

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 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.

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CITIC Limited
中國中信股份有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00267)

- (1) CONNECTED TRANSACTION IN RESPECT OF A PROPOSED
SUBSCRIPTION OF PREFERRED SHARES BY CT BRIGHT**
**(2) PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE THE
PREFERRED SHARES AND CONVERSION SHARES**
(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
(4) PROPOSED RE-ELECTION OF DIRECTORS
AND
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to CITIC Group Financial Adviser to CITIC Limited



**Independent Financial Adviser to Independent Board Committee and
Independent Shareholder**



A letter from the Board is set out on pages 14 to 48 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 51 to 77 of this circular and a letter from the Independent Board Committee is set out on pages 49 to 50 of this circular.

A notice convening the EGM of CITIC Limited to be held at Salon 4-6, Level 3, JW Marriott Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 16 March 2015 at 3:00 p.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 return the same to the registered office of CITIC, 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 return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

16 February 2015

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“ACCC”	the Australian Competition and Consumer Commission
“Affiliates”	means (i) any Permitted Transferee (in relation to CT Bright, CPG and ITOCHU); or (ii) in relation to any person, any other person which, directly or indirectly, controls, is controlled by or is under the common control of the first mentioned person. For the purposes of this circular, control means, in relation to any person, having the power to direct the management or policies of such person, whether through the ownership of 50% or more of the voting power of such person, through the power to appoint a majority of the members of the board of directors or similar governing body of such person, or through contractual arrangements or otherwise
“Anti-Dilution Right”	the right of CT Bright to increase its aggregate percentage interest, whether directly or indirectly, in the total equity capital of the Company to up to but not including 20.005% on a fully diluted basis, provided that the total number of Shares held by CT Bright and its Affiliates, whether directly or indirectly, as a result of its exercise of the Anti-Dilution Right shall not become 20.005% or more of the total number of outstanding issued Shares, by: (i) participating in the New Share Issue/New Equity Issue of the Company or (ii) purchasing Ordinary Shares from any person in accordance with terms of the Subscription Agreement
“AoA Amendments”	the amendments to the Articles of Association in light of the issue of the Preferred Shares set out in Appendix I to this circular
“Articles of Association”	the articles of association of the Company
“Australia”	Commonwealth of Australia
“Banking Ordinance”	the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
“Board”	the board of Directors of the Company

DEFINITIONS

“Business Day(s)”	a day, other than a Saturday or Sunday or public holiday, on which commercial banks are generally open for normal banking business in Hong Kong, Thailand, Japan, New York and the PRC
“CITIC” or “Company”	CITIC Limited, a company incorporated in Hong Kong in 1985 with its shares listed on the Hong Kong Stock Exchange (Stock Code: 00267)
“CITIC Corporation Limited”	CITIC Corporation Limited, a company incorporated in the PRC in 2011, a wholly-owned subsidiary of the Company
“CITIC Glory”	CITIC Glory Limited, a company incorporated in the British Virgin Islands, directly holding approximately 29.90% equity interest in the Company, and a wholly-owned subsidiary of CITIC Group
“CITIC Group”	CITIC Group Corporation, a state-owned enterprise established under the laws of the PRC in 1979, whose legal address is at Capital Mansion, 6 Xinyuan Nanlu, Chaoyang District, Beijing, the PRC, and the controlling shareholder of the Company, indirectly holding approximately 77.90% equity interest in the Company
“CITIC Polaris”	CITIC Polaris Limited, a company incorporated in the British Virgin Islands, directly holding approximately 48.00% equity interest in the Company, and a wholly-owned subsidiary of CITIC Group
“Competition and Consumer Act”	the Competition and Consumer Act 2010 (Cth), an Act of the Parliament of Australia (as amended)
“Conversion Date”	the conversion date in respect of a Preferred Share
“Conversion Price”	price per Share at which Shares will be issued upon exercise of the Conversion Right, such price initially being HK\$13.80 per Share, subject to adjustment in accordance with the terms of the AoA Amendments
“Conversion Right”	right of a registered Preferred Shareholder, subject to the provisions of the AoA Amendments and the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and to any other applicable fiscal or other laws or regulations, to convert the relevant Preferred Shares into Shares

DEFINITIONS

“Conversion Share(s)”	the Shares which fall to be issued by the Company upon conversion of the Preferred Shares pursuant to the Subscription Agreement and which are to be issued as fully paid and listed and traded on the Hong Kong Stock Exchange
“CPG”	CPG Overseas Company Limited, a company incorporated in Hong Kong with limited liability, being the beneficial owner of 50% equity interest in CT Bright
“CPG Group”	Charoen Pokphand Group Company Limited, a company incorporated in Thailand with limited liability, holding directly 100% equity interests in CPG
“CT Bright”	Chia Tai Bright Investment Company Limited, a company incorporated in the British Virgin Islands, holds 249,033,000 Shares in the Company as at the Latest Practicable Date, representing approximately 1% of the total issued share capital of the Company and each of CPG and ITOCHU is the beneficial owner of 50% equity interest in CT Bright, respectively

DEFINITIONS

“Current Market Price”

in respect of an Ordinary Share at a particular date, the arithmetic average of the closing price for one share (being an Ordinary Share carrying a full entitlement to dividends) for the five consecutive Trading Days ending on such date; provided that if at any time during the said five Trading Day period the Ordinary Share shall have been quoted ex-dividend and during some other part of that period the Ordinary Share shall have been quoted cum-dividend then:

- (a) if the Ordinary Shares to be issued in such circumstances do not rank for the dividend in question, the quotations on the dates on which the Ordinary Share shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Ordinary Share;

or

- (b) if the Ordinary Share to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Ordinary Share shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by the such similar amount;

and provided further that if the Ordinary Share on each of the said five Trading Days has been quoted cum-dividend in respect of a dividend which has been declared or announced but the Ordinary Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Ordinary Share

“Director(s)”

the director(s) of the Company

DEFINITIONS

“Distribution”	any Dividend declared on the Shares, to which the Preferred Shareholders shall be entitled on a pro rata basis with holders of the Shares, as if each Preferred Share held by the Preferred Shareholders had been converted into Shares on the record date for determining the holders of Shares eligible to receive such Dividend
“Dividend”	any dividend or distribution, whether of cash, assets or other property, and whenever paid or made and however described provided that where a cash dividend is announced which is to be, or may at the election of a holder or holders of Ordinary Shares be, satisfied by the issue or delivery of other property or assets, then, the dividend in question shall be treated as a dividend of: (a) the cash dividend so announced; or (b) the Fair Market Value of other property or assets to be delivered in satisfaction of such dividend (or which would be delivered if all holders of Ordinary Shares elected therefor, regardless of whether any such election is made) if the Fair Market Value of other property or assets is greater than the cash dividend so announced; and any issue of Ordinary Shares as a result of capitalisation of profits or reserves shall be excluded
“EGM”	the extraordinary general meeting to be held at Salon 4-6, Level 3, JW Marriott Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 16 March 2015 at 3:00 p.m. by the Company to approve (1) the Subscription Agreement and the transactions contemplated thereunder; (2) the Specific Mandate; (3) the creation of the Preferred Shares and the AoA Amendments; and (4) re-election of the Directors
“Equity Security(ies)”	any securities which are by their terms convertible into or exchangeable or exercisable for Shares, or any option or securities which confer on the holder the right to call for an issue of, or to receive, Shares or securities which are by their terms convertible into or exchangeable or exercisable for Shares, or any other type of equity or ownership interest in the Company

DEFINITIONS

“Fair Market Value”	with respect to any assets, security, option, warrants or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Investment Bank selected by the Directors; provided that: (i) the fair market value of a cash Dividend paid or to be paid per Ordinary Share shall be the amount of such cash Dividend per Ordinary Share determined as at the date of announcement of such Dividend; and (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such investment banks) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five Trading Days on the relevant market commencing on the first such Trading Day on which such options, warrants or other rights are publicly traded
“FATA”	the Foreign Acquisitions and Takeovers Act 1975 (Cth), an Act of the Parliament of Australia (as amended)
“Financial Period”	the period from and including 00:00 on 1 July up to and including 23:59 on 31 December in respect of a final dividend for a year ending on 31 December or the period from and including 00:00 on 1 January up to and including 23:59 on 30 June in respect of an interim dividend for a period of six calendar months ending on 30 June
“Government Authority”	any national, provincial, municipal or local government, administrative or regulatory body or department, court, tribunal, arbitrator or anybody that exercises the function of a regulator, in any country or territory
“Group”	the Company and its subsidiaries
“HKIAC”	the Hong Kong International Arbitration Centre
“HKMA”	the Hong Kong Monetary Authority
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent committee of the Board, comprising Mr. Alexander Reid Hamilton, Mr. Francis Siu Wai Keung, Dr. Xu Jinwu, Mr. Anthony Francis Neoh and Ms. Lee Boo Jin, all of whom are independent non-executive Directors, formed to provide recommendations to the Independent Shareholders in respect of the transactions contemplated under the Subscription Agreement and the Specific Mandate
“Independent Financial Adviser” or “Somerley”	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 the Company to make recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the proposed transactions contemplated therein and the Specific Mandate
“Independent Investment Bank”	means an independent investment bank of international repute not connected to the Company or its Affiliates (acting as an expert) or any Director or any directors of its Affiliates, selected by the Directors
“Independent Shareholders”	shareholders of the Company who are not required to abstain from voting under the Listing Rules at the EGM on the resolutions in respect of (1) the Subscription Agreement and the transactions contemplated thereunder; (2) the Specific Mandate; and (3) the creation of the Preferred Shares and the AoA Amendments, namely shareholders other than CITIC Polaris, CITIC Glory, CT Bright and their respective associates
“Issue Date”	the date on which the Preferred Shares are issued
“Issue Price”	HK\$13.80 per Preferred Share
“ITOCHU”	ITOCHU Corporation, a company incorporated under the laws of Japan with limited liability, being the beneficial owner of 50% equity interest in CT Bright

DEFINITIONS

“Key Company Warranties”	certain key warranties made by the Company as stipulated in the Subscription Agreement
“Latest Practicable Date”	13 February 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MAS”	the Monetary Authority of Singapore
“Minimum Public Float Percentage”	the minimum percentage of the total issued and outstanding share capital of the Company which must be held by the public pursuant to the Listing Rules, subject to any applicable waiver granted by the Hong Kong Stock Exchange
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“New Equity Issue”	the Company issues or proposes to issue any new Equity Securities other than Shares
“New Share Issue”	the Company issues or proposes to issue any new Shares (excluding any issue of new Shares pursuant to the terms of any Equity Security)
“Non Cash Equity Issue”	The issue of Shares or Equity Securities of more than five per cent. of the total issued outstanding Shares by the Company under any New Share Issue or New Equity Issue for non-cash consideration

DEFINITIONS

“Ordinary Dividend”	the final cash dividend of the Company to be declared in respect of the financial year ended on 31 December 2014 as approved by the shareholders of the Company at its annual general meeting and the interim cash dividend of the Company to be declared in respect of the six months ending on 30 June 2015 as approved by the Board, or if the Share Purchase Long Stop Date or Subscription Long Stop Date is postponed, such final or interim cash dividend of the Company to be declared in respect of a complete financial year (and as approved by the Shareholders at its annual general meeting) or a six-month period of a complete financial year (and as approved by the Board) after 30 June 2015; provided in all cases that the dividend is the only dividend in respect of the relevant Financial Period which has ended prior to the Subscription Completion Date or the Share Purchase Completion Date, as the case may be
“Permitted Transferee”	(i) CT Bright; (ii) any 75% Subsidiary of CT Bright; (iii) ITOCHU; (iv) CPG; (v) any 75% Subsidiary of ITOCHU; and (vi) any 75% Subsidiary of CPG
“PRC” or “China”	the People’s Republic of China, which shall, for the purposes of this circular, exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Preferred Share(s)”	3,327,721,000 fully paid convertible preferred shares in the share capital of the Company to be subscribed by CT Bright pursuant to the Subscription Agreement, convertible into Shares at an initial Conversion Price of HK\$13.80 per Share the rights attached to which are set out in the AoA Amendments, and each being a Preferred Share
“Preferred Shareholder(s)”	holder of the Preferred Shares
“Pricing Date”	19 January 2015, the last Trading Date immediately preceding the date of the Subscription Agreement

DEFINITIONS

“Principal Subsidiaries”	each of CITIC Corporation Limited, CITIC Pacific Limited, CITIC Mining International Ltd, each of the subsidiaries of CITIC Corporation Limited as set out in note 53(a) to the financial statements of CITIC Corporation Limited as of 31 December 2013 as set out in the circular of the Company dated 14 May 2014 and each of the entities listed in note 43 to the financial statements of CITIC Pacific Limited (now renamed as CITIC Limited) contained in the CITIC Pacific Limited (now renamed as CITIC Limited) Annual Report 2013 published on the website of the Hong Kong Stock Exchange on 17 March 2014
“Public Float Percentage”	the percentage of the total issued and outstanding share capital of the Company held by the public, calculated in accordance with the Listing Rules
“Registration Date”	the date on which the Preferred Shareholder(s) become the holder(s) of record of the number of Shares issuable upon conversion of the relevant Preferred Shares
“Relevant Subscription Shares”	the Preferred Shares and with respect to each conversion of the Preferred Shares, the relevant Conversion Shares so issued and any shares or other securities of the Company deriving from the Preferred Shares or relevant Conversion Shares or any interest therein, including but not limited to (i) any convertibles, equity-linked securities and derivatives with underlying assets being the Preferred Shares or the relevant Conversion Shares (pursuant to any rights issue, capitalisation issue or other form of capital reorganisation) whether such other transaction is to be settled by delivery of such securities in cash or otherwise or (ii) any interest in any company or entity holding (directly or indirectly) any of the Preferred Shares or the relevant Conversion Shares, other than ITOCHU, CPG or any subsidiary of ITOCHU or CPG whose shares are traded on a recognised stock or securities exchange
“Sale Shares”	2,490,332,363 Shares of the Company to be purchased by CT Bright from CITIC Polaris under and subject to the Share Purchase Agreement, each of which are fully paid and listed and traded on the Hong Kong Stock Exchange

DEFINITIONS

“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)” or “Ordinary Shares”	the ordinary share(s) of the Company
“Share Option Scheme”	the CITIC Pacific Share Incentive Plan 2011 adopted by the Company on 12 May 2011
“Share Purchase”	the purchase of the Sale Shares by CT Bright from CITIC Polaris in accordance with the terms and conditions under the Share Purchase Agreement
“Share Purchase Agreement”	the share purchase agreement entered into among CITIC Polaris, CITIC Group, CT Bright, CPG and ITOCHU on 20 January 2015 in relation to the purchase of the Sale Shares by CT Bright from CITIC Polaris as disclosed by the Company in the announcement dated 20 January 2015
“Share Purchase Completion”	completion of the Share Purchase in accordance with the terms and conditions of the Share Purchase Agreement
“Share Purchase Completion Date”	the date of Share Purchase Completion, which shall be the later of (i) the tenth Business Day after the date on which the relevant conditions precedent have been satisfied or waived in accordance with the terms of the Share Purchase Agreement; and (ii) 2 April 2015
“Share Purchase Long Stop Date”	31 October 2015 or any later date for the satisfaction of the conditions precedent and Share Purchase Completion agreed by the parties
“Shareholder(s)”	the shareholder(s) of the Company
“Specific Mandate”	the specific mandate to be approved by the Independent Shareholders at the EGM to allot and issue to CT Bright the Preferred Shares and the Conversion Shares upon the conversion of the Preferred Shares
“Strategic Cooperation Agreement”	a strategic cooperation agreement entered into among the Company, CPG and ITOCHU on 20 January 2015

DEFINITIONS

“Subscription”	the subscription for the Preferred Shares by CT Bright pursuant to the terms and conditions in the Subscription Agreement
“Subscription Agreement”	a subscription agreement entered into among the Company, CITIC Group, CT Bright, CPG and ITOCHU on 20 January 2015 in respect of the subscription by CT Bright for the Preferred Shares
“Subscription Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Subscription Completion Date”	the date of Subscription Completion, which shall be the later of (i) the tenth Business Day after the date on which the relevant conditions precedent have been satisfied or waived in accordance with the terms of the Subscription Agreement; and (ii) the date falling 185 days after the Share Purchase Completion Date, and if such day is not a Business Day, the next Business Day immediately after such day
“Subscription Long Stop Date”	31 March 2016 or any later date for the satisfaction of the conditions precedent and Subscription Completion agreed by the parties
“Subscription Price”	HK\$13.80 per Preferred Share
“Subscription Termination Fee”	being an amount equal to three per cent. of the Total Subscription Price
“Total Subscription Price”	HK\$45,922,549,800.00
“Trading Day”	a day when the Hong Kong Stock Exchange is open for business in dealing securities, and there is no trading halt or suspension in the trading in the Shares
“United States” or “U.S.”	the United States of America, its territories and possession, any state of the United States and the District of Columbia
“US\$”	US dollars, the lawful currency of the U.S.
“Winding-up”	a final and effective order or resolution for winding up or liquidation in respect of the Company

DEFINITIONS

“75% Subsidiary” of any entity any company in which the entity, directly or indirectly, holds at least 75 per cent. of the issued share capital

In addition, the terms “associate”, “connected person”, “controlling shareholder”, and “subsidiary” shall have the meanings ascribed to them under the Listing Rules.

The exact phrase “up to 20.00%” shall mean any percentage up to, but not including 20.005%;

The exact phrase “shall not exceed 20.00%” shall mean shall not be 20.005% or higher;

The exact phrase “at least 20.00%” shall mean at least 19.995%; and

The exact phrase “at least 10.00%” shall mean at least 9.995%.



CITIC Limited
中國中信股份有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00267)

Directors:

Chang Zhenming* (*Chairman*)
Wang Jiong* (*Vice Chairman and President*)
Dou Jianzhong* (*Vice President*)
Zhang Jijing* (*Vice President*)
Yu Zhensheng**
Yang Jinming**
Cao Pu**
Liu Zhongyuan**
Liu Yeqiao**
Alexander Reid Hamilton#
Francis Siu Wai Keung#
Xu Jinwu#
Anthony Francis Neoh#
Lee Boo Jin#

Registered Office:

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

* *Executive Directors*

** *Non-executive Directors*

Independent Non-executive Directors

16 February 2015

To the Shareholders

Dear Sir or Madam,

- (1) CONNECTED TRANSACTION IN RESPECT OF A PROPOSED
SUBSCRIPTION OF PREFERRED SHARES BY CT BRIGHT**
**(2) PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE THE
PREFERRED SHARES AND CONVERSION SHARES**
(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
(4) PROPOSED RE-ELECTION OF DIRECTORS
AND
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING

LETTER FROM THE BOARD

A. INTRODUCTION

We refer to the announcement of the Company dated 20 January 2015 in connection with, among others things, (i) the subscription of the Preferred Shares by CT Bright, (ii) the sale of Shares by CITIC Polaris, a wholly-owned subsidiary of CITIC Group and one of the controlling shareholders of the Company, to CT Bright, (iii) the strategic cooperation with CPG and ITOCHU; and (iv) the proposed AoA Amendments.

On 20 January 2015, the Company entered into the Subscription Agreement and agreed to allot and issue to CT Bright 3,327,721,000 fully paid convertible Preferred Shares of the Company for a total consideration of HK\$45,922,549,800.00. The Preferred Shares may be converted into the Ordinary Shares of the Company at the Conversion Price, such price initially being HK\$13.80 per Ordinary Share, subject to adjustment in accordance with the terms of the AoA Amendments. Based on the Conversion Price of HK\$13.80, a maximum of 3,327,721,000 Shares will be issued upon the full conversion of the Preferred Shares, representing approximately 13.36% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 11.79% of the total issued share capital of the Company as enlarged by the full conversion of the Preferred Shares (assuming no other Shares are issued).

On the same day, CITIC Polaris entered into the Share Purchase Agreement and agreed to sell 2,490,332,363 Shares of the Company to CT Bright, representing 10.00% of the total issued share capital of the Company as at the Latest Practicable Date, for a total consideration of HK\$34,366,586,609.00.

Furthermore, the Company has also on 20 January 2015 entered into a legally non-binding Strategic Cooperation Agreement with CPG and ITOCHU to leverage their respective strengths to explore and capture important strategic opportunities among three parties in the PRC and the global markets. Pursuant to the Strategic Cooperation Agreement, the Company, CPG and ITOCHU shall jointly establish a strategic cooperation committee to consider and explore areas of potential mutual interest. The strategic cooperation among the parties mainly focuses on the following five potential areas: (i) financial services; (ii) manufacturing, food, logistics, agro-business and consumables; (iii) real estate, infrastructure and engineering contracting; (iv) resources and energies; and (v) information technology, communication, textile, chemicals, trade and others.

CPG is a wholly-owned subsidiary of CPG Group. CPG Group is a private investment company incorporated in Thailand and is majority owned by the four Chearavanont brothers namely Mr. Dhanin Chearavanont, Mr. Jaran Chiaravanont, Mr. Montri Jiaravanont and Mr. Sumet Jiaravanon. Each of the shareholders of CPG Group is independent of and not connected with the Company and its connected persons. CPG Group and its subsidiaries are globally involved in a wide range of businesses including agro-industrial, retail and telecommunications.

ITOCHU is one of the most well-known comprehensive trading companies in the world and ranked No. 183 in World Fortune 500 in 2014.

LETTER FROM THE BOARD

CT Bright is a joint venture established by CPG and ITOCHU each holding 50% of its equity interest and as at the Latest Practicable Date CT Bright held 249,033,000 Shares in the Company, representing approximately 1% of the total issued share capital of the Company, which will be sold to independent third parties of the Company prior to the Share Purchase Completion to maintain the Minimum Public Float Percentage requirement of the Hong Kong Stock Exchange.

Under the Share Purchase Agreement, the Share Purchase will be completed on the later of (i) the tenth Business Day after the date on which the relevant conditions precedent have been satisfied or waived in accordance with the terms of the Share Purchase Agreement; and (ii) 2 April 2015. Under the Subscription Agreement, the Subscription will be completed on the later of (i) the tenth Business Day after the date on which the relevant conditions precedent have been satisfied or waived in accordance with the terms of the Subscription Agreement; and (ii) the date falling 185 days after the Share Purchase Completion Date, and if such day is not a Business Day, the next Business Day immediately after such day. However, the completion of the subscription of the Preferred Shares is conditional upon the Share Purchase Completion, and the satisfaction or waiver of the relevant conditions precedent in the Subscription Agreement is one of the conditions precedent for the Share Purchase Completion.

Upon completion of the subscription of the Preferred Shares and the purchase of Sale Shares from CITIC Polaris by CT Bright, assuming full conversion of the Preferred Shares into Shares and without taking into account the Minimum Public Float Percentage imposed upon the Company by the Hong Kong Stock Exchange, CITIC Group will indirectly hold approximately 59.90% and CT Bright will directly hold 20.61% of the enlarged total issued share capital of the Company. However, none of the Preferred Shares will be converted into the Ordinary Shares of the Company unless and until the Minimum Public Float Percentage will be maintained immediately after the conversion of the Preferred Shares. The Company has agreed, in the Subscription Agreement, to increase the Public Float Percentage to a level such that upon full conversion of the Preferred Shares into the Ordinary Shares, the Public Float Percentage will not be less than the Minimum Public Float Percentage, as soon as possible and before the date falling 90 days from the Subscription Completion Date, or such later date as CT Bright consents to. As of the Latest Practicable Date, the Company had no concrete plan on how to increase the Public Float Percentage.

The purpose of this circular is to provide you with, amongst other things: (1) further details in respect of (i) the Subscription Agreement and the transactions contemplated thereunder, (ii) the Specific Mandate, (iii) the creation of the Preferred Shares and the AoA Amendment, and (iv) re-election of the Directors, (2) the letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, and the Specific Mandate, (3) a letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, and the Specific Mandate, and (4) notice of the EGM.

LETTER FROM THE BOARD

B. CONNECTED TRANSACTION IN RESPECT OF A PROPOSED SUBSCRIPTION OF PREFERRED SHARES BY CT BRIGHT

On 20 January 2015, the Company, CITIC Group, CT Bright, CPG and ITOCHU entered into the Subscription Agreement, pursuant to which, the Company has agreed to allot and issue, and CT Bright has agreed to subscribe for, 3,327,721,000 fully paid convertible Preferred Shares of the Company for a total consideration of HK\$45,922,549,800.00 subject to the terms and conditions of the Subscription Agreement.

(A) Principal Terms of the Subscription Agreement

Date of the Subscription Agreement

20 January 2015

Parties:

- (1) the Company (the issuer)
- (2) CITIC Group (the controlling shareholder of the Company)
- (3) CT Bright (the subscriber)
- (4) CPG (the indirect beneficial owner of 50% equity interest in CT Bright)
- (5) ITOCHU (the ultimate beneficial owner of 50% equity interest in CT Bright)

LETTER FROM THE BOARD

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, as at the Latest Practicable Date, CT Bright held 249,033,000 Shares in the Company, representing approximately 1% of the total issued share capital of the Company, and save as disclosed above, CT Bright and its ultimate beneficial owners are independent third parties of the Company or any of its connected persons.

Number of Preferred Shares: 3,327,721,000 convertible Preferred Shares in the share capital of the Company, convertible into Shares at an initial Conversion Price of HK\$13.80 per Share

Subscription Price: HK\$13.80 per Preferred Share

Total Subscription Price: HK\$45,922,549,800.00 which will be paid in full in cash on the Subscription Completion Date.

Conditions Precedent: The Subscription Completion is conditional upon the fulfilment or waiver of the following conditions in accordance with the terms of the Subscription Agreement:

- (1) the Share Purchase Completion having taken place in accordance with the terms of the Share Purchase Agreement;
- (2) the Company having received written approval from the MOF in respect of the issue of the Preferred Shares to CT Bright;
- (3) the creation of the Preferred Shares and the AoA Amendments having been approved by the Independent Shareholders at the EGM;
- (4) the transactions contemplated under and the terms of the Subscription Agreement having been approved by the Independent Shareholders at the EGM;
- (5) the Listing Committee of the Hong Kong Stock Exchange granting approval for the listing of, and permission to deal in, the Conversion Shares on the Hong Kong Stock Exchange and such approval and permission remaining in full force and effect;

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- (6) one of the following occurs:
 - (i) CT Bright having received written notice issued by or on behalf of the Treasury of Australia stating that there are no objections under the Australian Government's foreign investment policy to the acquisition by CT Bright of all the Sale Shares and the subscription by CT Bright for all of the Preferred Shares, the notice being unconditional or subject only to conditions which are acceptable to CT Bright, acting reasonably;
 - (ii) the expiry of the period provided under the FATA prohibiting the acquisition of the Sale Shares and the subscription for the Preferred Shares by CT Bright without such an order being made; or
 - (iii) if an interim order is made under the FATA to prohibit the acquisition of the Sale Shares or the subscription for the Preferred Shares by CT Bright the subsequent period for making a final order has elapsed, without any such final order being made;
- (7) CT Bright having received a notice from the ACCC to the effect that the ACCC does not propose to oppose, intervene or seek to prevent the acquisition of the Sale Shares or the subscription for the Preferred Shares by CT Bright under or by reference to the Competition and Consumer Act and such notification is either unconditional or on conditions that are acceptable to CT Bright, acting reasonably;

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- (8) one of the following occurs:
- (i) the issue by the HKMA of a notice(s) of consent pursuant to section 70(3)(b)(i) of the Banking Ordinance in relation to a proposal by CT Bright and its relevant Affiliates to become minority shareholder controllers of China CITIC Bank International Limited and HKCB Finance Limited; or
 - (ii) the expiry of three months from the date of the service by CT Bright and its relevant Affiliates of the notice to the HKMA stating the proposal referred to above, without the HKMA having served on any of CT Bright or its relevant Affiliates a notice of objection (as such term is defined in the Banking Ordinance);
- (9) CT Bright having received written approval from the MAS pursuant to section 97A of the Securities and Futures Act, Chapter 289 of Singapore for CT Bright (and/or their relevant Affiliates) to acquire effective control (as defined in section 97A) of each of CLSA Singapore Pte. Ltd., CLSA Global Markets Pte. Ltd., SetClear Pte. Ltd. and CLSA Capital Partners (Singapore) Pte. Ltd;

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- (10) in relation to each antitrust regulator exercising competent jurisdiction in relation to the subscription for the Preferred Shares by CT Bright;
 - (i) it indicates to CT Bright, ITOCHU and CPG (and/or their relevant Affiliates) in writing, unconditionally, that:
 - (a) it has no objection to the subscription for the Preferred Shares by CT Bright pursuant to the Subscription Agreement; and
 - (b) it does not intend to intervene in the subscription for the Preferred Shares by CT Bright pursuant to the Subscription Agreement; or
 - (ii) all approvals or filings required to complete the subscription for the Preferred Shares by CT Bright have been made and obtained and the period in which the subscription for the Preferred Shares by CT Bright must not be completed by law pursuant to any properly applicable merger control regulation, and any extension thereof, expires or is terminated;
- (11) there is no trading halt, suspension or limitation of trading in the Shares on the Hong Kong Stock Exchange on the Subscription Completion Date;
- (12) any other necessary approval or consent from any Government Authority or third party that the Company is required to obtain having been obtained by the Company;
- (13) any other necessary approval or consent from any Government Authority or third party that CT Bright and/or its Affiliates is required to obtain having been obtained by CT Bright and/or its Affiliates;

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- (14) there not having occurred, at any time on and from the date of the Subscription Agreement, until or at Subscription Completion:
- (i) any creation, granting, issue or allotment of any Shares, Equity Securities or securities or instruments convertible into or exercisable or exchangeable for, or that represent the right to receive, any Shares or Equity Securities, or issue of any other equity or ownership interests in the Company or any other event which would or contingently or conditionally would increase the total issued share capital in the Company, save for (i) the issue of the Preferred Shares, (ii) the issue of options in respect of 364,944,416 Shares to be issued under the Share Option Scheme, provided that such options are not capable of being exercised prior to the Subscription Completion Date; and (iii) the issue of Shares to independent third parties who are not connected persons of the Company for the purpose of increasing the Public Float Percentage, to a level such that upon full conversion of the Preferred Shares into Shares, the Public Float Percentage will not be less than the Minimum Public Float Percentage but not including any issue of Shares if the aggregate percentage interest in the total equity capital of CT Bright and its Affiliates in the Company will be less than exactly 20.00% on a fully diluted basis after such issue of Shares;

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- (ii) any trading halt, suspension or limitation of trading in any of the Shares listed on the Hong Kong Stock Exchange which lasts more than ten consecutive business days (as defined in the Listing Rules), unless such trading halt, suspension or limitation of trading is (A) solely for the purpose of clearing by the Hong Kong Stock Exchange an announcement/circular to be issued by the Company for compliance with Chapter 14 and/or Chapter 14A of the Listing Rules; or (B) as a result of a trading halt, suspension or limitation of trading of the shares of a Principal Subsidiary which are listed on a recognised stock or securities exchange; and
- (15) there being no breach immediately prior to Subscription Completion of any of the Key Company Warranties which are given pursuant to the Subscription Agreement on the date of the Subscription Agreement and immediately prior to and upon Subscription Completion.

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**Anti-Dilution
Right:**

- (1) After the Subscription Completion, if the Company conducts any New Share Issue, CT Bright shall have the right to increase (in one or more transactions) the aggregate percentage interest of CT Bright and its Affiliates, whether directly or indirectly, in the total equity capital of the Company to up to 20.00% on a fully diluted basis (provided that the total number of Shares held by CT Bright and its Affiliates, whether directly or indirectly, as a result of its exercise of the Anti-Dilution Right shall not exceed 20.00% of the total number of outstanding issued Shares of the Company) by CT Bright and/or any of its Affiliates:
 - (i) participating in such New Share Issue on the same price and payment terms as all other participants thereof (save in the case of the issue of Shares pursuant to any share incentive scheme of the Company in effect from time to time, where CT Bright and its Affiliates shall only have the right to increase its aggregate percentage interest in the total equity capital of the Company in accordance with paragraph (ii) below), and the Company must take all necessary steps and actions to allot and issue such new Shares to CT Bright upon completion of the New Share Issue; and/or
 - (ii) purchasing Shares from any person in any manner in any of the following periods:
 - (a) the period(s) beginning on the date of the issue of any Share under the New Share Issue and ending 90 days after that date; and
 - (b) the period(s) beginning on the date notice is given by the Company of the issue of any Share under the New Share Issue and ending 90 days after that date.

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- (2) After the Subscription Completion, if the Company conducts the New Equity Issue, CT Bright shall have the right to increase (in one or more transactions) the aggregate percentage interest of CT Bright and its Affiliates, whether directly or indirectly, in the total equity capital of the Company to up to 20.00% on a fully diluted basis (provided that the total number of Shares held by CT Bright and its Affiliates, whether directly or indirectly, as a result of its exercise of the Anti-Dilution Right shall not exceed 20.00% of the total number of outstanding issued Shares of the Company) by CT Bright and/or any of its Affiliates:
- (i) participating in such New Equity Issue on the same price and payment terms as all other participants thereof, receiving rights of exercise/conversion/ exchange (including the timing and price of such exercise/conversion/ exchange) which are no less favourable than any Equity Security issued under the New Equity Issue (save in the case of the grant of any options, or the issue of any Equity Security pursuant to the exercise of share options granted (whether prior to or after the date of the Subscription Agreement), pursuant to any share option scheme or share incentive scheme of the Company in effect from time to time, where CT Bright and its Affiliates shall only have the right to increase its aggregate percentage interest in the total equity capital of the Company in accordance with paragraph (ii) below), and the Company must take all necessary steps and actions to allot and issue such new Equity Securities to CT Bright upon completion of the New Equity Issue; and/or

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- (ii) purchasing Shares from any person in any manner in any of the following periods:
 - (a) the period(s) beginning on the date of the issue of any Equity Security under the New Equity Issue and ending 90 days after that date;
 - (b) the period(s) beginning on the date of the issue, conversion or exchange of any Share or other Equity Security pursuant to the terms of any Equity Security issued in connection with New Equity Issue (including Equity Securities which may be issued upon the conversion or exchange of Equity Securities issued in connection with the New Equity Issue) and ending 90 days after that date; and
 - (c) the period(s) beginning on the date notice is given by the Company of the issue of any Equity Security under the New Equity Issue or any of the events referred to in paragraph (b) above and ending 90 days after that date.
- (3) If the Company proposes to conduct a Non Cash Equity Issue, without limiting CT Bright's Anti-Dilution Right, CT Bright and the Company shall discuss in good faith whether CT Bright is capable of exercising its Anti-Dilution Right. If CT Bright elects to exercise the Anti-Dilution Right, then it shall be entitled to subscribe for such number of new Shares/Equity Securities as permitted by and subject to the terms of the Subscription Agreement at a price per Share/Equity Security equal to the value of the non-cash consideration per Share/Equity Security given under the Non Cash Equity Issue.
- (4) Exercise of its Anti-Dilution Right under the Subscription Agreement by CT Bright will be subject to the approval of the relevant transaction by the Shareholders at a general meeting pursuant to Listing Rule 14A.36 or any variation or replacement thereof (if required under the Listing Rules).

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- (5) CITIC Group shall take all necessary steps and actions to procure that (i) all of the Directors (excluding any independent non-executive Directors) that have been nominated by CITIC Group or its subsidiaries which hold Shares call a meeting of the Board, attend the meeting and propose and vote in favour of resolutions of the Board to approve the transactions in connection with the exercise of the Anti-Dilution Right by CT Bright unless doing so would be in breach of the Listing Rules and subject to the fiduciary duty of the Directors owed to the Company; and (ii) as soon as is reasonably practicable and without delay, (a) an extraordinary general meeting of the Company's shareholders is duly convened; (b) resolutions approving the transactions in connection with the exercise of the Anti-Dilution Right by CT Bright are proposed at such meeting; and (iii) unless doing so would be in breach of the Listing Rules, its subsidiaries which hold Shares attend the meeting and vote in favour of such resolutions, if any of the transactions contemplated is required to be conditional on approval of the Company's shareholders at a general meeting.
- (6) However, CT Bright will lose its Anti-Dilution Right in the following circumstances: (1) if CT Bright and its Affiliates cease to hold, in aggregate, at least 20.00% of the total number of outstanding issued Shares other than as a result of an issue of new Shares or Equity Securities by the Company; (2) if the Company proposes to conduct New Share Issue/New Equity Issue other than a Non Cash Equity Issue and CT Bright and its Affiliates cease to hold, in aggregate, at least 20.00% of the total number (as at the date of completion of such issue) of outstanding issued Shares upon expiry of 90 clear days from completion of such issue with no New Share Issue or New Equity Issue proposed or completed since last New Share Issue or New Equity Issue (as the case may be); or (3) if the Company proposes to conduct a Non Cash Equity Issue and CT Bright and its Affiliates cease to hold, in aggregate, at least 20.00% of the total number (as at the date of completion of such issue) of outstanding issued Shares upon expiry of 365 clear days from completion of such issue of Shares or Equity Securities.

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- (7) The Anti-Dilution Right is not applicable to any New Share Issue provided that such New Share Issue is undertaken by the Company for the purpose of increasing the Public Float Percentage to a level such that upon full conversion of the Preferred Shares into Shares, the Public Float Percentage will not be less than the Minimum Public Float Percentage except for any New Share Issue referred to above that would result in the proportion held by CT Bright and its Affiliates, whether directly or indirectly, in the total equity capital of the Company on a fully diluted basis being less than exactly 20.00%.

**Corporate
Governance
Right:**

- (1) Upon the Subscription Completion and for such time as CT Bright (together with its Affiliates) has not lost the Anti-Dilution Right pursuant to the Subscription Agreement, CT Bright shall have the right from time to time to nominate one person to be appointed as a non-executive Director.
- (2) CITIC Group shall take all necessary steps and actions to procure that (i) a meeting of the Board is called and a resolution to appoint such person as a non-executive Director is proposed, and all the Directors (excluding any independent non-executive Directors) that have been nominated by CITIC Group or its subsidiaries which hold Shares attend the meeting and vote in favour of such resolution, subject to the fiduciary duty of such Directors owed to the Company, and (ii) a resolution to elect or re-elect such person or a different person nominated by CT Bright as a non-executive Director is proposed and its subsidiaries which hold Shares attend the meeting and vote in favour of the relevant resolution specified above at the general meeting of the Company.

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- (3) CT Bright shall procure that the non-executive Director nominated by it promptly resigns as the Director (unless doing so would be in breach of his or her fiduciary duties), if CT Bright loses its Anti-Dilution Right in any of the circumstances set out under “Anti-Dilution Right” above, but CT Bright together with its Affiliates in aggregate still hold at least 10.00% of the total number of outstanding issued Shares.
- (4) CT Bright shall procure that the independent non-executive Director nominated by it pursuant to the Share Purchase Agreement promptly resigns as the Director (unless doing so would be in breach of his or her fiduciary duties), if CT Bright and its Affiliates (1) cease to directly or indirectly hold in aggregate at least 10.00% of the total number of outstanding issued Shares other than as a result of an issue of new Shares or Equity Securities by the Company; or (2) cease to directly or indirectly hold in aggregate at least 10.00% of the total number (as at the date of completion of such issue) of outstanding issued Shares upon the expiry of 90 clear days from completion of the last New Share Issue or New Equity Issue other than a Non Cash Equity Issue with no New Share Issue or New Equity Issue proposed or completed since that last New Share Issue or New Equity Issue (as the case may be); or (3) cease to directly or indirectly hold in aggregate at least 10.00% of the total number (as at the date of completion of such issue) of outstanding issued Shares as a result of a Non Cash Equity Issue upon the expiry of 365 days from the completion of such Non Cash Equity Issue.

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Lock-Up Period: Each of CT Bright, CPG and ITOCHU undertakes to the Company that, without the prior written consent of the Company, it will not, and, where applicable, will procure that its Affiliates will not, at any time during the period of 180 days following the Subscription Completion Date, dispose of any interest in the Relevant Subscription Shares, save for any transfers of the Relevant Subscription Shares amongst the Permitted Transferees.

Notwithstanding the above, the undertaking mentioned above shall not prevent or restrict CT Bright, ITOCHU or CPG (or any of their 75% Subsidiaries) from using the Relevant Subscription Shares, or any shares in CT Bright, as security (including a charge or a pledge) for a bona fide loan borrowed from: (i) any authorised institution under the Banking Ordinance; or (ii) any entity in any other jurisdiction which has been approved by and/or registered with the financial regulatory authorities of such jurisdiction to carry on business as a commercial or investment bank in such jurisdiction; or (iii) a Permitted Transferee; or anything resulting from any default under or enforcement of security given in connection with above or any sale of the Relevant Subscription Shares subsequent to the enforcement of any of the security referred to above.

CT Bright shall, when it receives indications, either verbal or written, from the relevant secured party that any of the pledged/charged Relevant Subscription Shares will be disposed of, promptly inform the Company of such indications.

Subscription Completion: The Subscription will be completed on the Subscription Completion Date, which shall be the later of (i) the tenth Business Day after the date on which the relevant conditions precedent have been satisfied or waived in accordance with the terms of the Subscription Agreement; and (ii) the date falling 185 days after the Share Purchase Completion Date, and if such day is not a Business Day, the next Business Day immediately after such day.

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- Subscription Termination Fee:** If, on the Subscription Completion Date, all of the conditions precedent have been and continue to be satisfied or waived in accordance with the terms of the Subscription Agreement but either the Company or CT Bright still elects to terminate the Subscription Agreement, the terminating party must pay a termination fee, being an amount equal to three per cent. of the Total Subscription Price, to the other party. If the terminating party complies with its obligations to give notice of termination and to pay the termination fee to the other party, neither the other party nor any of its respective Affiliates shall have any remedy at law or in equity against the terminating party or any of its respective Affiliates in connection with the Subscription Agreement or its termination.
- Subscription Long Stop Date:** 31 March 2016 or any later date for the satisfaction of the conditions precedent and the Subscription Completion as agreed by the parties.
- Guarantee:** Each of ITOCHU and CPG unconditionally and irrevocably guarantees to the Company the due and punctual payment by CT Bright of one half of each of the following guaranteed payments:
- (i) the Total Subscription Price payable by CT Bright to the Company under the terms of the Subscription Agreement;
 - (ii) the Subscription Termination Fee payable by CT Bright to the Company under the terms of the Subscription Agreement; and
 - (iii) any amount which CT Bright must pay to the Company under the terms of the Subscription Agreement as damages for breach of any of its warranties pursuant to an enforceable HKIAC arbitral award.

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**Other Principal
Terms:**

- (1) The Company shall increase the Public Float Percentage, to a level such that upon full conversion of the Preferred Shares into Shares, the Public Float Percentage will not be less than the Minimum Public Float Percentage, as soon as possible and before the date falling 90 days from the Subscription Completion Date, or such later date as CT Bright consents to, such consent not to be unreasonably withheld.

- (2) The Company undertakes that it shall not, before the Subscription Completion Date, create, grant, issue or allot any Shares, Equity Securities or securities or instruments convertible into or exercisable or exchangeable for, or that represent the right to receive, any Share or Equity Security, or issue any other equity or ownership interests in the Company or undertake any other event which would or contingently or conditionally would increase the total outstanding issued share capital in the Company, save for the issue of the Preferred Shares; the issue of options in respect of 364,944,416 Shares to be issued under the Share Option Scheme, provided that such options are not capable of being exercised prior to the Subscription Completion Date; or the issue of Shares to independent third parties of the Company for the purpose of meeting the Minimum Public Float Percentage requirements as described in paragraph (1) above, but not including any issue of Shares if the aggregate percentage interest in the total equity capital of CT Bright and its Affiliates in the Company will be less than exactly 20.00% on a fully diluted basis after such issue of Shares.

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- (3) The Company undertakes that it shall not, before the Subscription Completion Date, save for the Ordinary Dividend and excluding any repayment of financial indebtedness, declare or pay any dividend, bonus or other distribution of capital or income (whether in cash or in specie) or declare or make any repurchase, redemption, reduction, cancellation, repayment or return of Equity Securities, or agree or commit to do any of the foregoing.
- (4) Each of CT Bright, CPG and ITOCHU agrees and undertakes to the Company that after the date of the Subscription Agreement, save for the purchase of the Sale Shares under the Share Purchase Agreement and the subscription of the Preferred Shares under the Subscription Agreement, it will not, and will procure that its Affiliates shall not, without the prior written consent of the Company, acquire directly or indirectly any interest in any Share or Equity Securities. This undertaking shall not restrict CT Bright and its Affiliates from subscribing for any Share or any interest in any Share as a result of participating in any pre-emptive issuance or offer of Shares or bonus issue by the Company to its shareholders on a pro rata basis or any purchase or subscription as a result of the exercise of the Anti-Dilution Right by CT Bright under the Subscription Agreement.

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Major terms and conditions of the Preferred Shares are set out below:

Issue Price: HK\$13.80 per Preferred Share

Liquidation Preference: In the event of Winding-up of the Company, each Preferred Shareholder shall be entitled to, in proportion to the Issue Price of Preferred Shares held by that Preferred Shareholder and in priority to any holder of Ordinary Shares (whether listed and traded on the Hong Kong Stock Exchange or not) in the capital of the Company, to receive an amount equal to the sum of the amount equal to the Issue Price of the Preferred Shares held by that Preferred Shareholder together with any Distributions that have accrued but have remained unpaid.

Where the assets of the Company are insufficient, each Preferred Shareholder shall be entitled to receive such amount in proportion to the total Issue Price of Preferred Shares held by that Preferred Shareholder.

Voting Right: The Preferred Shareholders shall not attend general meetings of the Company and shall not have voting rights.

Redemption Right and Cancellation: The Preferred Shares are perpetual securities in respect of which there is no fixed redemption date and the Company shall not have a right to redeem them. The Preferred Shareholders shall not have the right to require the Company to redeem the Preferred Shares.

All Preferred Shares which are converted will forthwith be cancelled.

Transferability: Subject to the restrictions on transfer as set out in the Subscription Agreement, each Preferred Share is freely transferable.

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Distribution:

- (1) If the Company declares any Dividend on the Ordinary Share, the Preferred Shareholders shall be entitled to receive such Distribution on a pro rata basis with holders of the Shares, as if each Preferred Share held by the Preferred Shareholders had been converted into Ordinary Shares and the Preferred Shareholders registered as holders of such Ordinary Shares on the record date for determining the holders of Ordinary Shares eligible to receive such Dividend. Save for the above, the Preferred Shareholder is not entitled to any other profit distribution or interest payment from the Company.
- (2) Any Distribution payable by the Company shall be paid on the payment date of any Dividend.
- (3) Where the Conversion Right attached to a Preferred Share has been exercised pursuant to these AoA Amendments, such Preferred Share will cease to confer the right to receive any Distribution from and including the Registration Date.

Conversion Right:

The Preferred Shareholders shall be entitled to the following rights contemplated under the Subscription Agreement as stipulated in the AoA Amendments:

- (1) *Conversion at the option of Preferred Shareholder:* subject to and upon compliance with the provisions of the Articles of Association and any applicable laws and regulations, the Conversion Right attaching to any Preferred Share may be exercised by the holder thereof at any time on or after the Issue Date, provided that a Preferred Shareholder may only convert such number of Preferred Shares as would not cause the Company not to comply with the Minimum Public Float Percentage requirement, following the conversion.

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- (2) *Conversion at the option of the Company:* subject to and upon compliance with the provisions of the Articles of Association and the applicable laws and regulations, the Company shall have the right to, at any time on or after the Issue Date, require a Preferred Shareholder to convert the Preferred Shares it holds by giving written notice to the Preferred Shareholder.
- (3) *Number of Conversion Shares:* the number of the Shares to be issued on conversion of the relevant Preferred Shares will be determined by dividing the aggregate Issue Price of the relevant Preferred Shares to be converted by the adjusted Conversion Price in effect at the Conversion Date.

Conversion Shares: Based on the Conversion Price of HK\$13.80 per Share, a maximum of 3,327,721,000 Shares will be issued upon the full conversion of the Preferred Shares, representing approximately 13.36% of the total issued share capital of the Company as at the Latest Practicable Date and approximately 11.79% of the total issued share capital of the Company as enlarged by the full conversion of the Preferred Shares (assuming no other Shares are issued).

The Conversion Shares will rank, upon issue, *pari passu* in all respects with the Shares in issue on the date of the allotment and issue of the Conversion Shares.

Conversion Price: the price per Ordinary Share at which Ordinary Shares will be issued upon exercise of the Conversion Right, such price initially being HK\$13.80 per Ordinary Share, subject to adjustment in accordance with the terms of the AoA Amendments.

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**Adjustments to
Conversion Price:**

The Conversion Price shall be adjusted, subject to certain limitations after the issue date of the Preferred Shares in the following circumstances:

- (1) if and whenever there shall be an alteration to the number of Ordinary Shares in issue as a result of consolidation, subdivision or reclassification;
- (2) if and whenever the Company shall issue any Ordinary Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves;
- (3) if and whenever the Company shall issue Ordinary Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Ordinary Shares, in each case at less than 95 per cent. of the Current Market Price per Ordinary Share on the last Trading Day preceding the date of the announcement of the terms of the issue or grant;
- (4) if and whenever the Company shall issue (otherwise than as mentioned in paragraph (3) above) any Ordinary Shares (other than Ordinary Shares issued on the conversion of the Preferred Shares or on the exercise of any other rights of conversion into, or exchange or subscription for Ordinary Shares) or issue or grant (otherwise than as mentioned in paragraph (3) above) any options, warrants or other rights to subscribe for, purchase or otherwise acquire any Ordinary Shares, in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price on the last Trading Day preceding the date of the announcement of the terms of the issue or grant;

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- (5) if and whenever the Company or any of its subsidiaries (otherwise than as mentioned in paragraph (3) or (4) above), or (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries), any other company, person or entity shall issue wholly for cash any securities (other than the Preferred Shares excluding for this purpose any further Preferred Shares) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Ordinary Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Ordinary Share to be received by the Company which is less than 95 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of issue of such securities; and
- (6) if and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in paragraph (5) above (other than in accordance with the terms of such securities) so that the consideration per Ordinary Share (for the number of Ordinary Shares available on conversion, exchange or subscription following the modification) is less than 95 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the proposals for such modification.

Listing Application: No application will be made for the listing of the Preferred Shares on the Hong Kong Stock Exchange or any other stock exchange. An application will be made by the Company to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

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(B) Basis of the Determination of the Subscription Price

The Subscription Price is HK\$13.80 per Preferred Share, representing:

- (i) a premium of approximately 3.60% to the closing price of HK\$13.32 per Share as quoted on the Hong Kong Stock Exchange on the Pricing Date;
- (ii) a premium of approximately 2.37% to the average closing price of approximately HK\$13.48 per Share as quoted on the Hong Kong Stock Exchange for the last 20 consecutive Trading Days up to and including the Pricing Date;
- (iii) a premium of approximately 3.60% to the average closing price of approximately HK\$13.32 per Share as quoted on the Hong Kong Stock Exchange for the last 60 consecutive Trading Days up to and including the Pricing Date; and
- (iv) a premium of approximately 3.22% to the average closing price of approximately HK\$13.37 per Share as quoted on the Hong Kong Stock Exchange for the last 90 consecutive Trading Days up to and including the Pricing Date.

The Subscription Price was determined after arm's length negotiations between the Company and CT Bright with reference to the prevailing market price of the Shares. The Directors (including the independent non-executive Directors) consider that the Subscription Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

(C) Reasons for and Benefits of Entering into the Subscription Agreement

The Directors (including the independent non-executive Directors) consider the terms of the Subscription Agreement are on normal commercial terms and although not in the ordinary and usual course of business of the Company are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and believe that the introduction of CT Bright as a strategic investor shall benefit the Company in the following aspects:

(1) Globalization and Diversification of Shareholding Structure and Improvement of Corporate Governance Practices

The strategic investment from CT Bright will further globalize and diversify CITIC's share ownership structure. Upon the Share Purchase Completion, the shareholding structure of the Company will be changed as follows: CITIC Group will indirectly hold approximately 67.90% equity interests, CT Bright will hold 10.00% equity interests and other public shareholders will hold the rest of approximately 22.10% equity interests. In addition, upon satisfaction of the conditions as set out in the terms and

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conditions of the Preferred Shares and subject to the Minimum Public Float Percentage being maintained, CT Bright may convert the Preferred Shares it holds into Shares, thereby increasing its equity interest in the Company to around 20.00% and making the ownership structure of the Company more diversified, international and market-driven.

At the same time, the Company will be able to improve its corporate governance practices and its capabilities to operate and develop on a global scale. Under the agreements, CT Bright shall have the right to nominate one non-executive Director and one independent non-executive Director to the board of the Company.

(2) Raising of capital to further develop the Company's businesses and invest in emerging opportunities

Proceeds from the new share issuance will be used to further develop the Company's businesses and to invest in emerging opportunities in sectors well matched to China's development. The Company is well-equipped to capture the opportunities arising from China's continued growth and beyond.

(3) Further Access to Business Opportunities in the Asia Pacific Region and the Global Market

For the Company, CPG and ITOCHU, through the strategic cooperation agreement, there are substantial opportunities for value creation and potential co-investment across sectors and geographies. They are all major players in their respective markets, and the strategic investment and cooperation agreement will yield mutual business opportunities across Asia.

The three companies are well-known to each other already. CT Bright, which is beneficially owned by CPG and ITOCHU in equal 50% equity shares, already owns approximately 1% of the total issued share capital of the Company. In 2011, ITOCHU invested US\$100 million in a Hong Kong asset management arm of CITIC Group, and ITOCHU and CITIC Group agreed to enter a comprehensive strategic cooperation. In the summer of 2014, ITOCHU and CPG Group formed their own strategic alliance which calls for the joint development of opportunities in the non-resource sector across the region.

Background on CPG Group and ITOCHU

CPG Group, ITOCHU and the Company are highly complementary multi-industry conglomerates of similar scale and with some sector and geographic overlap, which will help to bring about synergies among the parties.

LETTER FROM THE BOARD

The CPG Group and its subsidiaries are globally involved in a wide range of businesses including agro-industrial, retail and telecommunications. Agro-industrial businesses include agro-industrial, food manufacturing, feed ingredients trading, crop integration, pet food manufacturing, and seed, plant and fertilizer production. Retail businesses include convenience stores, hypermarkets, and cash and carry discount operations. Telecommunications businesses includes fixed line, broadband, mobile, and cable network operations. Other business lines include automotive, plastics, property development, finance, pharmaceutical manufacturing and distribution, and international trading operations.

The CPG Group directly and through its subsidiaries and affiliates employs over 250,000 people at offices and factories in over twenty countries and regions worldwide. It has a manufacturing and operating presence in Thailand, China, Bangladesh, Cambodia, India, Indonesia, Malaysia, Myanmar, Taiwan, Singapore, Turkey, Vietnam, Russia, Laos and the Philippines. In addition, it also has a sales and trading presence in Japan, Hong Kong, Korea, Belgium, UK, France, Germany, Italy, Spain, the United States, and the United Arab Emirates. In the PRC, the CPG Group is known as the Chia Tai Group (Zheng Da Ji Tuan), and operates over 100 compound feed mills and 5 fully integrated poultry businesses.

ITOCHU is one of the most well-known comprehensive trading companies in the world. Ranked No. 183 in World Fortune 500 in 2014, it has a trading business spanning around the globe and has established more than 350 branches, subsidiaries and affiliates in 65 countries and regions around the world. ITOCHU employs approximately 102,000 staff and has annual revenue of over US\$53 billion. ITOCHU is active in areas such as textile, machinery, metals and minerals, energy, chemicals, food, information and communication technology, realty, general product, insurance, logistics services, construction, and finance. As at 31 March 2014, the total assets of ITOCHU was US\$76.258 billion and the shareholders' equity attributable to parent company was US\$20.861 billion. For the accounting year of 2013 (ended March 31, 2014), the total revenue of ITOCHU amounted to US\$53.740 billion with a net profit of US\$3.015 billion.

ITOCHU is a Japanese company with the most profound cooperation relationship with China and has strong investment capabilities. In March 1972, half a year before the normalization of Sino-Japanese diplomatic relations, ITOCHU became the first major general trading company to resume trade between Japan and China by obtaining formal ratification from China's State Council. Since then, ITOCHU has been actively engaged in business in China and has created a number of subsidiaries and representative offices, built up close alliances with major local companies and accumulated a large number of personnel with business expertise relating to China.

LETTER FROM THE BOARD

(4) Strengthen the Capital Base of the Company and Enhance its Capabilities and Flexibility in Financing

After completion of the Share Purchase and the Subscription, it is expected that the Company will be able to secure debt financing from domestic and international investors at a lower cost. As a result of the transactions and arrangements, the consolidated equity interest of the Company will be increased by more than 12% in the amount of approximately HK\$45.9 billion, thereby enlarging the capital base of the Company and improving its capabilities in debt financing.

Upon conversion of the Preferred Shares, the total market capitalization of Shares of the Company are expected to materially increase, thereby rendering it a larger weight in HangSeng Index and attracting potential investors who prefer companies with larger market capitalization.

(D) Use of Proceeds

The proceeds from the issue of the Preferred Shares are expected to be approximately HK\$45.9 billion. The proceeds will be used to further develop the Company's businesses and to invest in emerging opportunities in sectors well matched to the Company's and China's development and as additional working capital for the daily operations of the Group. The Company is well-equipped to capture the opportunities arising from China's continued growth and beyond. In particular, it includes three aspects as set out below:

- (1) to accelerate the integration of current assets and businesses, focus on the areas in which the Group has the opportunity and potential to be an industry leader, e.g., high-end manufacturing industry, enhance its profitability and create industry leading companies with core competitiveness;
- (2) to actively carry out strategic layout of businesses, e.g., modern agriculture, environment protection and water, new material, renewable clean energy, capture the emerging opportunities in sectors well matched to the Company's and China's development and realize further optimization of the business structure of the Group; and
- (3) to supplement working capital for the daily operations of the Group.

The use of proceeds mentioned above is subject to changes in light of the evolving business needs of the Group and changing market conditions.

LETTER FROM THE BOARD

(E) Effect on the Shareholding Structure of the Company

Set out below are the shareholding structures of the Company: (i) as of the Latest Practicable Date; (ii) immediately after the Share Purchase Completion; and (iii) immediately after the Subscription Completion, assuming full conversion of the Preferred Shares at the initial Conversion Price of HK\$13.80 pursuant to the Subscription Agreement.

Name of Shareholders	as of the Latest Practicable Date		immediately after the Share Purchase Completion		immediately after the Subscription Completion and assuming full conversion of the Preferred Shares	
	Number of Shares held	Approximate percentage of total issued Shares	Number of Shares held	Approximate percentage of total issued Shares	Number of Shares held	Approximate percentage of total issued Shares
CITIC Glory Limited	7,446,906,755	29.90%	7,446,906,755	29.90%	7,446,906,755	26.38%
CITIC Polaris Limited	11,953,595,000	48.00%	9,463,262,637	38.00%	9,463,262,637	33.52%
CT Bright	249,033,000 ^{Note 1}	1.00% ^{Note 1}	2,490,332,363	10.00%	5,818,053,363	20.61%
(Other) Public Shareholders	5,253,788,875	21.10%	5,502,821,875	22.10%	5,502,821,875	19.49% ^{Note 2}
Total	24,903,323,630	100.00%	24,903,323,630	100.00%	28,231,044,630	100.00%

Note 1: CT Bright will dispose of the 249,033,000 Shares it held as of the Latest Practicable Date to independent third parties of the Company prior to the Share Purchase Completion.

Note 2: Pursuant to the Subscription Agreement, the Conversion Right attaching to any Preferred Share may be exercised by the Preferred Shareholder thereof at any time on or after the Issue Date, provided that he may only convert such number of Preferred Shares as would not cause the Company not to comply with the minimum public float requirement under the Listing Rules as approved by the Hong Kong Stock Exchange from time to time, following the conversion. As such, the figure is for illustration purpose only.

(F) Capital Raising Activities of The Company During the Past 12 Months

We refer to the announcement of the Company dated 25 August 2014 in relation to the placing in respect of 3,952,114,000 placing Shares and the allotment and issue of an aggregate of 17,301,765,470 consideration Shares by the Company to CITIC Glory and CITIC Polaris, which were completed on 25 August 2014.

The proceeds raised from the 3,952,114,000 placing shares were used as payment to CITIC Group for settling part of the transfer consideration for the acquisition of CITIC Corporation Limited by the Company from CITIC Group. The 17,301,765,470 consideration shares were allotted and issued for settling part of the transfer consideration for the acquisition of CITIC Corporation Limited by the Company from CITIC Group.

LETTER FROM THE BOARD

For detailed information, please refer to the announcement dated 25 August 2014 published by the Company on the Hong Kong Stock Exchange.

Save as disclosed above, the Company has not carried out any other capital raising activities during the 12 months immediately before the Latest Practicable Date.

(G) Listing Rules Implications

As at the Latest Practicable Date, CITIC Group indirectly holds approximately a 77.90% equity interest in the Company through CITIC Polaris and CITIC Glory, among which CITIC Polaris directly holds approximately a 48.00% equity interest in the Company. Thus, both CITIC Group and CITIC Polaris are the controlling shareholders of the Company and are connected persons of the Company pursuant to Chapter 14A of the Listing Rules.

Whilst CT Bright was not a connected person of the Company when it entered into the Subscription Agreement, the Subscription Completion is conditional upon the Share Purchase Completion and the satisfaction or waiver of the relevant conditions precedent in the Subscription Agreement is one of the conditions precedent in the Share Purchase Agreement. Accordingly, the proposed transaction contemplated under the Subscription Agreement is treated as a connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee (comprising Mr. Alexander Reid Hamilton, Mr. Francis Siu Wai Keung, Dr. Xu Jinwu, Mr. Anthony Francis Neoh and Ms. Lee Boo Jin, all of whom are independent non-executive Directors) has been formed to advise and provide recommendations to the Independent Shareholders in respect of the proposed transactions contemplated under the Subscription Agreement and the Specific Mandate.

In addition, the Company has appointed Somerley as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms of the proposed transactions contemplated under the Subscription Agreement and the Specific Mandate are on normal commercial terms and in the ordinary and usual course of business of the Company, are fair and reasonable and whether it is in the interests of the Company and the Shareholders as a whole.

(H) Information on the Parties

The Company

The Company is China's largest conglomerate. Its businesses include financial services, resources and energy, manufacturing, real estate and infrastructure, engineering contracting, and other businesses in China and

LETTER FROM THE BOARD

overseas. With over 120,000 employees in mainland China, Hong Kong and overseas, as well as its leading market positions in sectors well matched to China's development, deep understanding and strong expertise in the industries in which it operates, the Company is well-equipped to capture the opportunities arising from China's continued growth. Approximately 77.90% owned by CITIC Group Corporation in Beijing and listed in Hong Kong (Stock Code: 00267), the Company is one of the largest companies on the Hang Seng Index.

CITIC Group

CITIC Group is a state-owned company established in the PRC in 1979. Its primary asset is its approximately 77.90% equity holding in the Company. CITIC Group is ranked 160 in the Fortune Global 500 companies in 2014.

CT Bright

Chia Tai Bright Investment Company Limited, a company incorporated, in the British Virgin Islands. As at the Latest Practicable Date, CPG and ITOCHU are the beneficial owners of 50.00% equity interest in CT Bright, respectively. Its principal business is investment holding.

CPG

CPG Overseas Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiaries of CPG Group. Its principal business is overseas project investment outside Thailand and currently holds multiple listed and non-listed assets in the PRC, Hong Kong and Singapore.

ITOCHU

ITOCHU Corporation is a company incorporated in Japan in 1949 whose principal business is in domestic and international trading of various products and investment in business fields of textiles, machinery, metals, minerals, energy, chemicals, food, information and communication technology, realty, general products, insurance, logistics services, construction, and finance. ITOCHU is listed on the Tokyo Stock Exchange (stock code: 8001).

C. PROPOSED GRANT OF SPECIFIC MANDATE

The Company will seek the grant of specific mandate from the Independent Shareholders at the EGM to allot and issue the 3,327,721,000 Preferred Shares to CT Bright and the Conversion Shares issuable to CT Bright upon full conversion of the Preferred Shares.

LETTER FROM THE BOARD

D. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board proposed that the Preferred Shares be created and that the Articles of Association be amended to incorporate the terms of the Preferred Shares as set out in Appendix I to this circular.

The proposed AoA Amendments is subject to the approval of the Independent Shareholders at the EGM by way of a special resolution. Upon approval by the Independent Shareholders at the EGM, the AoA Amendments would become effective immediately upon the issue of the Preferred Shares in accordance with the Subscription Agreement.

E. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising Mr. Alexander Reid Hamilton, Mr. Francis Siu Wai Keung, Dr. Xu Jinwu, Mr. Anthony Francis Neoh and Ms. Lee Boo Jin, all of whom are independent non-executive Directors) has been formed to advise and provide recommendations to the Independent Shareholders in respect of the proposed transactions contemplated under the Subscription Agreement and the Specific Mandate.

The Company has appointed Somerley Capital Limited as the Independent Financial Adviser as to whether the terms of the proposed transactions contemplated under the Subscription Agreement and the Specific Mandate are on normal commercial terms and in the ordinary and usual course of business of the Company, are fair and reasonable and whether it is in the interests of the Company and the Shareholders as a whole according to the Listing Rules.

F. PROPOSED RE-ELECTION OF DIRECTORS

Mr. Wang Jiong, Mr. Dou Jianzhong, Mr. Yu Zhensheng, Mr. Yang Jinming, Ms. Cao Pu, Mr. Liu Zhongyuan, Mr. Liu Yeqiao, Mr. Anthony Francis Neoh and Ms. Lee Boo Jin were appointed during the year 2014. In accordance with the Articles of Association, each of the above Directors shall hold office only until the EGM and, being eligible, offer himself or herself for re-election as Directors. Information on the above Directors is set out in Appendix III to this circular.

G. THE EGM

The EGM of the Company will be held at Salon 4-6, Level 3, JW Marriott Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 16 March 2015 at 3:00 p.m. for the purpose of considering and, if thought fit, approving (1) the Subscription Agreement and the transactions contemplated thereunder; (2) the Specific Mandate; (3) the creation of the Preferred Shares and the AoA Amendments; and (4) re-election of the Directors.

LETTER FROM THE BOARD

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 at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong and received by CITIC 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.

H. VOTING IN THE BOARD MEETING AND THE EGM

Mr. Chang Zhenming, Mr. Wang Jiong, Mr. Dou Jianzhong, Mr. Zhang Jijing, Mr. Yu Zhensheng, Mr. Yang Jinming, Ms. Cao Pu and Mr. Liu Yeqiao, being directors of CITIC Group or CITIC Polaris, abstained from voting on the Board resolutions for considering and approving the Subscription Agreement (including transaction contemplated thereunder) due to the potential conflict of interests they have in the Subscription Agreement.

As of the Latest Practicable Date, CITIC Polaris and CITIC Glory were interested in around 77.90% of the equity interest of the Company and CT Bright held 249,033,000 Shares in the Company, representing approximately 1% of the total issued share capital of the Company. CITIC Polaris, CITIC Glory, CT Bright and their respective associates are required to abstain from voting with respect to the resolutions in relation to (1) Subscription Agreement (including transaction contemplated thereunder); (2) the Specific Mandate; and (3) the creation of the Preferred Shares and the AoA Amendments.

All of the Shareholders shall be entitled to vote on the resolution to be proposed at the EGM to approve the re-election of the Directors.

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

I. RECOMMENDATIONS

The Independent Board Committee, having considered the terms and conditions of the Subscription Agreement, in addition to the advice from the Independent Financial Adviser, considers that the terms and conditions of the Subscription Agreement (including the transactions contemplated thereunder) and the Specific Mandate are on normal commercial terms and although not in the ordinary and usual course of business of the Company, are fair and reasonable and in the interests of the Company 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 Subscription Agreement (including the transactions contemplated thereunder) and the Specific Mandate.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) recommend that the Independent Shareholders vote in favour of the resolutions to be proposed at the EGM to approve the Subscription Agreement (including the transactions contemplated thereunder), the Specific Mandate as well as the creation of the Preferred Shares and AoA Amendments, and recommend that the Shareholders vote in favour of the resolution to be proposed at the EGM to approve the re-election of the Directors.

The letter containing the detailed advice 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 the detailed advice to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser in relation to the Subscription Agreement (including the transactions contemplated thereunder) and the Specific Mandate 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.

J. CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of shareholders who will be entitled to attend and vote at the EGM, the register of members of the Company will be closed for registration of transfer of Shares from Wednesday, 11 March 2015 to Monday, 16 March 2015 (both days inclusive) and during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Monday, 16 March 2015 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, the Company’s Share Registrar at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 10 March 2015.

K. OTHER INFORMATION

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

Yours faithfully
By Order of the Board
CITIC Limited
Chang Zhenming
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in connection with the Subscription Agreement (including the transactions contemplated thereunder) and the Specific Mandate for inclusion in this circular.



CITIC Limited
中國中信股份有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 00267)

16 February 2015

To the Independent Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RESPECT OF A PROPOSED
SUBSCRIPTION OF PREFERRED SHARES BY CT BRIGHT
AND
(2) PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE
PREFERRED SHARES AND CONVERSION SHARES**

We refer to the circular dated 16 February 2015 issued by CITIC Limited (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 Subscription Agreement (including the transactions contemplated thereunder) and the Specific Mandate, details of which are set out in the sections 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 recommendations and the principal factors 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.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms and conditions of the Subscription Agreement (including the transactions contemplated thereunder) and the Specific Mandate as well as the advice and recommendations of the Independent Financial Adviser set out in its letter of advice, we consider that the Subscription Agreement (including the transactions contemplated thereunder) and the Specific Mandate are in the interests of the Company and the Shareholders as a whole, are on normal commercial terms and although not in the ordinary and usual course of business of the Company are fair and reasonable as far as the Independent Shareholders are concerned.

On the basis above, we recommend that the Independent Shareholders vote in favour of the resolutions to be proposed at the EGM to approve the Subscription Agreement (including the transactions contemplated thereunder) and the Specific Mandate.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED

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

16 February 2015

To: *the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

CONNECTED TRANSACTION IN RESPECT OF A PROPOSED SUBSCRIPTION OF PREFERRED SHARES BY CT BRIGHT; AND PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE THE PREFERRED SHARES

INTRODUCTION

We refer to our appointment as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Subscription and the Specific Mandate pursuant to the Subscription Agreement entered into among CITIC, CITIC Group, CT Bright, CPG and ITOCHU. Details of the Subscription and the Specific Mandate are set out in the "Letter from the Board" contained in the circular of CITIC to the Shareholders dated 16 February 2015 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

The Subscription Completion is conditional, amongst others, upon the Share Purchase Completion under which CITIC Polaris, a wholly owned subsidiary of CITIC Group, will transfer 10% of the total issued share capital of CITIC to CT Bright. Upon completion of the subscription of the Preferred Shares and the purchase of the Sale Shares from CITIC Polaris by CT Bright, assuming full conversion of the Preferred Shares into Shares and without taking into account the Minimum Public Float Percentage imposed upon CITIC by the Hong Kong Stock Exchange, CITIC Group will indirectly hold approximately 59.9% and CT Bright will directly hold approximately 20.6% of the enlarged total issued share capital of CITIC. However, none of the Preferred Shares will be converted into the Shares of CITIC unless and until the Minimum Public Float Percentage will be maintained immediately after the conversion of the Preferred Shares. The main reason why the Subscription takes in form of Preferred Shares is to comply with the Minimum Public Float Percentage. CT Bright was not a connected person of CITIC when it entered into the Subscription Agreement, the Subscription Completion is conditional

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

upon the Share Purchase Completion, and the satisfaction or waiver of the relevant conditions precedent in the Subscription Agreement is one of the conditions precedent in the Share Purchase Agreement. Accordingly, the proposed transaction contemplated under the Subscription Agreement is treated as a connected transaction for CITIC and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee (comprising Mr. Alexander Reid Hamilton, Mr. Francis Siu Wai Keung, Dr. Xu Jinwu, Mr. Anthony Francis Neoh and Ms. Lee Boo Jin, all of whom are independent non-executive Directors) has been formed to advise and provide recommendations to the Independent Shareholders in respect of the proposed transactions contemplated under the Subscription Agreement.

We are not associated with CITIC, CT Bright, 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 Subscription 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, CT Bright or their respective substantial shareholders and/or associates.

During the past two years, Somerley Limited (presently known as "Somerley International Limited" and a fellow subsidiary of Somerley) and Somerley acted as the independent financial adviser and issued opinion letters contained in CITIC's circulars dated 28 March 2013 and 15 November 2013 both in relation to discloseable and connected transactions of the Group, and the circular dated 14 May 2014 in relation to a very substantial acquisition and connected transaction. The past engagements were limited to providing independent advisory services to the Independent Board Committee and Independent Shareholders pursuant to the Listing Rules. Under the past engagements, Somerley Limited and Somerley received normal professional fees from CITIC. Notwithstanding the past engagements, as at the Latest Practicable Date, there were no relationships or interests between Somerley on one hand and CITIC, CT Bright, and their respective substantial shareholders and/or associates on the other hand that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and Independent Shareholders in connection with the Subscription and the Specific Mandate pursuant to the Subscription Agreement.

In formulating our opinion and recommendation, we have reviewed, among other things, the Subscription Agreement, the annual report of CITIC for the year ended 31 December 2013 (the "**2013 Annual Report**"), the interim report of CITIC for the six months 30 June 2014 (the "**2014 Interim Report**"), the circular of CITIC dated 14 May 2014 (the "**May Circular**"), and the announcements published by CITIC in the past 12 months and the information as set out in the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Subscription Agreement and the Specific Mandate are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

1. Background to the Subscription Agreement

On 25 August 2014, CITIC completed the acquisition (the “**Acquisition**”) of the entire interest in CITIC Corporation Limited (“**CITIC Corporation**”) (formerly known as CITIC Limited) by allotment and issue of an aggregate of 17,301,765,470 new Shares at HK\$13.48 each (the “**Issue Price**”) by CITIC to CITIC Glory and CITIC Polaris, both being wholly-owned subsidiaries of CITIC Group and cash raised by a placing of 3,952,114,000 new Shares to 27 strategic investors at the Issue Price. The 27 strategic investors are either institutional funds or reputable multinational companies in both PRC and overseas.

Upon completion of the Acquisition, the Group has become the largest conglomerate in the PRC. Its businesses include financial services, resources and energy, manufacturing, real estate and infrastructure, engineering contracting, and other businesses in China and overseas.

Thereafter, CITIC continued discussions with investors who were still interested in cooperation with CITIC including subscription of Shares. On 20 January 2015, CITIC announced that it entered into the Subscription Agreement with CT Bright (the “**Announcement**”).

2. Information on the subscriber

CT Bright is a joint venture established by CPG and ITOCHU, each holding 50% of its equity. As at the Latest Practicable Date, CT Bright held 249,033,000 Shares in CITIC, representing approximately 1% of the total issued share capital of CITIC, which will be

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

sold prior to the Share Purchase Completion to maintain the Minimum Public Float Percentage requirement of the Hong Kong Stock Exchange.

The CPG Group and its subsidiaries are involved globally in a wide range of businesses including agro-industrial, retail and telecommunications. Agro-industrial businesses include food manufacturing, feed ingredients trading, crop integration, pet food manufacturing, and seed, plant and fertilizer production. Retail businesses include convenience stores, hypermarkets, and cash and carry discount operations. Telecommunications businesses includes fixed line, broadband, mobile, and cable network operations. Other business lines include automotive, plastics, property development, finance, pharmaceutical manufacturing and distribution, and international trading operations. The CPG Group has a manufacturing and operating presence in Thailand, China, Bangladesh, Cambodia, India, Indonesia, Malaysia, Myanmar, Taiwan, Singapore, Turkey, Vietnam, Russia, Laos and the Philippines. In addition, it also has a sales and trading presence in Japan, Hong Kong, Korea, Belgium, UK, France, Germany, Italy, Spain, the United States, and the United Arab Emirates. In the PRC, the CPG Group is known as the Chia Tai Group (Zheng Da Ji Tuan), and operates over 100 feed mills and 5 fully integrated poultry businesses.

ITOCHU is a well-known comprehensive trading company headquartered in Japan. Ranked No. 183 in World Fortune 500 in 2014, it has a trading business spanning the globe and has established more than 350 branches, subsidiaries and affiliates in 65 countries and regions around the world. ITOCHU employs approximately 102,000 staff and has annual revenue of over US\$53 billion. ITOCHU is active in areas such as textile, machinery, metals and minerals, energy, chemicals, food, information and communication technology, realty, general product, insurance, logistics services, construction, and finance. As at 31 March 2014, the total assets of ITOCHU were US\$76.258 billion and the shareholders' equity attributable to parent company was US\$20.861 billion. For the accounting year of 2013 (ended 31 March 2014), the total revenue of ITOCHU amounted to US\$53.740 billion with a net profit of US\$3.015 billion.

3. Reasons for the Subscription Agreement

The strategic investment from CT Bright will further diversify CITIC's share ownership structure. CT Bright will hold initially 10% in CITIC and will, subject to the Minimum Public Float Percentage, increase this percentage to around 20% through conversion of the Preferred Shares. For its part, CITIC will be able to further strengthen its corporate governance practices and its capabilities to operate and develop on a global scale. Under the agreements, CT Bright will have the right to nominate one non-executive Director and one independent non-executive Director to the board of CITIC.

CPG Group, ITOCHU and CITIC are multi-industry conglomerates of similar scale and with some sector and geographic overlap, which should help to bring about synergies among the parties. In the placing last year, CT Bright subscribed 1% of the total issued share capital of CITIC on fully diluted basis. In 2011, ITOCHU invested US\$100 million in the Hong Kong asset management arm of CITIC Group, and ITOCHU and CPG Group agreed to enter a comprehensive strategic cooperation. On the date signing the Subscription Agreement, the parties also entered into the Strategic Cooperation

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Agreement pursuant to which CITIC, CPG and ITOCHU shall jointly establish a strategic cooperation committee to consider and explore areas of potential mutual interest. The strategic cooperation agreement mainly focuses on the following five potential areas: (i) financial services; (ii) manufacturing, food, logistics, agro-business and consumables; (iii) real estate, infrastructure and engineering contracting; (iv) resources and energy; and (v) information technology, communication, textile, chemicals, trade and others.

The Subscription, in our view, represents a long term commitment by both CPG Group and ITOCHU to the Group and enhances a strategic cooperation among CITIC, CPG and ITOCHU as regards opportunities for value creation and co-investment across sectors and geographies. All the parties are major players in their respective markets, and the strategic investment and cooperation agreement can potentially yield mutual business opportunities across Asia.

The proceeds from the issue of the Preferred Shares are expected to be approximately HK\$45.9 billion. The proceeds will be used to develop CITIC's businesses and to invest in emerging opportunities in sectors well matched to CITIC's and China's development and as additional working capital for the daily operations of the Group. CITIC is well-equipped to capture the opportunities arising from China's continued growth. In particular, it includes three aspects as set out below:

- (i) to accelerate the integration of current assets and businesses, focus on the areas in which the Group has the opportunity and potential to be an industry leader, e.g., high-end manufacturing industry, enhance its profitability and create industry leading companies with core competitiveness;
- (ii) to actively carry out strategic layout of businesses, e.g., modern agriculture, environment protection and water, new material, renewable clean energy, capture the emerging opportunities in sectors well matched to the Company's and China's development and realize further optimization of the business structure of the Group; and
- (iii) to supplement working capital for the daily operations of the Group.

The use of proceeds mentioned above is subject to revision in light of the evolving business needs of the Group and changing market conditions.

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4. Principal terms of the Subscription Agreement

Set out below is a summary of principal terms of the Subscription Agreement. Further details of terms of the Subscription Agreement are set out in the “Letter from the Board” contained in the Circular.

(a) *The Subscription Agreement*

Date:	20 January 2015
Issuer:	CITIC
Subscriber:	CT Bright
Others:	(1) CITIC Group (the controlling shareholder of CITIC); (2) CPG (the indirect beneficial owner of 50% equity interest in CT Bright); and (3) ITOCHU (the ultimate beneficial owner of 50% equity interest in CT Bright)

Pursuant to the Subscription Agreement, CT Bright has conditionally agreed to subscribe for 3,327,721,000 convertible preferred shares in the share capital of CITIC, convertible into Shares at an initial Conversion Price of HK\$13.80.

The Subscription Price of HK\$13.80 per Preferred Share is the same as the purchase price under the Share Purchase Agreement dated 20 January 2015 in relation to the transfer of 2,490,332,363 Sale Shares, representing 10% of the total issued share capital of CITIC as at the date of the Subscription Agreement, by CITIC Polaris to CT Bright. As stated in the “Letter from the Board” contained in the Circular, the Subscription Price was determined after arm’s length negotiations between CITIC and CT Bright with reference to the prevailing market price of the Shares. The Directors consider that the Subscription Price is fair and reasonable and is in the interests of CITIC and the Shareholders as a whole.

Based on the Conversion Price of HK\$13.80 per Share which is also equivalent to the Subscription Price, a maximum of 3,327,721,000 Shares (subject to adjustment in customary circumstances) will be issued upon the full conversion of the Preferred Shares, representing approximately 13.36% of the total issued share capital of CITIC as at the Latest Practicable Date and approximately 11.79% of the total issued share capital of CITIC as enlarged by the full conversion of the Preferred Shares (assuming no other Shares are issued).

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The Conversion Shares will rank, upon issue, pari passu in all respects with the Shares in issue on the date of the allotment and issue of the Conversion Shares. An application will be made to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. The Preferred Shares will be allotted and issued pursuant to the Specific Mandate, of which approval will be sought from the Independent Shareholders at the EGM.

(b) *Conditions precedent*

Subscription Completion is subject to, among other things, the approval of Independent Shareholders in respect of (a) the transactions contemplated under the Subscription Agreement; (b) the Specific Mandate; and (c) the creation of the Preferred Shares and the AOA Amendments. The Subscription is also subject to the Share Purchase Completion and the various PRC, Hong Kong and Australian regulatory conditions and other conditions as set out in the “Letter from the Board” in the Circular. The Subscription will be completed on the Subscription Completion Date, which shall be the later of (i) the tenth Business Day after the date on which the relevant conditions precedent have been satisfied or waived in accordance with the terms of the Subscription Agreement; and (ii) the date falling 185 days after the Share Purchase Completion Date, and if such day is not a Business Day, the next Business Day immediately after such day.

5. Other key terms of the Subscription and the Share Purchase

Other key terms of the Subscription and the Share Purchase are summarized below:

(1) *Undertakings*

Each of CT Bright, CPG and ITOCHU undertakes that, without the prior written consent of CITIC, it will not, and, where applicable, will procure that its Affiliates will not, at any time during the period of 180 days following the Subscription Completion Date or the Share Purchase Completion Date, dispose of any interest in the Relevant Subscription Shares or the Sale Shares, respectively, save for any transfers of the Relevant Subscription Shares and the Sale Shares amongst the Permitted Transferees.

(2) *Standstill undertaking and Minimum Public Float Percentage*

Each of CT Bright, CPG and ITOCHU agrees and undertakes to CITIC that after the date of the Subscription Agreement, save for the purchase of the Sale Shares under the Share Purchase Agreement, the subscription of the Preferred Shares under the Subscription Agreement, and the subscription of Shares as a result of participating in any pre-emptive issuance or offer of Shares or bonus issue by CITIC to its shareholders on a pro rata basis or the subscription and acquisition of Shares or Equity Securities as a result of the exercise of the Anti-Dilution Right by CT Bright under the Subscription Agreement, it will not, and will procure that its Affiliates shall not, without the prior written consent of CITIC, acquire directly or indirectly any interest in any Share or Equity Securities.

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CITIC shall increase the Public Float Percentage to a level such that, upon full conversion of the Preferred Shares into Shares, the Public Float Percentage will not be less than the Minimum Public Float Percentage, as soon as possible and before the date falling 90 days from the Subscription Completion Date, or such later date as CT Bright consents to (such consent not to be unreasonably withheld).

(3) *Anti-dilution Rights*

Pursuant to the Subscription Agreement, if CITIC conducts any New Share Issue or New Equity Issue after the Subscription Completion, CT Bright shall have the right to acquire Shares or Equity Securities to maintain its aggregate percentage interest in the total equity capital of CITIC, together with that of its Affiliates, at up to 20.00% on a fully diluted basis (provided that the total number of Shares held by CT Bright and its Affiliates, whether directly or indirectly, as a result of its exercise of the Anti-Dilution Right shall not exceed 20.00% of the total number of outstanding issued Shares of CITIC) by (i) participating in such New Share Issue or New Equity Issue on the same price and payment terms as all other participants; and/or (ii) purchasing Shares from any person in the manner and during the periods specified in the Subscription Agreement.

However, CT Bright will lose its Anti-Dilution Right in the following circumstances:

- (i) if CT Bright and its Affiliates cease to hold, in aggregate, at least 20.00% of the total number of outstanding issued Shares other than as a result of an issue of new Shares or Equity Securities by CITIC; or
- (ii) if CITIC proposes to conduct New Share Issue/New Equity Issue other than a Non Cash Equity Issue and CT Bright and its Affiliates cease to hold, in aggregate, at least 20.00% of the total number (as at the date of completion of such issue) of outstanding issued Shares upon expiry of 90 clear days from completion of such issue with no New Share Issue or New Equity Issue proposed or completed since that last New Share Issue or New Equity Issue (as the case may be); or
- (iii) if CITIC proposes to conduct a Non Cash Equity Issue and CT Bright and its Affiliates cease to hold, in aggregate, at least 20.00% of the total number (as at the date of completion of such issue) of outstanding issued Shares upon expiry of 365 clear days from completion of such issue of Shares or Equity Securities.

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(4) Corporate Governance Rights

Under the Share Purchase Agreement, CT Bright shall have the right to nominate one person to be appointed as an independent non-executive Director of CITIC upon the Share Purchase Completion and from time to time thereafter (with all the necessary steps and actions to be taken by CITIC Group). Moreover, upon the Subscription Completion and for such time as CT Bright (together with its Affiliates) has not lost the Anti-Dilution Right pursuant to the Subscription Agreement, CT Bright shall have the right from time to time to nominate one person to be appointed as a non-executive Director of CITIC. Nevertheless, CT Bright shall procure that the non-executive Director of CITIC nominated by it promptly resigns as Director of CITIC (unless doing so would be in breach of his or her fiduciary duties), if CT Bright loses its Anti-Dilution Right in any of the circumstances set out under “(3) Anti-Dilution Rights” above, but CT Bright together with its Affiliates in aggregate still hold at least 10.00% of the total number of outstanding issued Shares.

CT Bright shall procure that the independent non-executive Director of CITIC nominated by it promptly resigns as Director of CITIC (unless doing so would be in breach of his or her fiduciary duties), if CT Bright and its Affiliates cease to directly or indirectly to hold in aggregate at least 10.00% of the total number of outstanding issued Shares other than as a result of an issue of new Shares or Equity Securities by CITIC.

(5) Right of First Refusal

Pursuant to the Share Purchase Agreement, CITIC Polaris or a person nominated by it shall have the right of first refusal to purchase the Sale Shares disposed of by CT Bright at the same price and on the same delayed settlement terms (if any) in accordance with the terms of the Share Purchase Agreement if, after expiry of the period of 180 days following the Share Purchase Completion Date and as long as CITIC Group holds at least 50.01% of the issued Shares, CT Bright wishes to dispose of all or part of the Sale Shares of CITIC it holds to a person other than CITIC Polaris or its Affiliates.

Shareholders are advised to refer to the section headed “A. Principal Terms of the Subscription Agreement” in the “Letter from the Board” in the Circular for details of the other terms of the Subscription Agreement. Given the substantial size of investment by CT Bright, we consider the other terms of the Subscription Agreement are similar to other share subscriptions in companies listed in Hong Kong by reputable multinational corporations.

6. Key terms and conditions of the Preferred Shares

Issue Price	:	HK\$13.80
Conversion Price	:	HK\$13.80, subject to normal adjustments

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Conversion right	:	Conversion at the option of the Preferred Shareholders will be subject to compliance with the Minimum Public Float Percentage requirement following conversion.
		Conversion at the option of CITIC will be subject to giving written notice to the Preferred Shareholders.
Liquidation preference	:	Rank in priority to Shareholders
Distributions	:	Same as the Shares
Redemption right and cancellation	:	The Preferred Shares are perpetual securities. Neither CITIC nor Preferred Shareholder(s) has a redemption right
Transferability	:	Freely transferrable but subject to the terms of the Subscription Agreement

Shareholders are advised to refer to the section headed "A. Principal Terms of the Subscription Agreement" in the "Letter from the Board" in the Circular where details of the major terms and conditions of the Preferred Shares are set out. The terms of the Preferred Shares are, in our view, customary and similar to other convertible securities of this type issued by companies listed in Hong Kong.

7. Financial information

(a) *Financial performance*

Completion for the Acquisition took place on 25 August 2014 and therefore CITIC's recent interim results for the six months ended 30 June 2014 have not yet incorporated the performance of CITIC Corporation. In order to provide a better understanding on the Group's current financial performance, the following is a summary of (i) the unaudited consolidated results of CITIC for the six months ended 30 June 2013 and 2014 as extracted from the 2014 Interim Report; (ii) the audited consolidated results of CITIC for the year ended 31 December 2013 as extracted from the 2013 Annual Report; (iii) the unaudited combined results of CITIC Corporation for the six months ended 30 June 2014 as extracted from CITIC's announcement dated 5 December 2014; and (iv) the audited combined results of CITIC Corporation for the year ended 31 December 2013 as extracted from the May Circular.

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Table 1: Financial performance of the Group

	CITIC			CITIC Corporation	
	For the six months ended 30 June 2014	For the six months ended 30 June 2013	For the year ended 31 December 2013	For the six months ended 30 June 2014	For the year ended 31 December 2013
	HK\$' million	HK\$' million	HK\$' million	RMB' million	RMB' million
Interest income	-	-	-	102,710	164,139
Interest expenses	-	-	-	(56,361)	(77,576)
Net interest income	-	-	-	46,349	86,563
Fee and commission income	-	-	-	14,758	23,123
Fee and commission expenses	-	-	-	(690)	(1,508)
Net fee and commission income	-	-	-	14,068	21,615
Sales of goods and services	46,685	41,291	88,041	54,542	141,356
Other revenue	-	-	-	3,440	2,255
	46,685	41,291	88,041	57,982	143,611
Total revenue	46,685	41,291	88,041	118,399	251,789
Cost of sales and services	(40,524)	(36,295)	(77,185)	(46,969)	(125,340)
Other net income	770	2,954	4,647	2,586	6,094
Impairment losses on					
– Loans and advances to customers	-	-	-	(11,062)	(10,739)
– Others	(50)	(3)	(435)	(871)	(2,933)
Other operating expenses	(4,305)	(3,851)	(7,331)	(25,944)	(51,923)
Net valuation gain on investment properties	388	599	1,709	3	118
Share of profit of associates, net of tax	651	145	390	943	1,824
Share of profit of joint ventures, net of tax	1,428	1,582	3,016	372	750

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	CITIC			CITIC Corporation	
	For the six months ended 30 June 2014 <i>HK\$'</i> <i>million</i>	For the six months ended 30 June 2013 <i>HK\$'</i> <i>million</i>	For the year ended 31 December 2013 <i>HK\$'</i> <i>million</i>	For the six months ended 30 June 2014 <i>RMB'</i> <i>million</i>	For the year ended 31 December 2013 <i>RMB'</i> <i>million</i>
Profit before net finance charges and tax	5,043	6,422	12,852	37,457	69,640
Finance costs	(2,132)	(1,362)	(3,297)	(2,847)	(4,615)
Finance income	<u>327</u>	<u>258</u>	<u>549</u>	<u>1,109</u>	<u>1,152</u>
Net finance charges	(1,805)	(1,104)	(2,748)	(1,738)	(3,463)
Profit before tax	3,238	5,318	10,104	35,719	66,177
Income tax	<u>(272)</u>	<u>(266)</u>	<u>(978)</u>	<u>(8,782)</u>	<u>(16,500)</u>
Profit for the period/year	<u><u>2,966</u></u>	<u><u>5,052</u></u>	<u><u>9,126</u></u>	<u><u>26,937</u></u>	<u><u>49,677</u></u>
Attributable to:					
Shareholders of CITIC	2,005	4,463	7,588	19,006	34,260
Holders of perpetual capital securities	562	304	881	–	–
Non-controlling interests	<u>399</u>	<u>285</u>	<u>657</u>	<u>7,931</u>	<u>15,417</u>
Profit for the period/year	<u><u>2,966</u></u>	<u><u>5,052</u></u>	<u><u>9,126</u></u>	<u><u>26,937</u></u>	<u><u>49,677</u></u>

(i) *Revenue*

The major contributors to the revenue of CITIC were its special steel business and the sales operations of its listed subsidiary Dah Chong Hong Holdings Limited (“**Dah Chong Hong**”), accounting for in aggregate 94.1% of its total revenue, which increased from HK\$20,471 million and HK\$18,936 million respectively for the six months ended 30 June 2013, to HK\$21,848 million and HK\$22,094 million respectively for the six months ended 30 June 2014. Despite the overall price of products remaining relatively stable, revenue from the special steel segment increased by 6.7% in the first half of 2014 as a total of 3.68 million tonnes of special steel products were sold during the period, 2% more than the corresponding period in 2013. Revenue derived from Dah Chong Hong increased by 16.7% period-on-period due to strong growth of the commercial vehicle business in Hong Kong, Taiwan and Singapore.

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The revenue of CITIC Corporation can be largely divided into (i) net interest income and net fee and commission income generated by its 67% owned China CITIC Bank Corporation Limited (“**CITIC Bank**”) and financial services business, and (ii) sales of goods and services contributed by its non-financial services segments (i.e. resources and energy, manufacturing and real estate and infrastructure business). The continuing growth of net interest income for CITIC Bank was mainly attributable to the expansion in the average balance of its interest-earning assets, which was up 18.2% from RMB3,299,941 million for the year 2013 to RMB3,901,935 million for the first half of 2014. Net fee and commission income of CITIC Bank amounted to RMB12,807 million in the first half of 2014 and enjoyed a period-on-period growth rate of 60.55%, primarily due to the rapid growth in multiple businesses including bank card fees, guarantee fees, wealth management service fees, commission from custody and other trusted services. Contribution from CITIC Bank and financial services business increased from 43.86% for 2013 to 53.93% for the first half of 2014.

(ii) Cost of sales and services

Cost of sales for CITIC increased by 11.7% in the first half of 2014, which is slightly below the revenue growth rate of 13.1%, mainly due to the margin of the special steel segment being enhanced by a much lower cost of raw materials utilised in production. As a result, gross profit margin improved from 12.1% and 12.3% for the first half and full year of 2013 respectively, to 13.2% for the first half of 2014.

Cost of sales and services for CITIC Corporation mainly related to its non-financial services segments. Gross profit margin for the non-financial services segments also improved from 11.3% for the year ended 31 December 2013 to 13.9% for the six months ended 30 June 2014.

(iii) Impairment losses of loans and advances to customers

Although no impairment was made by CITIC for the first half of 2014, it is expected and has been announced that an estimated impairment of US\$1.4 billion to US\$1.8 billion (net of tax) in relation to the Sino Iron project is likely to be made in its 2014 accounts.

The impairment losses of loans and advances to customers for CITIC Corporation in the first half of 2014 are primarily related to the loan impairment of RMB10,914 million accrued by CITIC Bank, which approached the full-year level of 2013. According to the interim report of CITIC Bank for the six months 30 June 2014, the reasons for increasing such provisions were (i) a proactive response taken to counter the risk of economic downturn by means of enhancing its risk hedging capability; and (ii) as a prudent response to the increasing scrutiny of potential bad debts.

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(iv) Finance costs

Finance costs of CITIC increased significantly by 56.5% in the first half of 2014, mainly due to (i) increased borrowings from HK\$118,265 million as at 30 June 2013 to HK\$121,737 million as at 30 June 2014; and (ii) capitalised interest, which was mainly attributable to the development of the iron ore business in Australia, dropped from HK\$1,395 million in the first half of 2013 to HK\$840 million in the first half of 2014 as some of the facilities were put into commission for their intended use during the period.

Finance costs of CITIC Corporation have also risen due to the increase in the interest on other loans and debt securities issued.

(v) Profit attributable to shareholders

CITIC achieved a profit attributable to its Shareholders of HK\$2,005 million during the first half of 2014, representing a decrease of 55% period-on-period due to a one-off gain of HK\$2,055 million made in 2013 on the sale of an 18.6% interest in CITIC Telecom International Holdings Limited (“**CITIC Telecom**”) and a corresponding fair value gain on the remaining shares. Profit attributable to the Shareholders generated by the special steel operation increased from HK\$605 million (excluding HK\$362 million one-off fair value gain arising from the increase in shareholding of the Xingcheng Phase II special steel production line) for the first half of 2013 to HK\$773 million for 2014, while the Mainland China property business also improved from HK\$218 million in 2013 to HK\$345 million in 2014. The iron ore business remained loss-making despite its revenue growth, and incurred a loss of HK\$1,067 million for the period compared to HK\$1,054 million last year.

For CITIC Corporation, its profits attributable to shareholders amounted to RMB19,006 million for the first half of 2014, accounting for 55% of the full year profit in 2013. The net profit margin attributable to the shareholders of CITIC Corporation also improved from 13.6% in 2013 to 16.1% for the first half of 2014.

(b) Financial position

Set out below is a summary of (i) the consolidated balance sheets of CITIC as at 30 June 2014 and 31 December 2013 as extracted from the 2014 Interim Report; (ii) the unaudited combined balance sheet of CITIC Corporation as at 30 June 2014 as extracted from CITIC’s announcement dated 5 December 2014; and (iii) the audited combined balance sheet of CITIC Corporation as at 31 December 2013 as extracted from the May Circular.

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Table 2: Financial position of the Group

	CITIC		CITIC Corporation	
	As at 30 June 2014 HK\$' million	As at 31 December 2013 HK\$' million	As at 30 June 2014 RMB' million	As at 31 December 2013 RMB' million
Assets				
Cash and deposits	31,331	35,070	780,982	680,285
Placements with banks and non-bank financial institutions	–	–	110,202	122,314
Financial assets at fair value through profit or loss	–	–	21,381	12,310
Derivative financial assets	145	86	7,263	7,768
Trade and other receivables and other assets	22,715	23,250	91,494	74,265
Amount due from customers for contract work	–	–	1,393	1,374
Inventories	20,789	19,270	86,101	83,695
Financial assets held under resale agreements	–	–	385,083	287,247
Loans and advances to customers and other parties	–	–	2,074,892	1,903,049
Available-for-sale financial assets	483	294	230,913	215,396
Held-to-maturity investments	–	–	159,037	154,792
Investments classified as receivables	–	–	563,697	300,158
Interests in associates	8,320	7,668	35,711	35,696
Interests in joint ventures	21,561	22,647	9,560	9,324
Fixed assets	125,187	122,892	44,216	47,038
Investment properties	15,235	14,932	4,649	4,681
Intangible assets and goodwill	19,202	18,802	15,194	15,381
Deferred tax assets	3,402	2,868	10,919	10,930
Total assets	268,370	267,779	4,632,687	3,965,703

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	CITIC		CITIC Corporation	
	As at 30 June 2014 <i>HK\$'</i> <i>million</i>	As at 31 December 2013 <i>HK\$'</i> <i>million</i>	As at 30 June 2014 <i>RMB'</i> <i>million</i>	As at 31 December 2013 <i>RMB'</i> <i>million</i>
Liabilities				
Deposits from banks and non-bank financial institutions	–	–	789,842	557,904
Placements from banks and non-bank financial institutions	–	–	38,950	41,372
Derivative financial liabilities	2,983	2,697	6,674	6,944
Financial liabilities at fair value through profit or loss	–	–	615	–
Trade and other payables and employee benefits payables	27,272	28,847	153,623	152,600
Amount due to customers for contract work	–	–	6,315	6,322
Financial assets sold under repurchase agreements	–	–	8,999	7,949
Deposits from customers	–	–	3,034,161	2,632,152
Income tax payable	1,173	1,139	5,384	5,773
Bank and other loans	121,737	120,730	93,170	95,280
Debt securities issued	–	–	138,503	132,403
Provisions	2,438	2,092	534	500
Deferred tax liabilities	3,993	3,918	1,711	1,804
Other liabilities	–	43	7,656	5,062
	159,596	159,466	4,286,137	3,646,065
Total liabilities	159,596	159,466	4,286,137	3,646,065

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	CITIC		CITIC Corporation	
	As at 30 June 2014 <i>HK\$'</i> <i>million</i>	As at 31 December 2013 <i>HK\$'</i> <i>million</i>	As at 30 June 2014 <i>RMB'</i> <i>million</i>	As at 31 December 2013 <i>RMB'</i> <i>million</i>
Equity				
Share capital	38,022	1,460	139,000	128,000
Reserves	<u>50,258</u>	<u>86,465</u>	<u>107,616</u>	<u>97,051</u>
Total equity attributable to equity shareholders of CITIC	88,280	87,925	246,616	225,051
Perpetual capital securities	13,833	13,838	–	–
Non-controlling interests	<u>6,661</u>	<u>6,550</u>	<u>99,934</u>	<u>94,587</u>
Total equity	<u>108,774</u>	<u>108,313</u>	<u>346,550</u>	<u>319,638</u>
Total liabilities and equity	<u>268,370</u>	<u>267,779</u>	<u>4,632,687</u>	<u>3,965,703</u>

(i) *CITIC*

CITIC's net asset value ("NAV") attributable to the Shareholders as at 30 June 2014 and 31 December 2013 were HK\$88,280 million and HK\$87,925 million respectively. Total assets increased from HK\$267,779 million at the end of 2013 to HK\$268,370 million at the end of first half of 2014.

(ii) *CITIC Corporation*

The largest component of the total assets for CITIC Corporation is loans and advances to customers, representing 48.0% of total assets as at 31 December 2013 and 44.8% as at 30 June 2014. Loans and advances to customers and other parties primarily consist of corporate loans and personal loans attributable to CITIC Bank, while cash and deposits are mainly comprised of balances with central banks and deposits with banks and non-bank financial institutions under the financial services segment, and bank deposits under the non-financial services segment.

Total liabilities for CITIC Corporation mainly include deposits from customers, the majority of which are attributable to CITIC Bank and represent 72.2% and 70.8% of total liabilities as at 31 December 2013 and 30 June 2014 respectively. Deposits from customers primarily consist of demand deposits, time and call deposits and outward remittance and remittance payables from its corporate and personal customers.

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The deposits from customers outgrew the loan and advances to customers and other parties as at 30 June 2014 as compared to 31 December 2013 resulting in a drop of the loan-to-deposit ratio from 72.3% to 68.4% after CITIC Bank focused on loan quality in the first half of 2014.

8. Analysis of the historical price performance of the Shares

(a) *Comparison of the Subscription Price to recent share prices*

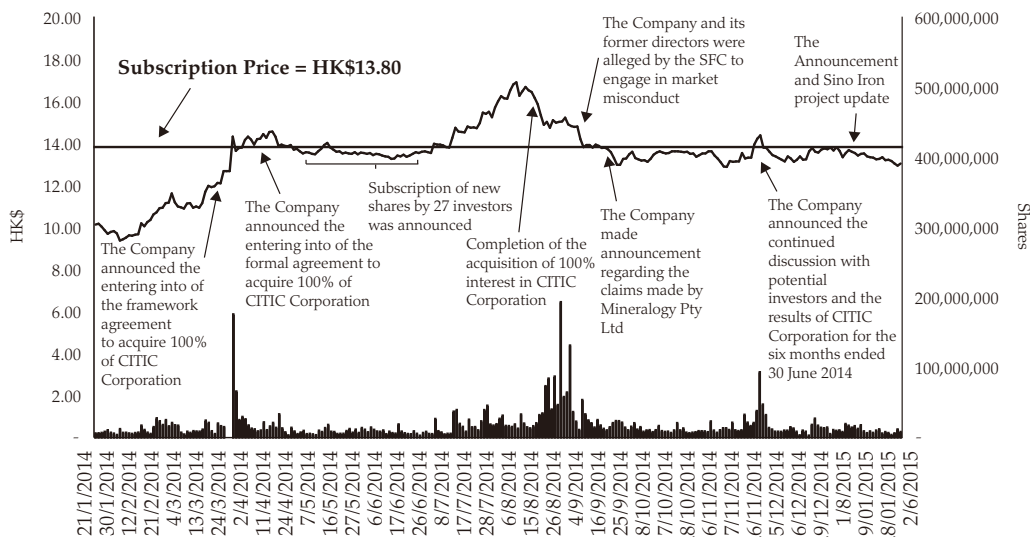
The Subscription Price is HK\$13.80 per Preferred Share, representing:

- (i) a premium of approximately 3.60% over the closing price of HK\$13.32 per Share as quoted on the Hong Kong Stock Exchange on the Pricing Date;
- (ii) a premium of approximately 2.37% over the average closing price of approximately HK\$13.48 per Share as quoted on the Hong Kong Stock Exchange for the last 20 consecutive Trading Days up to and including the Pricing Date;
- (iii) a premium of approximately 2.53% over the average closing price of approximately HK\$13.46 per Share as quoted on the Hong Kong Stock Exchange for the last 60 consecutive Trading Days up to and including the Pricing Date; and
- (iv) a premium of approximately 2.07% over the average closing price of approximately HK\$13.52 per Share as quoted on the Hong Kong Stock Exchange for the last 90 consecutive Trading Days up to and including the Pricing Date.

(b) Share price performance

The chart below shows the Subscription Price and the closing price of the Shares during the period starting from 21 January 2014 up to and including the Latest Practicable Date (the “Review Period”):

Figure 1: Share price chart



The share price uplift seen in early 2014 may be limited to the acquisition of the entire interest in CITIC Corporation. At the beginning of 2014, the Shares closed between HK\$9.00 and HK\$11.00, which is significantly below the Issue Price (i.e. HK\$13.48) and the Subscription Price until the announcement regarding the possible acquisition of CITIC Corporation was made on 27 March 2014. The Shares closed above the Subscription Price thereafter and reached HK\$14.54 before signing of the formal agreement to acquire the entire interest in CITIC Corporation involving the issue of consideration shares at the Issue Price.

Between May and July 2014, CITIC entered into share subscription agreements with a total of 27 strategic investors for subscription of a total of 3,952,114,000 new Shares while the Share prices were stable ranging between HK\$13.24 and HK\$14.00 with an average of HK\$13.56. The Share price increased afterwards and reached the 12-month high of HK\$16.88 on 13 August 2014. Completion of the CITIC Corporation acquisition took place on 25 August 2014. The Share price started to fall after unfavourable news was announced including the allegation of market misconduct by CITIC and its former directors involving the disclosure of false or misleading information about CITIC’s financial position, in connection with losses that CITIC had suffered through its investment in leveraged foreign exchange contracts in 2008 and the claims made by Mineralogy Pty Ltd in respect of the Sino Iron project. The Shares then closed in a narrow range between HK\$12.86 and HK\$14.36 with an average of HK\$13.43 before the Announcement. The Shares briefly traded above the Subscription Price of HK\$13.80 between 4 and 8

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December 2014 following CITIC's announcement of its continued discussions with potential investors on 5 December 2014, and also closed at HK\$13.80 on 15 January 2015 prior to CITIC's announcement of its disposal of shares in CITIC Securities Company Limited during the period from 13 January 2015 to 16 January 2015.

On 20 January 2015 (i.e. the date of the Announcement), CITIC also announced an update on the Sino Iron project for which an estimated impairment of USD1.4 billion to USD1.8 billion (net of tax) is likely to be made in the 2014 accounts. Trading in the Shares was suspended in the morning session before the Announcement was published and the Shares closed at HK\$13.52, representing a slight increase of 1.50% as compared the last closing price preceding the Announcement. Thereafter, the Shares closed between HK\$12.92 and HK\$13.66 during the period from the date of Announcement to the Latest Practicable Date.

9. Comparable issues

Since (i) the Preferred Shares are perpetual securities with no redemption feature and its holders will receive the same dividend distribution as the Shareholders; (ii) CITIC is obliged to increase the Public Float Percentage to facilitate full conversion of the Preferred Shares within 90 days from the Subscription Completion Date (or such later date CT Bright consents to); (iii) CITIC has the right to require a Preferred Shareholder to convert the Preferred Shares into Shares; and (iv) the Minimum Public Float requirement shortfall upon full conversion of the Preferred Shares is approximately 2.38% as discussed in the section headed "11. Effects on the shareholding structure of CITIC" below, the nature of the Preferred Shares, in our view, is very similar to the Shares and it would therefore be appropriate to compare the terms with those of the share issues in the market.

We have performed an analysis of comparable issues by searching the website of the Hong Kong Stock Exchange on a best efforts basis for all share issues (the "**Comparable Issues**") announced since 1 January 2014 and up to the date immediately prior to the Latest Practicable Date by companies listed on the Hong Kong Stock Exchange involving (i) subscription of new shares of the listed companies by reputable strategic investors (whose identities have been disclosed in the respective announcement) which have been completed or have been approved by shareholders (pending completion); (ii) the increase of the issued share capital by less than 30% on fully diluted basis upon completion of the share subscription; and (iii) the fund raising size is more than HK\$1 billion. As the Comparable Issues fulfill the above criteria, we consider them to be an appropriate basis to assess the fairness of the Subscription Price. To the best of our knowledge,

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the Comparable Issues represent an exhaustive list of all subscriptions/issues meeting the said criteria above. The table below illustrates the details of the Comparable Issues:

Table 3: Comparable Issues

Date of announcement	Company name	Share issue/enlarged issued share capital	Subscriber(s)	Premium/(discount) of issue price over/(to) the closing/average closing price on or before the relevant date of the announcement			Lock-up period
				Last trading day	5 trading days	10 trading days	
15-Jan-14	China South City Holdings Limited (stock code: 1668)	9.9%	Tencent Holdings Limited (through its wholly-owned subsidiary)	1.4%	3.2%	2.1%	3 years
19-Jan-14	Zhongsheng Group Holdings Limited ("Zhongsheng Group") (stock code: 881)	11.1%	Jardine Strategic Holdings Limited	(6.3)%	(7.0)%	(3.2)%	1.5 years
12-Feb-14	China Mengniu Dairy Company Limited (stock code: 2319)	6.2%	COFCO Dairy Investments Limited	15.3%	17.6%	19.0%	3 years
31-Mar-14	Intime Retail (Group) Company Limited ("Intime Retail") (stock code: 1833)	9.9%	Alibaba Investment Limited	(13.7)%	(15.4)%	(14.3)%	Maximum of 3 years ⁽¹⁾
27-Oct-14	China Shanshui Cement Group Limited (stock code: 691)	16.7%	China National Building Material Company Limited	0.0%	0.0%	0.8%	3 years
31-Oct-14	Yashili International Ltd (stock code: 1230)	25.0%	Danone Asia Baby Nutrition Pte. Ltd.	16.7%	29.7%	32.4%	3 years

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Date of announcement	Company name	Share issue/enlarged issued share capital	Subscriber(s)	Premium/(discount) of issue price over/(to) the closing/average closing price on or before the relevant date of the announcement			Lock-up period
				Last trading day	5 trading days	10 trading days	
21-Dec-14	Haitong Securities Co., Ltd. (“Haitong Securities”) (stock code: 6837)	16.7%	Dawn State Limited, Maunakai Capital Partners (Hong Kong) Limited, Vogel Holding Group Limited, Insight Capital Management (Hong Kong) Limited, Amdt Special Holdings Limited, Marshall Wace Asia Limited, New China Asset Management (Hong Kong) Limited	(16.0)%	(18.6)%	(19.8)%	Nil
28-Dec-14	Gemdale Properties and Investment Corporation Limited (stock code: 535)	24.2%	OUE Lippo Limited	20.9%	25.0%	24.3%	Nil
12-Feb-15	Semiconductor Manufacturing International Corporation (“Semiconductor Manufacturing”) (stock code: 981)	11.6%	China Integrated Circuit Industry Investment Fund Co., Ltd.	(7.1)%	(6.6)%	(5.4)%	2 years
	Maximum			20.9%	29.7%	32.4%	
	Minimum			(16.0)%	(18.6)%	(19.8)%	
	Mean (simple average)			1.3%	3.1%	4.0%	
14-May-14	CITIC	11.8%	15 strategic investors	(1.8)%	(0.6)%	(0.8)%	Nil
17-Jun-14	CITIC	1.6%	10 strategic investors	1.8%	0.9%	0.4%	Nil
17-Jul-14	CITIC	2.5%	2 strategic investors ⁽²⁾	(2.3)%	(3.0)%	(1.8)%	Nil
	Maximum			1.8%	0.9%	0.4%	
	Minimum			(2.3)%	(3.0)%	(1.8)%	
	Mean (simple average)			(0.8)%	(0.9)%	(0.7)%	
20-Jan-15	CITIC	11.8%		3.6%	1.2%	1.2%	0.5 year

Source: the Hong Kong Stock Exchange website

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Notes:

1. The subscriber also subscribed the convertible bonds with 3-year term issued by Intime Retail. The lock up of the subscription shares will be (i) from the date of issue to the earlier of the first date of conversion of the convertible bonds and the date on which the convertible bonds are fully repaid or redeemed; and (ii) from the first conversion date of the convertible bond to the date falling 6 months thereafter.
2. One of the strategic investors is CT Bright.

The pricing for subscription of new shares by reputable strategic investors has been generally at premiums over their historical trading prices. As set out in the table above, 5 of the 9 Comparable Issues are priced equal to or at premiums over their respective historical trading prices, whereas the Comparable Issues involving Zhongsheng Group, Intime Retail, Haitong Securities and Semiconductor Manufacturing are priced at discounts to their respective historical trading prices. The premiums in 5 Comparable Issues ranged from 0% to 20.9%, 0% to 29.7% and 0.8% to 32.4% over their closing prices on the last trading day and 5-day average and 10-day average share prices. The discounts as regards Zhongsheng Group, Intime Retail, Haitong Securities and Semiconductor Manufacturing ranged from 6.3% to 16.0%, 6.6% to 18.6% and 3.2% to 19.8% to their closing prices on the last trading day and 5-day average and 10-day average share prices.

In connection with the Acquisition, CITIC conducted three tranches of placing of new Shares during the period from May to July 2014 at the Issue Price (i.e. HK\$13.48 per Share), representing average discounts of 0.8%, 0.9% and 0.7% on the last trading day and 5-day average and 10-day average share prices.

The Subscription Price is 2.4% higher than the Issue Price, representing premiums of 3.6%, 1.2% and 1.2% over its closing price on the last trading day and 5-day average and 10-day average share prices, which are within the range of the Comparable Issues and slightly better than its own placement exercises last year. On this basis, the pricing of the Subscription is, in our view, in line with the market practice as well as the placings conducted by CITIC in 2014.

10. Financial effects of the Subscription

(i) NAV and NAV per Share

The NAV upon the Subscription Completion would increase by approximately HK\$45,923 million, representing the total consideration under the Subscription Agreement. Based on the Subscription Price of HK\$13.80, it is expected that NAV per Share would be slightly reduced assuming full conversion of the Preferred Shares.

Dilution in NAV per Share is unavoidable given the size of the Subscription, terms based on market prices and the need to offer a discount to the existing NAV per share for asset-back companies in the context of a large-scale capital injection. In our opinion, the dilution effect is relatively small and outweighed by the benefits of the Subscription, which include the potential business opportunities across sectors and geographies through the strategic cooperation with CPG and ITOCHU, and the

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raising of substantial capital from the Subscription which would allow the Group to further develop its existing businesses by capturing opportunities arising from China's continued growth.

(ii) *Leverage*

Based on the May Circular, as at 31 December 2013, the Group as enlarged by the Acquisition (the "Enlarged Group") had net debt of approximately HK\$321,057 million and total equity attributable to the Shareholders and perpetual capital securities of approximately HK\$385,614 million. The leverage of the Enlarged Group, defined by net debt divided by total capital, was approximately 45.4%. Based on the capital injection of HK\$45,922,549,800 upon Subscription Completion, it is expected that the leverage of the Enlarged Group will be improved.

11. Effects on the shareholding structure of CITIC

Set out below are the shareholding structures of CITIC: (i) as of the Latest Practicable Date; (ii) immediately after the Share Purchase Completion; and (iii) immediately after the Subscription Completion, assuming full conversion of the Preferred Shares at the initial Conversion Price of HK\$13.80 pursuant to the Subscription Agreement.

Table 6: Shareholding changes before and after Share Purchase Completion and Subscription Completion

Name of Shareholders	As of the Latest Practicable Date		Immediately after the Share Purchase Completion		Immediately after the Subscription Completion and assuming full conversion of the Preferred Shares	
	Number of Shares held	%	Number of Shares held	%	Number of Shares held	%
CITIC Glory	7,446,906,755	29.90%	7,446,906,755	29.90%	7,446,906,755	26.38%
CITIC Polaris	11,953,595,000	48.00%	9,463,262,637	38.00%	9,463,262,637	33.52%
CT Bright	249,033,000 ⁽¹⁾	1.00% ⁽¹⁾	2,490,332,363	10.00%	5,818,053,363	20.61%
(Other) Public Shareholders ⁽³⁾	5,253,788,875	21.10%	5,502,821,875	22.10%	5,502,821,875	19.49% ⁽²⁾
Total	24,903,323,630	100.00%	24,903,323,630	100.00%	28,231,044,630	100.00%

Notes:

- (1) CT Bright will dispose of 249,033,000 Shares it held as of the Latest Practicable Date to independent third parties of the Company prior to the Share Purchase Completion.

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- (2) Pursuant to the Subscription Agreement, the Conversion Right attaching to any Preferred Share may be exercised by the Preferred Shareholder thereof at any time on or after the Issue Date, provided that he may only convert such number of Preferred Shares as would not cause CITIC not to comply with the Minimum Public Float requirement from time to time, following the conversion. As such, the figure is for illustration purpose only.
- (3) As stated in the May Circular, the Stock Exchange has granted, pursuant to Rule 8.08(1)(d) of the Listing Rules, a waiver to allow CITIC to have a public float percentage of less than 25% after the completion of the Acquisition, provided that the minimum public float should be at the higher of:
 - (i) 15% of the total issued share capital of CITIC 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 of the Acquisition. Therefore, CITIC is subject to the public float requirement of 21.87% (i.e. Minimum Public Float Percentage) which is the percentage of the Shares held by the public immediately after such acquisition completion.

As illustrated above, the shareholding of the existing public Shareholders would be reduced from 22.10% as at the Latest Practicable Date to 19.49% immediately after the Subscription Completion assuming that full conversion of the Preferred Shares. The Minimum Public float Percentage shortfall will be 2.38%. Pursuant to the Subscription Agreement, CITIC shall increase the Public Float Percentage, to a level such that upon full conversion of the Preferred Shares into Shares, the Public Float Percentage will not be less than the Minimum Public Float Percentage, as soon as possible and before the date falling 90 days from the Subscription Completion Date, or such later date as CT Bright consents to (such consent not to be unreasonably withheld). As of the Latest Practicable Date, the Company had no concrete plan on how to increase the Public Float Percentage.

Although there will be a small dilution effect to the shareholding interest of the existing public Shareholders as a result of the Subscription, having taken into account (i) the reasons for the Subscription in particular the strategic ties to be formed with the highly complementary multi-industry conglomerates, CPG Group and ITOCHU; and (ii) that the Subscription Price is considered to be fair and reasonable as set out in this letter above, we consider that the broadening of the shareholding base is in the interest of the existing public Shareholders.

DISCUSSION

CITIC is one of the leaders among the state-owned enterprises to pursue reform and internationalization. The Acquisition last year has transformed the Group in terms of size and range of activities, with a sevenfold increase in net profit and enhanced creditworthiness. The Acquisition has also allowed the Group to diversify its ownership structure through new share subscriptions by 27 strategic investors. Given the substantial increase in size and scale of the Group, as well as the diversity of the businesses within it, the Board has undergone changes in directorships and board committees to ensure effective leadership and governance.

The Group has become the largest conglomerate company in the PRC with business in financial services, real estate and infrastructure, engineering contracting, resources and energy and manufacturing. CT Bright, the subscriber under the Subscription Agreement, is a joint venture established by CPG and ITOCHU with each holding a 50% equity interest. CPG Group is a global agro-industrial, retail and telecommunications concern

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and ITOCHU is one of the best-known trading companies in the world. CITIC, CPG and ITOCHU have agreed to establish a strategic cooperation committee to consider and explore projects of potential mutual interest with a focus on five business areas. CT Bright has the right to appoint one non-executive Director and one independent non-executive Director to the Board upon completion of the Share Purchase and Subscription. The Subscription expands the “private ownership” of CITIC and enables CITIC to tap into the business networks of CPG and ITOCHU in overseas markets in which they are among the leaders.

Completion of the Acquisition took place after reporting date of the Group’s 2014 interim results, which therefore have not yet reflected the contribution from CITIC Corporation. CITIC had a six-month profit in 2014 of HK\$2,005 million, representing a decrease of 55% year-on-year, largely due to a gain made in 2013 on the sale of an 18.6% interest in CITIC Telecom and a corresponding fair value gain on the remaining shares. CITIC’s special steel and property businesses performed satisfactorily for the first half of 2014 with increased contribution to the profitability to the Group. The Sino Iron project incurred a loss at about the same level for the corresponding period in 2013. CITIC Corporation’s profit of RMB19,006 million for the first half of 2014 accounts for 55% of its full year profit in 2013 with increased contribution from CITIC Bank which reported a 8.1% period-on-period increase in profit for the first half of 2014. However, the Directors estimated impairment of USD1.4 to USD1.8 billion (net of tax) relating to the Sino Iron Project is likely to be made in the 2014 results, equivalent to approximately 46% to 59% of the half year profit of CITIC Corporation.

Despite certain additional rights carried by the Preferred Shares as compared to the Shares, the Preferred Shares, with features including CITIC’s right to require the conversion of the Preferred Shares, in our view, can validly be compared with the Shares. In the last 3 months before the Announcement, the Shares closed in a narrow range between HK\$12.86 and HK\$14.36 with an average closing price of HK\$13.47 and a closing price above or equal to HK\$13.80 (i.e. the Subscription Price) in only 4 trading days. The Subscription Price has been set at a premium of 3.6% over the closing price on the Last Trading Day and is 2.4% higher than the Issue Price. We have also looked at the subscriptions of new shares in Hong Kong listed companies by reputable strategic investors since the beginning of 2014 (i.e. the Comparable Issues). The Subscription is within the range of the Comparable Issues and on slightly better terms than CITIC’s own placement exercises last year included in Table 3. On this basis, we consider that the Subscription Price of HK\$13.80 is reasonable compared to the closing price of the Shares in the last three months and in line with the market practice.

The proceeds from the issue of the Preferred Shares of HK\$45.9 billion are substantial, which will be used by CITIC to invest in emerging opportunities in sectors in line with CITIC’s and China’s strategic development. In particular, it will be used to (i) accelerate the integration of current assets and businesses and focus on the areas in which the Group has already been or has the potential to be an industry leader; (ii) actively carry out strategic layout of businesses; and (iii) supplement working capital for the daily operations of the Group.

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We consider the dilution in NAV per Share following the Subscription to be acceptable, bearing in mind the benefits brought about by the Subscription as set out above, which include in particular a HK\$45.9 billion capital injection and potential business opportunities across sectors and geographies through the strategic cooperation agreement with CPG and ITOCHU.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, particularly the substantial amount raised, the favourable pricing, the broadening of the Shareholders base and the strategic cooperation created with two powerful international groups, we consider that the terms of the Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate are on normal commercial terms and, while the Subscription and the Specific Mandate are not in the ordinary and usual course of business of the Group, in our opinion the terms of the Subscription and the Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned and the Subscription are in the interests of CITIC and the Shareholders as a whole.

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

Mr. M. N. Sabine is a licensed person and responsible officer of Somerley Capital Limited registered with the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

Details of the AoA Amendments are set out as follows:

New Article 4A – Rights of Preferred Share

4A. Each Preferred Share of the Company shall have attached thereto the rights and restrictions as set out in the “Schedule A” attached to this Article.

New Schedule A – Preferred Share Terms

All Preferred Shares shall carry equal rights and rank *pari passu* with one another and carry the rights set out below.

1. INTERPRETATION

1.1 For the purposes of this Schedule, the following expressions have the following meanings:

Affiliate means (i) any Permitted Transferee (in relation to the Chia Tai Bright Investment Company Limited, CPG Overseas Company Limited and ITOCHU Corporation); or (ii) in relation to any person, any other person which, directly or indirectly, controls, is controlled by or is under the common control of the first mentioned person. For the purposes of this Schedule, *control* means, in relation to any person, having the power to direct the management or policies of such person, whether through the ownership of 50% or more of the voting power of such person, through the power to appoint a majority of the members of the board of directors or similar governing body of such person, or through contractual arrangements or otherwise, and references to *controlled* or *controlling* shall be construed accordingly;

Anti-dilution Right means the right of the relevant Preferred Shareholder to increase its aggregate percentage interest, whether directly or indirectly, in the total equity capital of the Company to up to but not including 20.005% on a Fully Diluted Basis (provided that the total number of Shares held by the Subscriber and its Affiliates, whether directly or indirectly, as a result of Subscriber’s exercise of the Anti-Dilution Right shall not become 20.005% or more of the total number of outstanding issued Shares of the Company) by: (i) participating in the New Share Issue/New Equity Issue of the Company or (ii) purchasing Ordinary Shares from any person in accordance with terms of the Subscription Agreement;

Articles means at any time the Articles of Association of the Company at that time;

Business Day means any day, other than a Saturday or Sunday or public holiday, on which commercial banks are generally open for normal banking business in Hong Kong;

Closing Price for an Ordinary Share for any Trading Day shall be the price published in the Daily Quotation Sheet published by the Hong Kong Stock Exchange for such day;

Companies Ordinance means the Companies Ordinance (Cap. 622 of the Laws of Hong Kong);

Company means CITIC Limited (中國中信股份有限公司), a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange with stock code 00267 and whose registered office is at 32/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong;

Conversion Date has the meaning given to it in paragraph 6.2(a)(iii);

Conversion Price means the price per Ordinary Share at which Ordinary Shares will be issued upon exercise of the Conversion Rights, such price initially being HK\$13.80 per Ordinary Share, subject to adjustment in accordance with the terms of these Articles;

Conversion Right means in respect of a Preferred Share, the right of its registered holder, subject to the provisions of these Articles and the Companies Ordinance and to any other applicable fiscal or other laws or regulations, to convert all or any of its Preferred Shares into Ordinary Shares;

Conversion Shares means all of the Ordinary Shares which fall to be issued by the Company upon conversion of all of the Preferred Shares issued under the Subscription Agreement;

Current Market Price means, in respect of an Ordinary Share at a particular date, the arithmetic average of the Closing Price for one share (being an Ordinary Share carrying a full entitlement to dividends) for the five consecutive Trading Days ending on such date; provided that if at any time during the said five Trading Day period the Ordinary Share shall have been quoted ex-dividend and during some other part of that period the Ordinary Share shall have been quoted cum-dividend then:

- (a) if the Ordinary Shares to be issued in such circumstances do not rank for the dividend in question, the quotations on the dates on which the Ordinary Share shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Ordinary Share; or
- (b) if the Ordinary Share to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Ordinary Share shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by the such similar amount,

and provided further that if the Ordinary Share on each of the said five Trading Days has been quoted cum-dividend in respect of a dividend which has been declared or announced but the Ordinary Shares to be issued do not rank for that

dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Ordinary Share;

Designated Office means the Company's principal place of business in Hong Kong, being 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong;

Director(s) means at any time the director(s) of the Company at that time;

Distribution has the meaning ascribed to it in paragraph 4.1 of this Schedule;

Dividend means any dividend or distribution, whether of cash, assets or other property, and whenever paid or made and however described provided that:

- (a) where a cash dividend is announced which is to be, or may at the election of a holder or holders of Ordinary Shares be, satisfied by the issue or delivery of other property or assets, then, the dividend in question shall be treated as a dividend of: (a) the cash dividend so announced; or (b) the Fair Market Value of other property or assets to be delivered in satisfaction of such dividend (or which would be delivered if all holders of Ordinary Shares elected therefor, regardless of whether any such election is made) if the Fair Market Value of other property or assets is greater than the cash dividend so announced; and
- (b) any issue of Ordinary Shares falling within paragraph 6.3(b)(i) shall be disregarded;

Equity Securities means Ordinary Shares, any securities which are by their terms convertible into or exchangeable or exercisable for Ordinary Shares, or any option or securities which confer on the holder the right to call for an issue of, or to receive, Ordinary Shares or securities which are by their terms convertible into or exchangeable or exercisable for Ordinary Shares, or any other type of equity or ownership interest in the Company;

Fair Market Value means, with respect to any assets, security, option, warrants or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Investment Bank selected by the Directors; provided that: (i) the fair market value of a cash Dividend paid or to be paid per Ordinary Share shall be the amount of such cash Dividend per Ordinary Share determined as at the date of announcement of such Dividend; and (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such investment banks) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five Trading Days on the relevant market commencing on the first such Trading Day on which such options, warrants or other rights are publicly traded;

Fully Diluted Basis means the basis that all subsisting options, warrants and securities or other interests convertible into Ordinary Shares and any other subsisting contractual rights to subscribe for or to be issued Ordinary Shares (including, without limitation, the Preferred Shares and in all cases whether the Ordinary Shares will be listed and/or traded on the Hong Kong Stock Exchange or not), have been exercised or converted in full at the applicable exercise or conversion price, whether or not such exercise or conversion is subject to condition(s);

HK Dollar, Hong Kong Dollar, and HK\$ means the legal currency of Hong Kong;

Hong Kong Stock Exchange means The Stock Exchange of Hong Kong Limited;

Independent Investment Bank means an independent investment bank of international repute not connected to the Company or its Affiliates (acting as an expert) or any Director or any directors of its Affiliates, selected by the Directors;

Issue Date means the date on which the Preferred Shares are issued;

Issue Price means HK\$13.80 per Preferred Share;

Listing Rules means the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited in force from time to time;

Member or Shareholder means each person entered in the register of members of the Company as the registered holder of shares in the capital of the Company and includes a registered holder of Ordinary Shares and/or Preferred Shares as the context may indicate;

New Equity Issue means the issue of any Equity Securities other than Ordinary Shares by the Company;

New Share Issue means the issue of new Ordinary Shares by the Company;

Normal office hours means 9 a.m. to 5 p.m. (Hong Kong time) on a Business Day;

Ordinary Shares means the ordinary shares of the Company from time to time, which are listed and traded in HK\$ on the Hong Kong Stock Exchange;

Ordinary Shareholders means the registered holders of Ordinary Shares;

Permitted Transferee means any and each of (i) Chia Tai Bright Investment Company Limited (ii) any 75% Subsidiary of Chia Tai Bright Investment Company Limited; (iii) ITOCHU Corporation; (iv) CPG Overseas Company Limited; (v) any 75% Subsidiary of ITOCHU Corporation; and (vi) any 75% Subsidiary of CPG Overseas Company Limited;

Preferred Shares means the 3,327,721,000 convertible preferred shares in the share capital of the Company, convertible into Ordinary Shares at an initial Conversion Price of HK\$13.80 per Preferred Share issued or to be issued pursuant to the Subscription Agreement, the rights and obligations of which are set out in this Schedule and *Preferred Share* refers to any one of such Preferred Shares;

Preferred Shareholder means a holder of the Preferred Shares;

Register of Members means the register of the holders of Ordinary Shares and the Preferred Shareholders kept by the Company and includes any branch register;

Registration Date has the meaning given to it in paragraph 6.2(d)(i);

Sale Shares means the 2,490,332,363 Ordinary Shares purchased or to be purchased by the Subscriber from CITIC Polaris Limited under and subject to the Share Purchase Agreement;

Scrip Dividend means any Ordinary Shares issued in lieu of the whole or any part of any cash dividend declared by the Company being a dividend which the Shareholders concerned would or could otherwise have received;

Share Option Scheme means the CITIC Pacific Share Incentive Plan 2011 adopted by the Company on 12 May 2011;

Share Purchase Agreement means the share purchase agreement entered into among CITIC Polaris Limited, CITIC Group Corporation, Chia Tai Bright Investment Company Limited, CPG Overseas Company Limited and ITOCHU Corporation on 20 January 2015 in relation to the sale of the Sale Shares by CITIC Polaris Limited to Chia Tai Bright Investment Company Limited;

Subscription Agreement means the subscription agreement entered into among the Company, Chia Tai Bright Investment Company Limited, CPG Overseas Company Limited, CITIC Group Corporation and ITOCHU Corporation on 20 January 2015 in relation to the subscription of the Preferred Shares by Chia Tai Bright Investment Company Limited;

Subsidiary has the meaning ascribed to this term in the Listing Rules;

Trading Day means a day on which the Hong Kong Stock Exchange is open for dealing business, and there is no trading halt in or suspension in trading of Ordinary Shares;

Winding-Up means with respect to the Company a final and effective order or resolution for winding up or liquidation in respect of the Company; and

A *75% Subsidiary* of any entity, means any company in which the entity, directly or indirectly, holds at least 75 per cent of the issued share capital.

- 1.2 Headings used herein are for ease of reference only and shall be ignored in interpreting these Articles.
- 1.3 References to paragraphs are references to paragraphs of these Articles.
- 1.4 Words and expressions in the singular include the plural and vice versa and words and expressions importing one gender include every gender.
- 1.5 Reference to person includes any public body and any body of persons, corporate or unincorporated.
- 1.6 References to any ordinance, statute, legislation or enactment shall be construed as a reference to such ordinance, statute, legislation or enactment as may be amended or re-enacted from time to time and for the time being in force.

2. LIQUIDATION PREFERENCE

In the event of Winding-Up of the Company, each Preferred Shareholder shall be entitled, in proportion to the total Issue Price of Preferred Shares held by that Preferred Shareholder and in priority to any holder of Ordinary Shares (whether listed and traded on the Hong Kong Stock Exchange or not) in the capital of the Company, to receive an amount equal to the sum of the amount equal to the Issue Price of the Preferred Shares held by that Preferred Shareholder together with any Distributions that have accrued but have remained unpaid. Where the assets of the Company is insufficient, each Preferred Shareholder shall be entitled receive such amount in proportion to the total Issue Price of Preferred Shares held by that Preferred Shareholder.

3. REGISTRATION AND TRANSFER OF PREFERRED SHARES

- 3.1 The Company shall keep a register in which the Company or its share registrar shall provide for the registration and transfer of the Preferred Shares, in which the Company or its share registrar shall record the name and address of the holders and the name and address of each permitted transferee and prior owner of the Preferred Shares. Preferred Shareholders shall notify the Company of any change of name or address and promptly after receiving such notification the Company shall record such information in such register.
- 3.2 Subject to the restrictions on transfer as set out in the Subscription Agreement, each Preferred Share is freely transferable.
- 3.3 A transfer of Preferred Shares may be effected only by the execution of an instrument of transfer in writing by the transferor. The transferor shall be deemed to remain the holder of the Preferred Shares until the name of the transferee is entered in the Register of Members. A transfer of any Preferred Shares may be effected only by a surrender of the instrument of transfer and the certificate evidencing such Preferred Shares to the Company and the

issuance by the Company of a new certificate(s) in replacement thereof which shall be registered by the Company in accordance with paragraph 3.1 above. The Company shall not be responsible for payment of any transfer taxes in connection with the transfer of any Preferred Shares.

4. DISTRIBUTIONS

- 4.1 If the Company declares any Dividend on the Ordinary Shares, the Preferred Shareholders shall be entitled to receive such Dividend (the *Distribution*) on a pro rata basis with holders of Ordinary Shares, as if each Preferred Share held by the Preferred Shareholders had been converted into Ordinary Shares and the Preferred Shareholders registered as holders of such Ordinary Shares on the record date for determining the holders of Ordinary Shares eligible to receive such Dividend. Save for the above, the Preferred Shareholder is not entitled to any other profit distribution or interest payment from the Company.
- 4.2 Any Distribution payable by the Company in accordance with paragraph 4.1 shall be paid on the payment date of any Dividend.
- 4.3 Where the Conversion Right attached to a Preferred Share has been exercised pursuant to these Articles, such Preferred Share will cease to confer the right to receive any Distribution from and including the Registration Date.

5. VOTING

The Preferred Shareholders shall not attend general meetings of the Company and shall not have voting rights.

6. CONVERSION

6.1 Conversion Right

- (a) *Conversion at the option of Preferred Shareholder:* Subject to and upon compliance with the provisions of the Articles and any applicable laws (including but not limited to the Listing Rules and the Hong Kong Code on Takeovers and Mergers), the Conversion Right attaching to any Preferred Share may be exercised by the holder thereof at any time on or after the Issue Date, provided that a Preferred Shareholder may only convert such number of Preferred Shares as would not cause the Company to not comply with the requirement for the minimum percentage of Shares to be held in public hands under the Listing Rules and of the Hong Kong Stock Exchange, following the conversion.
- (b) *Conversion at the option of the Company:* Subject to and upon compliance with the provisions of the Articles and any applicable laws (including but not limited to the Listing Rules and the Hong Kong Code on Takeover and Mergers), the Company shall have the right to, at any time

on or after the Issue Date, require a Preferred Shareholder to convert the Preferred Shares it holds by giving written notice to the Preferred Shareholder.

- (c) *Fractions of Shares:* Fractions of Ordinary Shares will not be issued on conversion and no cash adjustments will be made in respect thereof. However, if the Conversion Right in respect of more than one Preferred Share is exercised at any one time such that the Ordinary Shares to be issued on conversion are to be registered in the same name, the number of such Ordinary Shares to be issued in respect thereof shall be calculated on the basis of the aggregate amount of such Preferred Shares being so converted and rounded down to the nearest whole number of Ordinary Shares.
- (d) *Number of Conversion Shares:* The Preferred Shares shall be convertible at the option of the Preferred Shareholders thereof, at any time after the Issue Date and without the payment of any additional sum, into fully-paid Ordinary Shares. The number of Ordinary Shares to be issued on conversion of the relevant Preferred Shares will be determined by dividing the aggregate Issue Price of the relevant Preferred Shares to be converted by the Conversion Price in effect at the Conversion Date.

6.2 Conversion Procedure

- (a) *Conversion Notice:*
 - (i) To exercise the Conversion Right attaching to any Preferred Share, the holder thereof must duly complete, execute and deposit at his own expense during normal office hours at the Designated Office a notice of conversion (a *Preferred Shareholder Conversion Notice*) in duplicate, together with the relevant share certificate in respect of the relevant Preferred Shares. A Preferred Shareholder Conversion Notice deposited outside the normal office hours or on a day which is not a Business Day at the place of the Designated Office shall for all purposes be deemed to have been deposited with the Company during the normal office hours on the next Business Day following such day. A Preferred Shareholder Conversion Notice once delivered shall be irrevocable and may not be withdrawn unless the Company consents in writing to such withdrawal.
 - (ii) Where the Company requires a Preferred Shareholder to exercise the Conversion Right attaching to any Preferred Share, the Company must duly complete, execute and deposit at its own expense during normal office hours at the address of the Preferred Shareholder as registered in the register of Preferred Shareholder (a *Company Conversion Notice*) in duplicate. The Preferred Shareholder shall deliver the relevant share certificate in respect

of the relevant Preferred Shares to the Designated Office within five Business Days from receipt of the Company Conversion Notice. A Company Conversion Notice once delivered shall be irrevocable and may not be withdrawn unless the relevant Preferred Shareholder consents in writing to such withdrawal.

- (iii) The conversion date in respect of a Preferred Share (the *Conversion Date*) is expressed in the Articles to be exercisable and will be deemed to be the Business Day immediately following the date of the surrender of the share certificate in respect of the relevant Preferred Shares and delivery of the Preferred Shareholder Conversion Notice in the case of a conversion at the option by the Preferred Shareholder or the date of delivery of the Company Conversion Notice in the case of a conversion at the option by the Company.
- (b) *Conversion*: The Company shall allot and issue the relevant Ordinary Shares to the converting Preferred Shareholder and shall procure that certificates in respect of the relevant Ordinary Shares, together with a new certificate for any unconverted Preferred Shares comprised in the certificate(s) surrendered by him, are issued as soon as practicable and in any event not later than the fifth Business Day after the relevant Conversion Date.
- (c) *Stamp Duty etc.*: A Preferred Shareholder delivering a share certificate in respect of a Preferred Share for conversion must pay directly to the relevant authorities: (i) any taxes and capital, stamp, issue and registration duties arising on conversion (other than any taxes or capital or stamp duties payable in Hong Kong by the Company in respect of the allotment and issue of Ordinary Shares and listing of the Ordinary Shares on the Hong Kong Stock Exchange on conversion) (the *Taxes*); and (ii) all, if any, taxes arising by reference to any disposal or deemed disposal of a Preferred Share in connection with such conversion, in each case directly to the relevant authorities. The Company is under no obligation to determine whether a Preferred Shareholder is liable to pay any Taxes under paragraph 6.2 and shall not be liable for any failure of a Preferred Shareholder to make such payment. The Company will pay all other expenses arising on the issue of Ordinary Shares upon any conversion of Preferred Shares. The Preferred Shareholder must state in the relevant Conversion Notice that any taxes payable to the relevant tax authorities pursuant to paragraph 6.2(c) have been paid.
- (d) *Registration*:
 - (i) As soon as practicable, and in any event not later than the fifth Business Day after the Conversion Date (the *Registration Date*), the Company will, in the case of Preferred Shares converted on exercise of the Conversion Right, register the Preferred

Shareholder(s) as holder(s) of the relevant number of Ordinary Shares in the Company's Register of Members and will cause its Hong Kong share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by uninsured ordinary mail, at the expense, of the Preferred Shareholder) such certificate or certificates to the Preferred Shareholder at the address registered in the register of Preferred Shareholders of the Company, together with any other securities, property or cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof, in which case a single share certificate will be issued in respect of all Ordinary Shares issued on conversion of Preferred Shares and which are to be registered in the same name.

- (ii) The Preferred Shareholder(s) will become the holder(s) of record of the number of Ordinary Shares issuable upon conversion with effect from the Registration Date. The Ordinary Shares issued upon conversion of the Preferred Share will in all respects rank *pari passu* with the Ordinary Shares in issue on the relevant Registration Date. Save as set out in these Articles, a holder of Ordinary Shares issued on conversion of Preferred Share shall not be entitled to any rights the record date for which precedes the relevant Registration Date.

6.3 Adjustments to Conversion Price

The Conversion Price shall from time to time be adjusted after the Issue Date of the Preferred Shares in accordance with the following provisions:

- (a) *Consolidation, subdivision or reclassification:* If and whenever there shall be an alteration to the number of Ordinary Shares in issue as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

- A is the number of Ordinary Shares in issue immediately before such alteration; and
- B is the number of Ordinary Shares in issue immediately after such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

(b) *Capitalisation of profits or reserves:*

- (i) If and whenever the Company shall issue any Ordinary Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves including, Ordinary Shares paid up out of distributable profits or reserves (except any Scrip Dividend), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the number of Ordinary Shares in issue immediately before such issue; and

B is the number of Ordinary Shares in issue immediately after such issue.

- (ii) In the case of an issue of Ordinary Shares by way of a Scrip Dividend where the Current Market Price on the date of announcement of the terms of such issue of such Ordinary Shares exceeds the issue price for the Ordinary Shares under such Scrip Dividend, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Ordinary Shares by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of issued Ordinary Shares immediately before such issue;

B is the number of Ordinary Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the issue price for the Ordinary Shares under such Scrip Dividend and (ii) the denominator is such Current Market Price of the Ordinary Shares issued by way of Scrip Dividend; and

C is the number of Ordinary Shares issued by way of such Scrip Dividend.

Such adjustment shall become effective on the date of issue of such Ordinary Shares or if a record date is fixed therefor, immediately after such record date.

- (c) *Rights Issues of Ordinary Shares or Options over Ordinary Shares:* If and whenever the Company shall issue Ordinary Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Ordinary Shares, in each case at less than 95 per cent. of the Current Market Price per Ordinary Share on the last Trading Day preceding the date of the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue immediately before such announcement;
- B is the number of Ordinary Shares which the aggregate amount (if any) payable for the Ordinary Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Ordinary Shares comprised therein would subscribe, purchase or otherwise acquire at such Current Market Price per Share; and
- C is the aggregate number of Ordinary Shares issued or, as the case may be, comprised in the rights, options, warrants or other rights granted.

Such adjustment shall become effective on the date of issue of such Ordinary Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

- (d) *Issues at less than Current Market Price:* If and whenever the Company shall issue (otherwise than as mentioned in paragraph (c) above) any Ordinary Shares (other than Ordinary Shares issued on the conversion of the Preferred Shares or on the exercise of any other rights of conversion into, or exchange or subscription for Ordinary Shares) or issue or grant (otherwise than as mentioned in paragraph (c) above) any

options, warrants or other rights to subscribe for, purchase or otherwise acquire any Ordinary Shares, in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue immediately before the issue of such additional Ordinary Shares or the grant of such options, warrants or other rights to subscribe, purchase or otherwise acquire any Ordinary Shares;
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the issue of such additional Ordinary Shares or would purchase at such Current Market Price; and
- C is the number of Ordinary Shares to be issued pursuant to such issue of Ordinary Shares or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue or grant of such options, warrants or rights.

References to additional Ordinary Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe or purchase Ordinary Shares, mean such Ordinary Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Ordinary Shares or, as the case may be, the grant of such options, warrants or other rights.

(e) *Other Issues at less than Current Market Price:* Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this paragraph (e), if and whenever the Company or any of its Subsidiaries (otherwise than as mentioned in paragraph (c) or (d)), or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries), any other company, person or entity shall issue wholly for cash any securities (other than the Preferred Shares excluding for this purpose any further Preferred Shares) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Ordinary Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Ordinary Share to be received by the Company which is less than 95 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue immediately before such issue;

- B is the number of Ordinary Shares which the aggregate consideration receivable by the Company for the Ordinary Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price; and

- C is the maximum number of Ordinary Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

(f) *Modification of Rights of Conversion etc.:* If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in paragraph (e) (other than in accordance with the terms of such securities) so that the consideration per Ordinary Share (for the number of Ordinary Shares available on conversion, exchange or subscription following the modification) is less than 95 per cent. of the Current Market Price on the

last Trading Day preceding the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue immediately before such modification;
- B is the number of Ordinary Shares which the aggregate consideration receivable by the Company for the Ordinary Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price or, if lower, the existing conversion, exchange or subscription price of such securities; and
- C is the maximum number of Ordinary Shares to be issued on conversion or exchange of such securities or on the exercise of the right of subscription attached thereto at the modified conversion, exchange or subscription or purchase price or rate but giving credit in such manner as an Independent Investment Bank, considers appropriate (if at all) for any previous adjustment under this paragraph (f) or paragraph (e) above.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

- (g) The Conversion Price of Preferred Shares shall not be adjusted as a result of the declaration of cash dividend by the Company, provided that the Preferred Shareholders shall be entitled to the Distribution to which such cash dividend relates. Except for the actions described above, in case the Company at any time or from time to time shall take any action affecting its Ordinary Shares similar to or having an effect similar to any of the actions described above, and the Directors (after taking into account the interest of both the holders of Ordinary Shares and Preferred Shareholders) together with the Preferred Shareholders in good faith determine that it would be equitable in the circumstances to adjust the Conversion Price as a result of such action, then, and in each such case, the Conversion Price shall be adjusted in such manner and at such time as the Directors together with the Preferred Shareholders in good faith determine would be equitable in the circumstances (such determination to be carried out through a resolution of the Board of Directors and a written consent of the Preferred Shareholders).

- (h) On any adjustment, the relevant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has not been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustment shall be given to the Preferred Shareholders as soon as practicable after the determination thereof.
- (i) Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Independent Investment Bank, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Investment Bank to be in its opinion appropriate in order to give such intended result.
- (j) No adjustment will be made to the Conversion Price as a result of any event undertaken by the Company to fulfill its obligations under clause 10 of the Subscription Agreement, provided that such events or actions undertaken by the Company do not result in the Conversion Shares, together with the Sale Shares and any Ordinary Shares issued or acquired as a result of the Subscriber's exercise of the Anti-Dilution Right being less than exactly 20.00% on a Fully Diluted Basis.
- (k) No adjustment will be made to the Conversion Price when Ordinary Shares or other securities (including rights or options) are issued, offered or granted to employees (including directors) of the Company or any Subsidiary of the Company pursuant to the Share Option Scheme.
- (l) No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Ordinary Shares as referred to in paragraph (a) above or where there has been a manifest error in the calculation of the Conversion Price.

6.4 Notice of Change in Conversion Price

The Company shall give notice to the Preferred Shareholders of any change in the Conversion Price within two Business Days of any event leading to the change in the Conversion Price occurring. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

7. PAYMENTS

7.1 Payments

All payments made by the Company in respect of the Preferred Shares pursuant to these Articles shall be made in Hong Kong Dollars in immediately available funds on the due dates into such bank account as the holder of the relevant Preferred Shares may notify the Company by at least five (5) Business Days' prior notice in writing delivered to the Company at the Designated Office from time to time.

7.2 Default Interest and Delay in Payment

- (a) If the Company fails to pay any sum in respect of the Preferred Shares when the same becomes due and payable under the Articles, interest shall accrue on the overdue sum at the rate of 0.1 per cent. per annum from the due date and ending on the date on which full payment is made to the Preferred Shareholder in accordance with the Articles. Such default interest shall accrue on the basis of the actual number of days elapsed and a 360-day year.
- (b) The Preferred Shareholder will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if such delay is caused solely because the due date is not a Business Day, if the Preferred Shareholder is late in surrendering its share certificate (if required to do so).
- (c) If an amount which is due on the Preferred Shares is not paid in full, the Company will annotate the Register of Members of the Company with a record of the amount (if any) in fact paid.

8. REDEMPTION AND CANCELLATION

8.1 No Redemption Right

The Preferred Shares are perpetual securities in respect of which there is no fixed redemption date and the Company shall not have a right to redeem them. The Preferred Shareholders shall not have the right to require the Company to redeem the Preferred Shares.

8.2 Cancellation

All Preferred Shares which are converted will forthwith be cancelled. Certificates in respect of all Preferred Shares cancelled will be forwarded to the Designated Office.

9. RESTRICTIVE COVENANTS

For so long as any of the Preferred Shares are in issue, the Company shall not, save with the prior written approval of holders of more than three-fourths (3/4) of the Preferred Shares in issue, approve the following matters:

- (a) authorize, create, allot, issue or permit to exist any class of share capital that is senior to, or in parity with or has preference in any respect over the Preferred Shares as to distribution, liquidation or return of capital (which for the avoidance of doubt excludes any issue of Ordinary Shares);
- (b) reclassify, re-designate, or convert any equity or equity linked securities into, securities of the Company which rank senior to, or in parity with or have preference in any respect over the Preferred Shares as to distribution, liquidation or return of capital (which for the avoidance of doubt excludes issue of Ordinary Shares);
- (c) amend, alter or repeal any provision of the Articles which abrogates or adversely affect any rights of the holders of the Preferred Shares; or
- (d) undertake any matter which would otherwise affect the rights or obligations of the Preferred Shareholders.

A. 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 the Company. 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.

B. DISCLOSURE OF INTERESTS**(A) Directors' Interests in Securities**

Interests and/or short positions of the Directors and chief executive

As of the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company 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 the Company 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.

(B) Shareholders' Interests

Substantial shareholders of the Company

As of the Latest Practicable Date, save as disclosed below, so far as was known to any Director or chief executive of the Company, no person (other than a Director or chief executive of the Company or their respective

associates) had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company 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 the Company:

Name	Nature of interest/capacity	Number of shares of CITIC	Percentage to issued share capital
CITIC Group (Note 1)	Interests in controlled corporation and interests in a section	28,795,309,118 (Long position)	115.63%
	317 concert party agreement	2,490,332,363 (Short position)	10.00%
CITIC Glory (Note 2)	Beneficial owner	7,446,906,755 (Long position)	29.90%
CITIC Polaris (Note 3)	Beneficial owner and interests in a section	21,348,402,363 (Long position)	85.72%
	317 concert party agreement	2,490,332,363 (Short position)	10.00%
CT Bright (Note 4)	Beneficial owner and interests in a section	22,977,255,755 (Long position)	92.26%
	317 concert party agreement	5,818,053,363 (Short position)	23.36%
CT Brilliant Investment Holdings Limited (Note 5)	Interests in controlled corporation and interests in a section	22,977,255,755 (Long position)	92.26%
	317 concert party agreement	5,818,053,363 (Short position)	23.36%
CPG (Note 6)	Interests in controlled corporation and interests in a section	22,977,255,755 (Long position)	92.26%
	317 concert party agreement	5,818,053,363 (Short position)	23.36%
ITOCHU (Note 7)	Interests in controlled corporation and interests in a section	22,977,255,755 (Long position)	92.26%
	317 concert party agreement	5,818,053,363 (Short position)	23.36%

Note 1: CITIC Group is deemed to be interested in 28,795,309,118 Shares: (i) by attribution of the interests of its two wholly-owned subsidiaries, CITIC Polaris (11,953,595,000 Shares) and CITIC Glory (7,446,906,755 Shares); and (ii) because CITIC Group is a party to the Share Purchase Agreement and the Subscription Agreement which, reading together, constitute an agreement to which Section 317(1) of the SFO applies, and accordingly CITIC Group has aggregated its interests in the Shares with the interests of the other parties to the Share Purchase Agreement and the Subscription Agreement.

CITIC Group also has a short position of 2,490,332,363 Shares because it is required under the SFO to attribute the short position of CITIC Polaris, which arises because CITIC Polaris has an obligation to deliver 2,490,332,363 Shares to CT Bright upon the Share Purchase Completion Date.

Note 2: CITIC Glory is beneficially interested in 7,446,906,755 shares of the Company.

Note 3: CITIC Polaris is deemed to be interested in 21,348,402,363 Shares: (i) by including 11,953,595,000 Shares it holds as beneficial owner; and (ii) because CITIC Polaris is a party to the Share Purchase Agreement which, reading together with the Subscription Agreement, constitute an agreement to which Section 317(1) of the SFO applies, and accordingly CITIC Polaris has aggregated its interests in the Shares with the interests of the other parties to the Share Purchase Agreement and the Subscription Agreement.

CITIC Polaris has a short position of 2,490,332,363 Shares because it is under an obligation to deliver those Shares to CT Bright upon the Share Purchase Completion Date.

Note 4: CT Bright is deemed to be interested in 22,977,255,755 Shares: (i) by including 249,033,000 Shares it holds as beneficial owner; (ii) by including 2,490,332,363 Shares CT Bright has agreed to purchase from CITIC Polaris under the Share Purchase Agreement as beneficial owner; (iii) by including 3,327,721,000 Preferred Shares CT Bright has agreed to subscribe for under the Subscription Agreement which is convertible to a maximum of 3,327,721,000 Shares upon the full conversion of the Preferred Shares as beneficial owner; and (iv) because CT Bright is a party to the Share Purchase Agreement and the Subscription Agreement which, reading together, constitute an agreement to which Section 317(1) of the SFO applies, and accordingly CT Bright has aggregated its interests in the Shares with the interests of the other parties to the Share Purchase Agreement and the Subscription Agreement.

CT Bright has a short position of 5,818,053,363 Shares because it is under an obligation to deliver a maximum of 5,818,053,363 Shares to CITIC Polaris if CITIC Polaris' right of first refusal under the Share Purchase Agreement is exercised in full.

Note 5: CT Brilliant Investment Holdings Limited is deemed to be interested in 22,977,255,755 Shares and to have a short position of 5,818,053,363 Shares as a shareholder of CT Bright directly holding 50% equity interest in CT Bright.

Note 6: CPG is deemed to be interested in 22,977,255,755 Shares and to have a short position of 5,818,053,363 Shares as a shareholder of CT Bright indirectly holding 50% equity interest in CT Bright through CT Brilliant Investment Holdings Limited, its wholly-owned subsidiary.

Note 7: ITOCHU is deemed to be interested in 22,977,255,755 Shares and to have a short position of 5,818,053,363 Shares as a shareholder of CT Bright directly holding 50% equity interest in CT Bright.

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 the Company.

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 Group and any Director.

E. INTERESTS IN THE ASSETS AND / OR CONTRACTS OF THE GROUP

As of the Latest Practicable Date, none of the Directors and experts as disclosed below 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 Group since 31 December 2013, being the date to which the latest published audited financial statements of the Company were made up.

None of the Directors is materially interested in any contract or arrangement as at the Latest Practicable Date which is significant in relation to the business of the Group.

F. MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, save for matters which have been the subject of announcements or circulars issued by the Company, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited financial statements of the Group were made up.

G. QUALIFICATIONS OF EXPERTS AND CONSENTS

The qualifications of the expert who has given an opinion or advice in this circular are as follows:

Name	Qualification
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 expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or opinion(s) and the references to its name included herein in the form and context in which it is respectively included.

The above expert has no 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.

H. DIRECTORSHIP AND EMPLOYMENT OF DIRECTORS AND CHIEF EXECUTIVE IN SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

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 the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

No.	Name of Director	Name of company which had such discloseable interest or short position	Position within such company
1.	Chang Zhenming	CITIC Group	Chairman
2.	Wang Jiong	CITIC Group	Vice Chairman
3.	Dou Jianzhong	CITIC Group	Director
4.	Yu Zhensheng	CITIC Group	Director
5.	Yang Jinming	CITIC Group	Director
6.	Cao Pu	CITIC Group	Director
7.	Liu Yeqiao	CITIC Group	Director
8.	Zhang Jijing	CITIC Glory CITIC Polaris	Director Director

I. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text.

J. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection by Shareholders at the registered office of CITIC 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 2 March 2015:

- (a) a copy of 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;

- (b) a copy of 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;
- (c) a copy of the Subscription Agreement;
- (d) the written consents referred to in the section headed "Qualification of Experts and Consents" in Appendix II to this circular; and
- (e) a copy of this circular.

The following Directors are subject to re-election in accordance with the Articles of Association. Each of the following Directors has entered into a letter of appointment with the Company and pursuant to the Articles of Association, will hold office only until the EGM and, if being eligible, offer himself or herself for re-election as Directors. Thereafter, he or she will be subject to retirement by rotation and re-election in accordance with the Articles of Association. Remuneration of executive Directors is subject to the review and approval by the remuneration committee of the Company. No director's fees are paid to the executive and non-executive Directors of the Company. None of the following Directors have interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Save as disclosed below, none of the following Directors have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company, and do not hold and have not held in the last three years 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 the following Directors, 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 of the Company.

^Mr Wang Jiong ("**Mr Wang**"), age 54, an executive director, vice chairman and president of the Company with effect from 26 September 2014. Mr Wang is a vice chairman of the executive committee and a member of the nomination committee. Mr Wang is currently the vice chairman and president of CITIC Group Corporation and CITIC Corporation Limited. He was formerly deputy general manager of CITIC Shanghai Co., Ltd; general manager and chairman of CITIC Shanghai (Group) Co., Ltd; chairman and general manager of CITIC East China (Group) Co., Ltd; assistant president of China International Trust & Investment Corporation; and executive director and vice president of CITIC Group. Mr Wang has a background of more than 20 years in finance and industry, with extensive knowledge and experience particularly in corporate strategy planning, operating management, investment financing, mergers, acquisitions and restructuring. Mr Wang graduated from Shanghai University of Finance & Economics with a master's degree in economics. Mr Wang's remuneration is determined with reference to the relevant national policies.

^Mr Dou Jianzhong ("**Mr Dou**"), age 60, an executive director and vice president of the Company with effect from 26 September 2014. Mr Dou is a member of the executive committee. Mr Dou is currently an executive director of CITIC Group Corporation, an executive director and vice president of CITIC Corporation Limited, chairman and chief executive officer of CITIC International Financial Holdings Ltd, non-executive director of CITIC Bank, and chairman of CIAM Group Limited. He was formerly vice president, executive vice president and president of CITIC Bank Corporation Limited (formerly CITIC Industrial Bank); vice chairman, chairman of China CITIC Bank International (formerly CITIC Ka Wah Bank); assistant president of China International Trust & Investment Corporation; and executive director and vice president of CITIC Group. Mr Dou has a background of more than 30 years in the financial industry, with extensive experience and knowledge in finance and management in both domestic and overseas markets. Mr Dou is a senior economist by profession. He has a bachelor's degree in English from the University of International Business and Economics as well as a master's

degree in economics from the College of International Economics at Liaoning University. Mr Dou as the chairman and chief executive officer of CITIC International Financial Holdings Limited (a subsidiary of the Company) is entitled to receive a monthly salary of HK\$324,700 which was determined by reference to prevailing market conditions, his position and responsibilities plus allowances and a discretionary bonus that is subject to individual performance and contribution and overall business performance and result.

*Mr Yu Zhensheng (“**Mr Yu**”), age 58, a non-executive director of the Company with effect from 26 September 2014. Mr Yu is currently a non-executive director of CITIC Group Corporation and CITIC Corporation Limited. He was formerly an officer of the Loan Office, State Import & Export Regulatory Commission; officer of the Foreign Capital Bureau and Loan Bureau, Ministry of Foreign Trade and Economic Cooperation; deputy chief of the Foreign Trade Division, Department of Foreign Trade and Economic Cooperation, Tibet Autonomous Region; deputy chief, chief and assistant inspector of Division V, Department of Foreign Loans Management, Ministry of Foreign Trade and Economic Cooperation; assistant inspector of the Government Bond Department, Ministry of Finance; and deputy director and inspector (director-general level) of the Department of Finance, Ministry of Finance. Mr Yu graduated from Beijing International Studies University with a bachelor’s degree in Japanese language and literature. He also studied at the Nomura Research Institute from October 1983 to February 1985.

*Mr Yang Jinming (“**Mr Yang**”), age 57, a non-executive director of the Company with effect from 26 September 2014. Mr Yang is a member of the remuneration committee. Mr Yang is currently a non-executive director of CITIC Group Corporation and CITIC Corporation Limited. He was formerly deputy director of the General Office, China National Salt Industry Corporation Beijing Branch; deputy chief of the Payroll Division of the General Planning Department, Ministry of Finance; chief of the Extra-budgetary Fund Management Division of the Policy and Reform Department; chief of the Government Procurement Division, Treasury Department; and inspector (deputy director-general level) of the Treasury Department. Mr Yang graduated from the Correspondence Institute of the Party School of the CPC Central Committee with a bachelor’s degree in international economics.

*Ms Cao Pu (“**Ms Cao**”), age 62, a non-executive director of the Company with effect from 26 September 2014. Ms Cao is a member of the Audit and Risk Management Committee. Ms Cao is currently a non-executive director of CITIC Group Corporation and CITIC Corporation Limited. She was formerly director of the Henan Branch Office of People’s Insurance Company of China (PICC), president of PICC Zhengzhou Sub-branch, and vice president of PICC Henan Branch; general manager and assistant general manager of the Financial Planning Department of China Reinsurance (Group) Corporation; and vice president of China Export & Credit Insurance Corporation. Ms Cao has over 20 years’ experience in financial management. Ms Cao is a senior economist by profession. She graduated from Wuhan University with a bachelor’s degree in insurance.

*Mr Liu Zhongyuan (“**Mr Liu**”), age 45, a non-executive director of the Company with effect from 26 September 2014. Mr Liu was formerly an officer and division chief of the General Office and General Planning and Trial Department, National Economic System Reform Commission; division chief and deputy director of the Secretary and Administration Department, Economic System Reform Office of the State Council; deputy director and director of the Secretariat Office of the National Council for Social Security Fund; director and deputy director-general of the Equity Management Department of the National Council for Social Security Fund; deputy director-general of the Equity Management Department (Private Equity Investment Department) of the National Council for Social Security Fund; and director-general of the Overseas Investment Department of the National Council for Social Security Fund. Mr Liu has a doctorate degree in economics from the School of Economics at Renmin University of China.

*Mr Liu Yeqiao (“**Mr Liu**”), age 53, a non-executive director of the Company with effect from 19 December 2014. Mr. Liu is currently a non-executive director of CITIC Group Corporation and CITIC Corporation Limited since September 2014. He was an employee of Trucking Company and Transportation Bureau of Jurong County in Jiangsu Province. He joined the Ministry of Finance (“**MOF**”) in July 1991, and until October 2007 served successively as officer, senior staff, deputy director of the Policy Division of the Industrial Transport Department; officer, associate researcher and deputy director and researcher of the General Division of the Finance Department; deputy director-general of the Department of Finance of Yunnan Province from October 2007 to October 2009; and a non-executive director of The People’s Insurance Company (Group) of China Limited (listed on the Main Board of the Hong Kong Stock Exchange) from September 2009 to March 2014. Mr. Liu is a senior accountant. He graduated from Zhongnan University of Finance and Economics (now known as Zhongnan University of Economics and Law) in July 1991 with a master’s degree in accounting. He also obtained a master’s degree in accounting from The George Washington University in May 2000 and a doctoral degree in economics from the Research Institute for Fiscal Science, MOF in August 2003.

#Mr Anthony Francis Neoh (“**Mr Neoh**”), age 68, an independent non-executive director of the Company with effect from 19 December 2014. Mr. Neoh currently serves as a member of the International Advisory Council of the China Securities Regulatory Commission (“**CSRC**”). He previously served as Chief Advisor to the CSRC, a member of the Hong Kong Special Administrative Region Basic Law Committee under the Standing Committee of the National People’s Congress, Chairman of the Hong Kong Securities and Futures Commission, a member of the Hong Kong Stock Exchange Council and its Listing Committee, and chaired its Disciplinary Committee and Debt Securities Group, and Deputy Judge of the Hong Kong High Court. From 1996 to 1998, he was Chairman of the Technical Committee of the International Organization of Securities Commissions. He was appointed as Queen’s Counsel (now retitled as Senior Counsel) in Hong Kong in 1990. Mr. Neoh graduated from the University of London with a degree in Law in 1976. He is a barrister of England and Wales and admitted to the State Bar of California. In 2003, he was conferred the Degree of Doctor of Laws, *honoris causa*, by the Chinese University of Hong Kong. He was elected Honorary Fellow of the Hong Kong Securities Institute and Academician of the International Euro-Asian Academy of Sciences in 2009. In 2013, he was awarded the Degree of Doctor of Social Science, *honoris causa*, by the Open University of

Hong Kong. Mr. Neoh is an independent non-executive director of China Life Insurance Company Limited (listed on the Shanghai Stock Exchange and the Main Board of the Hong Kong Stock Exchange). He was a non-executive director of Global Digital Creations Holdings Limited (listed on the Growth Enterprise Market of the Hong Kong Stock Exchange) from November 2002 to December 2005, an independent non-executive director of the Link Management Limited, Manager of the Link Real Estate Investment Trust (listed on the Main Board of the Hong Kong Stock Exchange) from September 2004 to March 2006. He also served as an independent non-executive director of China Shenhua Energy Company Limited (listed on the Shanghai Stock Exchange and the Main Board of the Hong Kong Stock Exchange) from November 2004 to June 2010, Bank of China Limited (listed on the Shanghai Stock Exchange and the Main Board of the Hong Kong Stock Exchange) from August 2004 to September 2013. In respect of the appointment of Mr. Neoh as an independent non-executive Director of the Company, he is entitled to receive a director's fee of HK\$350,000 per annum (on a pro rata basis), at the same rate as the other independent non-executive Directors of the Company, which has been determined by the shareholders of the Company.

[#]Ms Lee Boo Jin ("**Ms Lee**"), age 44, an independent non-executive director of the Company with effect from 19 December 2014. Ms. Lee has been the President and Chief Executive Officer of Hotel Shilla Co., Ltd. (listed on the Korea Exchange) since December 2010. She has also been the President of Corporate Strategy for Cheil Industries (formerly Samsung Everland, listed on the Korea Exchange) since December 2010 and an advisor of Samsung C&T Corporation (listed on the Korea Exchange), also since December 2010. All three companies hereinbefore are affiliates of the Samsung Group. Ms. Lee graduated from Yonsei University with a Bachelor of Science degree in 1994. In respect of the appointment of Ms. Lee as an independent non-executive Director of the Company, she is entitled to receive a director's fee of HK\$350,000 per annum (on a pro rata basis), at the same rate as the other independent non-executive Directors of the Company, which has been determined by the shareholders of the Company.

[^] *Executive Director*

^{*} *Non-Executive Director*

[#] *Independent Non-Executive Director*



CITIC Limited
中國中信股份有限公司

(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 Limited (the “Company”) will be held at Salon 4–6, Level 3, JW Marriott Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 16 March 2015 at 3:00 p.m. for the following purposes:

ORDINARY RESOLUTIONS

To consider and, if thought fit, pass the following resolutions as ordinary resolutions of the Company:

1. “**THAT:** Mr. Wang Jiong be and is hereby re-elected as director of the Company.”
2. “**THAT:** Mr. Dou Jianzhong be and is hereby re-elected as director of the Company.”
3. “**THAT:** Mr. Yu Zhensheng be and is hereby re-elected as director of the Company.”
4. “**THAT:** Mr. Yang Jinming be and is hereby re-elected as director of the Company.”
5. “**THAT:** Ms. Cao Pu be and is hereby re-elected as director of the Company.”
6. “**THAT:** Mr. Liu Zhongyuan be and is hereby re-elected as director of the Company.”
7. “**THAT:** Mr. Liu Yeqiao be and is hereby re-elected as director of the Company.”
8. “**THAT:** Mr. Anthony Francis Neoh be and is hereby re-elected as director of the Company.”

NOTICE OF THE EGM

9. “**THAT**: Ms. Lee Boo Jin be and is hereby re-elected as director of the Company.”
10. “**THAT** subject to and conditional upon the passing of the special resolution numbered 12 set out in this notice:
 - a. the subscription agreement (the “**Subscription Agreement**”) dated 20 January 2015 entered into between the Company as the issuer, CITIC Group Corporation, Chia Tai Bright Investment Company Limited (“**CT Bright**”) as the subscriber, CPG Overseas Company Limited, and ITOCHU Corporation (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, the Company has agreed to allot and issue, and CT Bright has agreed to subscribe for, 3,327,721,000 fully paid convertible preferred shares of the Company (the “**Preferred Shares**”) for a total consideration of HK\$45,922,549,800.00 subject to the terms and conditions of the Subscription Agreement, and all transactions and ancillary matters contemplated therein, and in connection with, the Subscription Agreement be and are hereby approved, ratified and confirmed; and
 - b. any one director of the Company be and is hereby authorised for and on behalf of the Company to do all such things and exercise all powers which he considers necessary, desirable or expedient in connection with the Subscription Agreement and otherwise in connection with the implementation of the transactions contemplated therein including without limitation to 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 the Company after the date of the Subscription Agreement, and if affixation of the common seal is necessary, the common seal be affixed in accordance with the articles of association of the Company (the “**Articles of Association**”).”
11. “**THAT** subject to and conditional upon the passing of the ordinary resolution numbered 10 and the special resolution numbered 12 set out in this notice:
 - a. the allotment and issue of the 3,327,721,000 Preferred Shares to CT Bright pursuant to the terms and conditions of the Subscription Agreement be and is hereby approved and confirmed; and the board of directors of the Company (the “**Board**”) be and is hereby granted a specific and unconditional mandate to allot and issue the new ordinary shares of the Company which may fall to be allotted and issued upon the exercise of the conversion rights attached to the 3,327,721,000 Preferred Shares (the “**Conversion Shares**”) pursuant to the terms and conditions of the Subscription Agreement and the Articles of Association; and

NOTICE OF THE EGM

- b. the Board be and is hereby authorised to take all steps necessary to, and do all acts and execute all documents they consider necessary, desirable or expedient to give effect to, the allotment and issue of the Preferred Shares; and
- c. contingent on the Board resolving to allot and issue the Conversion Shares pursuant to paragraph (a) of this resolution, the Board be and is hereby authorised to take all steps necessary to, and do all acts and execute all documents they consider necessary, desirable or expedient to give effect to, the allotment and issue of the Conversion Shares pursuant to paragraph (a) of this resolution.”

SPECIAL RESOLUTION

To consider and, if thought fit, pass the following resolution as a special resolution of the Company:

12. “**THAT:**

- a. the creation of the Preferred Shares be and is hereby approved and the share capital of the Company be and is hereby re-designated into ordinary shares and Preferred Shares, which shall have the rights and benefits and subject to the restrictions as set out in the Subscription Agreement and in the amendments to the Articles of Association to be adopted by the Company as set out in Appendix I of the circular of the Company dated 16 February 2015, and the existing issued shares of the Company shall be designated as ordinary shares;
- b. the proposed amendments to the Articles of Association as set out in Appendix I of the circular of the Company dated 16 February 2015, be and are hereby approved with effect immediately upon the issue of the Preferred Shares in accordance with the Subscription Agreement; and
- c. any one director of the Company be and is hereby authorised for and on behalf of the Company to do all such things and exercise all powers which he considers necessary, desirable or expedient in connection with the creation of the Preferred Shares including without limitation to 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 the Company, and if affixation of the common seal is necessary, the common seal be affixed in accordance with the Articles of Association.”

By Order of the Board
CITIC Limited
Ricky Choy Wing Kay Tang Zhenyi
Joint Company Secretaries

Hong Kong, 16 February 2015

NOTICE OF THE EGM

Registered Office:

32nd Floor, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Notes:

- (i) The register of members of the Company will be closed from Wednesday, 11 March 2015 to Monday, 16 March 2015, 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 the Company'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 Tuesday, 10 March 2015. Shareholders whose names appear on the register of members of the Company on Monday, 16 March 2015 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 the Company.
- (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 the Company 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.