*	–	633	–	633
Purchase of goods	*(1)*	–	40	21	61
Interest income	*(2)*	–	94	3	97
Interest expenses	*(1)*	172	12	408	592
Fee and commission income	*(1)*	1	3	67	71
Fee and commission expenses	*(1)*	–	168	2	170
Income from other services	*(1)*	–	214	18	232
Expenses for other services	*(1)*	–	33	11	44
Interest income from deposits and receivables	*(1)*	–	110	60	170
Other operating expenses	*(1)*	–	17	3	20

		2013			
		Parent company	Fellow subsidiaries and CITIC Pacific	Associates and joint ventures	Total
	Note	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Sales of goods	*(1)*	–	88	–	88
Purchase of goods	*(1)*	–	469	–	469
Interest income	*(2)*	–	60	3	63
Interest expenses	*(1)*	30	14	383	427
Fee and commission income	*(1)*	–	–	1	1
Fee and commission expenses	*(1)*	–	3	28	31
Income from other services	*(1)*	–	281	–	281
Interest income from deposits and receivables	*(1)*	–	122	11	133

The Target Company

		From December 27, 2011 (the date of the Target Company found) to December 31, 2011			
		Fellow subsidiaries and CITIC Pacific	Subsidiaries	Associates and joint ventures	Total
	Note	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Interest expenses	*(1)*	–	5	–	5
Fee and commission income	*(1)*	–	1	–	1
Interest income from deposits and receivables	*(1)*	–	6	–	6
Interest income from loans and advances	*(2)*	–	24	–	24
Other operating expenses	*(1)*	–	1	–	1

		December 31, 2012			
		Fellow subsidiaries and CITIC Pacific	Subsidiaries	Associates and joint ventures	Total
	Note	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Interest expenses	*(1)*	–	277	–	277
Fee and commission income	*(1)*	–	32	–	32
Interest income from deposits and receivables	*(1)*	–	151	–	151
Interest income from loans and advances	*(2)*	–	2,001	–	2,001
Other operating expenses	*(1)*	–	186	–	186

		December 31, 2013			
		Fellow subsidiaries and CITIC Pacific	Subsidiaries	Associates and joint ventures	Total
	Note	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Interest expenses	*(1)*	–	228	–	228
Fee and commission income	*(1)*	–	10	–	10
Interest income from deposits and receivables	*(1)*	–	9	–	9
Interest income from loans and advances	*(2)*	–	1,834	–	1,834
Other operating expenses	*(1)*	–	50	–	50

Notes:

(1) These transactions with related parties were conducted under the normal commercial terms.

(2) Interest rates of these on loans and advances are negotiated between the Target Group or Company with the corresponding related parties on a case by case basis.

(ii) Outstanding balances with related parties:

The Target Group

		2011			
	Note	**Parent company** *RMB million*	**Fellow subsidiaries and CITIC Pacific** *RMB million*	**Associates and joint ventures** *RMB million*	**Total** *RMB million*
Trade and other receivables	*(1)*	–	649	4,744	5,393
Loans and advances	*(2)*	–	1,325	162	1,487
Placements with banks and non-bank financial institutions	*(1)*	–	21	–	21
Cash and deposits	*(1)*	–	–	20	20
Other assets	*(1)*	–	10	–	10
Trade and other payables	*(1)*	5,145	70	1,176	6,391
Deposits from customers	*(1)*	–	1,236	4,456	5,692
Deposits from bank and non-bank financial institutions	*(1)*	–	–	15,323	15,323
Other liabilities	*(1)*	–	5	–	5
Guarantees provided	*(3)*	–	–	5,470	5,470

		2012			
	Note	**Parent company** *RMB million*	**Fellow subsidiaries and CITIC Pacific** *RMB million*	**Associates and joint ventures** *RMB million*	**Total** *RMB million*
Trade and other receivables	*(1)*	9	1,193	2,391	3,593
Loans and advances	*(2)*	–	1,600	166	1,766
Placements with banks and non-bank financial institutions	*(1)*	–	21	–	21
Cash and deposits	*(1)*	–	1	328	329
Other assets	*(1)*	–	1,104	–	1,104
Trade and other payables	*(1)*	3,771	1,250	1,319	6,340
Deposits from customers	*(1)*	488	1,912	12,031	14,431
Deposits from bank and non-bank financial institutions	*(1)*	–	–	10,615	10,615
Other liabilities	*(1)*	–	–	61	61
Guarantees provided	*(3)*	–	–	4,420	4,420

		2013			
	Note	Parent company RMB million	Fellow subsidiaries and CITIC Pacific RMB million	Associates and joint ventures RMB million	Total RMB million
Trade and other receivables	(1)	7	1,127	3,438	4,572
Loans and advances	(2)	–	1,458	71	1,529
Placements with banks and non-bank financial institutions	(1)	–	21	–	21
Other assets	(1)	–	1,000	–	1,000
Trade and other payables	(1)	2,466	213	400	3,079
Deposits from customers	(1)	538	2,461	3,686	6,685
Deposits from bank and non-bank financial institutions	(1)	–	3	–	3
Guarantees provided	(3)	–	–	4,700	4,700

The Target Company

		2011				
	Note	Parent company RMB million	Fellow subsidiaries and CITIC Pacific RMB million	Subsidiaries RMB million	Associates and joint ventures RMB million	Total RMB million
Trade and other receivables	(1)	–	–	13,809	–	13,809
Loans and advances	(2)	–	–	19,503	–	19,503
Cash and deposits	(1)	–	–	10,929	–	10,929
Trade and other payables	(1)	5,144	–	1,587	20	6,751
Debt securities issued	(1)	–	–	858	–	858
Other liabilities	(1)	–	–	5,519	–	5,519
Guarantees provided	(1)	–	–	4,541	1,500	6,041

		2012				
	Note	Parent company *RMB million*	Fellow subsidiaries and CITIC Pacific *RMB million*	Subsidiaries *RMB million*	Associates and joint ventures *RMB million*	Total *RMB million*
Trade and other receivables	*(1)*	–	100	19,591	–	19,691
Loans and advances	*(2)*	–	–	22,348	–	22,348
Cash and deposits	*(1)*	–	–	2,671	22	2,693
Trade and other payables	*(1)*	3,755	1,089	2,206	20	7,070
Debt securities issued	*(1)*	–	–	772	–	772
Other liabilities	*(1)*	–	–	5,534	–	5,534
Guarantees provided	*(1)*	–	–	5,120	1,500	6,620

		2013				
	Note	Parent company *RMB million*	Fellow subsidiaries and CITIC Pacific *RMB million*	Subsidiaries *RMB million*	Associates and joint ventures *RMB million*	Total *RMB million*
Trade and other receivables	*(1)*	–	–	21,265	–	21,265
Loans and advances	*(2)*	–	–	18,852	–	18,852
Cash and deposits	*(1)*	–	–	2,076	–	2,076
Trade and other payables	*(1)*	2,454	5	546	20	3,025
Debt securities issued	*(1)*	–	–	251	–	251
Other liabilities	*(1)*	–	–	5,203	–	5,203
Guarantees provided	*(1)*	–	–	4,349	1,500	5,849

Notes:

(1) These balances arose from business transactions which were conducted under the normal commercial terms.

(2) Interest rates of these loans and balances are negotiated between the Target Group or Company with the corresponding related party on a case by case basis.

(3) Terms on guarantees provided by the Target Group are agreed with the corresponding related parties on a case by case basis.

(e) Transactions with other state-owned entities in the PRC

The Target Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations ("state-owned entities").

Transactions with other state-owned entities include but are not limited to the following:

– sales and purchases of goods and provision of services;

– leases of assets;

– lending and deposit taking;

– taking and placing of inter-bank balances;

– entrusted lending and other custody services;

– insurance and securities agency, and other intermediary services; and

– sale, purchase, underwriting and redemption of bonds issued by other state-owned entities.

48 INVOLVEMENT WITH UNCOMBINED STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Target Group holds an interest

The Target Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include wealth management products, investment management products managed by securities companies, trust investment plans, asset-backed financings and investment funds. The Target Group does not combine these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and are financed through issuance of notes to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Target Group at the balance sheet dates in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the balance sheets in which relevant assets are recognised:

The Target Group

	December 31, 2011						
Carrying amount	**Held-to-maturity investments** *RMB Million*	**Available-for-sale financial assets** *RMB Million*	**Investments classified as receivables** *RMB Million*	**Financial assets held under resale agreements** *RMB Million*	**Total** *RMB Million*	**Guarantee** *RMB Million*	**Maximum loss exposure** *RMB Million*
Wealth management products	–	480	–	–	480	–	480
Investment management products managed by securities companies	–	–	–	–	–	–	–
Trust investment plans	–	4,114	–	–	4,114	3,807	7,921
Asset-backed financings	89	6	–	–	95	–	95
Investment funds	–	475	–	–	475	–	475
Total	89	5,075	–	–	5,164	3,807	8,971

	December 31, 2012						
Carrying amount	**Held-to-maturity investments** *RMB Million*	**Available-for-sale financial assets** *RMB Million*	**Investments classified as receivables** *RMB Million*	**Financial assets held under resale agreements** *RMB Million*	**Total** *RMB Million*	**Guarantee** *RMB Million*	**Maximum loss exposure** *RMB Million*
Wealth management products	–	21,716	4,030	–	25,746	–	25,746
Investment management products managed by securities companies	–	–	3,269	698	3,967	–	3,967
Trust investment plans	–	2,869	26,880	1,227	30,976	4,400	35,376
Asset-backed financings	30	3	–	–	33	–	33
Investments funds	–	1,548	–	–	1,548	–	1,548
Total	30	26,136	34,179	1,925	62,270	4,400	66,670

Carrying amount	Held-to-maturity investments RMB Million	Available-for-sale financial assets RMB Million	Investments classified as receivables RMB Million	Financial assets held under resale agreements RMB Million	Total RMB Million	Guarantee RMB Million	Maximum loss exposure RMB Million
	December 31, 2013						
Wealth management products	–	21,058	65,558	–	86,616	–	86,616
Investment management products managed by securities companies	–	432	114,987	7,706	123,125	–	123,125
Trust investment plans	20	9,956	96,999	1,951	108,926	2,568	111,494
Asset-backed financings	202	15	–	–	217	–	217
Investment funds	–	918	–	–	918	–	918
Total	222	32,379	277,544	9,657	319,802	2,568	322,370

The maximum loss exposure of the above wealth management products, investment management products managed by securities companies, trust investment plans and investment funds is the fair value of the assets held by the Target Group at the balance sheet dates. The maximum loss exposure of the asset-backed financings is the amortised cost or fair value of the assets held by the Target Group at the balance sheet dates in accordance with the line items of these assets recognised in the balance sheets.

(b) Structured entities sponsored by the Target Group which the Target Group does not combine but holds an interest

The types of uncombined structured entities sponsored by the Target Group include non-principal-guaranteed wealth management products and trust plans. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through issuance of notes to investors. Interest held by the Target Group includes fees charged by providing management services. At December 31, 2013, the carrying amount of management fee receivables being recognised in the balance sheet is RMB474 million.

At December 31, 2013, the amount of assets held by the uncombined non-principal-guaranteed wealth management products and trust plans which are sponsored by the Target Group is RMB976 billion.

At December 31, 2013, the amount of the placements from the Target Group with non-principal guaranteed wealth management products sponsored by the Target Group is RMB5,750 million. During the year of 2013, the maximum exposure of the placements from the Target Group with non-principal guaranteed wealth management products sponsored by the Target Group is RMB7,450 million. In the opinion of management, the transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

During 2013, the amount of fee and commission income recognised from the above mentioned structured entities by the Target Group is RMB7,115 million.

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Target Group after January 1 but matured before December 31, for 2013 is RMB233 billion.

49 MATERIAL BUSINESS COMBINATIONS

(a) Acquisition of subsidiaries

There was no acquisition of significant subsidiaries during the years ended December 31, 2011 and 2012.

On January 2, 2013, the Target Group acquired 100% equity interests of CITIC Building Property Consultants Co., Ltd. ("CITIC Building") from CITIC Guoan Co., Ltd., a fellow subsidiary wholly owned by CITIC Group at a cash consideration of RMB1,711 million.

The above acquisition is recognised as business combination under common control since CITIC Building and the Target Group are under the common control of the CITIC Group. The financial statements of CITIC Building are included in the Financial Information as if the combination had occurred at the date the ultimate controlling party first obtained control.

The carrying amount of the net assets of CITIC Building is RMB940 million, RMB964 million and RMB983 million at December 31, 2011, 2012 and 2013, respectively. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination has been adjusted to the capital reserve.

(b) CITIC Heavy Industries

In 2012, CITIC Heavy Industries raised an amount of RMB3,090 million through issuing A shares at the Shanghai Stock Exchange, the Target Group's portion of share ownership in CITIC Heavy Industries was then diluted from 96.71% to 71.04%. According to "the Implementing Measures for the Transfer of Some State-owned Shares from the PRC Securities Market to the National Social Security Fund" (No.94 [2009] of the Ministry of Finance), the Target Group transferred state-owned shares accordingly. The transferred shares are held by National Council for Social Security Fund of the PRC.

50 SUPPLEMENTARY INFORMATION TO THE COMBINED CASH FLOW STATEMENTS

Cash and cash equivalents held by the Target Group are as follows:

The Target Group

	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Cash	5,043	6,731	6,879
Bank deposits on demand	28,925	33,712	33,001
Surplus deposit reserve funds	60,637	62,223	66,056
Investments in debt securities due within three months	11,816	9,378	12,042
Deposits with banks and non-bank financial institutions due within three months	335,900	216,253	97,617
Placements with banks and non-bank financial institutions due within three months	66,868	48,078	26,616
Cash and cash equivalents in the combined cash flow statements	509,189	376,375	242,211

51 PARENT AND ULTIMATE HOLDING COMPANY

The parent and the ultimate holding company of the Target Company is CITIC Group. The details of group structure are disclosed in note 1.

52 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED

Up to the date of issue of the Financial Information, the HKICPA has issued a few amendments and a new standard which are not yet effective for the years ended December 31, 2011, 2012 and 2013 and which have not been adopted in the Financial Information. These include the following which may be relevant to the Target Group.

	Effective for accounting periods beginning on or after
Amendment to HKAS 32, *Offsetting financial assets and financial liabilities*	January 1, 2014
Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*	January 1, 2014
HKFRS 9, *Financial instruments*	unspecified

The Target Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Target Group's results and financial position except for HKFRS 9, *Financial instruments*, which may have an impact on the Target Group's result and financial position. The Target Group has not completed its assessment of the full impact of adopting HKFRS 9 and therefore its possible impact on the Target Group's results and financial position has not been quantified.

53 PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

(a) Principal subsidiaries

The following list contains only the particulars of principal subsidiaries of the Target Group.

Name of company	Place of establishment/ incorporation and business	Principal activity	Registered/ Paid-up capital '000	Currency	Proportion of ownership interest: Attributable to the Target Group	Held by the Company	Held by subsidiaries	Statutory auditors: 2011	2012	2013
CITIC Holdings Co., Ltd. 中信控股有限責任公司	Mainland China	Financial services	50,000	RMB	100%	100%	–	Ernst & Young	Ernst & Young	Ernst & Young
China CITIC Bank Corporation Limited 中信銀行股份有限公司 *(Notes 1 and 2)*	Mainland China	Banking	46,787,327	RMB	66.95% (2011 and 2012: 61.85%)	66.95% (2011 and 2012: 61.85%)	–	KPMG	KPMG	KPMG
CITIC Trust Co., Ltd. 中信信託有限責任公司	Mainland China	Trust Services	1,200,000	RMB	100%	80%	20%	Grant Thornton	Grant Thornton	Grant Thornton
CITIC Finance Company Limited 中信財務有限公司	Mainland China	Financial services	1,000,000	RMB	100%	80%	20%	N/A	KPMG	KPMG
CITIC Kingview Capital Management Co., Ltd. 中信錦繡資本管理有限責任公司	Mainland China	Financial services	50,000	RMB	73.02% (2011 and 2012: 72.79%)	30%	70%	Grant Thornton	Grant Thornton	RuiHua Certified Public Accountants
CITIC Hong Kong (Holdings) Limited	Hong Kong	Investment holding	1,053,711	HKD	100%	100%	–	Pricewaterhouse Coopers	Pricewaterhouse Coopers	KPMG
CITIC Real Estate Co., Ltd. 中信房地產股份有限公司	Mainland China	Real estate	6,790,000	RMB	88.37% (2012: 88.37%; 2011: 80.86%)	88.37% (2012: 88.37%; 2011: 80.86%)	–	KPMG	KPMG	KPMG

Name of company	Place of establishment/ incorporation and business	Principal activity	Registered/ Paid-up capital '000	Currency	Proportion of ownership interest: Attributable to the Target Group	Held by the Company	Held by subsidiaries	Statutory auditors: 2011	2012	2013
CITIC Industrial Investment Group Corp., Ltd. 中信興業投資集團有限公司	Mainland China	Real estate and Infrastructure	1,600,000 (2012: 1,600,000; 2011: 670,000)	RMB	100%	100%	–	Yong Tuo Certified Public Accountants	Yong Tuo Certified Public Accountants	Yong Tuo Certified Public Accountants
CITIC Heye Investment (Beijing) Co., Ltd. 北京中信和業投資有限公司	Mainland China	Real estate and Infrastructure	100,000	RMB	100%	100%	–	Zhongjia Youyi Certified Public Accountants	Zhongjia Youyi Certified Public Accountants	Zhongjia Youyi Certified Public Accountants
CITIC Power Investments Limited	Hong Kong	Real estate and Infrastructure	10	HKD	100%	100%	–	Kreston CAC CPA	BDO China Shu Lun Pan Certified Public Accountants LLP	BDO China Shu Lun Pan Certified Public Accountants LLP
CITIC Land Co., Ltd. 中信置業有限公司 *(Note 3)*	Mainland China	Real estate and Infrastructure	500,000	RMB	100%	100%	–	N/A	N/A	Yong Tuo Certified Public Accountants
CITIC Construction Company Limited 中信建設有限責任公司	Mainland China	Construction	300,000	RMB	100%	100%	–	KPMG	KPMG	KPMG
CITIC Engineering Design and Construction Company Limited 中信工程設計建設有限公司 *(Note 3)*	Mainland China	Construction	1,000,000	RMB	100%	100%	–	N/A	N/A	Yong Tuo Certified Public Accountants

Name of company	Place of establishment/ incorporation and business	Principal activity	Registered/ Paid-up capital '000	Currency	Proportion of ownership interest: Attributable to the Target Group	Held by the Company	Held by subsidiaries	Statutory auditors: 2011	2012	2013
CITIC Resources Holdings Limited (*Note 1*)	Hong Kong	Resources and Energy	383,287	HKD	59.41% (2012: 59.43%; 2011: 57 %)	–	59.41% (2012: 59.43%; 2011: 57 %)	Ernst & Young	Ernst & Young	Ernst & Young
CITIC United Asia Investments Limited	Hong Kong	Resources and Energy	916,829 (2011 and 2012: 817,469)	HKD	100%	–	100%	Ernst & Young	Ernst & Young	Ernst & Young
CITIC Metal Co., Ltd. 中信金屬有限公司	Mainland China	Resources and Energy	1,780,000	RMB	100%	100%	–	KPMG	KPMG	BDO
CITIC Australia Pty Limited	Australia	Resources and Energy	98,763	AUD	100%	100%	–	Ernst & Young	Ernst & Young	Ernst & Young
CITIC Kazakhstan LLP	Kazakhstan	Resources and Energy	1,500	KZT	100%	100%	–	Baker Tilly ELTAL Kazakhstan LLP	Ar-Audit LLP	Ar-Audit LLP
CITIC Heavy Industries Co., Ltd. 中信重工機械股份有限公司 (*Note 2*)	Mainland China	Manufacturing	2,740,000	RMB	71.04% (2012: 71.04%; 2011: 96.71%)	63.87% (2012: 63.87%; 2011: 86.83%)	7.17% (2012: 7.17%; 2011: 9.88%)	Yong Tuo Certified Public Accountants	Yong Tuo Certified Public Accountants	Yong Tuo Certified Public Accountants
CITIC Investment Holdings Limited 中信投資控股有限公司	Mainland China	Manufacturing	928,000 (2012: 928,000; 2011: 328,000)	RMB	100%	100%	–	Zhongjia Youyi Certified Public Accountants	Zhongjia Youyi Certified Public Accountants	Zhongjia Youyi Certified Public Accountants

Name of company	Place of establishment/ incorporation and business	Principal activity	Registered/ Paid-up capital '000	Currency	Proportion of ownership interest: Attributable to the Target Group	Held by the Company	Held by subsidiaries	Statutory auditors: 2011	2012	2013
CITIC Asia Satellite Holding Company Limited	British Virgin Islands	Information industry	60,524	USD	100%	–	100%	Pricewaterhouse Coopers	Pricewaterhouse Coopers	Pricewaterhouse Coopers
CITIC Press Corporation 中信出版集團股份有限公司	Mainland China	Publishing	100,000	RMB	100%	95%	5%	Yong Tuo Certified Public Accountants	Yong Tuo Certified Public Accountants	Yong Tuo Certified Public Accountants
CITIC Tianjin Holdings Co., Ltd. 中信天津投資控股有限公司	Mainland China	Services	343,220 (2012: 343,220; 2011: 266,220)	RMB	100%	100%	–	Yong Tuo Certified Public Accountants	Yong Tuo Certified Public Accountants	Yong Tuo Certified Public Accountants
China Zhonghaizhi Corporation 中國中海直有限責任公司	Mainland China	Services	1,000,000	RMB	51.03%	51.03%	–	Yong Tuo Certified Public Accountants	Yong Tuo Certified Public Accountants	Yong Tuo Certified Public Accountants
CITIC Tourism Group Co., Ltd. 中信旅遊集團有限公司	Mainland China	Services	129,000	RMB	100%	100%	–	Zhongjia Youyi Certified Public Accountants	Zhongjia Youyi Certified Public Accountants	Zhongjia Youyi Certified Public Accountants
CITIC Automobile Co., Ltd. 中信汽車有限責任公司	Mainland China	Trading	600,000	RMB	100%	100%	–	Yong Tuo Certified Public Accountants	Yong Tuo Certified Public Accountants	Yong Tuo Certified Public Accountants
CITIC USA Holding Inc. 中信美國集團	The United States of America	Investment holding	1	USD	100%	100%	–	BDO, USA, LLP	BDO, USA, LLP	BDO, USA, LLP

					Proportion of ownership interest			Statutory auditors		
Name of company	Place of establishment/ incorporation and business	Principal activity	Registered/ Paid-up capital '000	Currency	Attributable to the Target Group	Held by the Company	Held by subsidiaries	2011	2012	2013
CITIC Capital Mansion Co., Ltd. 中信京城大廈有限責任公司	Mainland China	Services	800,000	RMB	100%	100%	–	Yong Tuo Certified Public Accountants	Yong Tuo Certified Public Accountants	Yong Tuo Certified Public Accountants
CITIC Building Property Management Co., Ltd. 北京中信國際大廈物業管理有限公司	Mainland China	Services	27,400	RMB	100%	100%	–	Grant Thornton	Grant Thornton	Grant Thornton
China International Economic Consultants Co., Ltd. 中國國際經濟諮詢有限公司	Mainland China	Services	59,000	RMB	100%	100%	–	Zhongjia Youyi Certified Public Accountants	Zhongjia Youyi Certified Public Accountants	Zhongjia Youyi Certified Public Accountants
Beijing Guoan Football Club Co., Ltd. 北京國安足球俱樂部有限責任公司	Mainland China	Services	75,000	RMB	100%	100%	–	Yong Tuo Certified Public Accountants	Yong Tuo Certified Public Accountants	Yong Tuo Certified Public Accountants

Notes:

(1) These companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

(2) These companies are listed on the Shanghai Stock Exchange.

(3) This company is wholly owned subsidiary established by the Target Company in 2013.

(b) Principal associates

Details of the Target Group's interest in principal associates, which are accounted for using the equity method in the Financial Information of the Target Group are as follows:

					Proportion of ownership interest			Statutory auditors		
Name of company	**Place of establishment/ incorporation and business**	**Principal activity**	**Authorised/ Paid-up capital** *'000*	**Currency**	**Attributable to the Target Group**	**Held by the Company**	**Held by subsidiaries**	**2011**	**2012**	**2013**
CITIC Securities Co., Ltd. 中信證券股份有限公司 *(Notes 1 and 2)*	Mainland China	Securities related services	11,016,908	RMB	20.30%	20.30%	–	Ernst & Young	Ernst & Young	Ernst & Young
CITIC Dameng Holdings Limited *(Note 1)*	Bermuda	Resources	302,480	HKD	33.18% (2012: 33.19%; 2011: 32.24%)	–	49 %	Ernst & Young	Ernst & Young	Ernst & Young
Alumina Limited *(Note 3)*	Australia	Resources	2,620,000	USD	10.21%	–	13.62%	Pricewaterhouse Coopers	Pricewaterhouse Coopers	Pricewaterhouse Coopers
Sinopec Yizheng Chemical Fibre Company Limited 中國石化儀征化纖股份有限公司 *(Notes 1 and 2)*	Mainland China	Manufacturing	6,000,000	RMB	17.25% (2012 and 2011: 18%)	17.25%	–	KPMG	KPMG	KPMG

Notes:

(1) These companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

(2) These companies are listed on the Shanghai Stock Exchange.

(3) In 2013, the Target Group acquired an aggregate effective interest of 10.21% in Alumina Limited, which is listed on the Australian Securities Exchange and New York Stock Exchange, and principally involved in bauxite mining and alumina refining operations.

(c) Principal joint ventures

Details of the Target Group's interest in principal joint ventures, which are accounted for using the equity method in the Financial Information of the Target Group are as follows:

					Proportion of ownership interest			Statutory auditors		
Name of company	Place of establishment/ incorporation and business	Principal activity	Authorised/ Paid-up capital	Currency '000	Attributable to the Target Group	Held by the Company	Held by subsidiaries	2011	2012	2013
CITIC-Prudential Life Insurance Co., Ltd. 信誠人壽保險有限公司	Mainland China	Insurance and reinsurance	2,360,000	RMB	50%	50%	–	KPMG	KPMG	KPMG
Bowenvale Limited *(Note)*	British Virgin Islands	Information industry	29,117	HKD	50.50%	–	50.50%	Pricewaterhouse Coopers	Pricewaterhouse Coopers	Pricewaterhouse Coopers
CITIC Capital Holding Limited	Hong Kong	Investment holding	65,000	HKD	9.43% (2012: 9.30%; 2011: 11.96%)	–	20.03% (2012: 21.39%; 2011: 27.50%)	Pricewaterhouse Coopers	Pricewaterhouse Coopers	KPMG

Note: Asia Satellite is listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Target Group's joint venture, Bowenvale Limited holds 74.43% of equity interest in Asia Satellite.

C SUBSEQUENT EVENTS

The following significant events took place subsequent to December 31, 2013.

(a) Shares transfer

As stated in note 1(c) of Section B to this report, the subsidiaries of the Target Company which hold the shares of CITIC Pacific will transfer such shares of CITIC Pacific to one or more overseas wholly-owned subsidiaries of CITIC Group for their respective business needs. As at the date of this report, all the relevant transfers of shares have been completed.

(b) Distribution of profits

According to the board of directors' meeting and shareholders' meeting on March 21, 2014, distributions of profits in cash with an amount of RMB11,200 million and RMB5,800 million by the Target Group were approved in respect of the year ended December 31, 2013 and year ending December 31, 2014, respectively.

(c) Capital injection

According to the board of directors' meeting and shareholders' meeting of the Target Company, and the board of directors' meeting of CITIC Group on March 24, 2014, CITIC Group and CITIC Enterprise Management will inject cash with a total amount of RMB17,000 million to the Target Company. The capital injection was approved by the MOF on March 25, 2014, and approved by the State Administration for Industry and Commerce of the People's Republic of China on March 27, 2013.

D SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to December 31, 2013. Save as disclosed in note (b) of Section C to this report, no dividend has been declared or made by the Target Company in respect of any period subsequent to December 31, 2013.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

INTRODUCTION

The following is an illustrative and unaudited pro forma financial information of the Enlarged Group ("Unaudited Pro Forma Financial Information"), including unaudited pro forma consolidated balance sheet, unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement of the Enlarged Group, which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the acquisition (the "Acquisition") of the 100% equity interest (the "Relevant Equity Interest") in CITIC Limited (the "Target Company") by CITIC Pacific Limited (the "Company"), as if it had taken place on December 31, 2013 for the unaudited pro forma consolidated balance sheet and on January 1, 2013 for the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated cash flow statement. The Target Company and its subsidiaries but excluding CITIC Pacific Limited and the subsidiaries of CITIC Pacific Limited, are collectively referred to as the "Target Group".

The Unaudited Pro Forma Financial Information has been prepared 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 has been prepared by the Directors of the Company for illustrative purpose only.

The Unaudited Pro Forma Financial Information is based upon (i) the audited consolidated financial statements of the Company and its subsidiaries (the "Group") as at and for the year ended December 31, 2013, which have been extracted from the Company's annual report for the year ended December 31, 2013 dated February 20, 2014; (ii) the combined financial information of the Target Group as at and for the year ended December 31, 2013, which have been extracted from the accountants' report as set out in Appendix I to this circular, and adjusted on a pro forma basis to reflect the effect of the Acquisition. These pro forma adjustments are (i) directly attributable to the Acquisition and not relating to other future events and decision and (ii) factually supportable based on the terms of the Share Transfer Agreement as defined in this circular.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position, results and cash flows of the Enlarged Group had the Acquisition been completed as at December 31, 2013 or January 1, 2013, where applicable, or at any future dates.

A. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

Audited consolidated balance sheet of the Group as at December 31, 2013 as extracted from the Company's annual report dated February 20, 2014		Reclassifications	Consolidated balance sheet of the Group as at December 31, 2013 for the purpose of Unaudited Pro Forma Financial Information	
	HK$' million	*HK$' million* *Note 1*	*HK$' million*	
Non-current assets				**Assets**
Property, plant and equipment	109,480	13,412	122,892	Fixed assets
Investment properties	14,932	–	14,932	Investment properties
Properties under development	10,779	(10,779)	–	
Leasehold land – operating leases	2,633	(2,633)	–	
Joint ventures	22,647	–	22,647	Interests in joint ventures
Associated companies	7,668	–	7,668	Interests in associates
Other financial assets	294	–	294	Available-for-sale financial assets
Intangible assets	18,802	(902)	17,900	Intangible assets
		902	902	Goodwill
Deferred tax assets	2,868	–	2,868	Deferred tax assets
Derivative financial instruments	36	50	86	Derivative financial assets
Non-current deposits and prepayments	3,748	(3,748)	–	
Total non-current assets	193,887			
Current assets				
Properties under development	881	(881)	–	
Properties held for sale	3,729	(3,729)	–	
Other assets held for sale	3,848	(3,848)	–	
	–	4,648	4,648	Other assets
Inventories	14,660	4,610	19,270	Inventories
Derivative financial instruments	50	(50)	–	
Debtors, accounts receivable, deposits and prepayments	15,654	2,948	18,602	Trade and other receivables
Cash and bank deposits	35,070	–	35,070	Cash and deposits
Total current assets	73,892		267,779	**Total assets**

Audited consolidated balance sheet of the Group as at December 31, 2013 as extracted from the Company's annual report dated February 20, 2014		Reclassifications		Consolidated balance sheet of the Group as at December 31, 2013 for the purpose of Unaudited Pro Forma Financial Information
	HK$' million	*HK$' million* *Note 1*	*HK$' million*	
Current liabilities				**Liabilities**
Bank loans, other loans and overdrafts				
– secured	1,426	(1,426)	–	
– unsecured	25,713	(25,713)	–	
Creditors, accounts payable, deposits and accruals	28,717	(442)	28,275	Trade and other payables
	–	572	572	Employee benefits payables
Derivative financial instruments	151	(151)	–	
Provisions	130	(130)	–	
Provision for taxation	1,139	–	1,139	Income tax payable
Liabilities of a company to be disposed classified as held for sale	43	–	43	Other liabilities
Total current liabilities	57,319			
Net current assets	16,573			
Total assets less current liabilities	210,460			

Audited consolidated balance sheet of the Group as at December 31, 2013 as extracted from the Company's annual report dated February 20, 2014		Reclassifications		Consolidated balance sheet of the Group as at December 31, 2013 for the purpose of Unaudited Pro Forma Financial Information
	HK$' million	*HK$' million*	*HK$' million*	
		Note 1		
Non-current liabilities				
Long term borrowings	93,591	27,139	120,730	Bank and other loans and debt securities issued
Deferred tax liabilities	3,918	–	3,918	Deferred tax liabilities
Derivative financial instruments	2,546	151	2,697	Derivative financial liabilities
Provisions and deferred income	2,092	–	2,092	Provisions
Total non-current liabilities	102,147		159,466	**Total liabilities**
Net assets	108,313			
Equity				
Share capital	1,460	–	1,460	Share capital
Perpetual capital securities	13,838	–	13,838	Perpetual capital securities
Reserves	85,553	912	86,465	Reserves
Proposed dividend	912	(912)	–	
Total ordinary shareholders' funds and perpetual capital securities	101,763			
Non-controlling interests in equity	6,550	–	6,550	Non-controlling interests
Total equity	108,313		108,313	**Total equity**
			267,779	**Total liabilities and equity**

		Pro forma adjustments					
	Consolidated balance sheet of the Group as at December 31, 2013	Combined balance sheet of the Target Group as at December 31, 2013	Combined balance sheet of the Target Group as at December 31, 2013	Other pro forma adjustments			Unaudited pro forma consolidated balance sheet of the Enlarged Group
	HK$' million	*RMB' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
			Note 2	*Note 3*	*Note 4*	*Note 5*	
Assets							
Cash and deposits	35,070	680,285	865,282	(83)	868	(1,939)	899,198
Placements with banks and non-bank financial institutions	–	122,314	155,576	–	–	–	155,576
Financial assets at fair value through profit or loss	–	12,310	15,658	–	–	–	15,658
Derivative financial assets	86	7,768	9,880	–	–	–	9,966
Trade and other receivables	18,602	59,645	75,865	–	1,958	(312)	96,113
Amount due from customers for contract work	–	1,374	1,748	–	–	–	1,748
Inventories	19,270	83,695	106,455	–	127	–	125,852
Financial assets held under resale agreements	–	287,247	365,361	–	–	–	365,361
Loans and advances to customers and other parties	–	1,903,049	2,420,566	–	–	(763)	2,419,803
Available-for-sale financial assets	294	215,396	273,971	–	–	(128)	274,137
Held-to-maturity investments	–	154,792	196,886	–	–	–	196,886
Investments classified as receivables	–	300,158	381,783	–	–	–	381,783
Interests in associates	7,668	35,696	45,403	–	(7,568)	–	45,503
Interests in joint ventures	22,647	9,324	11,860	–	(3,893)	–	30,614
Fixed assets	122,892	47,038	59,830	–	2,591	–	185,313
Investment properties	14,932	4,681	5,954	–	8,082	–	28,968
Intangible assets	17,900	12,414	15,789	–	2,345	–	36,034
Goodwill	902	2,967	3,774	–	9,247	–	13,923
Deferred tax assets	2,868	10,930	13,902	–	33	(2)	16,801
Other assets	4,648	14,620	18,596	–	27	(799)	22,472
Total assets	267,779	3,965,703	5,044,139	(83)	13,817	(3,943)	5,321,709

	Consolidated balance sheet of the Group as at December 31, 2013	Combined balance sheet of the Target Group as at December 31, 2013	Combined balance sheet of the Target Group as at December 31, 2013	Pro forma adjustments: Other pro forma adjustments			Unaudited pro forma consolidated balance sheet of the Enlarged Group
	HK$' million	*RMB' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
			Note 2	*Note 3*	*Note 4*	*Note 5*	
Liabilities							
Deposits from banks and non-bank financial institutions	–	557,904	709,621	–	–	–	709,621
Placements from banks and non-bank financial institutions	–	41,372	52,623	–	–	–	52,623
Derivative financial liabilities	2,697	6,944	8,832	–	–	–	11,529
Trade and other payables	28,275	138,633	176,333	(iii) 382	1,913	(1,127)	205,776
Amount due to customers for contract work	–	6,322	8,041	–	–	–	8,041
Financial assets sold under repurchase agreements	–	7,949	10,111	–	–	–	10,111
Deposits from customers	–	2,632,152	3,347,942	–	–	(1,999)	3,345,943
Employee benefits payables	572	13,967	17,765	–	61	–	18,398
Income tax payable	1,139	5,773	7,343	–	181	–	8,663
Bank and other loans and debt securities issued	120,730	227,683	289,600	–	9,162	(823)	418,669
Provisions	2,092	500	636	–	–	–	2,728
Deferred tax liabilities	3,918	1,804	2,295	–	223	–	6,436
Other liabilities	43	5,062	6,439	–	137	–	6,619
Total liabilities	159,466	3,646,065	4,637,581	382	11,677	(3,949)	4,805,157
Equity							
Share capital	1,460	128,000	157,888	(i)8,501 (ii)(157,888)	–	–	9,961
Reserves	86,465	97,051	128,362	(i), (ii), (iii) 148,922	(1,940)	6	361,815
Total equity attributable to ordinary shareholders of the Company	87,925	225,051	286,250	(465)	(1,940)	6	371,776
Perpetual capital securities	13,838	–	–	–	–	–	13,838
Non-controlling interests	6,550	94,587	120,308	–	4,080	–	130,938
Total equity	108,313	319,638	406,558	(465)	2,140	6	516,552
Total liabilities and equity	267,779	3,965,703	5,044,139	(83)	13,817	(3,943)	5,321,709

B. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT

Audited consolidated profit and loss account of the Group for the year ended December 31, 2013 as extracted from the Company's annual report dated February 20, 2014		Reclassifications		Consolidated profit and loss account of the Group for the year ended December 31, 2013 for the purpose of Unaudited Pro Forma Financial Information
	HK$' million	*HK$' million* *Note 1*	*HK$' million*	
Revenue	88,041	–	88,041	Sales of goods and services
Cost of sales	(77,185)	–	(77,185)	Cost of sales and services
Gross profit	10,856			
Other income and net gains	2,545	2,102	4,647	Other net income
Distributing and selling expenses	(3,243)	3,243	–	
Other operating expenses	(4,523)	(2,808)	(7,331)	Other operating expenses
		(435)	(435)	Impairment losses on others
Change in fair value of investment properties	1,709	–	1,709	Net valuation gain on investment properties
Profit from consolidated activities	7,344			
Share of results of				
– Joint ventures	3,016	–	3,016	Share of profit of joint ventures, net of tax
– Associated companies	390	–	390	Share of profit of associates, net of tax
Profit before net finance charges and taxation	10,750		12,852	**Profit before net finance charges and tax**
Finance charges	(3,297)	–	(3,297)	Finance costs
Finance income	549	–	549	Finance income
Profit before taxation	8,002		10,104	**Profit before tax**
Taxation	(978)	–	(978)	Income tax
Profit for the year from continuing operations	7,024			
Profit for the year from discontinued operations	2,102	(2,102)	–	
Profit for the year	9,126		9,126	**Profit for the year**

Audited consolidated profit and loss account of the Group for the year ended December 31, 2013 as extracted from the Company's annual report dated February 20, 2014		Reclassifications		Consolidated profit and loss account of the Group for the year ended December 31, 2013 for the purpose of Unaudited Pro Forma Financial Information
	HK$' million	*HK$' million* *Note 1*	*HK$' million*	
Attributable to:				Attributable to:
– Ordinary shareholders of the Company	7,588	–	7,588	– Ordinary shareholders of the Company
– Holders of perpetual capital securities	881	–	881	– Holders of perpetual capital securities
– Non-controlling interests	657	–	657	– Non-controlling interests
	9,126		9,126	

	Consolidated profit and loss account of the Group for the year ended December 31, 2013	Pro forma adjustments: Combined income statement of the Target Group for the year ended December 31, 2013	Combined income statement of the Target Group for the year ended December 31, 2013	Other pro forma adjustments			Unaudited pro forma consolidated income statement of the Enlarged Group
	HK$' million	*RMB' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
			Note 2	*Note 3*	*Note 4*	*Note 5*	
Interest income	–	164,139	205,711	–	–	–	205,711
Interest expenses	–	(77,576)	(97,224)	–	–	–	(97,224)
Net interest income	–	86,563	108,487	–	–	–	108,487
Fee and commission income	–	23,123	28,979	–	–	–	28,979
Fee and commission expenses	–	(1,508)	(1,889)	–	–	–	(1,889)
Net fee and commission income	–	21,615	27,090	–	–	–	27,090
Sales of goods and services	88,041	141,356	177,159	–	6,369	(225)	271,344
Other revenue	–	2,255	2,826	–	–	–	2,826
	88,041	143,611	179,985	–	6,369	(225)	274,170
Total revenue	88,041	251,789	315,562	–	6,369	(225)	409,747
Cost of sales and services	(77,185)	(125,340)	(157,085)	–	(3,936)	167	(238,039)
Other net income	4,647	6,094	7,637	–	(2,119)	–	10,165
Impairment losses on							
– Loans and advances to customers	–	(10,739)	(13,459)	–	–	–	(13,459)
– Others	(435)	(2,933)	(3,676)	–	(117)	8	(4,220)
Other operating expenses	(7,331)	(51,923)	(65,074)	(iii)(37)	(1,591)	9	(74,024)
Net valuation gain on investment properties	1,709	118	148	–	238	–	2,095
Share of profit of associates, net of tax	390	1,824	2,286	–	–	–	2,676
Share of profit of joint ventures, net of tax	3,016	750	940	–	–	–	3,956
Profit before net finance charges and tax	12,852	69,640	87,279	(37)	(1,156)	(41)	98,897
Finance costs	(3,297)	(4,615)	(5,785)	–	(457)	52	(9,487)
Finance income	549	1,152	1,444	–	5	(8)	1,990
Net finance charges	(2,748)	(3,463)	(4,341)	–	(452)	44	(7,497)

		Pro forma adjustments					
	Consolidated profit and loss account of the Group for the year ended December 31, 2013	Combined income statement of the Target Group for the year ended December 31, 2013	Combined income statement of the Target Group for the year ended December 31, 2013	Other pro forma adjustments			Unaudited pro forma consolidated income statement of the Enlarged Group
	HK$' million	*RMB' million*	*HK$' million Note 2*	*HK$' million Note 3*	*HK$' million Note 4*	*HK$' million Note 5*	*HK$' million*
Profit before tax	10,104	66,177	82,938	(iii)(37)	(1,608)	3	91,400
Income tax	(978)	(16,500)	(20,679)	–	717	(1)	(20,941)
Profit for the year	9,126	49,677	62,259	(37)	(891)	2	70,459
Attributable to:							
Ordinary shareholders of the Company	7,588	34,260	42,937	(37)	(2,060)	2	48,430
Holders of perpetual capital securities	881	–	–	–	–	–	881
Non-controlling interests	657	15,417	19,322	–	1,169	–	21,148
Profit for the year	9,126	49,677	62,259	(37)	(891)	2	70,459
Profit attributable to ordinary shareholders of the Company arising from:							
Continuing operations	5,505	34,260	42,937	(37)	23	2	48,430
Discontinued operations	2,083	–	–	–	(2,083)	–	–
	7,588	34,260	42,937	(37)	(2,060)	2	48,430

C. UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT

Audited consolidated cash flow statement of the Group for the year ended December 31, 2013 as extracted from the Company's annual report dated February 20, 2014		Reclassifications		Consolidated cash flow statement of the Group for the year ended December 31, 2013 for the purpose of Unaudited Pro Forma Financial Information
	HK$' million	*HK$' million*	*HK$' million*	
		Note 1		
Cash flows from operating activities				**Cash flows from operating activities**
Profit before taxation from continuing operations	8,002	2,102	10,104	Profit before taxation
Profit before taxation from discontinued operations	2,104	(2,104)	–	
Share of results of joint ventures and associated companies	(3,406)	–	(3,406)	Share of profits of joint ventures and associates
Net finance charges	2,748	–	2,748	Finance costs
Net exchange gain	(172)	–	(172)	Finance income
Income from other financial assets	(5)	5	–	
Depreciation and amortisation	3,653	–	3,653	Depreciation and amortisation
Impairment losses	435	86	521	Impairment losses
Provision for gas contract	86	(86)	–	
Share-based payment	21	(21)	–	
Profit on disposal of property, plant and equipment	(3)	3	–	
Change in fair value of investment properties	(1,709)	–	(1,709)	Net valuation gain on investment properties
Net gain from disposal/deemed disposal of joint ventures and associated companies	(367)	367	–	
Net gain on disposal of subsidiary companies	(2,977)	(367)	(3,344)	Gain on disposal of subsidiaries, associates and joint ventures

Audited consolidated cash flow statement of the Group for the year ended December 31, 2013 as extracted from the Company's annual report dated February 20, 2014		Reclassifications		Consolidated cash flow statement of the Group for the year ended December 31, 2013 for the purpose of Unaudited Pro Forma Financial Information
	HK$' million	*HK$' million* *Note 1*	*HK$' million*	
Operating profit before working capital changes	8,410			
Decrease in properties held for sale	1,193	(1,193)	–	
Increase in inventories	(2,417)	(2,324)	(4,741)	Increase in inventories
Increase in debtors, accounts receivable, deposits and prepayments	(655)	2	(653)	Increase in trade and other receivables
Increase in creditors, accounts payable, deposits and accruals	3,396	281	3,677	Increase in trade and other payables
Effect of foreign exchange rate changes	(4)	4	–	
Cash generated from operating activities	9,923		6,678	**Cash generated from operations**
Income taxes paid	(1,328)	–	(1,328)	Income tax paid
Cash generated from operating activities after income taxes paid	8,595			
Interest received	494	(494)	–	
Interest paid	(5,472)	5,472	–	
Realised exchange loss	(21)	21	–	
Other finance charges	(201)	201	–	
Net cash from consolidated activities before increase of properties under development	3,395			
Increase in properties under development	(3,517)	3,517	–	
Net cash used in consolidated activities	(122)		5,350	**Net cash generated from operating activities**

Audited consolidated cash flow statement of the Group for the year ended December 31, 2013 as extracted from the Company's annual report dated February 20, 2014		Reclassifications		Consolidated cash flow statement of the Group for the year ended December 31, 2013 for the purpose of Unaudited Pro Forma Financial Information
	HK$' million	*HK$' million* *Note 1*	*HK$' million*	
Cash flows from investing activities				**Cash flows from investing activities**
Purchase of:				
Subsidiary companies (net of cash and cash equivalents acquired)	(928)	(1,260)	(2,188)	Payments for acquisition of investments
Properties under development for own use	(256)	256	–	
Property, plant and equipment	(6,851)	(4,879)	(11,730)	Payments for additions of fixed assets, intangible assets and other assets
Leasehold land – operating leases	(5)	5	–	
Intangible assets	(2,680)	2,680	–	
Proceeds of:				
Disposal of property, plant and equipment and investment properties	311	–	311	Proceeds from disposal of fixed assets, intangible assets and other assets
Disposal of subsidiary companies (net of cash and cash equivalents disposed)	3,164	–	3,164	Proceeds from disposal of subsidiaries, associates and joint ventures
Deposits received from sale of business interests	430	(430)	–	
Refund of deposit received	(741)	741	–	
Increase in bank deposits maturing after more than 3 months	(1,964)	1,964	–	
Decrease in pledged deposits with banks	4	(4)	–	
Net payments for non-current deposits and prepayments	(1,937)	1,937	–	
Investment in joint ventures and associated companies	(773)	–	(773)	Net cash payment for acquisition of subsidiaries, associates and joint ventures
Loans repayment received from joint ventures and associated companies	1,010	(1,010)	–	
Dividend received from joint ventures and associated companies	2,177	–	2,177	Dividends received from equity investments, associates and joint ventures
Income received from other financial assets	4	–	4	Interest received
Net cash used in investing activities	(9,035)		(9,035)	**Net cash used in investing activities**

Audited consolidated cash flow statement of the Group for the year ended December 31, 2013 as extracted from the Company's annual report dated February 20, 2014		Reclassifications		Consolidated cash flow statement of the Group for the year ended December 31, 2013 for the purpose of Unaudited Pro Forma Financial Information
	HK$' million	*HK$' million* *Note 1*	*HK$' million*	
Cash flows from financing activities				**Cash flows from financing activities**
New borrowings	40,875	–	40,875	Proceeds from new bank loans
Repayment of loans	(37,030)	–	(37,030)	Repayment of bank loans and debt securities issued
Decrease in non-controlling interests	(436)	96	(340)	Dividends paid to non-controlling interests
	–	(96)	(96)	Other net cash outflow relating to other financial activities
Dividends paid to shareholders of the Company	(1,460)	–	(1,460)	Dividends paid to shareholders of the Company
Proceeds of issue of perpetual capital securities, net of transaction costs	7,725	–	7,725	Proceeds from new debt securities issued
	–	(5,472)	(5,472)	Interest paid on bank loans and debt securities issued
Distribution made to holders of perpetual capital securities	(796)	–	(796)	Distribution made to holders of perpetual capital securities
Net cash from financing activities	8,878		3,406	**Net cash generated from financing activities**
Net decrease in cash and cash equivalents	(279)	–	(279)	**Net decrease in cash and cash equivalents**
Cash and cash equivalents at January 1	30,610	–	30,610	**Cash and cash equivalents at January 1**
Effect of foreign exchange rate changes	568	–	568	**Effect of exchange rate changes**
Cash and cash equivalents at December 31	30,899	–	30,899	**Cash and cash equivalents at December 31**

		Pro forma adjustments					
	Consolidated cash flow statement of the Group for the year ended December 31, 2013	Combined cash flow statement of the Target Group for the year ended December 31, 2013	Combined cash flow statement of the Target Group for the year ended December 31, 2013	Other pro forma adjustments			Unaudited pro forma consolidated cash flow statement of the Enlarged Group
	HK$' million	*RMB' million*	*HK$' million* *Note 2*	*HK$' million* *Note 3*	*HK$' million* *Note 4*	*HK$' million* *Note 5*	*HK$' million*
Cash flows from operating activities							
Profit before taxation	10,104	66,177	82,938	(iii) (37)	(1,608)	3	91,400
Adjustments for:							
– Depreciation and amortisation	3,653	3,446	4,319	–	416	–	8,388
– Impairment losses	521	13,672	17,135	–	118	(9)	17,765
– Net valuation gain on investment properties	(1,709)	(118)	(148)	–	(238)	–	(2,095)
– Share of profits of joint ventures and associates	(3,406)	(2,574)	(3,226)	–	1,191	–	(5,441)
– Interest expenses on debts securities issued	–	2,352	2,948	–	–	–	2,948
– Finance income	(172)	(1,152)	(1,444)	–	–	–	(1,616)
– Finance costs	2,748	4,615	5,784	–	451	(44)	8,939
– Net loss from disposal of available-for-sale financial assets	–	2	3	–	–	–	3
– Gain on disposal of subsidiaries, associates and joint ventures	(3,344)	(1,092)	(1,369)	–	(1,107)	–	(5,820)
Changes in working capital							
Increase in balances and deposits with banks and non-bank financial institutions	–	(83,450)	(104,586)	–	–	–	(104,586)
Decrease in placements with banks and non-bank financial institutions	–	7,204	9,029	–	–	–	9,029
Decrease in financial assets at fair value through profit or loss and derivative financial assets	–	5,562	6,971	–	–	–	6,971
Increase in trade and other receivables	(653)	(734)	(920)	–	(30)	714	(889)
Decrease in amount due from customers for contract work	–	42	53	–	–	–	53
(Increase)/decrease in inventories	(4,741)	4,869	6,102	–	(297)	–	1,064
Increase in financial assets held under resale agreements	–	(218,223)	(273,493)	–	–	–	(273,493)
Increase in loans and advances to customers and other parties	–	(288,329)	(361,355)	–	–	(36)	(361,391)
Increase in investments classified as receivables	–	(243,723)	(305,452)	–	–	–	(305,452)
Increase in other assets	–	(6,351)	(7,960)	–	–	–	(7,960)
Increase in deposits from banks and non-bank financial institutions	–	190,322	238,526	–	–	–	238,526
Increase in placements from banks and non-bank financial institutions	–	24,409	30,591	–	–	–	30,591
Increase in trade and other payables	3,677	7,903	9,905	37	2,299	(364)	15,554

	Consolidated cash flow statement of the Group for the year ended December 31, 2013	Pro forma adjustments: Combined cash flow statement of the Target Group for the year ended December 31, 2013	Combined cash flow statement of the Target Group for the year ended December 31, 2013	Other pro forma adjustments			Unaudited pro forma consolidated cash flow statement of the Enlarged Group
	HK$' million	*RMB' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
			Note 2	*Note 3*	*Note 4*	*Note 5*	
Increase in amount due to customers for contract work	–	2,180	2,732	–	–	–	2,732
Decrease in financial assets sold under repurchase agreements	–	(3,749)	(4,699)	–	–	–	(4,699)
Increase in deposits from customers	–	411,418	515,620	–	–	(895)	514,725
Increase in employee benefits payables	–	294	368	–	–	–	368
Increase in provisions	–	26	33	–	–	–	33
Increase in other liabilities	–	1,211	1,518	–	–	–	1,518
Cash generated from/(used in) operations	6,678	(103,791)	(130,077)	–	1,195	(631)	(122,835)
Income tax paid	(1,328)	(18,206)	(22,817)	–	168	(11)	(23,988)
Net cash generated from/ (used in) operating activities	5,350	(121,997)	(152,894)	–	1,363	(642)	(146,823)
Cash flows from investing activities							
Proceeds from disposal and redemption of investments	–	522,164	654,415	–	(73)	(89)	654,253
Proceeds from disposal of fixed assets, intangible assets and other assets	311	208	261	–	–	–	572
Proceeds from disposal of subsidiaries, associates and joint ventures	3,164	1,474	1,847	–	–	(773)	4,238
Dividends received from equity investments, associates and joint ventures	2,177	1,425	1,786	–	(644)	(105)	3,214
Acquisition of additional interest in non-controlling interests	–	(8,987)	(11,263)	–	–	–	(11,263)
Payments for acquisition of investments	(2,188)	(535,585)	(671,235)	–	(9,292)	1,958	(680,757)
Payments for additions of fixed assets, intangible assets and other assets	(11,730)	(11,272)	(14,127)	–	(471)	–	(26,328)
Net cash payment for acquisition of subsidiaries, associates and joint ventures	(773)	(4,717)	(5,912)	–	–	–	(6,685)
Net cash payment for disposal of subsidiaries	–	(1,292)	(1,619)	–	–	–	(1,619)
Interest received	4	829	1,039	–	3	–	1,046
Net cash used in investing activities	(9,035)	(35,753)	(44,808)	–	(10,477)	991	(63,329)

	Consolidated cash flow statement of the Group for the year ended December 31, 2013	Pro forma adjustments: Combined cash flow statement of the Target Group for the year ended December 31, 2013	Pro forma adjustments: Combined cash flow statement of the Target Group for the year ended December 31, 2013	Pro forma adjustments: Other pro forma adjustments			Unaudited pro forma consolidated cash flow statement of the Enlarged Group
	HK$' million	*RMB' million*	*HK$' million* *Note 2*	*HK$' million* *Note 3*	*HK$' million* *Note 4*	*HK$' million* *Note 5*	*HK$' million*
Cash flows from financing activities							
Capital injection received from non-controlling interests	–	308	386	–	2,194	(1,097)	1,483
Cash received from placing of shares	–	–	–	63,021	–	–	63,021
Net cash payment for acquisition of subsidiaries, associates and joint ventures	–	–	–	(63,104)	–	–	(63,104)
Proceeds from new bank loans	40,875	84,997	106,525	–	9,207	–	156,607
Dividends paid to shareholders of the Company	(1,460)	–	–	–	–	–	(1,460)
Repayment of bank loans and debt securities issued	(37,030)	(76,580)	(95,976)	–	(5,157)	–	(138,163)
Proceeds from new debt securities issued	7,725	32,183	40,334	–	3,510	–	51,569
Interest paid on bank loans and debt securities issued	(5,472)	(10,417)	(13,055)	–	(313)	(199)	(19,039)
Dividends paid to non-controlling interests	(340)	(3,180)	(3,985)	–	588	105	(3,632)
Other net cash outflow relating to other financial activities	(96)	(2,158)	(2,705)	–	(412)	–	(3,213)
Distribution made to holders of perpetual capital securities	(796)	–	–	–	–	–	(796)
Net cash generated from financing activities	3,406	25,153	31,524	(83)	9,617	(1,191)	43,273
Net decrease in cash and cash equivalents	(279)	(132,597)	(166,178)	(83)	503	(842)	(166,879)
Cash and cash equivalents at January 1	30,610	376,375	471,701	–	382	(577)	502,116
Effect of exchange rate changes	568	(1,567)	(1,964)	–	(20)	(954)	(2,370)
Cash and cash equivalents at December 31	30,899	242,211	303,559	(83)	865	(2,373)	332,867

D. UNAUDITED PRO FORMA FINANCIAL RATIOS

		Financial information of the Group as at or for the year ended December 31, 2013	Pro forma adjustments	Unaudited pro forma financial information of the Enlarged Group as at or for the year ended December 31, 2013
			Note 6	
(a) Earnings per share				
Profit attributable to ordinary shareholders of the Company (HK$' million)				
Continuing operations	*[A]*	5,505	42,925	48,430
Discontinued operations	*[B]*	2,083	(2,083)	–
		7,588	40,842	48,430
Number of ordinary shares outstanding	*[C]*	3,649,444,160	21,253,879,470	24,903,323,630
Earnings per share attributable to ordinary shareholders of the Company (HK$)				
Basic and diluted				
Continuing operations	*[D]=A/C*	1.51		1.94
Discontinued operations	*[E]=B/C*	0.57		-
		2.08		1.94

Earnings per share arising from continuing operations of the Target Group is HK$0.34, which is calculated by dividing the profit attributable to ordinary shareholders of the Target Company of HK$42,937 million by the number of shares outstanding of 128,000,000,000. The Target Group did not have profit arising from discontinued operations during the year ended December 31, 2013.

		Financial information of the Group for the year ended December 31, 2013	Pro forma adjustments	Unaudited pro forma financial information of the Enlarged Group for the year ended December 31, 2013
			Note 6	
(b) Net profit margin				
Profit for the year (HK$' million)	*[F]*	9,126	61,333	70,459
Total revenue for the year (HK$' million)	*[G]*	88,041	321,706	409,747
Net profit margin	*[H]=F/G*	10%		17%

Net profit margin of the Target Group is 20%, which is calculated by dividing the Target Group's profit for the year of HK$62,259 million by the Target Group's total revenue for the year of HK$315,562 million.

		Financial information of the Group as at or for the year ended December 31, 2013	Pro forma adjustments	Unaudited pro forma financial information of the Enlarged Group as at or for the year ended December 31, 2013
			Note 6	
(c) Return on equity				
Profit attributable to ordinary shareholders of the Company (HK$' million)	*[I]*	7,588	40,842	48,430
Total equity attributable to ordinary shareholders of the Company (HK$' million)	*[J]*	87,925	283,851	371,776
Return on equity	*[K]=I/J*	9%		13%

Return on equity of the Target Group is 15%, which is calculated by dividing profit attributable to ordinary shareholders of the Target Company of HK$42,937 million by total equity attributable to ordinary shareholders of the Target Company of HK$286,250 million.

		Financial information of the Group as at December 31, 2013	Pro forma adjustments	Unaudited pro forma financial information of the Enlarged Group as at December 31, 2013
			Note 6	
(d) Net assets per share				
Net assets attributable to ordinary shareholders of the Company (HK$' million)	*[L]*	87,925	283,851	371,776
Number of ordinary shares outstanding	*[M]*	3,649,444,160	21,253,879,470	24,903,323,630
Net assets per share (HK$)	*[N]=L/M*	24.09		14.93

Net assets per share of the Target Group is HK$2.24, which is calculated by dividing net assets attributable to ordinary shareholders of the Target Company of HK$286,250 million by the outstanding number of shares of the Target Company of 128,000,000,000.

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group:

1. To align with the presentation of the combined financial information of the Target Group in this Unaudited Pro Forma Financial Information, reclassification adjustments are made to the audited consolidated financial statements of the Group as at and for the year ended December 31, 2013, which are extracted from the Company's annual report for the year ended December 31, 2013 dated February 20, 2014.

2. For the purposes of this Unaudited Pro Forma Financial Information, the amounts in the combined income statement and cash flow statement of the Target Group for the year ended December 31, 2013 are converted into Hong Kong dollars using an exchange rate of RMB1 to HK$1.2533, being the average exchange rate adopted by the Company for the year ended December 31, 2013, and the amounts in the combined balance sheet of the Target Group as at December 31, 2013 are converted into Hong Kong dollars using an exchange rate of RMB1 to HK$1.2719, being the exchange rate adopted by the Company as at December 31, 2013.

3. (i) The adjustment represents the total consideration of RMB226,996 million (equivalent to approximately HK$286,585 million) for the acquisition of the Target Group, to be satisfied by the issuance of 16,578,756,438 new shares ("Consideration Shares") and cash of RMB49,983 million (equivalent to HK$63,104 million, which is expected to be raised by the issuance of 4,675,123,032 new shares ("Placing Shares") of HK$63,021 million and cash payment of HK$83 million). For the purpose of this Unaudited Pro Forma Financial Information, the fair value of each Consideration Share is deemed to be HK$13.48 per share, being the Issue Price according to the Share Transfer Agreement. Following the issuance of Consideration Shares and Placing Shares, the share capital of the Company will be increased by HK$8,501 million, representing 21,253,879,470 shares at HK$0.4 each.

Since the fair values of the Considerations Shares to be issued at the Completion date may be different from their fair values used in preparing this Unaudited Pro Forma Financial Information, the amount of the consideration and, accordingly, the amount of investment cost of the Company in the Relevant Equity Interest at the Completion date may be different from the amounts presented above and the difference may be significant.

(ii) Prior to the Acquisition, the Target Company and the Company were under common control of CITIC Group. Upon Completion, the assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group using merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants. The adjustment represents consolidation entries for the elimination of investment cost of the Company in the Target Company against the paid-up capital of the Target Company, and the excess amount is recognised as merger reserve.

Since the fair values of the Consideration Shares to be issued at the Completion date may be different from their fair values used in preparing this Unaudited Pro Forma Financial Information, the amount of the investment cost of the Company and, accordingly, the amount of merger reserve at the Completion date may be different from the amounts presented above and the difference may be significant.

(iii) The adjustment also includes the estimated transaction costs of approximately RMB300 million (equivalent to approximately HK$382 million) payable by the Company in connection with the Acquisition. The estimated transaction costs directly attributable to the issuance of the Consideration Shares and Placing Shares are recognised in equity, while the remaining estimated transaction costs are recognised in consolidated income statement. This adjustment is not expected to have continuing effect on the Enlarged Group’s consolidated income statement and consolidated cash flow statement.

4. The adjustment represents the consolidation of a number of entities, which are accounted for as interests in associates or joint ventures in the respective consolidated or combined financial statements of the Group and of the Target Group under equity method. After the aggregation of the equity interest in these entities held by the Group and the Target Group, these entities should be treated as subsidiaries from the Enlarged Group’s perspective and therefore its financial position and results should be consolidated to the consolidated financial statements of the Enlarged Group. This adjustment is expected to have continuing effect on the Enlarged Group’s consolidated income statement and consolidated cash flow statement.

The adjustment also includes the elimination of gain on disposal part of equity interest in CITIC Telecom International Holdings Limited held by the Group to the Target Group during the year ended December 31, 2013 with the amount of HK$2,055 million. This adjustment is not expected to have continuing effect on the Enlarged Group’s consolidated income statement and consolidated cash flow statement.

5. The adjustment represents the elimination of inter-company transactions and balances between the Group and the Target Group, including but not limited to, bank deposits and bank loans, related interest income and expenses, sales of goods and provision of construction services and related costs, receivables and payables. This adjustment is expected to have continuing effect on the Enlarged Group’s consolidated income statement and consolidated cash flow statement.

6. Pro forma adjustments represent the net effect of the financial information of the Target Group and adjustments as discussed in Notes 2, 3, 4 and 5 above.

7. No adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to December 31, 2013.

E. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFOMRATION

The following is the text of a report received from KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

KPMG

TO THE DIRECTORS OF CITIC PACIFIC LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of CITIC Pacific Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated balance sheet as at December 31, 2013 and the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated cash flow statement for the year ended December 31, 2013 and related notes as set out in Appendix II to the circular of the Company dated May 14, 2014 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of CITIC Limited and its subsidiaries but excluding the Group (the "Target Group") (the "Proposed Acquisition") on the Group's balance sheet as at December 31, 2013 and the Group's financial performance and cash flows for the year ended December 31, 2013 as if the Proposed Acquisition had taken place at December 31, 2013 and January 1, 2013, respectively. As part of this process, information about the Group's financial position as at December 31, 2013 and the Group's financial performance and cash flows for the year ended December 31, 2013 has been extracted by the Directors from the consolidated financial statements of the Company for the year then ended, on which an audit report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the 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" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at December 31, 2013 or January 1, 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled 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 pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

May 14, 2014

SUMMARY OF THE ASSET VALUATION REPORT IN RESPECT OF THE PROJECT IN RELATION TO THE PROPOSED INJECTION OF EQUITY INTERESTS IN CITIC LIMITED HELD BY CITIC GROUP CORPORATION INTO CITIC PACIFIC LIMITED

CITIC Group Corporation:

China Enterprise Appraisals Co., Ltd. accepted the appointment by CITIC Group Corporation to appraise the market value of the entire shareholders' equity of CITIC Limited (exclusive of the 57.51% equity interest indirectly held in CITIC Pacific) as of 31 December 2013. The valuation was conducted through necessary valuation procedures by adopting asset-based approach and market approach in accordance with relevant laws, regulations and asset valuation standards, following the independent, objective and fair principles. The asset valuation is hereby reported as follows:

The issue date of this valuation report is 2 April 2014.

I. THE PRINCIPAL, THE HOLDERS OF PROPERTY OWNERSHIP, THE VALUED ENTITY AND ANY OTHER VALUATION REPORT USERS AS PRESCRIBED IN THE ENGAGEMENT LETTER

The principal and the holder of property ownership of this report is CITIC Group Corporation, the valued entity is CITIC Limited (exclusive of the 57.51% equity interest indirectly held in CITIC Pacific), other valuation report users as prescribed in the engagement letter include state-owned assets supervision and administration authority, government approval authority and authority for industry assessment and regulation.

(I) Information about the principal and the holders of property ownership:

Company name: CITIC Group Corporation ("CITIC Group")

Company address: 6 Xinyuan Nan Road, Chaoyang District, Beijing

Company nature: Limited liability Company (wholly state-owned)

Legal representative: Chang Zhenming

Business license registration number: 100000000000895 (4-1)

Registered capital: RMB183,970,408,771.84

Paid-in capital: RMB183,970,408,771.84

Scope of business: Licensed businesses: internet information services business (exclusive of contents of news, publications, education, health care, medicine and medical equipment; expiry date: 25 November 2013); assignment of workers necessary for overseas projects which are in line with the strengths, scale and operation results of CITIC Group.

General businesses: Investments in industries of banks, securities, insurance, trust, futures, leasing, funds, credit card financial enterprises and related industry, information system infrastructures, basic telecommunication and value-added telecommunication business, energy, transportation infrastructure constructions, minerals, exploring of timber resources and raw material industry, machinery manufacturing, environmental protection, medicine, bio-engineering and new materials, aviation, transportation, warehouse, hotel, tourism, commerce, education, publishing, media, culture and sports; project tendering, surveying, design, construction, supervision, contracting and sub-contracting; real property development; import and export; contracting overseas projects and international projects tendered in China; contracting the surveying, consultancy, design and supervision of aforementioned overseas projects; consultant services; asset management; capital operation.

(II) Information about the valued entity

Company name: CITIC Limited (exclusive of the 57.51% equity interest indirectly held in CITIC Pacific, hereinafter known as "CITIC Limited")

Company address: 6 Xinyuan Nan Road, Chaoyang District, Beijing

Legal representative: Chang Zhenming

Registered capital: RMB128,000,000,000

Paid-in capital: RMB128,000,000,000

Company nature: joint stock company (non-listed)

i. Scope of business

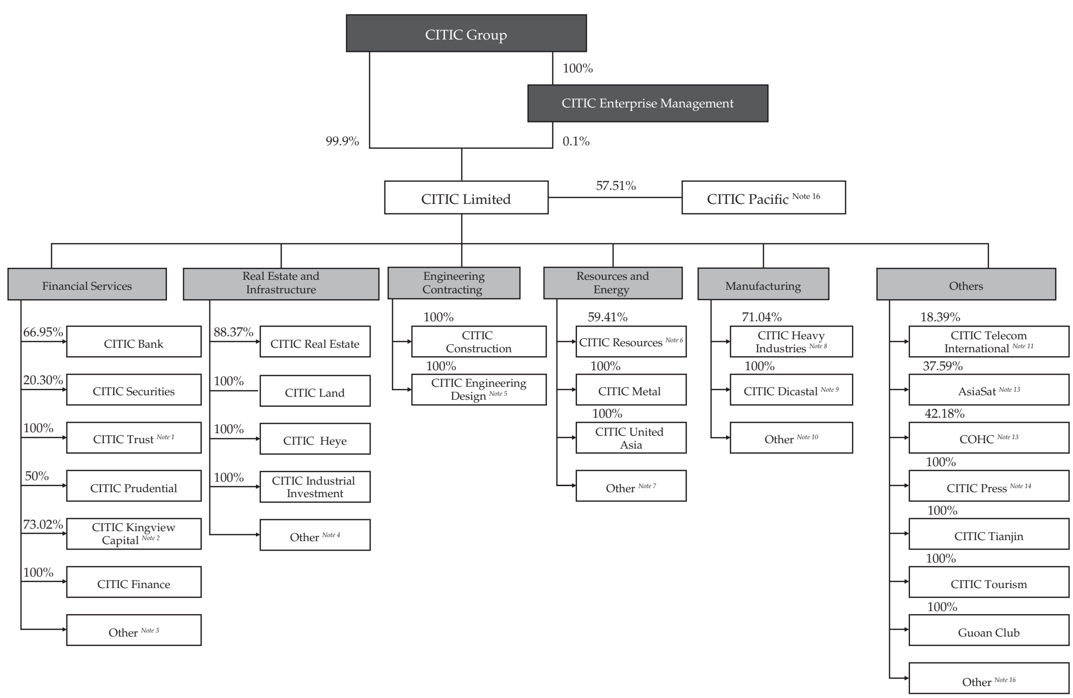
Licensed businesses: contracting overseas projects which are in line with the strengths, scale and results of CITIC Limited and assigning workers necessary for the aforesaid overseas projects.

General businesses: investment and management of domestic and foreign banks, securities, insurance, trust, futures, leasing, funds, credit card financial enterprises and related industry, information system infrastructures, basic telecommunication and value-added telecommunication business, energy, transportation infrastructure constructions, minerals, exploring of timber resources and raw material industry, machinery manufacturing, real estate development, environmental protection, medicine, bio-engineering and new materials, aviation, transportation, warehouse, hotel, tourism, domestic trade and international trade, commerce, education, publishing, media, culture and sports, domestic and overseas engineering design, constructions, contracting and sub-contracting, consultant service industry; asset management; capital operation; import and export.

ii. Shareholding structure of CITIC Limited

CITIC Limited, established in December 2011, was founded by CITIC Group with joint initiation of Beijing CITIC Enterprise Management CO., Ltd ("CITIC Enterprise Management"), one of CITIC Group's wholly owned subsidiaries. The registered capital of CITIC Limited stands at RMB128 billion divided into 128,000,000,000 shares with par value of RMB1 each. On 27 December 2011, CITIC Group contributed capital with net assets valuated as of 31 December 2010, resulted in holding 127,872,000,000 shares, accounting for 99.9% of total share capital of CITIC Limited; CITIC Enterprise Management contributed capital in cash, resulted in holding 128,000,000 shares, representing 0.1% of total share capital of CITIC Limited.

CITIC Limited is a large state-owned multinational conglomerate with a balanced development of both financial and non-financial businesses. Its financial business covers a full range of services including banking, securities, trust, insurance, fund management and asset management and its non-financial business includes real estate, engineering contracting, energy and resources, infrastructure construction, machinery manufacturing and IT industry. Shareholding structure as of the Valuation Base Date is as follows:



Note 1: CITIC Limited holds an 80% equity interest in CITIC Trust directly, and holds a 20% equity interest in CITIC Trust indirectly through its wholly-owned subsidiary CITIC Industrial Investment. CITIC Trust holds a 49% equity interest in CITIC Prufunds.

Note 2: CITIC Limited, CITIC Trust, and CITIC Capital holds 30%, 40%, and 30% of the equity interest of CITIC Kingview Capital respectively. CIFH holds a 20.03% equity interest in CITIC Capital.

Note 3: Including certain business of CITIC Industrial Investment and CITIC Holdings.

Note 4: Including CITIC Hong Kong and CITIC-POWER Investments Co., Limited.

Note 5: CITIC Engineering Design wholly owns CITIC Design and CSMDI.

Note 6: CITIC Limited holds 49.50%, 0.37% and 9.54% of the equity interest of CITIC Resources, respectively, through its wholly-owned subsidiaries CITIC Projects Management (HK) Limited, Extra Yield International Ltd. and CITIC Australia. CITIC Australia was injected by CITIC Group as a contribution of assets to CITIC Limited upon the establishment of CITIC Limited. The Chinese domestic approval of the equity transfer in CITIC Australia from CITIC Group to CITIC Limited has been completed in China, it is now pending for the completion of the equity transfer registration procedures in place where CITIC Australia incorporated.

Note 7: Including CITIC Australia, CITIC Kazakhstan and CITIC Projects Management (HK) Ltd.

Note 8: CITIC Limited, CITIC Investment Holdings and CITIC Automobile holds 63.87%, 4.78% and 2.39% of the equity interest of CITIC Heavy Industries, respectively. CITIC Investment Holdings and CITIC Automobile are both wholly-owned subsidiaries of CITIC Limited.

Note 9: CITIC Investment Holdings, CITIC Industrial Investment, Hong Kong Top Winner Development Limited and VMC Holdings Limited holds 65.3%, 20.06%, 11.65% and 2.99% of the equity interest in CITIC Dicastal, respectively. CITIC Investment Holdings and CITIC Industrial Investment are wholly-owned subsidiaries of CITIC Limited, while Hong Kong Top Winner Development Limited is a wholly-owned subsidiary of CITIC Projects Management (HK) Limited which is wholly-owned by CITIC Limited and VMC Holdings Limited is a wholly-owned subsidiary of CITIC Hong Kong which is wholly-owned by CITIC Limited.

Note 10: Including Macau Cement Manufacturing Co., Ltd. which is undergoing the procedure for transfer as of the issue date of this valuation report.

Note 11: CITIC Limited indirectly holds a 18.39% of equity interests through its wholly-owned subsidiary.

Note 12: Bowenvale Limited holds a 74.43% equity interest in AsiaSat. CITIC Limited indirectly holds a 50.5% equity interest in Bowenvale Limited.

Note 13: CITIC Limited holds the equity interest of COHC through CITIC Zhonghaizhi. CITIC Limited holds a 51.03% equity interest in CITIC Zhonghaizhi.

Note 14: CITIC Limited directly holds a 95% equity interest in CITIC Press and indirectly holds a 5% equity interest therein through its wholly-owned subsidiary CITIC Investment Holdings.

Note 15: Including China International Economic Consultants, CITIC Capital Mansion and CITIC Building.

Note 16: CITIC Limited indirectly holds a 57.51% of equity interests in CITIC Pacific. Prior to the Completion, the subsidiaries of CITIC Limited which hold shares of CITIC Pacific will, based on their business plans, complete the transfer of such shares of CITIC Pacific to one or more overseas wholly-owned subsidiaries of CITIC Group.

iii. Three-year financial position and results of operation

According to "the combined financial statements as of 31 December 2011, 2012 and 2013 prepared on the basis of special preparation" prepared in accordance with PRC GAAP ("Chinese accounting standards") audited by KPMG Huazhen Certified Public Accountants (Special General Partnership), as of the Valuation Base Date, combined total assets and total liabilities of CITIC Limited were RMB3,965,703 million and RMB3,646,065 million, respectively, total equity attributable to the parent company was RMB225,051 million, combined revenue for 2013 was RMB254,325 million and net profit attributable to the parent company was RMB34,260 million.

Total assets of CITIC Limited was RMB264,838 million, total liabilities was RMB81,922 million, total equity was RMB182,916 million, revenue of CITIC Limited for 2013 was RMB10,473 million and net profit was RMB6,205 million.

The three-year financial and operating positions of CITIC Limited are as follows:

Balance Sheet (Parent Company)

	31 December 2013	31 December 2012	31 December 2011
		in RMB'000	
Cash and deposits	3,965,604	4,702,075	13,561,956
Financial assets held for trading	27,507	1,405,965	51,297
Trade and bills receivables	22,286,995	20,036,386	13,856,373
Loans and advances to customers	20,971,922	26,649,197	28,889,788
Available-for-sale financial assets	23,113,663	20,191,112	3,272,999
Long-term equity investment	194,218,842	186,461,701	182,686,146
Fixed assets	23,886	33,328	27,006
Other assets	229,868	226,752	6,300,000
Total assets	264,838,287	259,706,516	248,645,565
Trade and bills payables	3,944,919	8,182,295	7,512,510
Employee benefits payables	715,229	702,901	728,780
Tax payable	35,490	22,595	–
Bank and other loans	22,384,255	14,561,382	20,019,001
Debt securities issued	49,597,527	53,661,710	44,829,154
Deferred tax liabilities	41,052	33,626	27,378
Other liabilities	5,203,080	5,533,907	5,519,200
Total liabilities	81,921,552	82,698,416	78,636,023
Share capital	128,000,000	128,000,000	128,000,000
Capital reserve	42,346,781	42,642,661	42,009,542
Surplus reserve	1,268,604	648,153	–
Retained earnings	11,301,350	5,717,286	–
Total equity	182,916,735	177,008,100	170,009,542
Total liabilities and equity	264,838,287	259,706,516	248,645,565

Combined Balance Sheet

	31 December 2013	31 December 2012	31 December 2011
		in RMB'000	
Cash and deposits	680,285,291	713,322,692	785,580,385
Placements with banks and non-bank financial institutions	122,314,016	151,802,957	151,003,752
Financial assets held for trading	12,310,025	14,057,112	8,616,611
Derivative financial assets	7,767,812	4,253,857	4,740,828
Trade and bills receivables	59,644,894	58,032,073	52,880,585
Inventories	85,068,407	89,979,558	75,910,996
Financial assets held under resale agreements	287,247,417	69,082,079	162,210,058
Loans and advances to customers and other parties	1,903,049,296	1,634,292,864	1,416,690,881
Available-for-sale financial assets	212,450,759	224,454,824	140,980,434
Held-to-maturity investments	154,792,070	134,404,879	107,827,478
Investments classified as receivables	300,158,113	56,435,301	–
Long-term equity investment	47,965,936	44,397,076	41,557,252
Investment properties	4,681,199	4,499,628	5,298,236
Fixed assets	31,702,344	27,992,963	25,773,622
Construction in progress	4,795,296	4,744,463	4,241,752
Intangible assets	22,953,735	13,012,324	10,765,258
Goodwill	2,966,534	3,044,651	3,029,967
Deferred tax assets	10,929,810	8,426,791	5,381,305
Other assets	14,619,812	14,757,446	12,207,956
Total assets	3,965,702,766	3,270,993,538	3,014,697,356

	31 December 2013	31 December 2012	31 December 2011
		in RMB'000	
Placements with banks and non-bank financial institutions	41,372,356	17,164,732	3,864,764
Derivative financial liabilities	6,943,960	3,592,471	4,002,229
Trade and bills payables	141,615,109	128,667,340	91,714,642
Financial assets sold under repurchase agreements	7,949,220	11,731,621	1,805,972
Deposits and deposits from customers	3,190,055,618	2,602,525,741	2,484,367,476
Employee benefits payables	13,966,790	13,672,572	11,732,219
Tax payable	9,113,102	9,620,002	10,448,141
Bank and other loans	95,279,611	75,295,693	73,238,616
Debt securities issued	132,402,716	115,154,699	82,524,596
Provisions	499,821	473,574	1,315,909
Deferred tax liabilities	1,803,943	2,368,731	2,180,858
Other liabilities	5,062,258	3,851,991	3,175,383
Total liabilities	3,646,064,504	2,984,119,167	2,770,370,805
Share capital	128,000,000	128,000,000	128,000,000
Capital reserve/reserves	34,923,302	35,992,057	33,898,366
Surplus reserve	1,268,604	648,153	–
General reserve	15,504,186	9,207,846	–
Retained earnings	46,108,478	18,765,555	439,659
Exchange reserve	(753,941)	185,927	–
Total interests attributable to shareholders of the parent company	225,050,629	192,799,538	162,338,025
Minority interests	94,587,633	94,074,833	81,988,526
Total equity	319,638,262	286,874,371	244,326,551
Total liabilities and equity	3,965,702,766	3,270,993,538	3,014,697,356

Income Statement (Parent Company)

	2013	2012	27 December 2011 to 31 December 2011
		in RMB'000	
Total operating revenue	10,473,000	9,998,677	137,645
Less: total operating cost	4,257,637	3,561,983	43,476
Of which: operating cost	–	–	
Business taxes and surcharges	192,677	166,381	1,777
Administrative expenses	541,031	600,513	9,081
Financial expenses	3,523,929	2,795,089	32,618
Operating profit	6,215,363	6,436,694	94,169
Add: Non-operating income	152	67,327	–
Less: Non-operating expenses	11,000	22,494	–
(Of which: Losses from disposal of non-current assets)	105	73	–
Total profit	6,204,515	6,481,527	94,169
Less: Income tax expenses	–	–	–
Net profit	6,204,515	6,481,527	94,169

Combined Income Statement

	2013	2012	2011
		in RMB'000	
I. Total operating revenue	254,325,322	224,333,013	203,561,048
Less: total operating cost	194,233,604	175,473,833	151,502,227
Of which: operating cost	125,340,407	112,201,590	102,908,324
Business taxes and surcharges	10,515,416	8,913,014	8,052,445
Selling expenses	2,369,763	2,158,397	1,949,545
Administrative expenses	39,053,643	33,614,963	28,054,962
Financial expenses	3,282,926	2,772,423	1,289,644
Asset impairment loss	13,671,449	15,813,446	9,247,307
Add: Income from changes in fair value	206,240	67,341	98,925
Investment gains	3,517,451	2,581,279	7,283,309
II. Operating profit	63,815,409	51,507,800	59,441,055
Add: Non-operating income	1,991,739	3,024,459	871,047
Less: Non-operating expenses	318,156	230,231	494,126
III. Total profit	65,488,992	54,302,028	59,817,976
Less: income tax	15,812,078	13,542,948	14,361,480
IV. Net profit	49,676,914	40,759,080	45,456,496
Net profit attributable to the parent company	34,259,714	28,404,300	31,700,891
Minority interests	15,417,200	12,354,780	13,755,605

(III) The Relationship among the Principal, the Holders of Property Ownership and the Valued Entity

CITIC Group and Beijing CITIC Enterprise Management CO., Ltd, one of its subsidiaries, in aggregate hold a 100% of equity interests in CITIC Limited, in which Beijing CITIC Enterprise Management CO., Ltd directly holds a 0.1% equity interests in CITIC Limited.

(IV) Other Valuation Report Users as prescribed in the engagement letter

Other valuation report users as prescribed in the engagement letter include state-owned assets supervision and administration authority, government approval authority and authority for industry assessment and regulation.

II. VALUATION PURPOSE

Pursuant to the *Submission for Approval of Overseas Listing of whole CITIC Limited by way of Injection into CITIC Pacific* (Zhong Xin Dong Zi [2013] No. 6) ("關於中信股份注入中信泰富實現境外整體上市的請示"(中信董字[2013]6號)) and the approval of such transaction by the PRC Ministry of Finance, CITIC Group has proposed to inject the entire 100% equity interest in CITIC Limited held by it into CITIC Pacific Limited. In consideration thereof, CITIC Pacific Limited will issue shares together with a cash payment to CITIC Group. For the purposes of the above, a valuation of the market value of the entire shareholders' equity of CITIC Limited as of the Valuation Base Date had been conducted to provide a basis for reference in determining the value of the aforementioned transaction.

III. VALUATION SUBJECT AND SCOPE OF VALUATION

(I) Valuation subject

Given the purpose of the valuation, the subject of valuation is the value of the entire shareholders' equity of CITIC Limited.

(II) Scope of valuation

Scope of valuation: all assets and liabilities comprising the subject of valuation, which include current assets, non-current assets (including long-term loans and advances provided, available-for-sale financial assets, long-term receivables, long-term investments, fixed assets and other non-current assets), current liabilities and non-current liabilities.

As of the Valuation Base Date, the book values of the total assets, total liabilities and net assets of CITIC Limited amounted to RMB264,838.287 million; RMB81,921.552 million; and RMB182,916.735 million, respectively.

The valuation subject and scope of this valuation are the same as the valuation subject and scope of valuation involved in the transaction. The book values of the assets and liabilities within the scope of valuation as of the Valuation Base Date had been audited by KPMG Huazhen Certified Public Accountants (Special General Partnership), who have issued an unqualified audit report.

IV. TYPE AND DEFINITION OF VALUE

Based on the purpose of valuation, it has been determined that the type of value to be assessed in respect of the valuation subject is its market value.

Market value refers to the estimated value of the valuation subject on the Valuation Base Date in an arm's length transaction during the ordinary course of business between a willing buyer and a willing seller acting rationally without being subject to any compulsion.

V. VALUATION BASE DATE

The Valuation Base Date is 31 December 2013.

The Valuation Base Date has been determined by the Principal.

VI. BASIS OF VALUATION

(I) Basis relating to the transaction

Submission for Approval of the Complete Overseas Listing of CITIC Limited by way of Injection into CITIC Pacific (Zhong Xin Dong Zi [2013] No. 6) ("關於中信股份注入中信泰富實現境外整體上市的請示" (中信董字[2013]6號)) and the approval of the said transaction by the PRC Ministry of Finance.

(II) Legal bases

1. The *Company Law of the People's Republic of China* (approved at the 18th Meeting of the Standing Committee of the 10th National People's Congress held on 27 October 2005);

2. The *Law on Corporate State-owned Assets of the People's Republic of China* (approved at the 5th Meeting of the Standing Committee of the 11th National People's Congress held on 28 October 2008);

3. The *Securities Law of the People's Republic of China* (Second revision at the 3rd Meeting of the Standing Committee of the 12th National People's Congress held on 29 June 2013);

4. The *Trust Law of the People's Republic of China* (approved at the 21st Meeting of the Standing Committee of the 9th National People's Congress held on 28 April 2001);

5. The *Insurance Law of the People's Republic of China* (approved at the 7th Meeting of the Standing Committee of the 11th National People's Congress held on 28 February 2009);

6. The *Law on Securities Investment Funds of the People's Republic of China* (approved at the 30th Meeting of the Standing Committee of the 11th National People's Congress held on 28 December 2012);

7. *Provisional Regulations for the Supervision and Administration of Corporate State-owned Assets* (State Council Order No. 378);

8. *Measures for the Administration of State-owned Asset Valuation* (State Council Order No. 91);

9. *Regulations on Certain Issues in the Administration of State-owned Asset Valuation* (Ministry of Finance Order No. 14);

10. *Provisional Measures for the Supervision and Administration of Valuation of State-owned Assets of Financial Enterprises* (Ministry of Finance Order No. 47);

11. *Measures for the Administration of Transfer of State-owned Assets of Financial Enterprises* (Ministry of Finance Order No. 54);

12. *Notice on Certain Issues in the Supervision and Administration of Valuation of State-owned Assets of Financial Enterprises* (Cai Jin [2011] No. 59);

13. *Provisional Regulations on the Recognition and Measurement of Financial Instruments (Trial)* (Cai Hui [2005] No. 14);

14. *Conventions for Valuation of National-standard Properties of the People's Republic of China* (GB/T50291-1999);

15. *Notice on the Handling of Corporate Finance After the Enactment of the Company Law* (Cai Qi [2006] No. 67);

16. *Accounting Standards for Business Enterprises – Basic Principles* (Ministry of Finance Order No. 33);

17. Other laws, statutes, rules and regulations pertaining to valuation.

(III) Valuation standards adopted

1. *Asset Valuation Standard – Basic Principles* (Cai Qi [2004] No. 20);

2. *Code of Professional Conduct in Asset Valuation – Basic Principles* (Cai Qi [2004] No. 20);

3. *Guiding Opinion for the Examination by Certified Public Valuers of Legal Ownership of Valuation Subjects* (Hui Xie [2003] No. 18);

4. *Asset Valuation Standards – Valuation Procedures* (Zhong Ping Xie [2007] No. 189);

5. *Asset Valuation Standards – Working Draft* (Zhong Ping Xie [2007] No. 189);

6. *Asset Valuation Standards – Machinery and Equipment* (Zhong Ping Xie [2007] No. 189);

7. *Asset Valuation Standards – Real Estate* (Zhong Ping Xie [2007] No. 189);

8. *Guiding Opinion on Value Types in Asset Valuation* (Zhong Ping Xie [2007] No. 189);

9. *Asset Valuation Standards – Intangible Assets* (Zhong Ping Xie [2008] No. 217);

10. *Guide for Quality Control relating to the Business of Valuation Agencies* (Zhong Ping Xie [2010] No. 214);

11. *Asset Valuation Standards – Enterprise Value* (Zhong Ping Xie [2011] No. 227);

12 *Guide for State-owned Asset Valuation Reports of Financial Enterprises* (Zhong Ping Xie [2010] No. 213);

13. *Code of Professional Conduct in Asset Valuation – Independence* (Zhong Ping Xie [2012] No. 248);

14. *Asset Valuation Standards – Valuation Reports* (Zhong Ping Xie [2011] No. 230);

15. *Asset Valuation Standards – Business Agreements* (Zhong Ping Xie [2011] No. 230);

16. *Asset Valuation Standards – Use of Experts* (Zhong Ping Xie [2012] No. 244);

17. *Guide for Corporate State-owned Asset Valuation Reports* (Zhong Ping Xie [2011] No. 230).

(IV) Bases of ownership

1. Certificate of capital contribution;

2. State-owned land use right certificate (or grant contract of land use right);

3. Building ownership certificate;

4. Motor vehicle licenses;

5. Other relevant certificates of property rights.

(V) Pricing bases

1. *Certain Opinions of the State Council on the Reform and Development of the Insurance Industry* (Guo Fa [2006] No. 23);

2. *Regulations for the Administration of Solvency of Insurance Companies* (China Insurance Regulatory Commission Order 2008 No. 1);

3. *Measures for the Administration of Net Capital of Trust Companies* (approved at the 99th chairman's meeting of China Banking Regulatory Commission on 12 July 2010);

4. *Measures for the Administration of Risk Monitoring Indicators of Futures Companies* (CSRC, 28 February);

5. *Measures for the Administration of Group Finance Companies* (approved at the 55th chairman's meeting of China Banking Regulatory Commission);

6. *Regulations on the Standards for Mandatory Retirement of Motor Vehicles* (Order of the Ministry of Commerce, NDRC, Ministry of Public Security and Ministry of Environmental Protection 2012 No. 12);

7 *Rules of Import and Export Customs Duties of the People's Republic of China* (2013);

8. Benchmark deposit and loan interest rates and foreign exchange rates at the Valuation Base Date;

9. *Quotation Manual for Mechanical and Electrical Products* (2013);

10. Material asset acquisition contracts and tender documents;

11. Financial statements and audit reports for prior years provided by the enterprise;

12. Records of on-site surveillance and other relevant valuation information collected by valuation personnel;

13. Other information relevant to the asset valuation.

(VI) Other references and bases

1. Asset checklists and valuation declaration forms provided by the valued entity;

2. Audit report issued by KPMG Huazhen Certified Public Accountants (Special General Partnership);

3. *Manual of Data and Parameters Commonly Used in Asset Valuation (2nd Edition)* (《資產評估常用數據與參數手冊(第二版)》) (Beijing Kexue Jishu Chuban She 北京科學技術出版);

4. Wind Info financial terminal;

5. *Investment Valuation (2nd edition)* (《投資估價(第2版)》) (Tsinghua University Press);

6. *Value Appraisal – Measurement and Management of Corporate Value (5th edition)* (《價值評估–公司價值的衡量與管理(第5版)》) (Publishing House of Electronics Industry);

7. Database of China Enterprise Appraisals Co., Ltd.

(VII) Valuation method

The basic methods used for appraising enterprise values mainly include the income approach, the market approach and the asset-based approach.

The income approach in the appraisal of enterprise value refers to the valuation method that determines the value of the valuation subject by capitalizing or discounting the expected income. Specific methods commonly used in the income approach include the discounted dividend method and the discounted cash flow method.

The market approach in the appraisal of enterprise value refers to the valuation method that determines the value of the valuation subject by comparing the valuation subject with comparable listed companies or comparable transaction cases. Two specific methods commonly used in the market approach are the listed company comparison method and the transaction case comparison method.

The asset-based approach in the appraisal of enterprise value refers to the valuation method that determines the value of the valuation subject by reasonably appraising the value of various assets and liabilities on and off the balance sheets, based on the balance sheets of the valuation subject as of the Valuation Base Date.

In accordance with *Asset Valuation Standards – Enterprise Value*, the certified public valuer engaged in the business of enterprise value appraisal shall analyze the applicability of the three basic approaches, namely, income approach, market approach and asset-based approach, and select one or more basic asset valuation approaches in light of relevant conditions such as the purpose of the valuation, valuation subject, value type and information collection.

Based on the valuation purpose, valuation subject, value type, information collection and other relevant condition, as well as the conditions for application of the three basic valuation approaches, the asset-based approach and market approach are selected as the valuation methods for this valuation.

Asset-based approach

CITIC Limited is an investment holding company that invests and operates in relevant financial sectors by way of shareholding, while leveraging its strengths in capital to seek expansion in its industrial operations. The headquarters of CITIC Limited is mainly responsible for providing strategic planning for its subsidiaries, all of which are legally independent economic entities that are entirely independent from the headquarters in terms of economic liability without sharing any joint liability. Therefore, the risk liability of a subsidiary will not be transferred to other fellow-subsidiaries.

In view of the aforementioned characteristic of investment holding companies, the asset-based approach is applied and as such, headquarters of CITIC Limited is valued using the cost method, while each of the subsidiaries is valued using the most appropriate valuation method based on its scope of business, operating conditions and asset mix.

(I) Valuation methods for principal subsidiaries

Based on the characteristics of asset mix and business conditions of CITIC Limited, the valuation methods for the subsidiaries are discussed in terms of valuation methods for listed companies and valuation methods for the respective industry sectors.

1. Valuation method for listed companies

The appraised value of a listed company that is accounted as long-term equity investment, is determined by multiplying its value per share, which is the weighted average price of the daily weighted average prices for the 30 trading days before the Valuation Base Date or the closing prices on the

Valuation Base Date (whichever is higher) by the verified number of shares held on the Valuation Base Date. In respect of shares subject to restrictions of trading and held as non-controlling interests, the application of a reasonable discount should be considered to take into account the moratorium period.

The appraised value of listed company shares accounted for as trading financial assets and available-for-sale financial assets shall be determined as the closing prices of such shares on the Valuation Base Date.

2. *Valuation method for non-listed subsidiaries*

- <u>Financial services</u>

As a well-known brand in financial services in China, CITIC Limited's subsidiaries in the financial sector enjoy stable growth in operating profit and cash flow. Therefore, such non-listed subsidiaries should be valued using the income approach.

Taking into account the characteristics of the financial industry, the equity cash flow model is generally adopted in the income approach for appraising equity value, the formula of which is set out as follows:

$$P = \sum_{i=1}^{n} \frac{FCFE_i}{(1+ke)^i} + \frac{FCFE_{n+1}}{(ke-g)\times(1+ke)^n}$$

Where:

P – Value of the entire shareholders' equity

$FCFE_i$ – Equity cash flow for the i^{th} period during the definite prediction period

n – Definite prediction period

g – Ongoing growth rate of equity cash flow after the definite prediction period (This valuation has not taken into account ongoing growth)

ke – Equity capital cost

Key parameters are obtained in the following manner, respectively:

(1) Equity cash flow

Equity cash flow is arrived at by deducting the amount of equity movement from net profit, the formula of which is as follows:

Equity cash flow = net profit – amount of equity movement

(2) Equity capital cost

The commonly used method for calculating equity capital cost is the capital asset pricing model, the formula of which is set out as follows:

$K_e = r_f + MRP \times \beta_L + r_c$

Where: r_f: risk-free rate of interest;

MRP: market risk premium;

β_L: systematic risk coefficient for equity;

r_c: enterprise-specific risk adjustment coefficient.

- <u>Real estate and infrastructure</u>

The real estate and infrastructure businesses of CITIC Limited comprise mainly the development, sales and holding of properties and investment in and operation of expressways, port terminals and other infrastructure projects.

The projects of property development companies are usually accounted for under subsidiary project companies. Corporate registration of the project companies are revoked once the sales of their projects are completed and settled. Therefore the asset-based approach is adopted for the valuation of such companies.

The core assets of property development companies are developed products and development costs accounted for as inventory, the valuation method for which is set out as follows:

Appraised value of developed products = sales amount of developed products × (1 – ratio of selling expenses – ratio of sales tax and surcharges – income tax rate – net profit ratio × net profit deduction ratio) – land VAT

Appraised value of development cost = the value of developed properties – subsequent development cost – selling expenses – administrative expenses – sales tax and surcharges – investment interests – investment profit – land VAT – income tax

Where:

Post-development value of properties: in respect of projects for which pre-sale contracts have been entered into, post-development value of properties = contracted property sales amount + estimated property sales amount for which contracts have yet to be entered into; in respect of projects for which no pre-sale contracts have been entered into, the post-development value of properties is equivalent to the estimated sales amount of saleable properties after the development of the project.

Subsequent development cost = construction costs to be incurred until completion + unsettled construction costs of completed projects;

Selling expenses = estimated total amount – actual incurred amount as of Valuation Base Date;

Administrative expenses = estimated total amount – actual incurred amount as of Valuation Base Date;

Sales tax and surcharges = post-development value of properties × ratio of sales tax and surcharges;

Subsequent investment interest = appraised value × interest rate × subsequent development period + (subsequent development cost + administrative expenses) × interest rate × subsequent development period/2;

Investment profit = appraised value × investment profit ratio × subsequent development period + (subsequent development cost + administrative expenses) × investment profit ratio × subsequent development period/2;

Land VAT is settled and paid on a project-by-project basis in accordance with taxation laws, and is calculated on an progressive tax rate basis;

Income tax = sales amount × sales profit ratio × income tax rate;

Sales profit ratio is determined as the ratio between sales amount less cost, tax and expenses for the period and sales income.

(1) Companies that hold properties for the purpose of obtaining rental income are appraised using the income approach, the formula of which is set out as follows:

$$V = \sum_{i-1}^{t} \frac{a_i}{(1+r)^i} + \frac{a}{r(1+r)^t} \times (1 - \frac{1}{(1+r)^{n-t}})$$

Where: V - the appraised value of the rental income;

a_i – Net gains from properties for the i^{th} year;

a – Net annual gains from properties which will remain constant after the t^{th} year;

r – Reversal interest rate of properties;

t – Number of years in which net gains will remain constant;

n – Number of years in future in which gains are available.

(2) Companies principally engaged in the investment in and operation of expressways and other infrastructure facilities hold stakes in expressways which are in good conditions, have stable traffic flow projection and offer strong profitability. In view of the term of the operation agreements, cash flow is estimated using the finite term income model. Given the business model of expressways, the capital structure is expected to change significantly during the prediction period, it is more appropriate to adopt the equity cash flow model for valuation.

- Manufacturing

The most important non-listed company in the manufacturing business segment of CITIC Limited is CITIC Dicastal Co., Ltd. As the world's largest manufacturer of aluminium wheels, it has advanced standards in product development and process technologies. As its strong market competitiveness, economies of scale and full-fledged marketing setup have contributed to its strong profitability, the income approach of valuation can represent the equity value of the company in a reasonable manner. In view of its characteristics as an industrial enterprise, the discounted free cash flow for firm model is adopted, the formula for which is as follows:

Value of entire shareholders' equity = enterprise value – value of interest-bearing debts – value of minority interests

Enterprise value = value of operating assets + value of surplus assets + value of non-operating assets

(1) Value of operating assets

Operating assets are assets and liabilities relating to the operation of the valued entity covered in the forecast of free cash flow for firm after the Valuation Base Date. The formula for calculating the value of operating assets is set out as follows:

$$P = \sum_{i=1}^{n} \frac{F_i}{(1+r)^i} + \frac{F_{n+1}}{(r-g) \times (1+r)^n}$$

Where P: value of the operating assets of the enterprise as of the Valuation Base Date;

F_i: projected free cash flow for firm in the i^{th} year after the Valuation Base Date;

F_{n+1}: projected free cash flow for firm in the 1st year of the ongoing period;

r: discount rate (for the purpose of this valuation, weighted average capital cost (WACC));

n: forecast period;

i: the i^{th} year of the forecast period;

g: growth rate for ongoing period (this valuation has not taken into account ongoing growth)

The formula for calculating the free cash flow for firm is set out as follows:

Free cash flow for firm = Net profit before interest after taxation + depreciation and amortization – capital expenditure – increase in working capital

The formula for calculating the discount rate (WACC) is as follows:

$$WACC = K_e \times \frac{E}{E + D} + K_d \times (1 - t) \times \frac{D}{E + D}$$

Where

k_e: equity capital cost;

k_d: capital cost of interest-bearing debt;

E: market value of equity;

D: market value of interest-bearing debt;

t: income tax rate.

(2) Surplus assets

Surplus assets are assets surplus to the requirements of the enterprise's production and operations as of the Valuation Base Date and not covered in the forecast of free cash flow for firm after the Valuation Base Date.

(3) Non-operating assets

Non-operating assets are assets and liabilities not related to the operation of the valued entity and not covered in the forecast of free cash flow for firm after the Valuation Base Date.

- Resources and energy

The businesses of CITIC Limited in the resources and energy sector are mainly conducted through listed companies (CITIC Resources and CITIC Dameng), while the non-listed companies are mainly engaged in metal trading with stable profitability leveraging the strengths of CITIC Limited in capital, ferroniobium agency and customer sources. Therefore, it is more appropriate to adopt the income approach using the discounted free cash flow for firm model.

- Engineering contracting

The most important non-listed company in the engineering contracting business segment of CITIC Limited is CITIC Construction Co., Ltd., which is mainly engaged in the business of international engineering contracting. Given the continuous growth of the international market for engineering contracting, CITIC Construction enjoys ongoing and stable profitability leveraging the general strengths of CITIC Limited, its strengths in business model innovation and resource integration and its brand reputation in key regions. Therefore, it is more appropriate to adopt the income approach using the discounted free cash flow for firm model.

- Other industries

Other industries in which CITIC Limited is involved in mainly include publishing, financial outsourcing, tourism, logistics and football club. Apart from the football club, other industries enjoys ongoing and stable profitability leveraging the brand influence of CITIC, the general strengths of CITIC Limited and a customer base built over the years. Therefore, it is more appropriate to adopt the income approach using the discounted free cash flow for firm model.

The revenue of Guoan Football Club is mainly derived from ticket sales, commercial sponsors and television broadcast. Such revenue is subject to considerable uncertainties as it is dependent on the club's ranking in the domestic league and AFC Champions League. Hence, the asset-base approach of valuation is more appropriate.

(II) Valuation method for non-listed investee companies

For investee companies, over which CITIC Limited does not have control, information necessary for the valuation is not fully available to the valuer and dividend payout is expected to be uncertain, the appraised value of such equity investment shall be determined by multiplying the net book assets of the investee as of the Valuation Base Date by the shareholding percentage.

(III) Valuation method for the headquarter of CITIC Limited

The headquarter of CITIC Limited is not an operating entity, but is mainly responsible for providing strategic decisions for its subsidiaries. Expenses for the period incurred since its inception had been reflected on an accumulative basis under owners' equity in the balance sheet as of the Valuation Base Date. Therefore, the headquarter of CITIC Limited is valued using the cost method. The specific valuation methods for each of its asset types are discussed as follows:

1. Current assets

Current assets within the scope of valuation mainly comprised cash and cash equivalents, trade receivables, interests receivable, tradable financial assets, derivative financial assets, short-term loans and advances provided, dividends receivable and other receivables.

(1) Cash and cash equivalents, including cash and bank deposits, have been valued by cash count and verification of bank reconciliation notes and bank letters and certificates. The appraised value of monetary funds denominated in RMB has been determined as the verified value. The appraised value of cash and cash equivalents denominated in foreign currencies has been determined as the verified book value in foreign currency multiplied by relevant exchange rates prevailing on the Valuation Base Date.

(2) Various types of receivables: the appraised value has been determined on the basis of the recoverable amount of each receivable. Where there were sufficient reasons to believe that any receivables would be fully recoverable, such receivables were valued at their full amount. For receivables that were likely to be partially unrecoverable while the unrecoverable amount was difficult to ascertain, the appraised value was calculated by deducting a risk loss amount estimated on a collective basis following analysis of the amount and timing of and reasons for default, status of recovery and the current financial condition, credit standing and operating and management conditions of the

debtor based on historical data and information obtained in on-site investigations. Where there was conclusive evidence indicating that any receivables were not recoverable, such receivables and the corresponding "bad debt provision" in the books were assigned nil value.

(3) Interests receivable: the subject matter of valuation was investment interests receivable from the valued entity for lendings to banks and other financial institutions, direct loans, entrusted loans, time deposits and wealth management products. The interests receivable have been verified by the valuers to be normal interests receivable due within 90 days and the appraised value was the verified book value.

(4) Tradable financial assets: the subject matter of valuation was the fair value of fund investments held by the valued entity for trading purposes. Details of the share and net value of tradable financial assets declared by the valued entity have been verified to be consistent with the reconciliation statement and breakdown statement. The appraised value was the verified book value.

(5) Derivatives: the subject matter of valuation for derivative financial assets as of the Valuation Base Date is the foreign currency swaps conducted by the valued entity as value-protection hedging. It has been verified that details of the volume and amount of assets declared by the valued entity are consistent with the reconciliation statement and breakdown statement and that all foreign exchange swaps on the book are of a term of three months or less. The appraised value was the verified audited book value.

(6) Short-term loans and advances provided: the subject matter of valuation was the short-term loans provided by the valued entity to connected parties within the Target Group and third parties. Most short-term loans and advances provided by the valued entity were loans extended to connected parties within the Target Group, most of which were entrusted loans not subject to bad debt. The appraised value was the verified audited book value.

(7) Dividends receivable represented profit distributions for prior years receivable from investees. The valuers have verified the documents of evidence for and shareholding volume of the valued entity's equity investments in subsidiaries and investee companies and inspected the Board resolutions on profit distribution and accounting record, and have confirmed that the profit distribution is true and the amount is accurate. The appraised value was the verified audited book value.

2. *Provision of loans and advances*

The provision of loans and advances comprised mainly financial loans extended to connected parties and third parties. The valuers collected relevant loan information and discussed with the staff of the company to gain understanding of the credit, financial status, solvency, cash flow conditions and loan guarantees of the debtor, while taking into account the extent to which loan repayment will be affected by various risks, such as operating risks and management risks. Through the aforesaid checking and verification procedures, the valuers analyzed and determined the probability of recovery of each loan on an individual and case-by-case basis. Where there were sufficient reasons to believe that any loans would be fully recoverable, such loans were valued at the full amount receivable. For loans that were not expected to be fully recoverable although there was no conclusive evidence indicating such, the appraised value was determined after taking into account a risk loss amount based on the results of case-by-case analyses.

3. *Available-for-sale financial assets*

The subject matter of valuation for available-for-sale financial assets was the fair value of available-for-sale financial assets held for trading by the valued entity, such as stock investments, fund investments, trust product investments and other investments.

(1) Stock investments: the subject matter of valuation was stock investments held by the valued entity for trading purposes. The appraised value of stock investments has been determined as the closing price on the Valuation Base Date multiplied by the number of shares owned as of that date.

(2) Fund investments: the subject matter of valuation was fund investments held by the valued entity for trading purposes. The appraised value of fund investments has been recognized as the verified net value of fund shares as of the Valuation Base Date upon inspection and verification by the valuers of shares held by the enterprise and the cost of acquisition.

(3) Trust product investments: the subject matter of valuation was trust investments held by the valued entity for trading purposes. The valuers have inspected the relevant contracts of all trust products, periodic trust management reports and other information and have determined the appraised value as investment amounts recovered for trust product investments recovered upon expiry within a short period after the Valuation Base Date.

(4) Other investments: the subject matter of valuation was wealth management investments held by the valued entity for trading purposes. The valuers have enquired with the valued entity about the product types, investment risk management and investment gains of other investments and have inspected the relevant contracts, evidence of investment acquisitions, evidence of recent settlement of interest payments, fair-value adjustment as of the end of the period and other relevant financial information. The appraised value has been recognized as the verified book value.

4. *Long-term receivables*

The subject matter of valuation for long-term receivables comprised mainly intra-group lendings such as project loans, advances for land-transferring fees and deed tax and investment loans. This item represented the intra-group financing that underscored the financial support of CITIC Limited for its subsidiaries. The appraised value has been recognized as the verified book value. In particular, the appraised value of current accounts denominated in RMB has been determined as the verified book value. The appraised value of current accounts denominated in foreign currencies has been determined as the amount in the book currency multiplied by relevant exchange rates prevailing on the Valuation Base Date.

5. *Other non-current assets*

The subject matter of valuation for other non-current assets was the contract work amounts payable in advance in accordance with relevant contracts. It has been verified that, pursuant to the terms in the contracts, the valued entity is able to receive relevant goods and other non-current assets. The appraised value was the verified book value.

6. *Fixed assets*

All fixed assets included in the scope of valuation are equipments, comprising mainly vehicles, electronic and small-size medical equipment. In line with the purpose of this valuation, valuation was conducted mainly using the replacement cost method on the assumption of ongoing use and based on market prices, taking into account the characteristics of the equipment to be valued and information collected.

Appraised value = full replacement cost × newness rate

(1) <u>Determining the full replacement cost</u>

For machinery equipment and electronic equipment, the purchase cost was determined with reference to local market information and recent market prices. In general, transportation and installation had been provided free-of-charge by the manufacturers. Moreover, the valued entity was not a general taxpayer required to pay VAT, therefore the purchase cost of the machinery equipment under the valuation was a tax-inclusive cost, which means full replacement cost = purchase cost (tax inclusive).

For vehicles, the full replacement cost has been determined as the market price as of the Valuation Base Date plus vehicle purchase tax and other reasonable costs (such as vehicle license fees). The formula for calculating the full replacement cost of vehicles was as follows:

Full replacement cost = purchase price + purchase price x 10%/(1+17%) + vehicle license fee

(2) Determining the newness rate

The useful-life newness rate has been determined mainly on the basis of the economic life, and the newness rate has been determined with reference to the work environment and operating conditions of the equipment, the formula of which was as follows.

Useful-life newness rate = (economic life – serviced life) / economic life × 100%

Newness rate = Useful-life newness rate × adjustment coefficient

For vehicles, the theoretical newness rate has primarily been determined on the basis of the use-life mileage in accordance with the *Regulations on Mandatory Retirement Standards for Motor Vehicles* (2012 Order No. 12) (《機動車強制報廢標準規定》(2012第12號令)), to which an adjustment based on on-site survey has been applied. The formula for calculation was as follows:

Theoretical newness rate = (stipulated mileage – mileage traveled) / stipulated mileage × 100%

Newness rate = theoretical newness rate × adjustment coefficient

(3) Determining the appraised value

Appraised value = full replacement cost x newness rate

Certain transportation vehicles, electronic equipment and office furniture have been valued on the basis of second-hand market prices or realizable value as of the Valuation Base Date.

7. Liabilities

Current liabilities comprise short-term loans, staff remuneration payable, tax payable, dividends payable, interests payable, other payables and other current liabilities. Long-term liabilities comprise mainly long-term borrowings, bonds payable and deferred income tax liabilities. The valuers have determined the appraised value as liabilities effectively assumed by the company after verification of the book values based on various breakdown statements and relevant financial information.

Market approach

1. Introduction of the valuation method

The market approach compares the valuation subject against comparable companies, as well as companies and equity (shareholders' equity, securities, etc) that have been concluded in the comparable transactions in the market, so as to arrive at the appraised value of the valuation subject. There are two common methods in the market approach: listed-company comparison and transaction-case comparison.

Listed-company comparison seeks to obtain and analyze the operating and financial data of listed companies and calculate their appropriate price ratios, and then compare and analyze these price ratios with those of the valued enterprise to determine the value of the valuation subject.

Transaction-case comparison seeks to obtain and analyze cases in comparable transactions, acquisitions and mergers by other enterprises and calculate their appropriate price ratios, and then compare and analyze these price ratios with those of the valued enterprise to determine the value of the valuation subject.

For the transaction-case comparison method, there are often very few comparable cases, or comparison often involves complicated adjustments, while true and complete information of transaction cases is also difficult to obtain in the market. In view of the enormous scale and complexity of the business of the valued company, there were no readily comparable transaction cases. The listed-company comparison method, on the other hand, tends to rely more on publicly available trading information in the securities and capital markets, and is therefore more convenient in terms of information access and operation. Hence, the listed-company comparison method has been adopted for the valuation.

The adoption of the listed-company comparison method mainly involves the analysis of operating and financial data of listed companies in the capital market operating in the same industry or similar industries as the valued enterprise and the calculation of appropriate value ratios, such as the price-to-book ratio (P/B) and the price-to-earnings ratio (P/E). By comparisons with and analyses of the valued enterprise, value ratios of the valuation subject are arrived at, on the basis of which the value of the equity is calculated. This method is also commonly known as the multiple method. This valuation has adopted the price-to-book ratio (P/B) as the valuation ratio.

The market value of CITIC Limited is calculated by analyzing the adjusted P/B ratios of comparable companies and assessing the net asset value per share of CITIC Limited as of the Valuation Base Date. The appraised value of CITIC Limited is arrived at by applying an appropriate liquidity discount to the market value.

(VIII) Implementation process and conditions of the valuation procedures

The valuers conducted valuation of the assets and liabilities in connection with the valuation subject from 16 February 2014 to 2 April 2014. The process and details of the implementation of major valuation procedures are as follows:

(I) Acceptance of appointment

Upon acceptance of the appointment, the valuer initially performed the following tasks:

1. gaining initial understanding of this economic behavior and relevant conditions of the assets to be valued to ascertain the purpose, scope and subject of valuation;

2. preparing the information checklist in accordance with the requirements of asset valuation standards;

3. formulating a valuation plan and drafting the "execution plan for asset valuation" in line with the characteristics of the assets to be valued and overall timetable, taking into account the characteristics of the corporate assets, and setting up valuation work groups according to project requirements, which included the project coordination team, asset-approach valuation team, income approach valuation team, market approach valuation team and asset checking team.

(II) On-site verification

1. For overseas non-listed companies under CITIC Limited, which are mainly investment management or SPV companies, an alternative procedure was adopted in lieu of on-site checking. Valuation forms and information checklists were issued and methods such as questionnaires, telephone interviews and online communications were employed to understand information required by the valuation. Due diligence findings and audit reports prepared by domestic and international legal counsels and financial advisers were also taken into full account.

2. For listed companies which are subject to a higher level of regulation in management, an off-site mode was adopted for on-site checking, which mainly comprise the inspection of public information such as annual reports, while the due diligence findings prepared by legal counsels and financial advisers were also taken into full account.

3. For domestic non-listed companies, on-site verification has been conducted in accordance with the following procedures:

   Subject to the truthful declaration of assets and full-scale self-inspection of the assets to be valued by the enterprise, the valuers have conducted full verification of the assets and liabilities within the scope of valuation. For non-physical assets, examination on formation process of the enterprise's credits and debts and the accuracy of the figures on book was carried out by inspecting the original accounting letters and certificates and verifying documents evidencing the economic behavior. For physical assets, such as inventories and fixed assets, verification was conducted mainly in respect of the volume, conditions of operation and ownership of the assets and other important factors affecting the appraised value.

   The members of the project teams conducted on-site verification of the assets included in scope of valuation by the company during the period from 16 February 2014 to 15 March 2014. Upon completion of the verification process, the teams submitted working drafts on the verification. The process of asset verification was as follows:

   (1) Guidance were given to relevant financial and asset management personnel of the company to complete the "detailed asset valuation form," "income approach forecast form," "ownership investigation form" and "information checklist" provided by the valuation company in

accordance with relevant instructions, on the basis of verified assets. At the same time, documents evidencing ownerships of the assets to be valued and other documents reflecting the properties, conditions, economic and technical indicators, etc of the assets were collected.

(2) Preliminary examination of the "detailed asset valuation form" and "income approach forecast form" furnished by the valued entity

The valuers gained understanding of the detailed conditions of specific assets within the valuation scope by reviewing relevant materials. Thereafter, various "detailed asset valuation forms" were vetted to check whether there were incomplete information, unclear asset items and unreasonable relationships identified in cross-checking. Feedbacks were meanwhile furnished to the company for supplementary amendment, modification and improvement.

(3) Understand relevant conditions of comparable listed companies

The valuers gained insight into the differences between the valued entity and the relevant comparable listed companies in terms of asset size, asset quality, business types, market income, future development trend and business strategy by inspecting the publicly available information of listed companies and valuation reports on these listed companies furnished by securities firms, and enquired with the Principal the major reasons for such differences.

(4) On-site survey and interviews

Based on the "detailed asset valuation form," the valuers conducted stock-taking and on-site survey in respect of declared cash, inventories and fixed assets. Different survey methods were applied depending on the natures and characteristics of different assets.

1) The responsible valuers monitored the stock-taking of cash and inventories included in the scope of valuation on-site.

2) On-site survey of buildings and structures was carried out and the purchase agreements and ownership certificates of major buildings and structures were inspected. The "on-site building survey record" was completed on the basis of the conditions and repair records of the buildings.

3) Verification of equipment assets: identifying the date of purchase, production origin and expenses payment record of the equipment, inspecting the operation and malfunction records of the equipment, and completing the "on-site equipment survey record."

4) On-site survey and assessment of construction in progress: in accordance with the requirements of corresponding asset valuation regulations, specific details such as the actual progress of construction work, amount of payments and book composition were identified and detailed verification against contracts and accounting record was conducted.

On-site interviews in respect of historical financial and operating conditions, future development strategies and implementation of development plans of the company were conducted and interview records were prepared.

(5) Supplementary revision, modification and improvement of the "detailed asset valuation form"

Based on the result of on-site surveys and interviews, fine-tune the "detailed asset valuation declaration form" and "income approach forecast form".

(6) Verification of ownership documents

Investigation and verification of ownerships of various assets such as equipment, buildings and structures and land use rights was conducted to clarify ownerships of the assets. For significant assets, the valuers conducted ownership verification by verifying their purchase contracts or agreements, relevant purchase invoices and ownership documents.

(7) Due diligence

The valuers conducted necessary due diligence to fully understand the operation and management conditions of the valued entity and its risk exposures. The main contents of due diligence were as follows:

1) Historical development, major shareholders and their shareholding percentages, and necessary structures of ownership and operation and management of the valued entity;

2) Assets, finance, production, operation and management conditions of the valued entity;

3) Operation plan, development planning and financial forecast information of the valued entity;

4) Previous valuations and transactions of the valuation subject and the valued entity;

5) Macro and regional economic factors affecting the production and operation of the valued entity;

6) Development conditions and prospects of the industry in which the valued entity operates;

7) Other relevant information.

(III) Assessing estimations

The valuers formed preliminary valuation conclusions after conducting analyses, calculations and judgments with reference to the specific conditions of each type of assets using selected valuation approaches, formulas and parameters. The project team leader summarized the preliminary valuation conclusions of various asset types and generated the draft valuation report.

(IV) Internal audit

In accordance with the requirements of our "Administrative Measures for the Valuation Process" (評估業務流程管理辦法), upon completion of the first review of the draft valuation report, the project team leader shall submit the first draft of the valuation report for our internal audit. Upon completion of the internal audit, the project team leader shall furnish an opinion solicitation draft of the valuation report to the client for its opinion. The official valuation report shall be completed and submitted to the Principal after reasonable modifications based on the client's feedback.

(IX) Assumptions

The following assumptions have been adopted for analysis and estimation in this valuation report:

1. It is assumed that the valued entity will operate on a going concern basis after the Valuation Base Date;

2. It is assumed that there will be no significant changes in the political, economic and social environment of the country and region where the valued entity is located after the Valuation Base Date;

3. It is assumed that the macro-economic policies and industrial policies and regional development policies of the country and region where the valued entity is located will not go through significant changes, other than those already known to the public, after the Valuation Base Date;

4. It is assumed that the tax basis and tax rates and policy-based charges relating to the valued entity will undergo no material changes, other than those already known to the public, after the Valuation Base Date;

5. It is assumed that the management of the valued entity will be accountable, stable and capable of performing its duties after the Valuation Base Date;

6. It is assumed that the valued entity is in compliance with relevant laws and regulations and that there will be no occurrence of significant violations affecting the valued entity's development and the realization of income;

7. It is assumed that the accounting policy to be adopted by the valued entity after the Valuation Base Date is consistent in all material aspects with the accounting policy used in the preparation of this valuation report;

8. It is assumed that there will be no material change in the scope of business and operation mode of the valued entity on the basis of the existing management approach and management standards, other than as disclosed in the valuation report;

9. It is assumed that no force majeure resulting in material adverse impact on the valued entity will occur after the Valuation Base Date.

The valuation conclusions in this report are tenable on the Valuation Base Date on the above assumptions, and should such assumptions go through substantial changes, the signing certified asset valuers and the valuation agency will not assume any responsibility for different valuation conclusions arrived at due to changes in these assumptions.

(X) Valuation conclusions

(I) Valuations results under the asset-based approach

As of the Valuation Base Date, the book value of total assets was RMB264,838.287 million and the appraised value was RMB308,917.2113 million, representing an increment rate of 16.64%.

The book value of liabilities was RMB81,921.55 million and the appraised value was RMB81,921.5504 million, representing an increment rate of 0.00%.

The book value of net assets was RMB182,916.735 million and the appraised value was RMB226,995.6609 million, representing an increment rate of 24.10%.

The appraised value of the entire shareholders' equity of CITIC Limited was RMB226,995.6609 million.

(II) Valuation results under the market approach

As of the Valuation Base Date, the book values of net assets of CITIC Limited were 182,916.735 million. The entire shareholders' equity under the market approach was valued at RMB228,719.73 million, representing an increment rate of 25.04%.

(III) Valuation conclusions

The entire shareholders' equity was valued at RMB226,995.6609 million under the asset-based approach and RMB228,719.73 million under the market approach following the valuation, representing a difference of RMB1,724.0691 million or 0.76%.

The difference in results under the two valuation methods is mainly attributable to the fact that all comparable companies selected under the market approach are overseas companies from numerous countries and regions. Owing to differences in the economic environments and market conditions in different regions, valuation for the same type of companies might be different at securities exchanges in different places. For example, the share prices of financial companies in the United States have been steadily on the rise in the past two years as they have largely put the financial crisis behind and business conditions started to improve. On the other hand, share prices of China's financial enterprises, such as the banking industry, are generally in downward trend despite their profitability which reflects, in particular, the response of the securities market to the financial risks domestic banks are facing and anticipations for the deregulation of interest rates.

Under the asset-based approach adopted in this valuation, the traded market capitalizations reported in various securities markets were adopted in valuing various listed companies in order to fully reflect the market value of these companies. For the valuation of non-listed subsidiaries, the income approach of valuation was more frequently adopted. The income approach assesses the value of assets or enterprises by the expected return of the assets, so as to better reflect the overall growth ability and profitability of the enterprise. Therefore, we are of the view that the valuation results under the asset-based approach can fully and reasonably reflect the value of CITIC Limited's entire shareholders' equity.

Based on the above analysis, the valuation result under the asset-based approach has been adopted as the valuation conclusion of this valuation report. The result of the valuation of CITIC Limited's entire shareholders' equity is RMB226,995.6609 million.

This valuation has not considered any premium or discount arising in connection with from controlling interests or minority interests, nor has it considered the impact of liquidity on the value of the valuation subject.

(XI) Special matters

The following matters might affect the conclusion of valuation but the assessment or estimation of such is beyond the professional level and capacity of the valuers in the valuation process:

(I) This valuation conclusion reflects the current value of the valuation subject determined under the open market principle for the purpose of this valuation, without consideration for any pledge or guarantee and the impact on the appraisal value of any premium that a particular counterparty might offer, or the impact on asset prices in change of national macro-economic policies or acts of God and other force majeure. In case of changes in the foregoing conditions, the valuation conclusion will generally become invalid.

(II) Documents of economic behaviors, business licenses, ownership documents, financial statements, accounting records, detailed asset statement and other relevant information concerning this valuation provided by the management and other relevant personnel of the Principal and the asset owners form the basis of this report. The Principal and the asset owners shall take responsibility for the truthfulness, lawfulness and completeness of the materials provided. The valuation agency and valuers do not assume any responsibility for deficiencies in the enterprise that might affect the appraised asset value if such deficiencies have not been noted at the time of the appointment and the valuers cannot possibly be aware of them under normal circumstances based on their professional experience.

(III) On 21 March 2014, the board of CITIC limited proposed the payment of a cash dividend of RMB17,000 million. The said profit distribution proposal was considered and approved at the general meeting of the CITIC Limited on the same day. Subsequently, CITIC Group and CITIC Enterprise Management, the shareholders of CITIC Limited, made a capital injection of RMB17,000 million in cash to the Target Company in proportion to their shareholdings, out of which RMB11,000 million will be provided as registered capital and RMB6,000 million will be credited to the capital reserve. Following the completion of the capital increase, the registered capital of the Target Company will be changed to RMB139 billion. The valuers are of the view that the aforesaid events subsequent to the Valuation Base Date would not have any significant impact on results as of the Valuation Base Date.

(IV) "中信", "CITIC" and "" trademarks, trademarks containing words or patterns of "中信","CITIC" and "", and trademarks of variant design on words or patterns of "中信","CITIC" and "", have all been applied for registration and legally owned by CITIC Group. By entering into trademark licensing agreement, CITIC Group has authorized CITIC Limited and its subsidiaries to use the trademarks above in their business activities with nil consideration.

CITIC Group has entered into a trademark licensing agreement with CITIC Pacific, pursuant to which CITIC Group has authorized CITIC Pacific to use the aforementioned trademarks in its business activities with nil consideration. The license period of the trademark licensing agreement starts from the date of the Completion and ends on the date when CITIC Group cease to control CITIC Pacific, directly or indirectly. Pursuant to the trademark licensing agreement, in the event that CITIC Group considers to transfer or dispose of the ownership of such trademarks, CITIC Pacific undertake to take steps to purchase such trademarks with consideration in order to obtain their legal ownership, subject to compliance with the applicable laws, regulations and the Listing Rules.

(XII) Restrictions on the usage of this report

(I) This valuation report is only to be used for the purposes and applications as stated thereof;

(II) This valuation report is for the use by users stated herein only;

(III) Before any part or all of the contents of this valuation report is extracted, quoted or disclosed to the public media, the related content shall be reviewed by the valuation agency, unless required by the laws and regulations or otherwise agreed by the relevant parties;

(IV) This valuation report cannot be put to official use unless duly signed by the certified asset valuers and endorsed by the valuation agency under its seal;

(V) This report cannot be put to official use unless approved by the state-owned assets supervision and administration authorities;

(VI) In the event of any changes in the asset amount and pricing standards occurring after the Valuation Base Date and affecting the valuation conclusions, the valuation conclusions shall not be directly adopted. Instead, the valuation conclusions should be adjusted or a revaluation should be conducted;

(VII) The valuation conclusions disclosed by this report are only valid for the economic behavior as described herein. The valid period lasts for one year from the Valuation Base Date.

(XIII) Valuation Report Date

The valuation report was presented on 2 April 2014.

Legal representative: Sun Yuehuan

Certified asset valuer: Liu Dengqing
Certified asset valuer: Yan Zhehe
Certified asset valuer: Yu Ning
Certified asset valuer: Tan Zengmin
Certified asset valuer: Wang Qiang

China Enterprise Appraisals Co., Ltd.
2 April 2014

A. REPORT FROM KPMG

The following is the text of a report received from KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

KPMG

REPORT ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATIONS OF CERTAIN SUBSIDIARIES AND A JOINT VENTURE OF CITIC LIMITED

TO THE DIRECTORS OF CITIC PACIFIC LIMITED

We have been engaged to report on the arithmetical calculations of the discounted future estimated cash flows used in the business valuations of CITIC Automobile Co., Ltd., CITIC Press Corporation, CITIC Tourism Group Co., Ltd., China International Economic Consultants Co., Ltd., CITIC Holdings Co., Ltd., CITIC Construction Co., Ltd., CITIC Engineering Design and Construction Co., Ltd., CITIC Dicastal Co., Ltd., CITIC Metal Co., Ltd., CITIC Tianjin Investment Holdings Co., Ltd., CITIC Finance Company Limited, CITIC Trust Co., Ltd., CITIC Kingview Capital Management Co., Ltd., CITIC Prudential Life Insurance Co., Ltd. (collectively the "Valuations") as set out in the valuation reports dated April 2, 2014, prepared by China Enterprise Appraisals Co., Ltd. The Valuations based on the discounted future estimated cash flows are regarded as profit forecasts under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE DISCOUNTED FUTURE ESTIMATED CASH FLOWS

The directors of CITIC Pacific Limited (the "Company") (the "Directors"), are responsible for the bases and assumptions which are adopted in the discounted future estimated cash flows, a summary of which is set out in Appendix III to the circular of the Company dated May 14, 2014 (the "Circular"). This responsibility includes carrying out appropriate procedures and enquires in relation to the discounted future estimated cash flows for the Valuations.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to report, as required by Rule 14.62(2) of the Listing Rules, on the arithmetical calculations of the discounted future estimated cash flows on which the Valuations are based.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public

Accountants. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the arithmetical calculations are concerned, have been properly compiled in accordance with the bases and assumptions as set out in the Circular. We re-performed the arithmetical calculations and compared the compilation of the discounted future estimated cash flows with the bases and assumptions.

We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any business valuation or an expression of an audit or review opinion of the Valuations.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under Rule 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

OPINION

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the arithmetical calculations are concerned, have been properly compiled in all material respects in accordance with the bases and assumptions as set out in the Circular.

KPMG
Certified Public Accountants
8th Floor
Prince's Building
10 Chater Road
Central, Hong Kong

May 14, 2014

B. LETTER FROM THE FINANCIAL ADVISERS ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATIONS OF CERTAIN ENTITIES OF CITIC LIMITED

TO THE DIRECTORS OF CITIC PACIFIC LIMITED

We refer to the valuation report (the "Valuation Report") prepared by China Enterprise Appraisals Co., Ltd. (the "Independent Valuer") in relation to the market value of the entire shareholders' equity of CITIC Limited (the "Target Company", exclusive of the 57.5% equity interest indirectly held in CITIC Pacific Limited) as of December 31, 2013. A summary of the Valuation Report is included in Appendix III in the circular of CITIC Pacific Limited (the "Company") dated May 14, 2014 (the "Circular").

We understand that the Valuation Report has been provided to you as the directors of the Company (the "Directors") in connection with the Company's proposed acquisition of the total equity interest in the Target Company. We understand that the Independent Valuer has applied income approach, known as the discounted cash flow method, against certain long-term investment to implement the valuation. The valuation on the discounted cash flow is regarded as a profit forecast under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

We have discussed with the management of the Company, management of the Target Company, the Independent Valuer regarding the bases and assumptions upon which the profit forecast in the Valuation Report has been made, for which you as the Directors are responsible. We have also considered the report addressed solely to and for the sole benefit of the Directors from KPMG dated May 14, 2014 set out in this Circular regarding the calculations of discounted future estimated cash flows.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, we are of the opinion that bases and assumptions on the profit forecasts adopted by the Independent Valuer, for which the Independent Valuer and the Company are responsible, has been made after due and careful enquiry.

We have not independently verified the computations leading to the Independent Valuer's determination of the fair value and market value of the Target Company. We have had no role or involvement and have not provided any assessment of the fair value and market value of the Target Company. Accordingly, save as expressly stated in this letter, nothing in this letter should be construed as an opinion or view as to the fair value, market value or any other value of the Target Company.

Yours faithfully,
For and on behalf of
CITIC Securities Corporate Finance (HK) Limited
Financial Adviser
Janet Yee
Managing Director

Yours faithfully,
For and on behalf of
China Securities (International) Corporate Finance Company Limited
Financial Adviser
Yongyi Song
Director

A. FINANCIAL INFORMATION OF THE GROUP

Audited financial information of the Group for each of the three years ended December 31, 2013, 2012 and 2011 are disclosed in the following documents which have been published on the website of the Stock Exchange (http://www.hkexnews.hk) and CITIC Pacific (*http://www.citicpacific.com/*):

(a) The audited consolidated financial statements of the Group for the year ended December 31, 2013 (together with the notes thereto) were set out in the 2013 annual report of CITIC Pacific which was published on March 17, 2014. Please also see below a quick link to the 2013 annual report:

http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0317/LTN20140317391.pdf

(b) The audited consolidated financial statements of the Group for the year ended December 31, 2012 (together with the notes thereto) were set out in the 2012 annual report of CITIC Pacific which was published on March 19, 2013. Please also see below a quick link to the 2012 annual report:

http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0319/LTN20130319294.pdf

(c) The audited consolidated financial statements of the Group for the year ended December 31, 2011 (together with the notes thereto) were set out in the 2011 annual report of CITIC Pacific which was published on March 20, 2012. Please also see below a quick link to the 2011 annual report:

http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0320/LTN20120320503.pdf

B. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the Group's operations for the three years ended December 31, 2013. The information set out below is principally extracted from the "Financial Review" section of the relevant annual reports of CITIC Pacific to provide further information relating to the financial condition and results of operations of the Group during the periods stated. These extracted materials were prepared prior to the Acquisition and speak as of the date they were originally published. CITIC Pacific's prospects and intentions will have changed since that date, and the reader should therefore not place undue reliance on this information, particularly the information consisting of or relating to forward-looking or future statements.

(A) 2013

a. Overview

(a) Profit Attributable to Ordinary Shareholders

During 2013, the Group achieved a profit attributable to ordinary shareholders of HK$7,588 million, representing an increase of 9% year-on-year. Profit from underlying business operations was HK$4,901 million, 42% above 2012. Special steel improved significantly as a result of a higher profit margin and the acquisition of the additional 25% interest in Xingcheng Phase II. The energy sector also recorded outstanding performance, increasing its attributable profit by 60%, due to more electricity sold by Ligang power station and lower coal prices. These satisfactory results were partially offset by a loss of HK$1.6 billion in the iron ore business, largely represented by the interest expense associated with the assets now ready for operation.

(b) Earnings per Share and Dividends

Earnings per share for profit attributable to ordinary shareholders were HK$2.08 in 2013 compared with HK$1.91 in 2012, an increase of 9%. The number of shares outstanding was 3,649,444,160 on both December 31, 2012 and 2013.

A final dividend of HK$0.25 per share will be recommended to ordinary shareholders for approval at the annual general meeting. Together with the interim dividend of HK$0.10 per share paid in September 2013, the total ordinary dividend will be HK$0.35 per share, compared with HK$0.45 for the previous year. This equates to an aggregate cash distribution of HK$1,277 million.

(c) Attributable Profit/(loss) and Assets by Business

In HK$ million	Attributable profit/(loss) 2013	Attributable profit/(loss) 2012	Assets as of December 31 2013	Assets as of December 31 2012	Return on assets^ 2013	Return on assets^ 2012
Special steel	1,306	211	58,429	55,622	2%	1%
Iron ore	(1,619)	(781)	88,134	81,577	(2)%	(1)%
Mainland China property	1,045	911	46,126	40,623	2%	2%
Hong Kong property	483	569	17,118	15,573	3%	4%
Energy	1,822	1,136	9,784	9,716	19%	12%
Tunnels	611	561	2,183	2,208	34%	33%
Dah Chong Hong	492	536	21,627	20,306	4%	5%
CITIC Telecom International	443	299	3,893	3,733	12%	14%
Other investments	318	14	3,792	3,574	9%	–%
Underlying business operations	4,901	3,456	251,086	232,932		
Gain on disposal of assets	2,511	2,850				
Fair value change in investment properties	1,652	1,547				
Others	(1,476)	(899)				
Profit attributable to ordinary shareholders	7,588	6,954				

^ Total earnings of the business divided by average total assets of the business

Special Steel: The underlying operating attributable profit for 2013 improved against the previous year. Despite a reduction of 7% in the overall price of our products for 2013 as compared with 2012, the margin was enhanced by a lower cost of major raw materials utilised in production. A total of 7.24 million tons of special steel products were sold during the year, 11% more than the previous year. In addition, the operating results were HK$160 million higher than the previous year due to the increase of our shareholding in Xingcheng Phase II to 100%.

Iron Ore: The attributable loss in 2013 was HK$838 million higher than the previous year, reflecting an increase in loan interest associated with equipment now completed, as well as a HK$381 million impairment loss provision mainly due to the cancellation of construction of a pellet plant for the mining project. For the purpose of segment analysis, iron ore includes the mining operation in Western Australia, the 12 mini-cape vessels intended to carry the mine's iron ore, and a trading and ship management business in Singapore.

Mainland China Property: Higher net attributable profit for 2013 was due primarily to the sale of CITIC Plaza Shenhong in the second half. This was partially offset by fewer properties handed over in the Shanghai Lu Jia Zui development as compared with the previous year. While sales of properties were excellent in 2013, the profit will not be recognised until delivery in later years. Deliveries in Shanghai fell but this was compensated partially by Hainan project Phase II (the Starbury) and III (the Yard of Islands) during 2013. The leasing business was comparatively steady, with occupancy rates of our investment properties at approximately 88% on December 31, 2013, which was comparable with preceding years.

In HK$ million	**2013**	**2012**	**Increase/(Decrease)**	
Sales	1,084	783	301	38%
Leasing	422	392	30	8%
Others and operating expenses	(461)	(264)	(197)	(75)%
Total	1,045	911	134	15%

Hong Kong Property: Earnings from the leasing business benefited from the rising rental and occupancy rates of our investment properties in Hong Kong. For property development, an operating loss was shared from our associated company, Hong Kong Resorts, during 2013, due to a charge related to common facilities at Discovery Bay. This was partially compensated by earnings on the sales recognised, which were lower than the previous year when fewer properties were handed over.

In HK$ million	**2013**	**2012**	**Increase/(Decrease)**	
Property development	(33)	158	(191)	n/a
Leasing	516	411	105	26%
Total	483	569	(86)	(15)%

Energy: The increase in the Energy division's attributable profit was contributed by the lower price of coal and more units of electricity sold in the power generation business as compared with the previous year. Lower earnings from the coal mine in Shandong were mainly due to a drop in coal prices, despite increases in sales volume and coal production.

In HK$ million	2013	2012	Increase/(Decrease)	
Power generation	1,402	696	706	101%
Coal	420	440	(20)	(5)%
Total	1,822	1,136	686	60%

Tunnels: Higher earnings were mainly attributable to the increase in Western Harbour Tunnel's toll rates, which went into effect on January 1, 2013. Both tunnels also saw growth in market share and volume of traffic between Hong Kong and Kowloon as compared with the previous year. Average daily traffic through the two tunnels increased 2%.

Dah Chong Hong: The 8% decrease in our share of attributable profit was mainly due to a 41% reduction in segment profit from the China motor business upon discontinuation of the Bentley distributorship in the PRC at the end of 2012. However, the motor business in Hong Kong and Macau remained robust with a 59% increment in segment profit due to increased sales of commercial vehicles and strong sales growth in new passenger vehicle models. The motor business in other markets also turned around with an increase in attributable profit from the Isuzu business in Singapore and Taiwan. The food and consumer products business also outperformed the previous year as both sales of fast moving consumer goods and the attributable profit from the upstream food processing business increased.

CITIC Telecom International: The increase in the attributable profit was mainly due to the first time consolidation of a 99% equity interest in Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") and the gain resulting from the accounting treatment on the increase in equity interest from 20% to 99% in CTM, partially offset by exceptional items mainly including the related transaction costs and impairment on investments. Our share of CITIC Telecom International's results declined after the reduction in our interest from 61% to 42% in February 2013.

Gain on Disposal of Assets: One-off gains of HK$2,511 million for 2013 included the following items:

- an amount of HK$2,055 million which comprised a disposal gain of an 18.6% interest in CITIC Telecom International and a fair value gain on our remaining shares;
- an amount of HK$362 million of negative goodwill recognised following our acquisition of a 25% interest in Xingcheng Phase II and a fair value gain on our existing shares in the business immediately after the acquisition; and
- an amount of HK$94 million out of the dilution of our interest in a steel plant in Wuxi from 100% to 50%.

The gain in 2012 was made from the sale of our entire interest in CITIC Guoan Co., Ltd. and properties at Tai Chi Factory Building in Hong Kong.

Change in the Fair Value of Investment Properties: The fair value of investment properties increased by HK$1,652 million in 2013. This was due to an upward revaluation of investment properties of CITIC Pacific in both mainland China and Hong Kong.

Others: These are mainly net unallocated finance charges and the profit attributable to holders of perpetual capital securities.

b. Group Financial Results

(a) Revenue

If we include share of revenue from joint ventures and associated companies as well as the Western Harbour Tunnel, revenue from operations fell 5% from HK$109,848 million in 2012 to HK$104,382 million in 2013, primarily due to the decrease in revenue of HK$6 billion in Dah Chong Hong resulting from the discontinuation of the Bentley distributorship in the PRC at the end of 2012 and the drop in demand for imported heavy duty commercial vehicles in line with the slowdown of China-based infrastructure projects. Revenue of HK$1.2 billion from mainland China property decreased because fewer properties were handed over. This was partially offset by an increase in revenue from Energy and Special steel as a result of higher sales volumes.

(b) Net finance charges

Total finance charges increased 10% from HK$5,228 million in 2012 to HK$5,747 million in 2013, due to increased borrowing of HK$4 billion as compared between the two years, and higher average borrowing costs for 2013 as compared with the previous year. Average cost of debt was 4.5% in 2013.

Capitalised interest, which was mainly attributable to the development of our mining operation in Australia, dropped from HK$3,513 million in 2012 to HK$2,471 million in 2013 as some of the facilities became ready for their intended use during the year.

After inclusion of other finance charges and netting off with finance income, the net finance charges increased by HK$1,606 million to HK$2,748 million in 2013, of which HK$1,321 million was attributed to the Iron ore segment.

(c) Taxation

Taxation in 2013 decreased 27% to HK$978 million as compared with the previous year. This was in line with the decrease in profit from consolidated activities after deduction of net finance charges.

c. *Group Cash Flows*

In HK$ million	2013	2012	Increase/(Decrease)	
Source of cash:				
Cash inflows from business operations	8,595	7,519	1,076	14%
Other cash inflows				
Net proceeds of divestment of businesses	2,419	4,299	(1,880)	(44)%
Dividends received and loan repayment from joint ventures and associated companies	3,187	1,966	1,221	62%
Proceeds of sale of fixed assets and investment properties	311	1,083	(772)	(71)%
Others	928	785	143	18%
	6,845	8,133	(1,288)	(16)%
	15,440	15,652	(212)	(1)%
Increase in net borrowings	3,845	18,277	(14,432)	(79)%
Issue of perpetual capital securities	7,725	–	7,725	n/a
	27,010	33,929	(6,919)	(20)%
Use of cash:				
Capital expenditure*	(14,933)	(23,162)	(8,229)	(36)%
Dividends paid to ordinary shareholders	(1,460)	(1,642)	(182)	(11)%
Distribution made to holders of perpetual capital securities	(796)	(461)	335	73%
Interest paid	(5,472)	(4,724)	748	16%
Other cash outflows	(4,628)	(927)	3,701	399%
	(27,289)	(30,916)	(3,627)	(12)%
Net increase/(decrease) in cash	(279)	3,013	(3,292)	n/a

* Capital expenditure analyses include capitalised interest of HK$2,471 million (2012: HK$3,513 million)

Cash generated from our business operations for 2013 increased 14% to HK$8.6 billion, primarily because more cash was generated from our property business in the PRC as a result of increased pre-sales. Other cash receipts in 2013 included proceeds from the disposal of CITIC Plaza Shenhong in Shanghai, as well as HK$773 million from the disposal of our 18.6% interest in CITIC Telecom International, which was directly offset by a cash outflow of HK$758 million to subscribe for the rights issue of CITIC Telecom International to maintain our level of shareholdings. Including an issue of US$1 billion in perpetual capital securities and an increase in net borrowing of HK$3.8 billion, total sources of cash in 2013 amounted to HK$27 billion.

The Group also acquired a 25% interest in Xingcheng Phase II for a consideration of HK$659 million, making it a wholly-owned subsidiary of the Group. Including this transaction, capital expenditure outflows during the year were around HK$15 billion, 36% lower than the previous year.

Other cash outflows mainly comprised an increase in non-current deposit payments in relation to special steel plants and the iron ore project, as well as an investment in bank deposits with maturity over three months. Together with dividends paid to ordinary shareholders, distribution to holders of perpetual capital securities, interest paid and various other payments, the total use of cash in 2013 was HK$27 billion, breaking even with the total sources of cash.

(a) Source of cash by business

In HK$ million	2013 Cash flow from business operation	2013 Other cash inflows	2013 Total	2012 Cash flow from business operation	2012 Other cash inflows	2012 Total
Net cash inflow/(outflow):						
Special steel	5,082	228	5,310	4,704	641	5,345
Iron ore	(616)	1	(615)	(390)	3	(387)
Mainland China property	3,994	3,011	7,005	1,210	1,293	2,503
	8,460	3,240	11,700	5,524	1,937	7,461
Hong Kong property	392	607	999	246	259	505
Energy	130	1,897	2,027	(167)	644	477
Tunnels	577	282	859	554	3	557
Dah Chong Hong	(505)	488	(17)	1,253	609	1,862
CITIC Telecom International	53	120	173	289	220	509
Others	(512)	211	(301)	(180)	4,461	4,281
	8,595	6,845	15,440	7,519	8,133	15,652

(b) Capital expenditure

In HK$ million	2013	2012	Increase/(Decrease)	
Special steel	3,705	4,613	(908)	(20)%
Iron ore	8,169	16,512	(8,343)	(51)%
Mainland China property	4,040	3,855	185	5%
	15,914	24,980	(9,066)	(36)%
Others	1,490	1,695	(205)	(12)%
	17,404	26,675	(9,271)	(35)%

In 2013, the capital expenditure in our special steel business was mainly comprised of additional shares in Xingcheng Phase II and expenditure for the high speed wire product plant at Xingcheng, the Jiangdu pellet plant and renovation of existing plants at Xingcheng and Daye.

Capital expenditure for the iron ore business included continuing expenditure for the construction of the production lines and common facilities, and capitalised interest.

Capital expenditure for our property development projects on the mainland was higher during 2013, mainly due to a relocation expense for current residents at our Westgate Garden development site in Shanghai.

(c) Capital commitments

As of December 31, 2013, the contracted capital commitments of CITIC Pacific Limited and its subsidiary companies amounted to HK$5 billion.

Future capital expenditures will be funded by the Group's cash and deposits, as well as available credit facilities. The cash and deposits held by the Group and the available committed facilities as of December 31, 2013 amounted to HK$35 billion and HK$13 billion, respectively.

d. Group Financial Position

In HK$ million	**As of December 31, 2013**	**As of December 31, 2012**	**Increase/(Decrease)**	
Total assets	267,779	247,386	20,393	8%
Fixed assets and properties under development	138,705	129,184	9,521	7%
Derivative financial instrument assets	86	376	(290)	(77)%
Derivative financial instrument liabilities	2,697	4,978	(2,281)	(46)%
Inventories	14,660	11,803	2,857	24%
Net debt	85,660	83,808	1,852	2%
Total ordinary shareholders' funds and perpetual capital securities	101,763	84,678	17,085	20%

(a) Total assets

Total assets increased from HK$247,386 million at the end of 2012 to HK$267,779 million at the end of 2013. Continuing construction and installation of equipment for the iron ore mine were the main drivers of the increase in business assets.

(b) Fair value of investment properties

Fair value of investment properties directly held by the Group decreased from HK$16,359 million as of December 31, 2012 to HK$14,932 million as of December, 31 2013, despite a general upward revaluation for the year, due to the disposal of DCH Commercial Centre, an office tower in Hong

Kong, in January 2014. The property was classified as an asset held for sale at the end of 2013 for accounting purposes.

(c) Derivative financial instruments

As of December 31, 2013, the Group had gross outstanding derivative instruments amounting to HK$29 billion. These derivative instruments had a negative fair value of HK$2.6 billion on December 31, 2013. All the derivative instruments were to fix interest rate and/or foreign currency exposure. The valuation loss in interest rate swaps arose because current interest rates are below the interest rates fixed by the swaps. The breakdown by type of derivative financial instrument is shown below:

	Notional amount		**Fair value as of**	
	December 31, 2013	**December 31, 2012**	**December 31, 2013**	**December 31, 2012**
In HK$ million				
Forward foreign exchange contracts	2,225	1,018	(91)	180
Interest rate swaps	26,143	29,929	(2,596)	(4,969)
Cross currency swaps	642	644	76	187
	29,010	31,591	(2,611)	(4,602)

(d) Inventories

Inventories comprise mainly iron ore, scrap metal, steel, motor vehicles, spare parts, electrical appliances, food and other trading items. Inventories as of December 31, 2013 increased 24% as compared with December 31, 2012, due primarily to an increase in finished special steel products, motor vehicle stocks and fast moving consumer products.

(e) Net debt

Financing of needs during 2013 was met by a 2% increase in net debt and the proceeds from the issuance of perpetual capital securities.

(f) Total ordinary shareholders' funds and perpetual capital securities

Total ordinary shareholders' funds and perpetual capital securities increased from HK$84,678 million as of December 31, 2012 to HK$101,763 million as of December 31, 2013, due to the issuance of US$1 billion in perpetual capital securities during the year, plus the profit and other comprehensive income for the year, offset by dividends paid to ordinary shareholders and distribution to holders of perpetual capital securities of HK$2,256 million.

(B) 2012

a. Summary of 2012

Earnings from underlying business operations dropped by 52% to HK$3,456 million, resulting mainly from a decrease in the contribution of special steel and property businesses in China. Including the one-off items of HK$2,850 million, total profit attributable to ordinary shareholders reduced 25% to HK$6,954 million.

b. Group's Financial Results

In HK$ million	**2012**	**2011**	**Increase/(Decrease)**	
Revenue	96,882	100,086	(3,204)	(3)%
Profit from consolidated activities	7,754	9,959	(2,205)	(22)%
Gain on disposal of assets	2,850	664	2,186	329%
Change in fair value of investment properties	1,547	1,891	(344)	(18)%
Net finance charges	(1,144)	(410)	734	179%
Taxation	(1,388)	(2,560)	(1,172)	(46)%
Profit attributable to ordinary shareholders	6,954	9,233	(2,279)	(25)%

(a) Earnings per share

Earnings per share were HK$1.91 in 2012 compared with HK$2.53 in 2011, a decrease of 25%. The number of shares outstanding was 3,649,444,160 at both December 31, 2011 and 2012.

(b) Dividends

A final dividend of HK$0.30 per share has been recommended to ordinary shareholders for approval at the annual general meeting. Together with the interim dividend per share of HK$0.15 paid in September 2012, the total ordinary dividend will be HK$0.45 per share, unchanged from the previous year. This equates to an aggregate cash distribution of HK$1,642 million.

(c) Contribution and assets by business

In HK$ million	Contribution 2012	Contribution 2011	Assets as of December 31, 2012	Assets as of December 31, 2011	Return on assets^ 2012	Return on assets^ 2011
Special steel	211	1,994	55,622	56,273	1%	4%
Iron ore mining*	(781)	(423)	81,577	66,997	(1)%	(1)%
Mainland China property	911	2,160	40,623	40,352	2%	6%
Hong Kong property	569	412	15,573	14,004	4%	3%
Energy	1,136	1,384	9,716	8,910	12%	17%
Tunnels	561	518	2,208	1,977	33%	33%
Dah Chong Hong	536	617	20,306	20,822	5%	6%
CITIC Telecom International †	299	299	3,733	3,354	14%	15%
Other investments	14	168	3,574	5,865	–	3%
Underlying business operations	3,456	7,129	232,932	218,554		
Gain on disposal of assets	2,850	664				
Fair value change in investment properties	1,547	1,891				
Others	(899)	(451)				
Profit attributable to ordinary shareholders	6,954	9,233				

^ earnings or losses in 100% of the business (i.e. both earnings or losses attributable and non-attributable to CITIC Pacific) divided by average total assets of the business, save for jointly controlled entities and associated companies which accounted for share of earnings and assets only

* for the purpose of segment analysis, Iron ore mining includes the mining operation in Western Australia, 12 mini-cape vessels operation and a trading and ship management business in Singapore

† classified as discontinued operations in 2012 as it was no longer to be accounted for as a subsidiary as the Group disposed of 18% interest in CITIC Telecom International on February 21, 2013

(d) Contribution by business

Special Steel: The sector reported a decrease in both sales volume and revenue in 2012 within a challenging environment. A total of 6.55 million tons of special steel products were sold during the year, 4% less than 2011, due primarily to sluggish market demand which fell sharply in the third quarter. The overall price of our products was down by 13% in 2012 as compared to 2011. Because of an analogous decrease in raw material prices during the period, margin was further eroded by lagged utilization of the cost of direct materials, purchased of two to three months of throughput on average.

Iron Ore Mining: The loss was HK$358 million higher than 2011, reflecting increased provision made for the potential mismatch between the gas delivery under contracts and the production schedule, more non-capitalized bank loan interest and other operating expenses, and higher operating loss of vessels to be used to carry iron ore but currently chartered to third parties.

Mainland China Property: Lower net contribution in the sector during 2012 was due primarily to a reduced completion as compared to 2011, in which two towers at our Lu Jia Zui office development in Shanghai were handed over. Leasing business was comparatively steady, with our investment properties having comparable occupancy rates at the end of 2012 to previous years.

In HK$ million	**2012**	**2011**	**Increase/(Decrease)**	
Sales	783	1,995	(1,212)	(61)%
Leasing	392	383	9	2%
Others and operating expenses	(264)	(218)	46	21%
Total	911	2,160	(1,249)	(58)%

Hong Kong Property: Earnings of leasing business benefited from rising rental and higher occupancy rates of our investment properties in Hong Kong. Property sales contribution was mainly from the Discovery Bay project by our associated company, Hong Kong Resorts.

In HK$ million	**2012**	**2011**	**Increase/(Decrease)**	
Sales	158	59	99	168%
Leasing	411	353	58	16%
Total	569	412	157	38%

Energy: The energy division's contribution decreased 18%, but the power generation business contributed more because of a lower coal cost and generally higher tariffs. This was partially offset by fewer units of electricity sold because two power units at Ligang plant in Jiangsu were offline for three months for flue-gas denitrification systems upgrade. Full operations of the two power units were resumed in June. Lower earnings of the coal mine in Shandong were mainly due to a drop in coal prices, despite increase in sales volume and coal production.

In HK$ million	**2012**	**2011**	**Increase/(Decrease)**	
Power generation	696	631	65	10%
Coal	440	753	(313)	(42)%
Total	1,136	1,384	(248)	(18)%

Tunnels: Higher earnings were mainly attributable to increased market share of the two tunnels. Average daily traffic for the Eastern and Western Harbour Tunnels increased 2% and 6% respectively as compared to 2011, which were higher than a 1% increase of overall traffic flow between Hong Kong and Kowloon. The Eastern Harbour Tunnel reported a decrease in earnings by 2% due to the expense of a tariff arbitration during the year.

Dah Chong Hong: The 13% decrease in contribution was due to slowdown of the PRC automobile market adversely affecting the profit margin on new car sales, and increased finance charges to service the higher level of automobile inventories in the PRC during 2012, partly offset by the growth of the food and consumer products businesses in both Hong Kong and the PRC.

CITIC Telecom International: In December 2012, CITIC Pacific announced the disposal of 18% interest in CITIC Telecom International to a wholly-owned subsidiary of CITIC Group Corporation for a consideration of HK$773 million. As a result of the disposal, completed on February 21, 2013, CITIC Pacific's shareholding in CITIC Telecom International reduced to 42% from 60%, and an estimated profit will be recorded upon completion. After completion, CITIC Pacific will equity account for its shareholding in CITIC Telecom International. The 2012 profit contribution from CITIC Telecom International was at the same level as 2011. Business growth and an increase in share of an associate's profits were offset by the rise in depreciation and amortization expenses, and other operating expenses.

(e) Revenue

Revenue from operations decreased from HK$100,086 million in 2011 to HK$96,882 million in 2012. Special Steel and Dah Chong Hong accounted for the majority of the consolidated revenue of CITIC Pacific in 2012 as in previous years.

(f) Gain on disposal of assets

A one-off gain of HK$2,850 million was from disposal of the entire interest in CITIC Guoan Co., Ltd. and the Tai Chi Factory Building in Hong Kong, while the gain in 2011 was made from disposal of an investment property in Hong Kong, a power station in Zhengzhou and a construction site in Shanghai.

(g) Change in the fair value of investment properties

The fair value of investment properties increased by HK$1,547 million in 2012. This was due to an upward revaluation of investment properties of CITIC Pacific in both mainland China and Hong Kong.

(h) Net finance charges

The increase in net finance charges from HK$410 million to HK$1,144 million was the result of higher interest expense on increased borrowing of HK$18 billion to finance capital expenditure during the year, in particular the Australian mining project. Average cost of debt was 4.3%.

(i) Taxation

Taxation in 2012 decreased by 46% to HK$1,388 million mainly due to reduced earnings from underlying businesses.

c. *Group's Cash Flows*

In HK$ million	2012	2011	Increase/(Decrease)	
Source of Cash:				
Cash inflows from business operations	7,519	7,934	(415)	(5)%
Other cash inflows	7,547	5,633	1,914	34%
Net borrowings	18,277	13,839	4,438	32%
Issue of shares and perpetual capital securities	–	5,798	(5,798)	(100)%
Sub-total	33,343	33,204	139	–
Use of Cash:				
Capital expenditure	(26,675)	(24,476)	2,199	9%
Dividends paid to ordinary shareholders	(1,642)	(1,642)	–	–
Distribution made to holders of perpetual capital securities	(461)	(230)	231	100%
Other cash outflows	(1,552)	(3,681)	(2,129)	(58)%
Sub-total	(30,330)	(30,029)	301	1%
Net Increase in Cash	3,013	3,175	(162)	(5)%

Although the amount of cash the Group generated from business operations – HK$7.5 billion – decreased 5% over the same period last year, it was compensated by other cash receipts including the proceeds of the disposal of CITIC Guoan Co., Ltd. of HK$4.3 billion, and properties in Tai Chi Factory Building of HK$220 million. The use of cash comprised capital expenditure, dividend distribution to ordinary shareholders, distribution to holders of perpetual capital securities (which were issued in 2011 to raise US$750 million), and various other payments. The Group had a net cash inflow of HK$3 billion for 2012.

(a) *Cash inflows from business operations*

In HK$ million	**2012**	**2011**	**Increase/(Decrease)**	
Cash inflows/(outflows) by business:				
Special steel	4,704	4,956	(252)	(5)%
Iron ore mining	(390)	(253)	137	54%
Mainland China property	1,210	2,138	(928)	(43)%
Sub-total	5,524	6,841	(1,317)	(19)%
Hong Kong property	246	205	41	20%
Energy	(167)	137	(304)	n/a
Tunnels	554	540	14	3%
Dah Chong Hong	1,253	556	697	125%
CITIC Telecom International	289	271	18	7%
Others	(180)	(616)	(436)	(71)%
Total	7,519	7,934	(415)	(5)%

(b) *Other cash inflows*

In HK$ million	**2012**	**2011**	**Increase/(Decrease)**	
Proceeds of divestment of businesses	4,299	2,055	2,244	109%
Dividends received from jointly controlled entities and associated companies	1,964	823	1,141	139%
Proceeds of sale of fixed assets and investment properties	1,083	892	191	21%
Others	201	1,863	(1,662)	(89)%
Total	7,547	5,633	1,914	34%

(c) Capital expenditure

In HK$ million	2012	2011	Increase/(Decrease)	
Special steel	4,613	6,539	(1,926)	(29)%
Iron ore mining	16,512	12,583	3,929	31%
Mainland China property	3,855	3,516	339	10%
Sub-total	24,980	22,638	2,342	10%
Others	1,695	1,838	(143)	(8)%
Total	26,675	24,476	2,199	9%

For the year of 2012, the capital expenditure in our special steel mills was mainly comprised of expenditure for renovation of existing plants at Xingcheng and Daye, as well as construction of Jiangdu Pellet Plant and Tongling Coke Plant Phase II.

Capital expenditure for iron ore mining in 2012 included continuing expenditure for the construction of the production lines and common facilities, as well as payment for delivery for eight vessels as compared to four in 2011, and capitalized interest.

Our property development projects on the mainland continued at a similar level with 2011.

(d) Capital commitments

As of December 31, 2012, the contracted capital commitments of CITIC Pacific Limited and its subsidiary companies amounted to HK$6 billion.

The future capital expenditure will be funded by the Group's cash and deposits, as well as available credit facilities. The cash and deposits held by the Group and the available committed facilities as of December 31, 2012 amount to HK$33 billion and HK$15 billion, respectively.

d. *Group's Financial Position*

In HK$ million	As of December 31, 2012	As of December 31, 2011	Increase/(Decrease)	
Total assets	247,386	229,739	17,647	8%
Fixed assets and properties under development	128,040	109,307	18,733	17%
Derivative financial instrument assets	376	1,329	(953)	(72)%
Derivative financial instrument liabilities	4,978	4,906	72	1%
Inventories	11,803	14,125	(2,322)	(16)%
Net debt	83,808	67,777	16,031	24%
Total ordinary shareholders' funds and perpetual capital securities	84,678	80,958	3,720	5%

(a) *Total assets*

Total assets increased from HK$229,739 million at the end of 2011 to HK$247,386 million at the end of 2012. Continuing construction and installation of equipment for iron ore mine were the main drivers of an increase in business assets.

(b) *Derivative financial instruments*

As of December 31, 2012, the Group had gross outstanding derivative instruments amounting to HK$32 billion. These derivative instruments had a negative fair value of HK$4.6 billion on December 31, 2012. All the derivative instruments were entered into to fix interest rate and foreign currency exposure in economic terms. The valuation loss in interest rate swaps arises because current interest rates are below the interest rates fixed by the swaps. The breakdown by type of the derivative financial instruments is shown below:

	Notional Amount		Fair Value as of	
In HK$ million	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Forward foreign exchange contracts	1,018	7,552	180	986
Interest rate swaps	29,929	29,789	(4,969)	(4,842)
Cross currency swaps	644	400	187	279
Total	31,591	37,741	(4,602)	(3,577)

(c) Inventories

Inventories comprise mainly iron ore, scrap metal, steel, motor vehicles, spare parts, electrical appliances, food and other trading items. Inventories as of December 31, 2012 dropped 16% as compared to December 31, 2011, due primarily to decrease in raw materials at Special Steel.

(d) Net debt

Net debt increased by 24%, in order to fund capital expenditure particularly expenditure on our Australian mining project. CITIC Pacific expects net debt to increase until major fixed asset investments in the iron ore mining businesses come into production and property developments are sold.

(e) Total ordinary shareholders' funds and perpetual capital securities

Total ordinary shareholders' funds and perpetual capital securities increased from HK$80,958 million at December 31, 2011 to HK$84,678 million at December 31, 2012 due to a profit for the year, offset by dividends paid to ordinary shareholders and distribution to holders of perpetual capital securities of HK$2,103 million, a decrease of HK$45 million in the reserves for exchange translations, negative movements of HK$1,139 million in the hedging reserve mainly due to delivery of foreign exchange contracts and decrease in interest rate, and release of reserve amounting to HK$413 million upon disposal of interest in CITIC Guoan Co., Ltd..

(C) 2011

The financial review provides certain key profit and loss, balance sheet and cashflow items as viewed from an operating perspective. Hence, the presentation of results from the various businesses may differ from those in the financial statements.

a. Summary of 2011

A net profit of HK$9,233 million was attributable to ordinary shareholders for 2011. Results of 2011 were driven by improved profitability in our underlying businesses, along with HK$1,891 million arising from an upward revaluation in our investment properties. This compared with a net profit of HK$8,893 million for 2010, which included a one-time gain of HK$3,008 million from the disposal of non-core assets. The one-time gain from the disposal of core assets in 2011 was HK$664 million. Our continuing business operations contribution increased from HK$5,179 million to HK$7,129 million, a 38% increase from 2010.

b. Earnings per Share

Earnings per share were HK$2.53 in 2011 compared with HK$2.44 in 2010, an increase of 4%. The number of shares outstanding was 3,649,444,160 shares, with 756,000 shares being issued during 2011.

c. Dividends

A final dividend of HK$0.30 per share has been recommended by our board, together with the interim dividend per share of HK$0.15 paid in 2011, to give each shareholder a full year dividend of HK$0.45 per share. This equates to an aggregate cash distribution of HK$1,642 million.

d. Contribution and Assets by Business

In order to present a fairer picture of our operating businesses, in the table below the business segments have been adjusted to separate the gains on disposal of assets from the performance of the underlying business operations.

	Contribution		Assets as of December, 31		Return on assets	
	2011	2010	2011	2010	2011	2010
in HK$ million						
Special steel	1,994	2,102	56,273	48,351	4%	5%
Iron ore mining	(423)	(346)	66,997	53,397	(1%)	(1%)
Mainland China property	2,160	583	40,352	37,410	6%	2%
Sub-total	3,731	2,339	163,622	139,158		
Hong Kong property	412	377	14,004	12,493	3%	3%
Energy	1,384	1,045	8,910	7,840	17%	14%
Tunnels	518	502	1,977	1,963	26%	26%
Dah Chong Hong	617	775	20,822	14,717	3%	6%
CITIC Telecom International	299	248	3,354	3,060	9%	9%
Other businesses	168	(107)	5,865	5,624	3%	(1%)
Continuing business operations	7,129	5,179				
Disposal of assets	664	3,008	–	–	–	–
Fair value change in investment properties	1,891	1,298	–	–	–	–
Others	(451)	(592)	–	–	–	–
Profit attributable to ordinary shareholders	9,233	8,893	218,554	184,855		

e. By business

Special Steel: The contribution for 2011 was HK$1,994 million compared with HK$2,102 million for 2010, a decrease of 5%. The actual business operation remained strong, and this decrease was mainly due to a HK$342 million loss incurred due to the closure of two small blast furnaces and one electric arc furnace in Xin Yegang from the retirement of outdated facilities. Excluding this loss, the contribution for 2011 increased 11% from the previous year. The volume of special steel products produced was around 6.96 million tons during 2011. Exports totalled 917,000 tons, accounting for approximately 13% of our sales. The growth in sales for 2011 was met by newly added capacity.

Iron Ore Mining: Construction of the iron ore mine in Australia continued. A loss of HK$423 million was recorded in 2011, mainly due to a provision made for a mismatch between the supply of gas under the current contract and the revised timetable for the completion of the iron ore mine and non-capitalised bank loan interest.

Mainland China Property: Net contribution increased to HK$2,160 million in 2011 compared with HK$583 million in 2010 due to the delivery of property to their buyers, including two office towers at our Lujiazui development in Shanghai and from the delivery of residential units in Qingpu in Shanghai, Wuxi, Yangzhou, Hainan and Jiading, and strata office units in Ningbo. Our investment properties, CITIC Square and Westgate, were fully leased and Royal Pavilion and Ningbo Pacific Plaza had occupancy rates of 78% and 72%.

in HK$ million	**2011**	**2010**
Sales	1,995	338
Leasing	383	352
Disposal of assets	164	–
Others and operating expenses	(218)	(107)
Total	2,324	583

Hong Kong Property: Profits from leasing decreased slightly to HK$353 million in 2011 compared with HK$360 million in 2010, mainly attributable to lower occupancy rates, particularly in CITIC Tower where the occupancy of a major new tenant and the renovation of the retail podium were only completed in late 2011. The average occupancy rate of the properties in Hong Kong was 93% at the end of 2011. Property sales contribution was mainly from the Discovery Bay project by our associated company, Hong Kong Resorts. A non-recurring gain was made by the sale of Honest Motor Building.

in HK$ million	2011	2010
Sales	59	17
Leasing	353	360
Disposal of investment property	296	–
Total	708	377

Energy: The energy division showed a HK$1,384 million profit contribution compared with HK$1,045 million in 2010. The power generation business contributed HK$631 million in 2011, compared with HK$532 million in 2010 due to an overall increase in power generated and a small increase in tariffs. The coal mine in Shandong increased production over the year from approximately 4.6 million tons in 2010 to 6 million tons in 2011 and also benefited from higher coal prices.

in HK$ million	2011	2010
Power generation	631	532
Coal	753	513
Disposal of assets	204	914
Total	1,588	1,959

Tunnels: A profit contribution of HK$518 million in 2011 was achieved compared with HK$502 million in 2010. This was due to the increase in market share for the traffic flow between Hong Kong and Kowloon and an increase in the average toll for the Western Harbour Tunnel of about 10%, which came into effect on August 1, 2010. Average daily traffic for the Eastern and Western Harbour Tunnels increased 3% and 6% respectively as compared with 2010. The first half of 2010 included a one-off HK$6 million compensation payment from the Hong Kong Government.

Dah Chong Hong: CITIC Pacific's share of Dah Chong Hong's business profit was HK$617 million in 2011 compared with HK$775 million in 2010. The results of Dah Chong Hong in 2010 included an exceptional gain on the disposal of the Shiseido franchise, a jointly controlled entity. Excluding this and other non-operating items, the adjusted net profit of Dah Chong Hong increased by 16% in 2011. The motor distribution business in the PRC and food products business remained strong contributing to the strong growth in operating profit.

CITIC Telecom International: CITIC Pacific's share of CITIC Telecom International's profit was HK$299 million in 2011 compared with HK$248 million in 2010. This increase was due to improved business operations, the contribution from its interest in Companhia de Telecomunicações de Macau, which was acquired in May 2010, and the contribution from CITIC Telecom International's acquisition of CEC-HK, which was acquired in July 2011.

f. ***Revenue***

Revenue increased from HK$70,614 million in 2010 to HK$100,086 million in 2011. Special Steel and Dah Chong Hong accounted for the majority of the consolidated revenue of CITIC Pacific in 2011. Revenue of CITIC Pacific includes the total invoiced value of goods supplied net of government taxes where applicable (Special Steel and Dah Chong Hong); gross proceeds from the sale of properties and gross property rental (Property); charges for telecommunication services and fees from services rendered to customers (CITIC Telecom International); and toll income (Tunnels).

Revenue at Special Steel increased 45% while revenue at Dah Chong Hong increased 43% in 2011.

g. ***By business***

in HK$ million	**2011**	**2010**
Special steel	44,043	30,478
Iron ore mining	83	27
Mainland China property	5,459	3,791
Sub-total	49,585	34,296
Hong Kong property	249	258
Tunnels	797	775
Dah Chong Hong	46,109	32,211
CITIC Telecom International	3,196	2,966
Others	150	108
Total	100,086	70,614

h. ***Change in the Fair Value of Investment Properties***

The fair value change of investment properties was HK$1,891 million in 2011. This was due to an upward revaluation of investment properties of CITIC Pacific in both mainland China and Hong Kong. The valuation in China and Hong Kong was performed by Knight Frank Petty Limited.

i. Interest Expense

Interest charged to the profit and loss account increased from HK$766 million in 2010 to HK$1,176 million in 2011, due to gross debt increasing from HK$83,683 million to HK$98,707 million. This was offset by HK$695 million of interest income, which increased from HK$356 million in 2010 due to an increase in cash deposits from HK$24,558 million to HK$30,930 million over the year.

The weighted average cost of debt (including both interest capitalised and expensed) increased from 3.8% in 2010 to 4.0% in 2011. This was due to the increase in the People's Bank of China lending rate and an increase in fixed rate USD borrowings. Interest rates in Hong Kong and the United States continued to be low.

Capitalised interest of HK$2,891 million was mainly attributable to the development of our mining operations in Australia (2010: HK$2,335 million).

j. Taxation

CITIC Pacific adopted amendments to HKAS12 "Income Taxes – Deferred Tax: Recovery of Underlying Assets" in 2011. As a result, deferred tax in respect of its investment properties is measured with reference to the tax consequences that would arise if the properties were disposed of at their carrying amounts at the reporting date. Previously, deferred tax of these properties was measured using the tax rate that would apply as a result of recovery of assets' value through use. The total ordinary shareholders' funds and perpetual capital securities of CITIC Pacific as of January 1, 2011 increased by HK$64 million, while the profit attributable to ordinary shareholders for 2011 and 2010 decreased by HK$57 million and HK$23 million respectively.

Taxation in 2011 increased to HK$2,560 million from HK$2,239 million in 2010, mainly due to the increased profits from operations and the deferred taxation provision for the revaluation surplus of investment properties in mainland China.

k. Cash Inflows

Consolidated cash inflows totalled HK$13,567 million in 2011 compared with HK$16,429 million in 2010. Cash inflows principally represent cash generated from operating activities after income taxes, dividends from associated companies and jointly controlled entities, and sales of fixed assets and investment properties.

in HK$ million	**2011**	**2010**
Cash inflows/(outflows) from business operations		
Special steel	4,956	2,083
Iron ore mining	(253)	(64)
Mainland China property	2,138	5,381
Sub-total	6,841	7,400
Hong Kong property	205	221
Energy	137	–
Tunnels	540	550
Dah Chong Hong	556	(146)
CITIC Telecom International	271	341
Others	(616)	(350)
	7,934	8,016
Other cash inflows		
Divestments of businesses	2,055	4,043
Dividends from associated companies & jointly controlled entities	830	548
Sale of fixed assets & investment properties	892	237
Others	1,856	3,585
	5,633	8,413
Total	13,567	16,429

l. ***Capital Expenditure***

Capital expenditure declined from HK$28.9 billion in 2010 to HK$24.5 billion in 2011. Investment in iron ore mining accounted for the largest share of capital expenditure in the last five years and continued to account for the bulk of expenditures for 2011. There was also continued capital investment in Special Steel with the completion of the new facilities for Xin Yegang and Xingcheng.

By business segments

in HK$ million	**2011**	**2010**
Special steel	6,539	6,271
Iron ore mining	12,583	17,909
Mainland China property	3,516	3,602
Sub-total	22,638	27,782
Others	1,838	1,094
Total	24,476	28,876

Capital expenditure presented in the above table includes expenditure to acquire fixed assets, develop properties, acquire businesses and pay for mining rights and related development costs including capitalised interest.

CITIC Pacific has maintained its focus on its major businesses. Our investments in special steel, the Australian iron ore mining project and property projects in mainland China represent 92% of the total capital expenditure of CITIC Pacific for 2011.

As of December 31, 2011, the contracted capital commitments of CITIC Pacific Limited and its subsidiary companies were approximately HK$13 billion.

Future capital expenditure will be funded by the group's cash and deposits and available credit facilities. The cash and deposits held by the group and available committed banking facilities at December 31, 2011 were HK$30.9 billion and HK$15.4 billion respectively.

m. ***Assets***

Total assets increased from HK$193,169 million in 2010 to HK$229,739 million in 2011. Iron ore mining assets, which include HK$4.6 billion for ships that will be used to transport iron ore, capital expansion of the steel plants and development of our properties in mainland China were the main drivers of an increase in business assets. The percentage of assets in our three main businesses declined slightly from 72% in 2010 to 71% in 2011, mainly due to an increase in inventory and assets from business growth at Dah Chong Hong and an upward revaluation in our Hong Kong investment properties.

n. Current Assets and Liabilities

Current assets for CITIC Pacific were HK$68,779 million for 2011 as compared with HK$54,340 million for 2010, of which HK$30,930 million was cash and deposits. Current liabilities were HK$59,907 million for 2011 as compared with HK$43,129 million in 2010, of which HK$27,657 million was bank loans, loans and overdrafts.

o. Net Debt

Net debt increased from HK$59,125 million to HK$67,777 million in 2011 to fund the planned expansion of our businesses. Gross debt increased 18% to HK$98,707 million as of December 31, 2011. CITIC Pacific expects net debt to increase until major fixed asset investments in the iron ore mining businesses come into production and property developments are sold.

p. Total Ordinary Shareholders' Funds and Perpetual Capital Securities

Total ordinary shareholders' funds and perpetual capital securities increased from HK$68,346 million at December 31, 2010 to HK$80,958 million at December 31, 2011 due to profit for 2011, the issuance of US$750 million of perpetual capital securities, adjustments in the reserves for exchange translations and movements in the hedging reserve for interest rate and foreign exchange contracts, less dividends paid.

q. Derivatives Contracts

As of December 31, 2011, CITIC Pacific had gross outstanding derivative instruments of HK$37,741 million, compared with HK$43,955 million as of December 31, 2010. The net decrease can be attributable to the expiry of existing interest rate swaps exceeding the amount of new interest rate swaps entered into during the past year and the ongoing delivery of AUD from our par forward foreign exchange contracts.

	Notional amount		**Fair value as of**	
	December 31, 2011	**December 31, 2010**	**December 31, 2011**	**December 31, 2010**
in HK$ million				
Forward foreign exchange contracts	7,552	10,409	986	1,633
Interest rate swaps	29,789	32,351	(4,842)	(2,539)
Cross currency swaps	400	1,195	279	235
Total	37,741	43,955	(3,577)	(671)

All these above derivative instruments were entered into to manage interest rate and foreign currency exposure in economic terms. As of December 31, 2011, derivative instruments with a total notional amount of HK$32,059 million (December 31, 2010: HK$33,576 million) and a negative fair value of HK$3,519 million (December 31, 2010: HK$711 million) are qualified for hedge accounting, where the effective portion of gains and losses on such instruments are recognised in other comprehensive income.

Derivative instruments that are not qualified for hedge accounting include forward exchange contracts and cross currency swaps that hedge from an economic perspective, USD debt and a JPY note, and foreign exchange contracts for economic hedging of short term trade flows.

(C) STATEMENT OF INDEBTEDNESS

The following table sets forth the borrowings of the Group as of the dates indicated:

	As of December 31,		
	2011	2012	2013
In HK$ million			
Short term borrowings			
Bank loans			
unsecured	7,815	9,604	13,261
secured	757	441	400
	8,572	10,045	13,661
Other loans			
unsecured	–	987	267
secured	189	137	149
	189	1,124	416
Current portion of long term borrowings	18,896	10,964	13,062
Total short term borrowing	27,657	22,133	27,139
Long term borrowings			
Bank loans			
unsecured	69,900	68,127	65,207
secured	13,124	13,340	12,464
	83,024	81,467	77,671
Other loans			
unsecured	6,922	23,993	28,982
Less: current portion of long term borrowings	(18,896)	(10,964)	(13,062)
Total long term borrowings	71,050	94,496	93,591
Total borrowings	98,707	116,629	120,730

Indebtedness Statement

The following table illustrates the Enlarged Group's borrowings as of March 31, 2014:

HK$ million	**CITIC Bank**	**Other entities, excluding CITIC Bank**	**Total**
Bank loans *(Note)*			
– Guaranteed loans		6,521	6,521
– Secured loans		27,276	27,276
– Unsecured loans		142,791	142,791
		176,588	176,588
Other borrowings *(Note)*			
– Guaranteed borrowings		138	138
– Secured borrowings		2,184	2,184
– Unsecured borrowings		42,829	42,829
		45,151	45,151
Debt securities	79,066	101,570	180,636
Finance lease commitments	500	674	1,174
Bank overdrafts	–	119	119
	79,566	324,102	403,668
Debt securities – authorized but not yet issued	65,566	58,333	123,899

Note: In addition to the above items, as of March 31, 2014, being the latest practicable date for the purpose of this indebtedness statement of this circular, CITIC Bank had borrowings from central banks, deposits from customers and other banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, certificates of deposits, direct credit substitutes, transaction-related contingencies, trade-related contingencies and other commitments that arose from the normal course of banking business carried out by CITIC Bank.

There has been no material change in the contingent liabilities relating to guarantees and other contingent liabilities of the Enlarged Group since December 31, 2013. The details of the contingent liabilities of the Group and the Target Group as at December 31, 2013 are set out in Note 39 to the Group's audited consolidated financial statements for the year ended December 31, 2013 on page 253 of the Group's 2013 annual report and in Notes 44 and 45 to the accountants' report of the Target Group for the year ended December 31, 2011, 2012 and 2013 as set out in Appendix I to this circular.

Except as otherwise disclosed aforementioned and intra-group liabilities within the Enlarged Group and normal trade and other payables, as of March 31, 2014, the Enlarged Group did not have any other outstanding loans, bank overdrafts, debt securities, debentures, mortgages, finance lease commitments, guarantees and acceptances, material contingent liabilities or other indebtedness in the nature of borrowings.

(D) MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, save as disclosed, the Directors were not aware of any material adverse change in the financial or trading position of the Group since December 31, 2013, being the date to which the latest published audited financial statements of the Group were made up.

(E) SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, after taking into account of the financial resources available to the Enlarged Group, including the Enlarged Group's internally generated funds, the continued availability of funds from the banking and capital markets, the renewal of credit facilities and the cash flow impact arising from the Acquisition, the Enlarged Group has sufficient working capital to satisfy its requirements for the next twelve months from the date of this circular.

A. FURTHER INFORMATION ABOUT CITIC PACIFIC

(A) Incorporation

Tylfull Company Limited (泰富發展(集團)有限公司), the predecessor of CITIC Pacific, was incorporated in Hong Kong on January 8, 1985 and was listed on the Stock Exchange on February 26, 1986.

Tylfull Company Limited changed its name to CITIC Pacific Limited in 1991.

CITIC Pacific's place of business in Hong Kong is at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong.

(B) Changes in Share Capital of the Group

Within the two years immediately preceding the date of this circular, major alterations in the share capital of the principal subsidiary companies of CITIC Pacific are summarised below:

a. *Jiangyin Xingcheng Special Steel Works Co., Ltd.*

Jiangyin Xingcheng Special Steel Works Co., Ltd. ("Jiangyin Xingcheng Special Steel Works") was incorporated on November 23, 1994. On December 17, 2012, the Group increased the registered capital of Jiangyin Xingcheng Special Steel Works from US$506.08 million to US$566.08 million by an increase of US$60 million. As of the Latest Practicable Date, the Group held 100% of its equity interest.

b. *Jiangyin Xingcheng Alloy Materials Co., Ltd.*

Jiangyin Xingcheng Alloy Materials Co., Ltd. ("Jiangyin Xingcheng Alloy Materials"), formerly known as Jiangyin Jintian Machinery Limited (江陰金田機械有限公司), was incorporated on April 28, 2005 and adopted its current name in 2012. On September 10, 2012, the Group increased the registered capital of Jiangyin Xingcheng Alloy Materials from US$12.00 million to US$91.98 million by an increase of US$79.98 million. As of the Latest Practicable Date, the Group held 100% of its equity interest.

c. *Sino Iron Holdings Pty Ltd*

Sino Iron Holdings Pty Ltd ("Sino Iron Holdings"), formerly known as A.C.N. 118 791 772 Pty Limited, was incorporated on March 14, 2006 and adopted its current name in 2007. On December 20, 2012 and January 31, 2014, Sino Iron Holdings issued 1,333,333,334 new shares and 8,000,000,000 new shares, respectively. As of the Latest Practicable Date, Sino Iron Holdings had 10,605,473,744 shares in issue and the Group held 100% of its equity interest.

d. Loreto Maritime Pte. Ltd.

Loreto Maritime Pte. Ltd. ("Loreto Maritime") was incorporated on September 29, 2008. On September 25, 2013, Loreto Maritime issued 129 new shares. As of the Latest Practicable Date, Loreto Maritime had 132 shares in issue and the Group held 100% of its equity interest.

e. Pacific Resources Trading Pte. Ltd.

Pacific Resources Trading Pte. Ltd. ("Pacific Resources") was incorporated on September 7, 2009. On December 28, 2012, Pacific Resources issued 9,800,000 new shares. As of the Latest Practicable Date, Pacific Resources had 10,080,001 shares in issue and the Group held 100% of its equity interest.

f. Cheng Xin Chartering Pte. Ltd.

Cheng Xin Chartering Pte. Ltd. ("Cheng Xin Chartering") was incorporated on September 1, 2011. On September 25, 2013, Cheng Xin Chartering issued 499,999 new shares. As of the Latest Practicable Date, Cheng Xin Chartering had 500,000 shares in issue and the Group held 100% of its equity interest.

g. Transshipment Leasing Pte. Ltd.

Transshipment Leasing Pte. Ltd. ("Transshipment Leasing") was incorporated on September 1, 2011. On November 6, 2012, Transshipment Leasing issued 34,999 new shares. As of the Latest Practicable Date, Transshipment Leasing had 35,000 shares in issue and the Group held 100% of its equity interest.

h. Cheng Xin Shipmanagement Pte. Ltd.

Cheng Xin Shipmanagement Pte. Ltd. ("Cheng Xin Shipmanagement") was incorporated on September 1, 2011. On September 25, 2013, Cheng Xin Shipmanagement issued 8,399,999 new shares. As of the Latest Practicable Date, Cheng Xin Shipmanagement had 8,400,000 shares in issue and the Group held 100% of its equity interest.

i. Dah Chong Hong Holdings Limited

Dah Chong Hong Holdings Limited ("Dah Chong Hong"), formerly known as Dah Chong Hong Holdings Limited (大昌貿易行集團有限公司) and Hang Chong Investment Company, Limited (恒昌企業有限公司), was incorporated on January 2, 1964. In 2012, Dah Chong Hong issued 8,595,000 new shares pursuant to the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme both adopted on September 28, 2007. In 2013, Dah

Chong Hong issued 2,250,000 new shares pursuant to the Post-IPO Share Option Scheme. As of the Latest Practicable Date, Dah Chong Hong had 1,831,993,000 shares in issue, and the Group held 55.61% of its equity interest.

j. Shanghai Jia Yi Real Estate Company Limited

Shanghai Jia Yi Real Estate Company Limited ("Shanghai Jia Yi") was incorporated on June 14, 2007. On October 25, 2013, the Group increased the registered capital of Shanghai Jia Yi from RMB365 million to RMB940 million by an increase of RMB575 million. As of the Latest Practicable Date, the Group held 100% of its equity interest.

k. Shanghai Laoximen Xinyuan Property Company Limited

Shanghai Laoximen Xinyuan Property Company Limited ("Shanghai Laoximen Xinyuan") was incorporated on May 10, 2002. On September 6, 2013, the Group increased the registered capital of Shanghai Laoximen Xinyuan from RMB231,759,500 to RMB1,150,000,000 by an increase of RMB918,240,500. As of the Latest Practicable Date, the Group held 100% of its equity interest.

l. Wanning Renhe Development Company Limited

Wanning Renhe Development Company Limited ("Wanning Renhe") was incorporated on October 10, 2006. On November 8, 2013, the Group absorbed its four companies Wanning Baina Development Company Limited ("Wanning Baina"), Wanning Zhonghong Development Company Limited ("Wanning Zhonghong"), Wanning Zhongrong Development Company Limited ("Wanning Zhongrong") and CITIC Pacific Wanning Tianfu Development Company Limited ("Wanning Tianfu") into Wanning Renhe and Wanning Renhe still exists after the completion of merger with the above four companies dissolved. Therefore, the registered capital of Wanning Renhe increased from US$50 million to US$206.20 million (being the aggregate registered capital of original Wanning Renhe, Wanning Baina, Wanning Zhonghong, Wanning Zhongrong and Wanning Tianfu, the above five companies). As of the Latest Practicable Date, the Group held 99.9% of its equity interest.

m. Wanning Renxin Development Company Limited

Wanning Renxin Development Company Limited ("Wanning Renxin") was incorporated on October 10, 2006. On September 13, 2013, the Group absorbed its company Wanning Chuangyuan Development Company Limited ("Wanning Chuangyuan") into Wanning Renxin and Wanning Renxin still exists after the completion of merger with Wanning Chuangyuan dissolved. Therefore, the registered capital of Wanning Renxin increased from US$50 million to US$100 million (being the aggregate registered capital of original Wanning Renxin and Wanning Chuangyuan). As of the Latest Practicable Date, the Group held 100% of its equity interest.

n. Wanning Jinxin Development Company Limited

Wanning Jinxin Development Company Limited ("Wanning Jinxin") was incorporated on October 10, 2006. On September 17, 2013, the Group absorbed its company Wanning Jincheng Development Company Limited ("Wanning Jincheng") into Wanning Jinxin and Wanning Jinxin still exists after the completion of merger with Wanning Jincheng dissolved. Therefore, the registered capital of Wanning Jinxin increased from US$50 million to US$53.20 million (being the aggregate registered capital of original Wanning Jinxin and Wanning Jincheng). As of the Latest Practicable Date, the Group held 99.9% of its equity interest.

o. CITIC Pacific Wanning Ruian Development Company Limited

CITIC Pacific Wanning Ruian Development Company Limited ("Wanning Ruian") was incorporated on March 11, 2008. On November 8, 2013, the Group absorbed its company Wanning Zhongyi Development Company Limited ("Wanning Zhongyi") into Wanning Ruian and Wanning Ruian still exists after the completion of merger with Wanning Zhongyi dissolved. Therefore, the registered capital of Wanning Ruian increased from US$68 million to US$86 million (being the aggregate registered capital of original Wanning Ruian and Wanning Zhongyi). As of the Latest Practicable Date, the Group held 99.9% of its equity interest.

p. Shanghai Xintai Property Company Limited

Shanghai Xintai Property Company Limited ("Shanghai Xintai Property") was incorporated on June 26, 2012. On February 13, 2014, CITIC Construction, one of its shareholders, withdrew all of its 0.8% equity interest in Shanghai Xintai Property. Therefore, the registered capital of Shanghai Xintai Property decreased from RMB1.25 billion to RMB1.24 billion. As of the Latest Practicable Date, the Group held 100% of its equity interest.

B. FURTHER INFORMATION ABOUT THE TARGET GROUP

(A) Changes in Share Capital of the Major Subsidiaries of The Target Group

Within the two years immediately preceding the date of this circular, major alterations in the share capital of the principal subsidiaries of CITIC Limited are summarised below:

a. CITIC Industrial Investment Group Corp., Ltd.

CITIC Industrial Investment was incorporated on August 26, 1997, formerly known as CITIC Shanghai (Group) Co., Ltd. (中信上海(集團)有限公司), and adopted the current name in 2012. On June 18, 2012, the Target Company increased the registered capital of CITIC Industrial Investment from RMB0.67 billion to RMB1.6 billion. As of the Latest Practicable Date, the Target Company held 100% of its equity interest.

b. CITIC Engineering Design and Construction Co., Ltd.

CITIC Engineering Design was incorporated on December 11, 2013. On December 20, 2013, the Target Company increased the registered capital of CITIC Engineering Design from RMB0.3 billion to RMB1 billion by an increase of RMB0.7 billion. As of the Latest Practicable Date, the Target Company held 100% of its equity interest.

c. CITIC Resources Holdings Limited

CITIC Resources was incorporated in 1997, formerly known as Southern-eastern Wood Group Co., Ltd. (東南亞木業集團有限公司), and adopted its current name in 2002. In May, 2013, 2,790,000 shares were issued by CITIC Resource pursuant to the new share option scheme adopted on June 30, 2004, the share capital issued by CITIC Resource increased from 7,865,737,149 shares to 7,868,527,149 shares. As of the Latest Practicable Date, CITIC Limited held 49.50%, 0.37% and 9.54% of the equity interest of CITIC Resources, respectively, through its wholly-owned subsidiaries CITIC Projects Management (HK) Limited, Extra Yield International Ltd. and CITIC Australia. The domestic approval of the equity transfer in CITIC Australia from CITIC Group to CITIC Limited has been completed in China, and it is now pending for the completion of the equity transfer registration procedures in place where CITIC Australia is incorporated. As of the Latest Practicable Date, the Target Company indirectly held a 59.41% equity interest in CITIC Resources.

d. CITIC United Asia Investments Ltd.

CITIC United Asia was incorporated in 1991, formerly known as United Asia Investments Ltd. (裕聯投資有限公司), and adopted its current name after restructuring in 2004. In 2012, the issued share capital of CITIC United Asia increased from 250,000,000 shares to 817,469,000 shares. In 2013, the issued share capital of CITIC United Asia increased from 817,469,000 shares to 916,829,000 shares and the register capital increased from HK$817,469,000 to HK$916,829,000. As of the Latest Practicable Date, the Target Company held 100% of its equity interest indirectly.

e. ***CITIC Heavy Industries Co., Ltd.***

CITIC Heavy Industries was incorporated on January 26, 2008. On July 2, 2012, CITIC Heavy Industries issued 685,000,000 A shares. Following the completion of issurance, the total share capital of CITIC Heavy Industries were 2,740,000,000 shares. Pursuant to *Reply to State-owned Shares Transfer Plans in relation to CITIC Heavy Industries Co., Ltd.* issued by MOF (CAI JIN HAN [2011] No.21), upon the initial public offering and listing of A shares, the Target Company has performed the relevant obligations for the transfer of state-owned shares. After the transfer, the Target Company held 1,724,792,580 shares of CITIC Heavy Industries.

According to the announcements of CITIC Heavy Industries published on SSE website on July 7, 2012 and July 10, 2012, the Target Company increased its holdings in CITIC Heavy Industries' shares via SSE trading system, after which, the Target Company directly held 1,749,934,098 shares, representing 63.87% of the total issued shares of CITIC Heavy Industries. As of the Latest Practicable Date, CITIC Investment Holdings held 4.78% of the equity interest of CITIC Heavy Industries and CITIC Automobile held 2.39% of the equity interest of CITIC Heavy Industries, and the Target Company directly and indirectly held aggregately a 71.04% equity interest in CITIC Heavy Industries.

f. ***CITIC Investment Holdings Ltd.***

CITIC Investment Holdings was incorporated on June 22, 2006. On August 21, 2012, the Target Company increased the registered capital of CITIC Investment Holdings from RMB328 million to RMB928 million. As of the Latest Practicable Date, the Target Company held 100% of its equity interest.

g. ***CITIC Telecom International Holdings Limited***

CITIC Telecom International was incorporated in 1997, formerly known as CITIC 1616 Holdings Limited (中信1616集團有限公司). In 2012, 682,500 new shares were issued by CITIC Telecom International pursuant to the share option plan adopted on May 17, 2007 (the "Share Option Scheme"). In 2013, 32,843,662 new shares were issued by CITIC Telecom International pursuant to the Share Option Scheme. On June 7, 2013, CITIC Telecom International issued 903,723,326 new shares on the basis of 3 rights shares for every 8 existing shares held on May 14, 2013. From January 1, 2014 to the Latest Practicable Date, 11,940,427 new shares were issued by CITIC Telecom International pursuant to the Share Option Scheme. As of the Latest Practicable Date, CITIC Telecom International had 3,335,182,785 shares in issue and the Target Company indirectly held a 18.33% equity interest in it and CITIC Pacific indirectly held a 41.27% equity interest in it.

h. ***CITIC Tianjin Investment Holding Co., Ltd.***

CITIC Tianjin was incorporated on December 21, 2007. On December 12, 2012, the Target Company increased the registered capital of CITIC Tianjin from RMB266.22 million to RMB343.22 million. As of the Latest Practicable Date, the Target Company held 100% of its equity interest.

i. ***CITIC Tourism Group Co., Ltd.***

CITIC Tourism was incorporated on April 4, 1987. On April 11, 2014, the Target Company increased the registered capital of CITIC Tourism from RMB129 million to RMB185.9 million by an increase of RMB56.9 million. As of the Latest Practicable Date, the registered capital of CITIC Tourism was RMB185.9 million and the Target Group held 100% of its equity interest.

(B) Intellectual Property Rights of the Enlarged Group

a. ***Trademark***

Trademarks "中信", "CITIC" and ""; words or device trademarks containing "中信", "CITIC" and ""; and words and variant device design trademarks based on"中信", "CITIC" and "", are all registered by CITIC Group. CITIC Group has authorized CITIC Limited and its relevant subsidiaries to use such registered trademarks in their names and operations at nil consideration.

As of December 31, 2013, the following trademarks material to the business of the Enlarged Group were registered by the Enlarged Group:

Trademark	Territory of Registration	Class	Registration No.	Period of Validity
A 中信泰富 B 中信泰富	Hong Kong	5, 9, 35, 36, 37, 38, 39, 41, 42, 45	300256842	July 27, 2004 to July 26, 2014
A CITIC Pacific B CITIC Pacific C CITIC PACIFIC D CITIC PACIFIC	Hong Kong	5, 9, 35, 36, 37, 38, 39, 41, 42, 45	300256833	July 27, 2004 to July 26, 2014
	Hong Kong	5, 9, 35, 36, 37, 38, 39, 41, 42, 45	300256824	July 27, 2004 to July 26, 2014

Trademark	Territory of Registration	Class	Registration No.	Period of Validity
	The PRC	1	4122045	July 14, 2009 to July 13, 2019
		6	4122043	September 28, 2009 to September 27, 2019
		7	4122042	September 21, 2006 to September 20, 2016
		11	4122039	September 21, 2006 to September 20, 2016
		35	4122038	November 7, 2007 to November 6, 2017
		38	4122235	April 28, 2009 to April 27, 2019
		39	4122251	April 28, 2009 to April 27, 2019
		40	4122250	March 21, 2009 to March 20, 2019

b. Domain Names

The followings are the main domain names owned by the Enlarged Group as of December 31, 2013:

Domain Name	Proprietor	Date of Expiry
www.citicpacific.com	CITIC Pacific Limited	April 23, 2016
www.citicpacific.com.cn	CITIC Pacific (China) Investment Limited	April 23, 2016

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT AND STAFF

(A) Directors' Interests in Securities

Interests and/or short positions of the Directors and chief executive

Save as disclosed below, as of the Latest Practicable Date, none of the Directors and the chief executive of CITIC Pacific had any interest or short position in the Shares, underlying Shares or debentures of CITIC Pacific or its associated corporations (within the meaning of the SFO) which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or were required to be notified to CITIC Pacific and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules:

a. *Shares in CITIC Pacific and Associated Corporations*

Name of Director	Number of Shares (Personal interests unless otherwise stated)		Percentage to issued share capital
CITIC Pacific			
Vernon Francis Moore	4,200,000	*(Note 1)*	0.115
Liu Jifu	840,000		0.023
André Desmarais	8,145,000	*(Note 2)*	0.223
Carl Yung Ming Jie	300,000		0.008
Peter Kruyt *(alternate Director to André Desmarais)*	34,100		0.001
CITIC Telecom International			
Vernon Francis Moore	275,000	*(Note 1)*	0.008

Note 1: Trust interest

Note 2: Corporate interest in respect of 8,000,000 shares and family interest in respect of 145,000 shares *b. Share Options in CITIC Pacific (Note)*

CITIC Pacific adopted the CITIC Pacific Share Incentive Plan 2000 on May 31, 2000 (the "Plan 2000") and which expired on May 30, 2010. From January 1, 2013 to the Latest Practicable Date, none of the share options granted under the Plan 2000 were exercised or cancelled, but options for 430,000 shares have lapsed. In respect of major terms in relation to the Plan 2000, please refer to Directors' Report section of the 2013 annual report of CITIC Pacific. A summary of the movements of the share options balance under the Plan 2000 from January 1, 2013 to the Latest Practicable Date is as follows:

Name of Director	Date of grant	Exercise price per share *(HK$)*	Exercise period	Number of share options Balance as of the Latest Practicable Date	Percentage to issued share capital
Chang Zhenming	November 19, 2009	22.00	November 19, 2009- November 18, 2014	600,000	0.016
Zhang Jijing	November 19, 2009	22.00	November 19, 2009- November 18, 2014	500,000	0.014
Vernon Francis Moore	November 19, 2009	22.00	November 19, 2009- November 18, 2014	500,000	0.014
Liu Jifu	November 19, 2009	22.00	November 19, 2009- November 18, 2014	500,000	0.014
Carl Yung Ming Jie	November 19, 2009	22.00	November 19, 2009- November 18, 2014	500,000	0.014

Note: The consideration paid by the grantee on each grant of the share option was HK$1.

CITIC Pacific adopted the CITIC Pacific Share Incentive Plan 2011 on May 12, 2011 (the "Plan 2011"). In respect of major terms in relation to the Plan 2011, please refer to Directors' Report section of the 2013 annual report of CITIC Pacific. From January 1, 2013 to the Latest Practicable Date, CITIC Pacific did not grant any share options pursuant to the Plan 2011.

(B) Shareholders' Interests

Substantial shareholders of CITIC Pacific

As of the Latest Practicable Date, save as disclosed herein, so far as was known to any Director or chief executive of CITIC Pacific, no person (other than a Director or chief executive of CITIC Pacific or their respective associates) had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to CITIC Pacific under the provisions of Divisions 2 and 3 of Part XV of the SFO or were, directly or indirectly, interested in 10% or more of the number of shares of any class of share capital carrying rights to vote in all circumstances at general meetings of CITIC Pacific:

Name	Number of Shares	Percentage to issued share capital
CITIC Group	2,098,736,285	57.508
CITIC Glory Limited	2,098,736,285	57.508

CITIC Group is the direct holding company of CITIC Glory Limited, which is the registered shareholder of the 2,098,736,285 Shares.

Save as disclosed above, as of the Latest Practicable Date, the Directors and chief executive of CITIC Pacific were not aware of any other persons (not being a Director or chief executive of CITIC Pacific) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to CITIC Pacific under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the number of shares of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

(C) Directors' Interests in Competing Businesses

As of the Latest Practicable Date, in so far as the Directors are aware, save as disclosed in this circular, none of the Directors had any direct or indirect interests in any businesses that constitutes or may constitute a competing business of CITIC Pacific.

(D) Service Contracts

As of the Latest Practicable Date, there were no service contracts which were not determinable by the employer within one year without payment of compensation (other than statutory compensation) between any member of the Enlarged Group and any Director.

(E) Directors' Remuneration

The aggregate remuneration (including fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement benefits) paid to the Directors by the Group for each of the three years ended December 31, 2011, 2012 and 2013 were HK$60.12 million, HK$55.02 million and HK$28.78 million, respectively.

Save as disclosed above, no other payments have been paid or are payable, and no benefits in kind have been granted, in respect of each of the three years ended December 31, 2011, 2012 and 2013, by the Group to the Directors.

(F) Retirement Benefits

Hong Kong employees are offered the option to enroll in one of the MPF Master Trust Schemes under CITIC Group MPF Scheme – the Fidelity Retirement Master Trust, the Hang Seng Mandatory Provident Fund and the Allianz Global Investors (previously RCM) Mandatory Provident Fund. All these master trust schemes are defined contribution schemes and are administered in accordance with the terms and provisions of the respective trust deeds and are subject to the Mandatory Provident Fund Schemes Ordinance.

Employees of the Group's subsidiaries in mainland China and other locations are required to participate in defined contribution retirement schemes administered and operated by the respective local authorities and contributions are made according to the local mandatory requirements.

(G) Directorship and Employment of Directors and Chief Executive in Substantial Shareholders of CITIC Pacific

As of the Latest Practicable Date, save as disclosed below, none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to CITIC Pacific under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of company which had such discloseable interest or short position	Position within such company
Chang Zhenming	CITIC Group	Chairman
Zhang Jijing	CITIC Glory Limited	Director

D. SUMMARY OF MATERIAL CONTRACTS

The Enlarged Group entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years immediately preceding the date of this circular that are or may be material:

a. Sale and Purchase Agreement dated December 18, 2012 entered into among Onway Assets Holdings Ltd. (an indirect wholly-owned subsidiary of CITIC Pacific) as vendor, CITIC Investment (HK) Limited as purchaser and CITIC Pacific, pursuant to which the vendor agreed to sell and the purchaser agreed to purchase the entire issued share capital of Silver Log Holdings Ltd. (which in turn held approximately 18.63% of the then entire issued share capital of CITIC Telecom International) together with associated shareholders' loans, for the aggregate consideration of HK$773,430,000.

b. Sale and Purchase Agreement dated December 19, 2013 among CITIC Pacific, Marvel Glory Limited, Swire Properties Limited and Newmarket Holdings Limited (an indirect wholly-owned subsidiary of CITIC Pacific), pursuant to which Newmarket Holdings Limited agreed to sell to Marvel Glory Limited and Marvel Glory Limited agreed to purchase the entire issued share capital of Joyluck Limited (the immediate holding company of Pacific Grace Limited) and associated shareholders' loans of Pacific Grace Limited for HK$3.9 billion (subject to adjustments for working capital of Joyluck Limited and Pacific Grace Limited). Joyluck Limited and Pacific Grace Limited were solely engaged in the ownership and leasing of DCH Commercial Centre, an office tower in Quarry Bay, Hong Kong.

c. Framework Agreement.

d. Share Transfer Agreement.

E. LITIGATION

As of the Latest Practicable Date, save as set out below, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

Disputes with Mineralogy Pty Ltd ("Mineralogy")

Reference is made to notes 2(ix) and 39(vi) of the Consolidated Financial Statements and Independent Auditor's Report of CITIC Pacific for the year ended December 31, 2013. Mineralogy has subsequently amended its case in the Minimum Royalty and Royalty Component B Dispute and the Option Agreement Dispute. Mineralogy has also instituted new proceedings seeking to set aside one of the approvals held by a subsidiary of CITIC Pacific, which is required to enable port operations to occur ("Port Approval Dispute").

Minimum Royalty and Royalty Component B Dispute

On April 16, 2014, Mineralogy filed an application to amend its statement of claim, seeking to revert to a position that is substantially similar to the position it had previously taken, by formally withdrawing the argument it introduced in November 2013 that the Mining Right and Site Lease Agreements ("MRSLAs") had been terminated by frustration. Mineralogy no longer asserts frustration. It now seeks to assert that the MRSLAs are binding on Sino Iron Pty Ltd ("Sino Iron") and Korean Steel Pty Ltd ("Korean Steel"), that the Royalty Comonent B can be calculated and that a minimum royalty payment of HK$1,524 million is also payable by Sino Iron and Korean Steel.

Mineralogy's proposed amendments also seek to introduce a new claim to the proceeding for payment from Sino Iron and Korean Steel of AUD200 million, or alternatively such other sum as determined by the Court, plus default interest, for contributions to a Site Remediation Fund.

Mineralogy's application to amend its statement of claim is yet to be determined by the Supreme Court of Western Australia. The CITIC Pacific parties have not yet been required to plead a defence to the proposed amendments.

Option Agreement Dispute

The change in position as regards the Minimum Royalty and Royalty Component B dispute has also affected Mineralogy's position in relation to the Option Agreement dispute. On April 14, 2014 Mineralogy filed and served a minute of proposed further amended defence. Mineralogy has not yet formally applied for leave to amend the defence. Mineralogy's proposed amendments abandon all of its pleadings, including that the Option Agreement had been terminated as a consequence of the alleged termination of the Mining Right and Site Lease Agreements. The matter is ongoing, but as Mineralogy appears to be abandoning all of its pleadings, CITIC Pacific has filed an application for costs, including on an indemnity basis.

Port Approval Dispute

Mineralogy has also commenced new proceedings in the New South Wales District Registry of the Federal Court of Australia, seeking to set aside an approval held by one of CITIC Pacific's subsidiaries, Cape Preston Port Company Pty Ltd ("**CPPC**"), which is required to enable exports from the Port of Cape Preston to occur. The dispute concerns CPPC's maritime security plan, which was approved by the Secretary of the Commonwealth Department of Industry and Resources Development in November 2013 under Australian maritime security legislation. Mineralogy alleges that the approval was not granted in accordance with the terms of that legislation, and that it was denied procedural fairness in relation to the decision to approve the plan.

On 9 May 2014, CPPC obtained orders transferring the matter to the Western Australian District Registry of the Federal Court. This matter is ongoing, and no hearing date has been set down, but in any case the Group does not accept that the approval should be set aside and is contesting the claim. The Group has been successfully operating the port under its maritime security plan and a number of ships have been loaded with iron ore for export.

If Mineralogy is successful in its claim, the Group would need to have a replacement maritime security plan approved by the relevant government agency. If a replacement maritime security plan was not approved, then the Group would be prevented from conducting export operations at the port.

F. QUALIFICATIONS AND CONSENTS OF EXPERTS

The qualifications of the experts who have given an opinion or advice in this circular are as follows:

Name	Qualification
Jia Yuan Law Offices	PRC legal adviser
KPMG	Certified Public Accountants
China Enterprise Appraisals Co., Ltd.	Independent appraiser
Somerley Capital Limited	Licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

The above experts have respectively given and have not withdrawn its written consent to the issue of this circular with the inclusion of its report(s) and/or letter(s) and/or valuation certificates and/or opinion(s) and the references to its name included herein in the form and context in which it is respectively included.

None of the experts above has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

G. MISCELLANEOUS

None of the Directors is materially interested in any contract or arrangement at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group.

As of the Latest Practicable Date, none of the Directors and experts had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group since December 31, 2013, being the date to which the latest published financial statements of CITIC Pacific were made up.

The English text of this circular shall prevail over the Chinese text.

The biography of the Director offering for re-election at the EGM is set out as follows:

Mr. Zeng Chen ("Mr. Zeng"), aged 50, an executive Director of CITIC Pacific with effect from the conclusion of the annual general meeting of CITIC Pacific held on May 14, 2014.

Mr. Zeng has been appointed as the chief executive officer of CITIC Pacific Mining Management Pty Ltd ("CPM", a wholly-owned subsidiary of CITIC Pacific) on February 28, 2014 and is responsible for the overall operation and management of CPM. Mr. Zeng has been re-designated as a non-executive director of CITIC Resources with effect from March 1, 2014. He was an executive director, the vice chairman and chief executive officer of CITIC Resources until February 28, 2014. He is also the chairman of CITIC Australia, a non-executive director of CITIC Dameng and Alumina Limited (listed on the Australian Securities Exchange (the "ASX") and the New York Stock Exchange). He also served as a director of CITIC Group from 2010 to 2011 and a non-executive director of Marathon Resources Limited (listed on the ASX) until January 2014. In October 2011, Mr. Zeng ceased to act as a non-executive director of Macarthur Coal Limited (listed on the ASX until December 2011).

Mr. Zeng has over 25 years of experience in project development, management, and a proven record in leading cross-cultural professionals in the resources sector. He has worked in Australia since 1994 and has extensive experience in various industries including aluminium smelting, coal mining and bulk commodity trading. He obtained a Bachelor Degree in Economics and a Master Degree in International Finance from Shanghai University of Finance & Economics.

There is no service contract between CITIC Pacific and Mr. Zeng. Pursuant to the ordinary resolution passed by the shareholders of CITIC Pacific at the annual general meeting held on May 12, 2011, no director's fee would be paid to the executive Directors of CITIC Pacific until CITIC Pacific in general meeting otherwise determines, and as such, Mr. Zeng will not receive any director's fee from CITIC Pacific. Mr. Zeng is entitled to receive under his service contract with CPM an annual salary of AUD930,000 (equivalent to approximately HK$6,417,000) which is determined by reference to prevailing market conditions, his position and responsibilities plus discretionary bonus that is subject to individual performance and contribution and overall business performance and result as well as benefits including superannuation and accommodation. Mr. Zeng will hold office until the next general meeting of CITIC Pacific and is eligible for re-election by the Shareholders at the EGM. Thereafter, he will be subject to retirement by rotation and re-election in accordance with the Articles of Association.

As of the Latest Practicable Date, Mr. Zeng was not interested in any shares of CITIC Pacific within the meaning of Part XV of the SFO. Save as disclosed, he has no relationships with any Directors, senior management or substantial or controlling shareholders of CITIC Pacific, and does not hold and has not in the last three years held any directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas.

In relation to the re-election of Mr. Zeng as an executive director of CITIC Pacific, there is no information to be disclosed pursuant to any of the requirements of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules nor are there other matters that need to be brought to the attention of the Shareholders.

Copies of the following documents are available for inspection by Shareholders at the office of CITIC Pacific at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m., Monday to Friday (other than public holidays) from the date of this circular up to and including the date of the EGM:

(a) the Articles of Association;

(b) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

(c) the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;

(d) the annual reports of CITIC Pacific for each of the three years ended on December 31, 2011, 2012 and 2013;

(e) the Accountants' Report of the Target Group from KPMG, the text of which is set out in Appendix I to this circular;

(f) the Report on the Unaudited Pro Forma Financial Information of the Enlarged Group from KPMG, the text of which is set out in Appendix II to this circular;

(g) the valuation report issued by China Enterprise Appraisals Co., Ltd., the summary of which is set out in Appendix III to this circular;

(h) the Report from the Reporting Accountants on Discounted Future Estimated Cash Flows in connection with the Business Valuations of Certain Subsidiaries and a Joint Venture of CITIC Limited from KPMG, the text of which is set out in Appendix IV to this circular;

(i) the Letter from the Financial Advisers on Discounted Future Estimated Cash Flows in connection with the Business Valuations of Certain Entities of CITIC Limited, the text of which is set out in Appendix IV to this circular;

(j) a copy of each of the material contracts set out in the section headed "Summary of Material Contracts" in Appendix VI to this circular;

(k) the legal opinion issued by Jia Yuan Law Offices;

(l) the written consents referred to in the section headed "Qualifications and Consents of Experts" in Appendix VI to this circular; and

(m) a copy of this circular.

CITIC PACIFIC

CITIC Pacific Limited
中信泰富有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00267)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "EGM") of CITIC Pacific Limited ("CITIC Pacific") will be held at Granville and Nathan Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, June 3, 2014 at 11:00 a.m. for the following purposes:

ORDINARY RESOLUTIONS

To consider and, if thought fit, pass the following resolutions as ordinary resolutions of CITIC Pacific:

1. "**THAT**:

   a. the execution, performance and implementation of the share transfer agreement (the "Share Transfer Agreement") dated April 16, 2014 entered into between CITIC Pacific as the purchaser and CITIC Group Corporation ("CITIC Group") and Beijing CITIC Enterprise Management Co., Ltd. (together with CITIC Group, the "Vendors") (a copy of which has been produced to the EGM marked "A" and initialled by the chairman of the EGM for the purpose of identification), pursuant to which CITIC Pacific had agreed to acquire 100% of the total issued shares of CITIC Limited from the Vendors (the "Acquisition"), and all transactions and ancillary matters contemplated therein, and in connection with, the Share Transfer Agreement be and are hereby approved, ratified and confirmed; and

   b. any one director of CITIC Pacific be and is hereby authorised for and on behalf of CITIC Pacific to do all such things and exercise all powers which he considers necessary, desirable or expedient in connection with the Share Transfer Agreement and otherwise in connection with the implementation of the transactions contemplated therein including without limitation (i) the adjustment to the price per share of the shares of CITIC Pacific to be issued to CITIC Group pursuant to the terms and conditions of the Share Transfer Agreement, (ii) the adjustment to the payment methods of the consideration of the Acquisition pursuant to the terms and conditions of the Share Transfer Agreement, and (iii) the execution, amendment, supplement, delivery, waiver, submission and implementation of any further documents or agreements, and all such things needed to be signed and consented by CITIC Pacific after the date of the Share Transfer Agreement, and if affixation of the common seal is necessary, the common seal be affixed in accordance with the articles of association."

2. "**THAT**:

a. the issue of additional shares of CITIC Pacific (the "Shares") to CITIC Group or CITIC Group's designated wholly-owned subsidiaries as part of the consideration of the Acquisition (the "Consideration Shares") pursuant to the terms and conditions of the Share Transfer Agreement be and is hereby approved and confirmed and the board of directors of CITIC Pacific (the "Board") be and is hereby granted, during the Relevant Period (as defined below), a specific and unconditional mandate to issue, allot and/or deal with additional Shares of CITIC Pacific (the "Placing Shares") and to make or grant offers, agreements, options, convertible securities or other securities which would or might require Placing Shares to be issued, allotted and/or dealt with for the purpose of raising cash funding to settle all or part of the cash consideration of the Acquisition, subject to the following conditions:

(i) such mandate shall not extend beyond the Relevant Period save that the Board may during the Relevant Period make or grant offers, agreements, options, convertible securities or other securities which might require the exercise of such powers after the end of the Relevant Period;

(ii) the number of Placing Shares to be issued, allotted and/or dealt with or agreed conditionally or unconditionally to be issued, allotted and/or dealt with by the Board, together with the Consideration Shares to be issued, shall not exceed 21,253,879,470 Shares; and

(iii) Placing Shares shall not be issued at a price less than the higher of the issue price per Consideration Share and 80% of the closing price of the Shares as quoted on The Stock Exchange of Hong Kong Limited on the last trading day prior to the date of the relevant placing agreement or subscription agreement.

For the purposes of this resolution, ''Relevant Period'' means the 12-month period following the passing of this resolution;

b. contingent on the Board resolving to issue the Shares pursuant to paragraph (a) of this resolution, the Board be authorised to do all acts and execute all documents they consider necessary or desirable to give effect to the issue of Shares pursuant to paragraph (a) of this resolution.

c. any placing agreement or subscription agreement signed by CITIC Pacific prior to the date of EGM is hereby approved, ratified and confirmed."

3. "**THAT**:

Mr. Zeng Chen be and is hereby re-elected as director of CITIC Pacific."

SPECIAL RESOLUTION

To consider and, if thought fit, pass the following resolution as special resolution of CITIC Pacific:

4. "**THAT**:

a. subject to the satisfaction of the conditions set out in the circular of CITIC Pacific dated May 14, 2014 and the approval of the Registrar of Companies of Hong Kong, the name of CITIC Pacific be and is hereby changed from "CITIC Pacific Limited 中信泰富有限公司" to "CITIC Limited 中國中信股份有限公司";

b. any one director of CITIC Pacific be and is hereby authorized to do all such acts, deeds, and things and execute all documents as he considers necessary or desirable to give effect and implement the change of the name of CITIC Pacific; and

c. subject to the passing of Special Resolution No. 4(a) above and the issue of the "Certificate of Change of Name" of CITIC Pacific by the Registrar of Companies of Hong Kong, the Articles of Association of CITIC Pacific be altered in the following manner:

Original Article	**Modified Article**
Article 1A of the Articles of Association:	Article 1A of the Articles of Association:
The name of the Company is "CITIC PACIFIC LIMITED 中信泰富有限公司"	The name of the Company is "CITIC Limited中國中信股份有限公司"

By Order of the Board
CITIC Pacific Limited
Ricky Choy Wing Kay
Company Secretary

Hong Kong, May 14, 2014

Registered Office:
32nd Floor, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Notes:

(i) The Register of Members will be closed from Tuesday, May 27, 2014 to Tuesday, June 3, 2014, both days inclusive and during which period no share transfer will be effected for the purpose of ascertaining shareholders' entitlement to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with CITIC Pacific's Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, May 26, 2014. Shareholders whose names appear on the register of members of CITIC Pacific on Tuesday, June 3, 2014 shall be entitled to attend and vote at the EGM.

(ii) Any member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of CITIC Pacific.

(iii) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of CITIC Pacific not less than forty-eight hours before the time for holding the meeting or adjourned meeting or poll (as the case may be) at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

(iv) A form of proxy for use at the EGM is enclosed herewith.