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## OUR RELATIONSHIP WITH CITIC GROUP

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CITIC Group is our Company's only substantial shareholder and is expected to remain as the only substantial shareholder immediately after completion of the H Share Listing. As at the Latest Practicable Date, CITIC Group directly and indirectly held approximately 24.15% of our equity interest. Immediately following completion of the H Share Listing, CITIC Group will own directly and indirectly approximately 21.05% of our then issued share capital, if the Over-allotment Option is not exercised (or approximately 20.63% if the Over-allotment Option is exercised in full), assuming that CITIC Group is the only State-owned Shareholder who will reduce its Shares in accordance with the relevant PRC regulations on reduction of State-owned shares.

Established on 4 October 1979, CITIC Group is one of the largest state-owned conglomerates with an over 30-year operating history in China and operates in a wide range of industry sectors including finance, real estate and infrastructure, construction, energy and resources, manufacturing, information technology, trading and consumer.

In addition to its 24.15% interest in us, CITIC Group's principal investments in the financial services area include:

- 61.78% direct interest in CITIC Bank, which is a commercial bank established in the PRC;
- 100.00% direct and indirect interest in CITIC Trust, which is a trust and investment company established in the PRC;
- 100.00% direct interest in CITIC Assets Management Company Limited, which is an asset management company;
- 50.00% direct interest in CITIC Prudential Life, which is engaged in insurance business;
- 58.00% indirect interest in CITIC Newedge Futures Co., Ltd., which is a sino-foreign joint venture mainly engaged in futures trading; and
- 55.00% indirect interest in CITIC Capital Holdings Limited, which is engaged in alternate investments, including private equity, real estate, mezzanine investments and structured financing.

In accordance with the PRC Securities Law, Law on Commercial Banks (中華人民共和國商業銀行法), Trust Law (中華人民共和國信託法) and Insurance Law of the PRC (中華人民共和國保險法) and the applicable financial regulations, securities, commercial banking, trust and insurance industries in the PRC are separately managed with separate operations and establishments. Subsidiaries and associates within CITIC Group, which are engaged in commercial banking, trust, insurance and futures, are subject to supervision by different regulatory authorities with independent operations and are not allowed to engage in securities business.

CITIC Bank, as a PRC commercial bank, is not allowed to engage in trust and securities business operations and is not allowed to invest in non-financial organizations or enterprises, unless otherwise allowed by the PRC regulations. Further, CITIC Bank is restricted by the terms of its licence from engaging in provision of equity securities and related services. As a licensed securities company, we are licensed to engage in the underwriting of equity, corporate bonds and enterprise bonds that are listed and traded on the domestic exchanges. CITIC Bank as a commercial bank is prohibited from engaging in such underwriting business. As for underwriting of bonds traded in the interbank bond market, such as commercial paper, mid-term notes, financial bonds and subordinated debts, we are two of the securities companies in PRC with the requisite licence to act as the lead underwriter for all such bond issuances. However, our underwriting arrangements and targeted sales customers are different from CITIC Bank. We normally place the bonds we underwrite to our own securities customers and normally do not purchase the

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bonds we underwrite, other than for stabilization and permitted market-making. CITIC Bank may, subject to the limits permitted by the relevant regulations, acquire part of the bonds it underwrites for investment and it normally targets its own banking customers for sales. Our asset management services are also different from the personal wealth management services offered by CITIC Bank. Our asset management services target at customers with financial resources to invest in higher risk products whereas the wealth management services of CITIC Bank target at general banking customers and, as required by the applicable laws and regulations, offer low risks financial products.

CITIC Trust is restricted by the relevant PRC laws and regulations from engaging in securities business. Certain of its business, in particular, the investment trust services, are similar to our assets management services. Our asset management services include collective investment scheme and separate account management with the assets managed being mainly listed securities. However, the investment trust services provided by CITIC Trust are mainly investment trust aimed at providing capital for municipal construction, resources and energy and real estate development projects.

Although CITIC Assets Management Company Limited, a subsidiary of CITIC Group, is also engaged in assets management, it mainly deals with the non-performing assets and loans, including, among others, those of the members of CITIC Group.

CITIC Prudential Life is engaged in insurance business and their asset management services are mainly to manage the assets acquired through the funding of insurance premium collected. We do not provide insurance services.

CITIC Newedge Futures Co., Ltd. is engaged in futures brokerage, which is similar to the business of CITICS Futures, our wholly-owned subsidiary. Both have the requisite licences to engage in futures brokerage in the PRC. However, futures brokerage currently accounts for a very insignificant contributions to our total revenue and profits.

CITIC Capital Holdings Limited is principally engaged in alternate investments (which include private equity, real estate investment, mezzanine investment and structured financing). Its private equity investment strategy is to invest in a majority stake or obtaining control of the investee companies, whereas our investment strategy is to invest in a minority stake in the investee companies. Our equity interests in our wholly-owned subsidiaries, CITIC Securities Brokerage (HK) Limited, CITIC Securities Futures (HK) Limited and CITIC Securities Corporate Finance (HK) Limited, were acquired by us from CITIC Capital Holdings Limited when it streamlined its businesses back in 2006.

As we are a full-service investment bank, we principally provide investment banking services, brokerage and asset management services to our customers. The associates of CITIC Group which provide financial services, including CITIC Bank, CITIC Trust, CITIC Assets Management Company Limited, CITIC Capital Holdings Limited, as mentioned above, provide financial services and products which are different from ours. Since they are restricted by laws and regulations from engaging in securities business, our respective customer bases are different. In addition, CITIC Group and its associates are also engaged in a wide range of industry sectors which are not related to financial products and services sectors. As we are not engaged in the non-financial service sectors, our customer base and customer base of the non-financial services sectors of CITIC Group and its associates are entirely different.

Our Board currently comprises 12 Directors, including four independent non-executive Directors. Four members of the Board, namely, Mr. Wang Dongming, (our Chairman and executive Director), Mr. Yin Ke (our vice-chairman and executive Director), Mr. Zhang Jijing (our non-executive Director) and Mr. Ju Weimin (our non-executive Director) are also directors or senior management of several major members of CITIC Group or its

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associates. Mr. Wang Dongming, our Chairman, executive Director and member of the Executive Committee, is also director and assistant to the general manager of CITIC Group, director of CITIC Holdings Limited and CITIC International Financial Holdings Limited. Mr. Yin Ke, our vice-chairman, executive Director and member of the Executive Committee, is also non-executive director of CITIC Pacific Limited and Dah Chong Hong Holdings Limited. Mr. Zhang Jijing, our non-executive Director, also acts as executive director, vice-president and head of the strategy and planning department of CITIC Group, executive director and managing director of CITIC Pacific Limited, non-executive director of CITIC Bank, CITIC Resources Holdings Limited and CITIC Real Estate Co. Ltd.. Mr. JU Weimin, our non-executive Director, also acts as executive director, vice-president, chief financial officer and finance director of CITIC Group, non-executive director of CITIC Pacific Limited, CITIC Bank, CITIC International Financial Holdings Limited, CITIC Bank International Limited and Asia Satellite Telecommunications Co. Ltd.. Despite the overlapping directorships, we believe that independence between CITIC Group and us will be maintained because (i) pursuant to our Articles of Association, all overlapping Directors will abstain from voting at the meetings in which transactions with CITIC Group and its associates are being considered; and (ii) any continuing connected transactions with CITIC Group and/or its associates shall be approved by our independent non-executive Directors. Historically, the revenue from the transactions between us and CITIC Group and its associates accounted only for 4.32%, 1.40% and 1.23% of our total revenue for each of the three years ended 31 December 2008, 2009 and 2010, while the expenses incurred for the transactions between us and CITIC Group and its associates accounted only for 1.35%, 1.25% and 0.96% of our total expenses for each of the three years ended 31 December 2008, 2009 and 2010. Please see “Connected Transactions — Continuing Connected Transactions” for further details.

CITIC Group provided a guarantee in our favour in respect of a corporate bond in the principal amount of RMB1.5 billion issued by us in 2006. Such a guarantee will expire on the second anniversary of the expiry date of the corporate bond. Other than the above, there were no other outstanding guarantees and loans provided by CITIC Group to us as at the Latest Practicable Date.

In light of the above, upon listing of our H Shares on the Hong Kong Stock Exchange, we will be able to continue to operate our business independently of CITIC Group, in its capacity as our substantial shareholder, and its associates because (i) although CITIC Group refers clients to us from time to time, we have our own customers and do not depend on the referrals from CITIC Group; (ii) as mentioned above, our business and operations are different from members or associates of CITIC Group who are also engaged in the business of providing financial services; (iii) 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; (iv) we will have four independent non-executive Directors upon completion of the H Share Listing, which meets the requirement of the recommended best practices as set forth in the Code on Corporate Governance Practices of the Hong Kong Listing Rules; and (v) other than a guarantee provided by CITIC Group in our favour in respect of a corporate bond in the principal amount of RMB1.5 billion issued by us in 2006, there were no other outstanding guarantees and loans provided by CITIC Group to us as at the Latest Practicable Date.

### **Non-competition arrangement**

In support of the listing of our A Shares on the Shanghai Stock Exchange in 2003, China International Trust and Investment Corporation, the predecessor of CITIC Group, provided a non-competition undertaking in our favour on 28 September 2002, whereby CITIC Group has confirmed that the financial businesses engaged by it and its subsidiaries such as banking, securities, trust investment and insurance businesses are regulated by the relevant PRC regulatory authorities and that such businesses have been conducted in accordance with the requirements of the relevant PRC regulatory authorities. CITIC Group has further confirmed that except for certain minor banking

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and trust investment businesses engaged by its subsidiaries that might potentially compete with that of our businesses, most of the financial businesses engaged by it and its subsidiaries are substantially different from those engaged by our Company. It undertakes that there did not exist and it will not establish any further new companies engaging in securities business. In respect of those minor banking and trust investment businesses engaged by its subsidiaries that might potentially compete with our business, CITIC Group has undertaken that our Company can make adequate disclosure of such business and that it will not misuse its shareholder position to act to the detriment of our interests and other Shareholders.