

OUR RELATIONSHIP WITH OUR PROMOTERS

CITIC Group is our promoter and our controlling shareholder. It also wholly owns our predecessor China CITIC Bank.

Established in 1979, CITIC Group is one of China's leading multinational conglomerates with investments in financial services, information technology, energy, heavy industry and other industries. CITIC Group currently has operations in Hong Kong, the United States, Canada and Australia.

CITIC Group places great emphasis on developing the financial services business. In addition to our bank, CITIC Group also holds interests in CITIC Securities, CITIC Trust and Investment, CITIC Funds, CITIC Prudential Funds, CITIC Prudential Life, CITIC Futures, which respectively engage in securities, trust, fund management, insurance, futures and other financial services business. In particular, CITIC Securities and CITIC Trust and Investment are among the largest companies in their respective fields within the PRC.

CITIC Group is not directly involved in any competing commercial banking business. Other than its investments in commercial banking sector in us, CITIC Group is also the controlling shareholder of CIFH. CITIC Group (excluding CIFH) does not hold the requisite licence to conduct commercial banking business within the PRC, except for the licence currently held by the Company. We do not hold the requisite licences to conduct the businesses in which CITIC Group holds interests, including securities, trust, fund management, insurance, futures and other financial services businesses.

Upon listing of our H Shares on the Hong Kong Stock Exchange, we will be able to operate our business independently of CITIC Group, in its capacity as our controlling shareholder, and its associates because (i) we have not paid and will not pay CITIC Group management fee after January 1, 2007; (ii) we have settled all outstanding inter-company balances with CITIC Group and its associates other than those entered into in ordinary course of business; (iii) we do not anticipate to receive further capital contributions from CITIC Group other than for the purpose of maintaining CITIC Group's current ownership percentage after we become listed on the Hong Kong Stock Exchange; (iv) we do not intend to enter into substantial cooperation with CITIC Group in interest-income products and services, which is currently the largest component of our revenue and net profit; (v) we do not rely on CITIC Group or its associates for their deposits and loans to finance our operations or the supply of or access to customers; (vi) apart from the continuation of certain directorships in CITIC Group and/or its associates (excluding us) held by our directors, we have a separate management team; and (vii) we will have five independent directors prior to the listing, which meets the requirements of the recommended best practices as set forth in the Code on Corporate Governance Practices of the Hong Kong Listing Rules.

Our promoter CIFH is listed on the Main Board of the Hong Kong Stock Exchange with the stock code of 183. As of the Latest Practicable Date, CITIC Group directly and indirectly holds approximately 55.44% of CIFH's issued share capital.

CIFH is the financial flagship of CITIC Group outside Chinese Mainland. It is an investment holding company with interests in commercial banking as well as other non-bank financial services. Its main operating business is CKWB. CKWB is a Hong Kong incorporated and licensed bank which provides a range of banking services and financial solutions to both corporations and individuals, focusing on retail banking, wholesale banking and treasury services.

CKWB's banking businesses in the PRC consists of:

- *China International Finance Company Limited (Shenzhen) ("CIFC")* — CIFC is a wholly-owned subsidiary of CKWB. It has been approved by CBRC to offer Renminbi services, based on which CIFC and CKWB are able to offer Renminbi services to their corporate clients as well as to individual clients who are non-PRC citizens. CIFC and CKWB have been able to offer such services in the Chinese Mainland from the time China eliminated restrictions on such services at the end of 2006. At present, CIFC is in the course of applying for a bank licence in the PRC.

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- *Shanghai branch* — CKWB opened its branch in Shanghai in December 2004. The Shanghai branch is considering the possibility to apply for a Renminbi licence.
- *Beijing branch* — CKWB received regulatory permission to upgrade its Beijing representative office to branch status in October 2006. Its Beijing branch has since commenced banking business activities.

As at December 31, 2006, CKWB's audited consolidated total assets and net asset value were HK\$89,671,917,000 and HK\$7,282,339,000, respectively.

CITIC Group currently does not have any intentions to inject any other businesses currently operated by CITIC Group, CIFH or CKWB into our bank in the near future.

CIFH Top-Up

On April 13, 2006, CIFH entered into a sale and purchase agreement with CITIC Group pursuant to which CIFH agreed to purchase from CITIC Group approximately 19.9% of the entire equity interests of China CITIC Bank, the predecessor of our bank. In the second and fourth quarters of 2006, CITIC Group made capital contributions of RMB 5.0 billion and RMB 2.4 billion, respectively, to us. As a result, the interest in us purchased by CIFH was reduced to approximately 15.17%, represented by 4,718,909,200 foreign legal person shares.

CITIC Group has undertaken to CIFH that if China CITIC Bank or its successor, our bank, decides to increase its capital prior to an investment by a strategic investor and/or the listing of our bank, such capital injection shall be the responsibility of CITIC Group and any such capital injection shall not result in the value of CIFH's equity interest in our bank falling below a lower equity value to that accorded to CIFH on the completion date of the above sale and purchase agreement and that CIFH's interest will not be less than 15%.

To ensure that CIFH's interest in our bank will not be less than 15%, CIFH entered into a top-up agreement with China CITIC Bank and CITIC Group on November 22, 2006, pursuant to which CIFH agreed to subscribe for certain H Shares in China CITIC Bank or its successor, our bank, such that upon the completion of the Global Offering, A Share Offering and the exercise of the Over-allotment Option, if applicable, CIFH shall hold no less than 15% of the entire equity interests in our bank (represented by 5,855,002,200 H Shares in our bank), subject to a maximum cap amount. The consideration for such H Shares will be satisfied by cash and will be calculated by multiplying the Offer Price by the relevant number of H Shares provided that the total consideration (calculated on the basis that the top-up is not aggregated with the CIFH's equity interest acquired pursuant to the sale and purchase agreement of April 13, 2006) shall not result in any of CIFH's percentage ratios under Rule 14.07 of the Hong Kong Listing Rules in respect of the top-up to exceed 25%. The top-up is subject to certain conditions, including without limitation, the relevant stock exchanges and shareholders granting approval in respect of the listing of our bank and the top-up. CIFH's right to top up will terminate upon the later of the listing of our bank or, if applicable, the exercise of the Over-allotment Option.

Rule 10.04 of the Hong Kong Listing Rules provides that an existing shareholder may only subscribe for or purchase any securities for which listing is sought if such securities are not offered to them on a preferential basis and no preferential treatment is given to them in the allocation of the securities, and the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Hong Kong Listing Rules is achieved. CIFH intends to exercise its top-up right to maintain its shareholding at 15.17% before the exercise of the Over-allotment Option and top-up its shareholding to 15% if the Over-allotment Option is exercised in full. We have applied for and received a waiver pursuant to Rule 10.04 of the Hong Kong Listing Rules relating to CIFH's top-up right. Pursuant to its top-up right, CIFH is expected to purchase (i) 1,091,280,000 H Shares in the proposed concurrent Global Offering and A Share Offering (assuming that the Over-allotment Option is not exercised and BBVA exercises its anti-dilution right in full) or (ii) 1,136,093,000 H Shares in the proposed concurrent Global Offering and A Share Offering (assuming that the Over-allotment Option and BBVA's anti-dilution right are exercised in full). Shares issued pursuant to CIFH's exercise of its top-up right are subject to certain transfer restrictions. See "Underwriting — Underwriting

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Arrangements and Expenses — Hong Kong Public Offering — Undertakings to the Hong Kong Stock Exchange pursuant to the Hong Kong Listing Rules.”

In addition, CITIC Group and us have undertaken to CIFH that after the stabilizing period, in the event that we decide to increase our issued share capital, CITIC Group and us have a commercial intention to support CIFH to acquire more equity interest to ensure that, under all circumstances, the shareholding of CIFH in us will not be less than 15%. CITIC Group, CIFH and China CITIC Bank agree that such acquisition of equity interest by CIFH shall comply with the relevant consents, requirements of law and relevant governmental rules in all circumstances and the subscription price should be the lowest price as allowed under the relevant consents, requirements of law and governmental rules. Should the undertaking given by us and CITIC Group be in breach of any consents or governmental rules or cause us to be unable to satisfy the requirements of the Hong Kong Stock Exchange, the rights and obligations of the parties pursuant to this undertaking will cease to have any effect. In the event that CIFH's acquisition of any additional interest in us is required to be made from us or CITIC Group, it will constitute a connected transaction of CIFH (and, in the case of CIFH acquiring additional interest from us, a connected transaction of us at the same time) and CIFH (and, in the case of CIFH acquiring additional interest from us, our bank) will comply with the relevant requirements of the Hong Kong Listing Rules as appropriate.

It is CIFH's intention to hold its shares in our bank as at the end of the stabilizing period (inclusive) for a period of six months after the date on which dealings in the H Shares commence on the Hong Kong Stock Exchange.

Non-competition arrangement

While both our bank and CKWB are commercial banks, our bank's business operations are mainly in the Chinese Mainland, and CKWB's business operations are mainly in Hong Kong. The target customers of the Chinese Mainland operations of CKWB and CIFC are mainly Hong Kong customers. CKWB and CIFC confirm that they do not intend to compete with our bank in the Chinese Mainland by establishing new branches or commercial banking networks in the Chinese Mainland. We do not intend to compete with CKWB and CIFC in Hong Kong by establishing new branches or commercial banking networks in Hong Kong. As such, we believe that at present there exists no substantive competition between our bank, on one hand, and CKWB and CIFC, on the other hand.

After CIFH's investment in our bank, CITIC Group, CIFH and our bank intends to cooperate and leverage on each party's resources, to pursue each party's strategic goals and business growth and to avoid future potential competition among the parties. Accordingly, CITIC Group, CIFH and our bank negotiated and entered into a non-competition agreement on March 13, 2007.

Under this non-competition agreement:

1. CITIC Group, as the controlling shareholder of our bank and CIFH, will neither directly engage in competing commercial banking business, nor control other commercial banking entities in the Chinese Mainland. CITIC Group will not participate in the daily operation of our bank or CIFH. CITIC Group will treat the development of our bank and that of CIFH on a fair and equitable basis, and will support our bank's cooperation with CIFH at different levels.
2. Our bank's business operations are mainly in the Chinese Mainland, and CIFH's business operations are mainly in Hong Kong.
3. Our bank and CIFH will avoid direct competition with each other. Our bank and CIFH will cooperate in corporate, international, retail, lending, asset management, Renminbi business and other products and services. Our bank and CIFH will fully utilize our respective capabilities in the Chinese Mainland and outside China to jointly develop and maintain our capability to provide top-tier cross-border banking services. Details of our cooperation will be subject to further negotiations between our bank and CIFH.

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4. We confirm that we do not intend to compete with CIFH in Hong Kong by establishing new branches or commercial banking networks in Hong Kong. We further confirm that we will continue our current business in Hong Kong, including the business activities carried out by our Hong Kong subsidiary, China Investment and Finance Limited. We will engage in new businesses in Hong Kong only after we conduct non-binding negotiations with CIFH.
5. CIFH confirms that neither itself nor CKWB intends to compete with our bank in the Chinese Mainland by establishing new branches or commercial banking networks in the Chinese Mainland. CIFH further confirms that CKWB will continue its current business in the Chinese Mainland. CIFH agrees and will procure CKWB not to establish additional branches in the Chinese Mainland.
6. Under the coordination of CITIC Group, we and CIFH will consider further business integration to avoid competition based on future business development conditions and needs.
7. In order to effectively avoid competition and strengthen cooperation, subject to the applicable laws and regulations and the requirements of regulatory bodies, CITIC Group, our bank and CIFH agree to respectively adopt effective corporate governance mechanisms and to regularly review each party's scope of business, to strengthen continuous cooperation among the parties, to avoid potential competition or activities which may cause market disruption, waste of resources (including monetary and any other resources), loss of opportunity or ruin of reputation, and to ensure that each party fulfils its obligations and enjoys its rights under the agreement.
8. CITIC Group, our bank and CIFH will endeavor to establish effective mechanisms to avoid future competition.

In relation to the avoidance of competition between us and CIFH, we intend to establish a dedicated committee reporting directly to our board of directors, such committee will be staffed with a majority of our independent non-executive directors. The committee will be responsible for monitoring on a regular basis CIFH's business activities and development in the Chinese Mainland (including without limitation, monitoring any advertising or marketing activities by CIFH in relation to new business developments, assessing whether CIFH has taken or is planning to take any actions which do not comply with its undertaking pursuant to the above non-competition agreement; and obtaining relevant information from the our senior management). The committee will report to our board of directors, in particular, our independent non-executive directors. If our independent non-executive directors are not satisfied with the report, the committee will be required to follow-up on or adjust its investigations and monitoring activities and will submit a supplemental report to our board of directors with the additional findings. Our independent non-executive directors will have the discretion to engage and consult financial or legal advisers if required. The Company is of the view that the reports made by independent directors to our board of directors will significantly increase the information available to the Company and will provide the required transparency for the enforcement of options, pre-emptive rights and rights of first refusal. We will disclose in our annual report details of the decisions made by our independent non-executive directors in relation to the enforcement of non-competition undertakings made by CITIC Group and CIFH, including without limitation, the exercise or non-exercise of options, pre-emptive rights and rights of first refusal. In addition, each of CITIC Group and CIFH will make a declaration in our annual report as to their respective compliance with the above non-competition undertakings.

CONNECTED TRANSACTIONS

Upon the listing of our H Shares on the Hong Kong Stock Exchange, transactions between us and our connected persons (as defined under the Hong Kong Listing Rules) will constitute connected transactions for us under Chapter 14A of the Hong Kong Listing Rules. The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard 24, "Related Party Disclosures", and its interpretations by the IASB. Accordingly, connected transactions set out in this section, which are described and disclosed in accordance with Chapter 14A of the Hong Kong Listing Rules, differ from the related party transactions set out in

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Note 37 of Section V to Appendix I — “Accountants’ Report”. We set out below details of our connected transactions.

Exempt continuing connected transactions

1. *Commercial Banking Services and Products Provided by Us to Connected Persons in our Ordinary and Usual Course of Business*

We provide commercial banking services and products to our customers in the ordinary and usual course of our business. Such services and products include taking of deposits (including demand deposits, time deposits and call deposits) and the provision of long-term loans, short-term loans, consumption loans and mortgage loans, as well as other credit facilities, by our bank.

1.1 Deposits

Customers who place deposits with our company may include our promoters, directors, supervisors and chief executive officers and those of our subsidiaries, each ex-director of our company and our subsidiaries who was a director within 12 months preceding the date of listing of our H Shares and their respective associates, each of whom will be a connected person under Chapter 14A of the Hong Kong Listing Rules upon the listing of our H Shares. We expect that our connected persons may continue to place deposits with our company following the Global Offering, which will constitute continuing connected transactions for us under Chapter 14A of the Hong Kong Listing Rules.

The placing of deposits by our connected persons with us in the ordinary and usual course of our business and on normal commercial terms that are comparable or no more favorable than those offered to independent third parties will be exempt continuing connected transactions under Rule 14A.65(4) of the Hong Kong Listing Rules (as no security over the assets of our bank will be granted in respect of any such deposits), that is financial assistance provided by a connected person in the form of deposits placed with a listed issuer for the benefit of a listed issuer on normal commercial terms (or better to the listed issuer) where no security over the assets of the listed issuer is granted in respect of the financial assistance, and thus will be exempt from the reporting, announcement and independent shareholders’ approval requirements contemplated under Rules 14A.35 and 14A.45 to 14A.48 of the Hong Kong Listing Rules.

1.2 Loans and Credit Facilities

We extend loans and credit facilities, including credit cards, loans, entrusted loans, guarantee services, security for third party loans and discount bills to our customers in the ordinary and usual course of our business and on normal commercial terms with reference to prevailing market rates. Customers who utilize our company’s loans and credit facilities include our promoters, directors, supervisors and chief executive officers and those of our subsidiaries, each ex-director of our company and our subsidiaries who was a director within 12 months preceding the date of listing of our H Shares and their respective associates, each of whom is a connected person under Chapter 14A of the Hong Kong Listing Rules. We expect that we will continue to provide loans and credit facilities to our connected persons following the Global Offering, which will constitute continuing connected transactions for us under Chapter 14A of the Hong Kong Listing Rules.

The provision of loans and credit facilities by us to our connected persons in the ordinary and usual course of our business and on normal commercial terms that are comparable or no more favorable than those offered to independent third parties will be exempt continuing connected transactions under Rule 14A.65(1) of the Hong Kong Listing Rules, that is financial assistance provided by a listed issuer in its ordinary and usual course of business for the benefit of a connected person on normal commercial terms, and thus will be exempt from all reporting, announcement and independent shareholders’ approval requirements contemplated under Rules 14A.35 and 14A.45 to 14A.48 of the Hong Kong Listing Rules.

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2. Agency Services Provided by Us to CITIC Funds

Based on the Open-end Securities Investment Fund Sales Agency Agreement (the “Framework Agreement”) entered into between CITIC Funds and us in June 2006, and the agreements supplemental to the Framework Agreement with respect to specific fund products, we have been entrusted by CITIC Funds to provide certain agency services in relation to sale of its fund products. The agency services include fund account-related services, fund trading-related services, fund settlement services, consultancy, advisory and notification services to investors, safekeeping of all documentation in relation to the agency business (including all original receipts, accounting receipts, transaction records and material contracts), training of sales staff as well as marketing matters such as fund publicity and marketing.

Our directors confirm that the service fees under the aforesaid sales agency agreements are based on market rate and the continuing connected transactions under the above agreements are on normal commercial terms.

Based on the above sales agency agreements, we estimate that the service fees under the above sales agency agreements for each of 2007, 2008 and 2009 will be less than 0.1% of the applicable percentage ratios. The continuing connected transaction under the above sales agency agreements is expected to fall within the de minimis threshold under Rule 14A.33(3) of the Hong Kong Listing Rules and therefore is exempt from the reporting, announcement and independent shareholders’ approval requirements contemplated under the Hong Kong Listing Rules.

3. Fund-related Services Provided by Us to CITIC Prudential Funds

Based on an agreement entered into between CITIC Prudential Funds and us on March 23, 2006, we have been entrusted by CITIC Prudential Funds to process fund subscription, purchase, redemption, conversion, interest distribution and other fund-related services.

Our directors confirm that the service fees under the aforesaid agreement are based on market rate and the continuing connected transactions under the above agreement are on normal commercial terms.

Based on the above agreement, we estimate that the services fees under the above agreement for each of 2007, 2008 and 2009 will be less than 0.1% of the applicable percentage ratios.

The continuing connected transaction under the above agreement is expected to fall within the de minimis threshold under Rule 14A.33(3) of the Hong Kong Listing Rules and therefore is exempt from the reporting, announcement and independent shareholders’ approval requirements contemplated under the Hong Kong Listing Rules.

4. Cooperation with CITIC Prudential Life



Based on an agreement entered into between CITIC Prudential Life and us on August 19, 2003, we have agreed to cooperate with CITIC Prudential Life to sell its insurance products and provide the relevant settlement services.

Our directors confirm that the service fees under the aforesaid agreement are based on market rate and the continuing connected transactions under the above agreement are on normal commercial terms.

Based on the above agreement, we estimate that the service fees under the above agreement for each of 2007, 2008 and 2009 will be less than 0.1% of the applicable percentage ratios.

The continuing connected transaction under the above agreement is expected to fall within the de minimis threshold under Rule 14A.33(3) of the Hong Kong Listing Rules and therefore is exempt from the reporting, announcement and independent shareholders’ approval requirements contemplated under the Hong Kong Listing Rules.

5. Trademark licenses

On March 14, 2007, we entered into a trademark license agreement with CITIC Group, pursuant to which we were granted a non-exclusive, two-year license to use CITIC Group's “中信”, “CITIC”, “” “中信銀行” and “ 中信銀行” trademarks, all of which are registered in class 36, for nil consideration. On April 3, 2007, CITIC Group gave an undertaking to us to extend the term of the above license for so long as CITIC Group remains our controlling shareholder for nil consideration.

The continuing connected transaction under the above license agreement will fall within the de minimis threshold under Rule 14A.33(3) of the Hong Kong Listing Rules and therefore is exempt from the reporting, announcement and independent shareholders' approval requirements contemplated under the Hong Kong Listing Rules.

6. Transfer of economic benefits of the written-off loans from us to CITIC Group

Based on the agreement entered into between CITIC Group and us on December 13, 2006, the economic benefits of the loans written-off in 2006, 2005 and 2004, with an aggregate principal amount of approximately RMB 10.5 billion, were transferred from us to CITIC Group for nil consideration. The written-off loans were extended during the period when CITIC Group was our sole shareholder and it was intended that, by way of the December 13, 2006 agreement between CITIC Group and us, the economic interests to be recovered of the written-off loans would be transferred back to CITIC Group as part of our financial restructuring. After the transfer, we remain as the passive holder of such loans. We entered into a supplemental agreement with CITIC Group in respect of the December 13, 2006 agreement on March 26, 2007. By virtue of the supplemental agreement, provisions under the December 13, 2006 agreement relating to: (i) the our obligation to recover the loans on behalf of CITIC Group; and (ii) the fee arrangements in relation to the management and recovery of the loans were superseded. We will assist CITIC Group by holding the assets on their behalf in accordance with the legal requirements of the PRC in consideration for fees to be paid by CITIC Group.

Based on the above agreements, we estimate that the fees to be received from CITIC Group for each of 2007, 2008 and 2009 will be less than 0.1% of the applicable percentage ratios.

The continuing connected transaction under the above agreements is expected to fall within the de minimis threshold under Rule 14A.33(3) of the Hong Kong Listing Rules and therefore is exempt from the reporting, announcement and independent shareholders' approval requirements contemplated under the Hong Kong Listing Rules.

We will enter into a separate agreement with CITIC Group in the event we agree to take actions to recover the written-off loans on CITIC Group's behalf. Depending on the applicable percentage ratios under such arrangement (if subsequently entered into), we will comply with the relevant requirements under Chapter 14A of the Listing Rules.

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7. Leases

We entered into the following lease agreements with certain connected persons, being CITIC Group and its associates, pursuant to which we agreed to lease to or from our connected persons the following commercial premises:

7.1 Properties leased to us by our connected persons

<u>Lessor</u>	<u>Location</u>	<u>Lease term expiry date</u>	<u>Rent per annum</u>
CITIC Group	#B101, Basement, #101-104, 1st Floor, 201, High Tower, Jingcheng Mansion (京城大廈), 6 Xinyuan Nanlu, Chaoyang District, Beijing, PRC	June 28, 2007	RMB 2,881,972
CITIC Building Property Management Co., Ltd. (北京中信國際大廈物業管理有限公司)	Floor 1, Suite 1-02 and UG16#, Tower A, CITIC Building (國際大廈), No. 19 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC	December 31, 2008	RMB 4,002,147
	UG 15#, Tower A, CITIC Building (國際大廈), No. 19 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC	September 30, 2021	RMB 390,569
Century Square Corporation Limited (世紀城業有限公司)	Suites 121-123, 215A, Floor 48-50, CITIC Square, Guangzhou, PRC	June 28, 2009	RMB 16,800,000
Wuhan Cable Broadcasting Television Network Co., Ltd. (武漢有線廣播電視網絡有限公司)	Floor 1, No. 229 Hong Kong Road, Jianghan District, Wuhan, PRC	October 31, 2007	RMB 56,160
China Municipal Engineering Zhongnan Design Institute (中國市政工程中南設計研究院)	Floor 1, No. 1779 Jiefang Avenue, Jiang'an District, Wuhan, PRC	June 10, 2009	RMB 24,000

7.2 Properties leased by us to our connected persons

<u>Lessee</u>	<u>Location</u>	<u>Lease term expiry date</u>	<u>Rent per annum</u>
CITIC Securities Company Limited (中信證券股份有限公司)	Floor 6-8, No. 29 Renmin Road, Zhongshan District, Dalian, PRC	December 31, 2009	approximately RMB 610,000
	Floor 1 and 3, Section B, CITIC Building, No. 747 Jianshe Avenue, Wuhan, PRC	July 20, 2007	approximately RMB 600,000
CITIC Futures Brokerage Co., Ltd. (中信期貨經紀有限責任公司)	Floor 9, No. 29 Renmin Road, Zhongshan District, Dalian, PRC	December 31, 2009	RMB 63,000
CITIC Prudential Life Insurance Co., Ltd., Jiangsu Branch* (信誠人壽保險有限公司 江蘇省分公司)	Floor 2, No. 48 Haiyu Beilu, Changshu City, Suzhou, PRC	September 9, 2007	RMB 142,437

* For identification purpose only

As confirmed by our property valuer and our PRC legal advisors, the continuing connected transactions under the above lease agreements are fair and on normal commercial terms.

Based on the above lease agreements, we estimate that the applicable percentage ratios for the continuing connected transactions under the above lease agreements calculated in aggregate on an annual basis for each of 2007, 2008 and 2009 will be less than 0.1%.

Accordingly, it is expected that the continuing connected transactions under the above lease agreements will fall within the de minimis threshold under Rule 14A.33(3) of the Hong Kong Listing Rules and therefore will be exempt from the reporting, announcement and independent shareholders' approval requirements contemplated under the Hong Kong Listing Rules.