
THIS SUPPLEMENTAL CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **China Huarong Asset Management Co., Ltd.**, you should at once hand this supplemental circular with the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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中國華融資產管理股份有限公司

China Huarong Asset Management Co., Ltd.

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 2799)

**MAJOR TRANSACTION AND CONNECTED TRANSACTION
ENTERING INTO OF THE SHARE TRANSFER AGREEMENT
AND
SUPPLEMENTAL NOTICE OF EGM**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



This supplemental circular (the “**Supplemental Circular**”) shall be read in conjunction with the circular of the EGM (the “**First Circular**”) dated 28 November 2023.

Notice of the EGM to be held at 10:00 a.m. on Friday, 15 December 2023 at Conference Room 1221, No. 8 Financial Street, Xicheng District, Beijing, the PRC is set out in the First Circular. The supplemental notice of the EGM dated 30 November 2023 is set out in this Supplemental Circular. The resolution as set out in this Supplemental Circular will be submitted to the EGM for consideration. The supplemental proxy form for the EGM (the “**Supplemental Proxy Form**”) is enclosed in this Supplemental Circular and is published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

If you wish to appoint a proxy to attend the EGM on your behalf, you are required to complete and return the accompanying Supplemental Proxy Form in accordance with the instructions printed thereon no later than 24 hours before the time scheduled for holding the EGM (i.e. before 10:00 a.m. on Thursday, 14 December 2023) or any adjournment(s) thereof (as the case may be). Completion and return of the Supplemental Proxy Form will not preclude you from attending and voting in person at the EGM or at any adjournment(s) thereof should you so wish. The proxy form enclosed in the First Circular (the “**First Proxy Form**”) that has been returned to the H Share registrar of the Company will remain valid and effective to the extent applicable if correctly completed.

Unless otherwise indicated, capitalised terms used herein shall have the same meanings as those defined in the First Circular.

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DEFINITIONS

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

“Acquisition”	the matter in relation to the transfer of the Target Shares, representing 5.01% of the issued shares of CITIC Limited, to the Company by CITIC Polaris pursuant to the Share Transfer Agreement
“Acquisition Price”	HK\$9.35 per Target Share
“Articles of Association”	Articles of Association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“CITIC Group”	CITIC Group Corporation, a substantial shareholder of the Company, whose ultimate beneficial owner is MOF
“CITIC Limited”	CITIC Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 00267)
“CITIC Polaris”	CITIC Polaris Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of CITIC Group
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Completion Date”	such time as agreed to by the parties to the Share Transfer Agreement within 20 Working Days of the Share Transfer Agreement becoming effective or such other time as may be agreed to by the parties
“Company”	China Huarong Asset Management Co., Ltd., a joint stock limited liability company incorporated in the PRC, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid in RMB
“Domestic Shareholder(s)”	the holder(s) of Domestic Shares
“EGM”	the second extraordinary general meeting of 2023 to be convened by the Company at 10:00 a.m. on Friday, 15 December 2023 at Conference Room 1221, No. 8 Financial Street, Xicheng District, Beijing, the PRC to approve, among other things, the Share Transfer Agreement and the transactions contemplated thereunder

DEFINITIONS

“Enlarged Group”	the enlarged Group immediately after completion of the Acquisition
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency of Hong Kong
“H Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK\$ and listed on the Main Board of the Hong Kong Stock Exchange
“H Shareholder(s)”	the holder(s) of H Shares
“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”	the independent board committee comprising Mr. Tse Hau Yin, Mr. Shao Jingchun, Mr. Zhu Ning and Ms. Chen Yuanling, all being independent non-executive Directors, established by the Company to advise the Independent Shareholders on the Share Transfer Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Share Transfer Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than those required to abstain from voting on the resolution in relation to the Share Transfer Agreement and the transactions contemplated thereunder to be proposed at the EGM pursuant to the Listing Rules
“Latest Practicable Date”	24 November 2023, being the latest practicable date prior to the printing of this Supplemental Circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time
“MOF”	Ministry of Finance of the PRC
“PRC” or “China”	the People’s Republic of China
“RMB”	the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended from time to time

DEFINITIONS

“Share(s)”	share(s) of the Company, including Domestic Share(s) and H Share(s)
“Share Transfer Agreement”	the share transfer agreement dated 15 November 2023 entered into between the Company and CITIC Group and CITIC Polaris in relation to the Acquisition
“Shareholder(s)”	holder(s) of the Share(s) of the Company
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	supervisor(s) of the Company
“Target Shares”	1,457,422,158 shares of CITIC Limited directly held by CITIC Polaris
“Working Day(s)”	common statutory working day(s) in both PRC and Hong Kong
“%”	per cent



中國華融資產管理股份有限公司
China Huarong Asset Management Co., Ltd.

(A joint stock limited liability company incorporated in the People's Republic of China)
(Stock Code: 2799)

Executive Directors:

Mr. Liu Zhengjun (*Chairman*)
Mr. Li Zimin (*President*)

Non-executive Directors:

Ms. Zhao Jiangping
Mr. Zheng Jiangping
Mr. Xu Wei
Mr. Tang Hongtao

Independent Non-executive Directors:

Mr. Tse Hau Yin
Mr. Shao Jingchun
Mr. Zhu Ning
Ms. Chen Yuanling

Registered Address:

No. 8 Financial Street, Xicheng District,
Beijing
the PRC

Principal Place of Business

in Hong Kong:
40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wan Chai, Hong Kong

30 November 2023

Dear Sir or Madam,

**MAJOR TRANSACTION AND CONNECTED TRANSACTION
ENTERING INTO OF THE SHARE TRANSFER AGREEMENT
AND
SUPPLEMENTAL NOTICE OF EGM**

1. INTRODUCTION

Reference is made to the circular of the EGM dated 28 November 2023 of the Company. The purpose of this Supplemental Circular is to provide you with the information regarding the supplemental resolution to be proposed at the EGM to enable you to make an informed decision on whether to vote for or against the supplemental resolution at the EGM.

2. MATTERS TO BE CONSIDERED AT THE EGM

The supplemental resolution to be proposed at the EGM for consideration and approval by Shareholders is to consider and approve the entering into of the Share Transfer Agreement and the transactions contemplated thereunder. The above resolution is a special resolution.

LETTER FROM THE BOARD

Details of the matters to be considered at the EGM are set out in the supplemental notice of EGM on pages 63 to 65 in this Supplemental Circular. In order to enable you to have a better understanding of the supplemental resolution to be proposed at the EGM and to make well-informed decisions, this Supplemental Circular provides detailed information on matters to be supplementarily considered at the EGM (see Appendix I).

3. THE EGM

The Supplemental Proxy Form in respect of the supplemental resolution is enclosed in this Supplemental Circular. The First Proxy Form enclosed in the First Circular that has been returned to the H Share registrar of the Company will remain valid and applicable to the permissible extent if correctly completed. The Supplemental Proxy Form will not affect the validity of any proxy form duly completed and returned by you in respect of the resolutions set out in the notice of the EGM dated 28 November 2023 (the “**First Notice**”). If you have validly appointed a proxy to attend and act for you at the EGM but do not duly complete and return the Supplemental Proxy Form, your proxy will be entitled to vote at discretion on your behalf on the supplemental resolution set out in the supplemental notice of the EGM dated 30 November 2023 (the “**Supplemental Notice**”). If you do not duly complete and return the First Proxy Form but have duly completed and returned the Supplemental Proxy Form and validly appointed a proxy to attend and act for you at the EGM, your proxy will be entitled to vote at discretion on your behalf on the resolutions set out in the First Notice.

Please refer to the First Notice and the First Circular for details of other resolutions to be submitted to the EGM for consideration, eligibility for attending, proxy, registration procedures, closure of register of members and other matters.

We hereby remind you that, according to Article 65 of the Articles of Association, where the number of equity interests of the Company pledged by a Shareholder reaches or exceeds 50% of the equity interests held by such Shareholder in the Company, no voting right in respect of the pledged equity interests shall be exercised at the shareholders’ general meeting until the ceasing of the above condition.

In accordance with Rules 2.15 and 14A.36 of the Listing Rules, where a transaction or arrangement is subject to shareholders’ approval, any shareholder and its close associates that have a material interest in the transaction or arrangement shall abstain from voting on the resolution(s) approving the transaction or arrangement at the relevant general meeting. As at the Latest Practicable Date, CITIC Group held 21,230,929,783 Domestic Shares of the Company, representing 26.46% of the total issued Shares of the Company, which shall abstain from voting at the EGM on the resolution approving the entering into of the Share Transfer Agreement and the transactions contemplated thereunder.

Save as disclosed above, to the best knowledge, information and belief of the Directors, no other Shareholders are required to abstain from voting on the supplemental resolution to be proposed at the EGM.

Voting at the EGM shall be taken by way of registered poll.

LETTER FROM THE BOARD

4. RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that although the entering into of the Share Transfer Agreement and the transactions contemplated thereunder is not in the ordinary course of business of the Group, the terms and conditions of the Share Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders vote in favour of the resolution in relation to the entering into of the Share Transfer Agreement and the transactions contemplated thereunder. The letter from the Independent Board Committee is set out in Appendix II to this Supplemental Circular.

The Directors (including the independent non-executive Directors) are of the view that although the entering into of the Share Transfer Agreement and the transactions contemplated thereunder is not in the ordinary course of business of the Group, the terms and conditions of the Share Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders vote in favour of the supplemental resolution to be proposed at the EGM.

As (i) Mr. Liu Zhengjun and Mr. Xu Wei hold positions in CITIC Group; (ii) Mr. Liu Zhengjun is an executive director of CITIC Limited; and (iii) Mr. Li Zimin was recommended by CITIC Group as a Director, Mr. Liu Zhengjun, Mr. Li Zimin and Mr. Xu Wei are considered to be interested in the Share Transfer Agreement and the transactions contemplated thereunder and they have abstained from voting on the Board resolution in relation to approving the entering into of the Share Transfer Agreement and the transactions contemplated thereunder. Save as aforesaid, none of the Directors have a material interest in the Share Transfer Agreement and the transactions contemplated thereunder.

You should pay attention to other sections of and the appendices to this Supplemental Circular.

5. RESPONSIBILITY STATEMENT

This Supplemental 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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Supplemental Circular is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this Supplemental Circular misleading.

By order of the Board
China Huarong Asset Management Co., Ltd.
LIU Zhengjun
Chairman

I. TO CONSIDER AND APPROVE THE ACQUISITION

On 15 November 2023 (after trading hours), the Company entered into the Share Transfer Agreement with CITIC Group and CITIC Polaris (a wholly-owned subsidiary of CITIC Group), pursuant to which CITIC Polaris conditionally agreed to transfer and the Company conditionally agreed to purchase the Target Shares, representing 5.01% of the issued shares of CITIC Limited, at an aggregate consideration of HK\$13,626,897,177.3.

1. Share Transfer Agreement

Principal terms of the Share Transfer Agreement are set out as follows:

Date

15 November 2023

Parties

CITIC Group and CITIC Polaris (collectively, “**Party A**”); and

The Company.

The Acquisition

As at the Latest Practicable Date, CITIC Polaris held 9,463,262,637 shares of CITIC Limited, representing 32.53% of the issued shares of CITIC Limited. CITIC Polaris conditionally agreed to transfer and the Company conditionally agreed to purchase the Target Shares, representing 5.01% of the issued shares of CITIC Limited. Upon completion of the Acquisition, the Company will hold 5.01% of the issued shares of CITIC Limited.

Consideration

As agreed by the parties to the Share Transfer Agreement, the Company will purchase the Target Shares at HK\$9.35 per Target Share for an aggregate consideration of HK\$13,626,897,177.3 (excluding relevant transactional fees). The Company shall make a lump sum payment on the Completion Date to the receiving account designated by Party A of the total consideration for the Acquisition.

The Acquisition Price was determined after arm's length negotiations among the parties to the Share Transfer Agreement after taking into consideration factors, among other things, (1) the historical closing prices of the shares of CITIC Limited. For the year immediately prior to the date of the Share Transfer Agreement (inclusive), the highest closing price of the shares of CITIC Limited is HK\$10.58 per share and the lowest closing price is HK\$6.60 per share. The Acquisition Price is within the above range; (2) the historical trading volumes of the shares of CITIC Limited and the number of Target Shares in relation to the Acquisition. The average daily trading volume of the shares of CITIC Limited during the past year is lower than 0.1% of the total number of issued shares of CITIC Limited. According to this calculation, it may take approximately seven months for the Company to acquire the Target Shares in the open market; (3) the restrictions on transfer prices imposed by relevant laws and regulations. Pursuant to the Share Transfer Agreement and the Administrative Measures for the Transfer of State owned Assets of Financial Enterprises (《金融企業國有資產轉讓管理辦法》) (Order No. 54 of the MOF), the Acquisition Price shall not be lower than the weighted average price of each of the daily weighted average price of the shares of CITIC Limited in the 30 trading days before the date of the Share Transfer Agreement, or the weighted average price on the trading day immediately before the date of the Share Transfer Agreement, whichever is higher. Based on the prices quoted by the Hong Kong Stock Exchange, the weighted average price of the daily weighted average price of the Target Shares in the 30 trading days before the date of the Share Transfer Agreement was HK\$6.8517 per share, and the weighted average price on the previous trading day was HK\$6.9264 per share; and (4) this investment is a strategic investment of the Company. Through acquisition of 5.01% shares in CITIC Limited and with the support of the single largest shareholder of CITIC Limited, the Company will have the right to recommend a candidate to the members of the board of directors of CITIC Limited and to participate in the financial and operating decisions of CITIC Limited, which is in line with the Company's existing capital allocation plan and strategic development layout. Through subsequent strategic cooperation, the Company will deepen exchanges and cooperation with CITIC Limited under the principles of marketization and rule of law to promote common business growth and achieve complementary advantages, which will contribute to the long-term development of the Company. Please refer to the section headed "Reasons for and Benefits of the Share Transfer Agreement and the Transactions Contemplated Thereunder" in this Supplemental Circular for the details of other factors considered upon which the Acquisition Price was determined. In view of the foregoing, the Directors are of the view that the Acquisition is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Group expects to fund the consideration for the Acquisition by the Group's own funds.

Conditions Precedent

The Share Transfer Agreement is subject to the fulfilment of the following conditions precedent:

- (1) Party A has obtained the necessary internal approvals and authorizations in relation to the Share Transfer Agreement and the Acquisition;
- (2) the resolution in relation to the Share Transfer Agreement and the Acquisition has been approved by the Shareholders of the Company at the EGM;
- (3) the Acquisition has been approved by MOF; and
- (4) the Acquisition has been approved or filed with the National Development and Reform Commission of the PRC and the Ministry of Commerce of the PRC.

Transitional Period Arrangements

Save for the 2023 interim dividend declared by CITIC Limited, all benefits arising from all dividends on the Target Shares declared, made or paid by CITIC Limited and distributions, share splits or rights issue made by CITIC Limited shall belong to the Company with effect from the date of the Share Transfer Agreement.

Moreover, subject to the agreement above, for all benefits derived from the Target Shares obtained by Party A in the event of any distributions, share splits or rights issue made by CITIC Limited during the period between the date of the Share Transfer Agreement and the Completion Date, the number of Target Shares shall be adjusted correspondingly. A cash bonus will not result in adjustment of Target Shares and in the event that Party A receives a cash bonus from CITIC Limited during the period between the date of the Share Transfer Agreement and the Completion Date, Party A shall compensate a corresponding equal amount of the Target Shares to the Company within ten Working Days upon receipt of the cash bonus.

Right to Recommend A Director

According to the Share Transfer Agreement, upon completion of the transaction, the Company will have the right to recommend a candidate to the board of directors of CITIC Limited. Party A has agreed and will support the recommendation of a candidate by the Company to the board of directors of CITIC Limited, on condition that the Company holds no less than 5% of the total issued shares of CITIC Limited and the director candidate has the character, qualification, experience and competence commensurate with his/her position to be a director of CITIC Limited.

Completion

Completion of the Acquisition is intended to take place at such time as agreed by the parties to the Share Transfer Agreement within 20 Working Days after the Share Transfer Agreement becomes effective or such other time as agreed by the parties.

2. Information of CITIC Limited

CITIC Limited is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 00267). CITIC Limited is one of the largest comprehensive enterprise groups in China and a constituent company of the Hang Seng Index. CITIC Limited is principally engaged in five major segments, namely comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanization.

Set out below are the relevant financial information of CITIC Limited as extracted from its financial statements:

	As at 30 June 2023
	<i>(in millions of RMB)</i>
	(Unaudited)
Total assets	10,976,305
Net assets	1,276,174

	As at 31 December 2021	As at 31 December 2022
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
	(Audited)	(Audited)
Revenue	708,936	771,133
Profit before taxation	121,141	147,839
Net profit	100,278	123,011

The original acquisition cost of the shares of CITIC Limited for CITIC Polaris was approximately HK\$13.48 per share. There have been several dividend distributions for CITIC Limited since the subscription by CITIC Polaris of the shares of CITIC Limited. As such, the original acquisition cost above does not reflect the actual cost.

3. Reasons for and Benefits of the Share Transfer Agreement and the Transactions Contemplated Thereunder

The Acquisition is beneficial to improve the asset quality of the Company, optimize its industrial layout, and help the Company improve its financial conditions. It can effectively replenish capital and enhance sustainable profitability of the Company. It is an important measure to optimize the layout of state-owned assets. Due to the international and domestic economic and financial situations, the secondary market in Hong Kong has generally declined compared with the previous period. The Company plans to seize the structural investment opportunities created by the current cyclical changes in the capital market and sector rotation to make a strategic investment in CITIC Limited. CITIC Group will also support the transformation and development of the Company and improve the operational profitability of state-owned assets through brand authorization, personnel exchange and asset trading under the principles of marketization and legalization.

The Company believes that CITIC Limited is a high-quality investment target, which has unique advantages of clear strategies, stable operation, high dividend distribution and strong risk resistance ability. Facing a series of challenges in domestic and international economic operation recently, the operation performance of CITIC Limited has maintained steady growth and contributed stable dividend income to its shareholders. The business of CITIC Limited covers various sectors such as comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption, and new urbanization. It is a relatively rare target in the Hong Kong stock market for a large-scale comprehensive multinational enterprise group that develops both finance and industry. While giving full play to the aggregation effect of the financial holding platform, CITIC Limited is accelerating the transformation and upgrading of its industrial sector, continuing to promote technological innovation and transformation and upgrading, and actively implementing its strategy of expanding overseas markets. The comprehensive financial services segment of CITIC Limited focuses on the three tasks, namely serving the real economy, preventing and controlling financial risks and deepening financial reform, utilizes its comprehensive financial advantages, consolidates its leading position, and fully performs its roles as the “ballast stone” and “propeller”. The non-financial business segment of CITIC Limited aims to meet the needs of national strategic development and industrial upgrading, focuses on cultivating industry-leading enterprises, solidifies its leading position in the industries it operates and continuously enhances value creation. CITIC Limited is committed to pioneering national strategic goals. With the long-term positive development of China’s economy and the advantage of a comprehensive enterprise group combining industry and finance, CITIC Limited can better capture emerging opportunities brought by economy development and create long-term value for its shareholders.

CITIC Limited has consistently maintained a growth trend in its operation performance. In the first half of 2023, CITIC Limited recorded total revenue of RMB334 billion, representing a year-on-year increase of 2.8%, and net profit attributable to ordinary shareholders of RMB32.1 billion. On a comparable basis excluding the one-time revaluation gain from CITIC Securities in the same period last year, the net profit attributable to ordinary shareholders increased by 2.3% year-on-year. In 2022, CITIC Limited recorded total revenue of HK\$771.1 billion, representing a year-on-year increase of 8.8%, net profit attributable to ordinary shareholders of HK\$75.5 billion, representing a year-on-year increase of 7.5%, and return on net assets of 10.1%, representing a year-on-year increase of 0.2 percentage point. In 2021, CITIC Limited recorded total revenue of HK\$708.9 billion, representing a year-on-year increase of 28%, net profit attributable to ordinary shareholders of HK\$70.2 billion, representing a year-on-year increase of 24%, and return on net assets of 9.9%, representing a year-on-year increase of 1 percentage point. From 2020 to 2022, the annualised revenue growth rate of CITIC Limited was 18.09%, and the annualised growth rate of net profit attributable to its ordinary shareholders was 15.45%. It had a stable and sustainable dividend policy, with the dividend payout ratio maintained at 25%.

CITIC Limited will become an associate of the Company upon completion of the Acquisition and the Company will account for its equity interest in CITIC Limited under the item of “interests in associates and joint ventures”. At the initial recognition stage, the Company assesses the fair value of the identifiable net assets of the CITIC Limited on the acquisition date in accordance with the relevant provisions of the International Financial Reporting Standards (IFRSs). For the difference between the fair value of the identifiable net assets of the CITIC Limited attributable to the Company and the consideration paid by the Company, the Company will adjust the carrying amount of “interests in associates and joint ventures”. Such adjustment will ultimately affect the equity of the Company. At the subsequent recognition stage, the share of the net profit or loss and other comprehensive income realized by the investee after the acquisition of the equity interests in associates shall be included in the “share of results of associates and joint ventures” and “other reserves” respectively in accordance with the relevant provisions of IFRSs. As such, the Company will recognize the “share of results of associates and joint ventures” based on its share of net profit or loss of the CITIC Limited and adjust the “interests in associates and joint ventures” in the subsequent holding period, which will ultimately affect the Company’s equity. Considering that the consideration actually paid by the Company is lower than the fair value of the identifiable net assets of the CITIC Limited attributable to the Company, and the net profit or loss of the CITIC Limited that the Company will continue to enjoy in the future, the Acquisition will increase the equity of the Company and effectively replenish the capital of the Company. For specific amount of the financial impact, please refer to the section regarding the pro forma adjustments to the assets and liabilities.

Based on the existing acquisition price and the dividend per share of CITIC Limited in the 2022 fiscal year (i.e. HK\$0.651), even without considering the future growth of CITIC Limited, the expected annual dividend yield is approximately 6.96% (0.651/9.35). CITIC Limited paid dividends to its shareholders in each of the past five years, with a dividend payout ratio, being the proportion of earnings paid out as dividends to shareholders, of 24% to 25% (as disclosed in the annual report of CITIC Limited for the year ended 31 December 2022). The dividend per share of CITIC Limited increased from HK\$0.41 in 2018 to HK\$0.651 in 2022, with a compound annual growth rate of approximately 12.25%. The Acquisition enables the Company to enjoy the dividends that may be distributed by CITIC Limited in the future. The stable dividend distribution of CITIC Limited can bring continuous and reliable cash income to the Company, which helps to stabilize its performance and improve the quality and profitability of its development.

After the Acquisition is officially approved, the Company intends to recommend a director to CITIC Limited to further deepen our strategic cooperation with CITIC Limited under the principles of marketization and legalization. The Company can fully rely on the advantages of CITIC Limited in both industry and finance, leverage the “finance-finance synergy” and “industry-finance synergy” effects and achieve complementary advantages, which can help comprehensively promote the transformation and development of the business of the Company.

4. Financial Impact of the Acquisition on the Group

Immediately after completion of the Acquisition, the Company will hold 1,457,422,158 shares of CITIC Limited, representing 5.01% of its issued shares. CITIC Limited will not become a subsidiary of the Company and its financial results will not be consolidated into the financial statements of the Group.

Assets and Liabilities

Assuming the Acquisition was completed on 30 June 2023, CITIC Limited would become an associate of the Group at completion date of the Acquisition. At the time of initial recognition, the financial impact of the Acquisition on the Group would be as follows:

Unit: in millions of RMB

	The Group as at 30 June 2023	Pro forma adjustments	Pro forma for the Enlarged Group
	Unaudited	Unaudited	Unaudited
Assets			
Cash and balances with central bank	114	—	114
Deposits with financial institutions	84,352	(12,564)	71,788
Financial assets at fair value through profit or loss	301,520	—	301,520
Financial assets held under resale agreements	275	—	275
Contract assets	5,563	—	5,563
Finance lease receivables	11,592	—	11,592
Debt instruments at fair value through other comprehensive income	23,054	—	23,054
Equity instruments at fair value through other comprehensive income	2,043	—	2,043
Inventories	23,864	—	23,864
Debt instruments at amortized cost	392,856	—	392,856
Interests in associates and joint ventures	41,258	33,950	75,208
Investment properties	7,176	—	7,176
Property and equipment	5,976	—	5,976
Right-of-use assets	995	—	995
Deferred tax assets	15,385	—	15,385
Goodwill	18	—	18
Other assets	18,927	—	18,927
	<u>934,968</u>	<u>21,386</u>	<u>956,354</u>
Total assets	<u>934,968</u>	<u>21,386</u>	<u>956,354</u>

	The Group as at 30 June 2023	Pro forma adjustments	Pro forma for the Enlarged Group
	Unaudited	Unaudited	Unaudited
Liabilities			
Placements from financial institutions	2,651	—	2,651
Financial assets sold under repurchase agreements	10,830	—	10,830
Borrowings	635,695	—	635,695
Financial liabilities at fair value through profit or loss	432	—	432
Tax payable	487	—	487
Contract liabilities	627	—	627
Lease liabilities	595	—	595
Deferred tax liabilities	1,036	—	1,036
Bonds and notes issued	182,959	—	182,959
Other liabilities	60,334	—	60,334
	<u>895,646</u>	<u>—</u>	<u>895,646</u>
Total liabilities	<u>895,646</u>	<u>—</u>	<u>895,646</u>
Equity			
Share capital	80,247	—	80,247
Other equity instruments	19,900	—	19,900
Capital reserve	16,398	—	16,398
Surplus reserve	8,564	—	8,564
General reserve	13,003	—	13,003
Other reserves	(2,850)	—	(2,850)
Accumulated losses	(95,961)	21,386	(74,575)
	<u>39,301</u>	<u>21,386</u>	<u>60,687</u>
Equity attributable to equity holders of the Company	39,301	21,386	60,687
Perpetual capital instruments	1,752	—	1,752
Non-controlling interests	(1,731)	—	(1,731)
	<u>39,322</u>	<u>21,386</u>	<u>60,708</u>
Total equity	<u>39,322</u>	<u>21,386</u>	<u>60,708</u>
Total equity and liabilities	<u>934,968</u>	<u>21,386</u>	<u>956,354</u>

Note: The Company prepared the unaudited pro forma financial information of the Enlarged Group set out in Appendix VI to illustrate the financial positions of the Enlarged Group as at 30 June 2023 assuming the Acquisition had been completed on 30 June 2023. The above table is extracted from the unaudited pro forma financial information of the Enlarged Group.

Earnings

The Acquisition is a long-term strategic investment of the Company, which will bring long-term stable financial returns to the Company. Based on the strong operating performance and growth trends shown in CITIC Limited’s external disclosure materials, the Acquisition will not only realise the long-term investment value of CITIC Limited, but also enable the Company to obtain stable and sustainable dividends from CITIC Limited, with a certain margin of safety. Upon completion of the Acquisition, CITIC Limited will become an associate of the Group, and the Company will account for its equity interest in CITIC Limited under “interest in associates and joint ventures”. According to the relevant provisions of accounting standards, after obtaining equity interest in joint ventures, the Company shall record its share of the net gain or loss and other comprehensive income realised by the investee under “share of results of associates and joint ventures” (income statement item) and “other reserves” (balance sheet item), respectively. According to the above provisions, the Company will recognise “share of results of associates and joint ventures” based on its share of net profits and losses of CITIC Limited during the subsequent holding period, and adjust the “interest in associates and joint ventures”. In respect of the continuing income to be received every year during the period of holding the shares of CITIC Limited only, in future years, the Company will continue to share the profits of CITIC Limited. Based on different assumptions of completing the Acquisition on 1 January 2022 and 1 January 2023, the expected investment income for the entire year of 2022 and from January to June 2023, which can be recognized by the Company after considering the tax impact, is as follows:

Assumed completion date of the Acquisition	Financial year/period	Expected impact on the net profit attributable to equity holders of the Company <i>(in millions of RMB)</i>
1 January 2022	for the year ended 31 December 2022	3,021
1 January 2023	for the six months ended June 2023	1,542

The financial information of CITIC Limited has been published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the website of CITIC Limited (<http://www.citic.com>).

Details of the financial impact of the Acquisition on the Group together with the basis for preparation and assumptions for the preparation of the unaudited pro forma financial information of the Enlarged Group are set out in Appendix VI of this Supplemental Circular for information purpose only.

5. Listing Rules Implications

As the highest applicable percentage ratio in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, CITIC Group held 21,230,929,783 Domestic Shares of the Company, representing 26.46% of the total issued Shares of the Company. CITIC Group is a substantial shareholder of the Company and constitutes a connected person of the Company under Chapter 14A of the Listing Rules. CITIC Polaris is a wholly-owned subsidiary of CITIC Group. Accordingly, CITIC Polaris is an associate of CITIC Group and constitutes a connected person of the Company under Chapter 14A of the Listing Rules. The Share Transfer Agreement and the transactions contemplated thereunder therefore constitutes a connected transaction of the Company, and is subject to the reporting, announcement, circular (including independent financial adviser) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

6. General Information

The Company is principally engaged in managing distressed assets, providing financial and asset management services and investment.

CITIC Group is a company incorporated in the PRC with limited liability. It is a large comprehensive enterprise group in China which has five major business segments, namely comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanization. CITIC Group is ultimately and beneficially owned by MOF.

CITIC Polaris is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of CITIC Group. CITIC Polaris is principally engaged in investment holding.

The above resolution has been considered and passed by the Board and is being submitted to the EGM for its consideration.



中國華融資產管理股份有限公司
China Huarong Asset Management Co., Ltd.

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 2799)

To the Independent Shareholders,

Dear Sir or Madam,

30 November 2023

**MAJOR TRANSACTION AND CONNECTED TRANSACTION
ENTERING INTO OF THE SHARE TRANSFER AGREEMENT**

We refer to the circular of the Company dated 28 November 2023 (the “**Circular**”) and the Supplemental Circular dated 30 November (the “**Supplemental Circular**”), of which this letter forms part. Unless otherwise indicated, capitalized terms used in this letter shall have the same meanings as those defined in the Circular and Supplemental Circular.

We have been appointed by the Board as members of the Independent Board Committee to consider and advise the Independent Shareholders as to the Share Transfer Agreement and the transactions contemplated thereunder. Gram Capital has been appointed as the Independent Financial Adviser in this regard.

We wish to draw your attention to the “Letter from the Board” and the “Letter from the Independent Financial Adviser” as set out in the Supplemental Circular. Having considered the principal factors and reasons, and the advice of Gram Capital as set out in the Letter from the Independent Financial Adviser, we consider that although the entering into of the Share Transfer Agreement and the transactions contemplated thereunder is not in the ordinary course of business of the Group, the terms and conditions of the Share Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders vote in favor of the resolution in relation to the entering into of the Share Transfer Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully

On behalf of the Independent Board Committee of
China Huarong Asset Management Co., Ltd.

TSE Hau Yin
*Independent
non-executive
Director*

SHAO Jingchun
*Independent
non-executive
Director*

ZHU Ning
*Independent
non-executive
Director*

CHEN Yuanling
*Independent
non-executive
Director*

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition for the purpose of inclusion in this supplemental circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

30 November 2023

*To: The independent board committee and the independent shareholders
of China Huarong Asset Management Co., Ltd.*

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTION ENTERING INTO OF THE SHARE TRANSFER AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in Appendix I to the supplemental circular dated 30 November 2023 issued by the Company to the Shareholders (the “**Supplemental Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Supplemental Circular unless the context requires otherwise.

On 15 November 2023 (the “**Agreement Date**”), the Company entered into the Share Transfer Agreement with CITIC Group and CITIC Polaris, pursuant to which CITIC Polaris conditionally agreed to transfer and the Company conditionally agreed to purchase the Target Shares, representing approximately 5.01% of the issued shares of CITIC Limited as at the Latest Practicable Date, at an aggregate consideration of HK\$13,626,897,177.3 (the “**Consideration**”).

With reference to Appendix I to the Supplemental Circular, the Acquisition constitutes a major and connected transaction of the Company and is subject to the reporting, announcement, circular and Independent Shareholders’ approval under Chapter 14 and 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Tse Hau Yin, Mr. Shao Jingchun, Mr. Zhu Ning and Ms. Chen Yuanling (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Acquisition are on normal commercial terms and are fair and reasonable; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Acquisition at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as independent financial adviser in respect of the continuing connected transactions and major transactions as contained in the Company's circular dated 16 September 2022. Save for the aforesaid engagement, there was no other service provided by Gram Capital to the Company relating to any transaction of the Company with executed agreement during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid past engagement, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagement was only an independent financial advisory engagement and will not affect our independence to act as the Independent Financial Adviser, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Supplemental Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Supplemental Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Supplemental Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Share Transfer Agreement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Supplemental 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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Supplemental Circular is accurate and complete in all material respects and not misleading or deceptive and there is no other matter the omission of which would make any statement therein or the Supplemental Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Supplemental Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, CITIC Polaris, CITIC Group, CITIC Limited or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Acquisition, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to Appendix I to the Supplemental Circular, the Company is principally engaged in managing distressed assets, providing financial and asset management services and investment.

Set out below are the consolidated financial information of the Group for the two years ended 31 December 2022 and the six months ended 30 June 2023 (“1H2023”) (with comparative figures) as extracted from the Company’s annual report for the year ended 31 December 2022 (“2022 Annual Report”) and the Company’s interim report for 1H2023 (“2023 Interim Report”):

	For the six months ended 30 June 2023 <i>RMB'000</i> <i>(unaudited)</i>	For the six months ended 30 June 2022 <i>RMB'000</i> <i>(unaudited)</i>	Year-on- year change %	For the year ended 31 December 2022 <i>RMB'000</i> <i>(audited)</i>	For the year ended 31 December 2021 <i>RMB'000</i> <i>(audited)</i>	Year-on- year change %
Total income from continuing operations	35,648,822	14,741,774	141.82	37,264,027	68,093,916	(45.28)
Loss for the year/period from continuing operations	(5,988,250)	(21,369,036)	(71.98)	(33,381,449)	(2,493,394)	1,238.80

The Group's total income from continuing operations was approximately RMB37.3 billion for the year ended 31 December 2022 (“FY2022”), representing a substantial decrease of approximately 45.28% as compared to that for the year ended 31 December 2021 (“FY2021”). With reference to the 2022 Annual Report, such decrease was mainly due to (i) changes in fair value of other financial assets and liabilities; and (ii) decreases in income from distressed debt assets and interest income. The Group's loss from continuing operations was approximately RMB33.4 billion for FY2022, representing a significant increase of approximately 12 times as compared to that for FY2021. With reference to the 2022 Annual Report, such increase was mainly due to (i) change in the fair value of some equity financial assets, listed and unlisted shares and funds as a result of fluctuations in the capital market; (ii) impairment losses caused by the macroeconomic situation and the downturn in the real estate industry; and (iii) decrease in the scale and income of acquisition-and-restructuring distressed debt assets.

The Group's total income from continuing operations was approximately RMB35.6 billion for 1H2023, representing a significant increase of approximately 141.82% as compared to the corresponding period in 2022 (“1H2022”). With reference to the 2023 Interim Report, such increase was mainly due to increase in other income and other net gains, as partially offset by decrease in income from distressed debt assets. The Group's loss from continuing operations was approximately RMB6.0 billion for 1H2023, representing a substantial decrease of approximately 71.98% as compared to that for 1H2022. With reference to the 2023 Interim Report, such decrease was mainly due to increase in total income from continuing operations as discussed above, as partially offset by (i) impairment losses under expected credit loss model; and (ii) change from income tax credit to income tax expense.

As at 30 June 2023, the Group's total assets and net assets were approximately RMB935.0 billion and approximately RMB39.3 billion respectively.

Information on CITIC Group and CITIC Polaris

With reference to Appendix I to the Supplemental Circular, CITIC Group is a company incorporated in the PRC with limited liability. It is a large comprehensive enterprise group in the PRC which has five major business segments, namely comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanisation.

As at the Latest Practicable Date, CITIC Group was interested in 26.46% of the total issued Shares of the Company. Therefore, CITIC Group is a substantial shareholder of the Company.

CITIC Polaris is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of CITIC Group. CITIC Polaris is principally engaged in investment holding. CITIC Polaris is an associate of CITIC Group and thus a connected person of the Company.

Information on CITIC Limited

With reference to Appendix I to the Supplemental Circular, CITIC Limited (being the target company pursuant to the Share Transfer Agreement) is a company incorporated in Hong Kong with limited liability, the shares (“CITIC Share(s)”) of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 00267). CITIC Limited is one of the largest comprehensive enterprise groups in China and a constituent company of the Hang Seng Index. CITIC Limited is principally engaged in five major segments, namely comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanisation.

Set out below are the audited consolidated financial information of CITIC Limited for the two years ended 31 December 2022 as extracted from CITIC Limited's annual report for FY2022:

	For the year ended 31 December 2022	For the year ended 31 December 2021	Year-on-year change
	<i>HK\$ million (audited)</i>	<i>HK\$ million (audited)</i>	%
Total revenue	771,133	708,936	8.77
— <i>Comprehensive financial services</i>	310,135	256,760	20.79
— <i>Advanced intelligent manufacturing</i>	60,023	47,694	25.85
— <i>Advanced materials</i>	282,185	282,422	(0.08)
— <i>New consumption</i>	61,697	65,564	(5.90)
— <i>New-type urbanisation</i>	57,060	56,366	1.23
— <i>Operation management</i>	33	130	(74.62)
Profit before taxation	147,839	121,141	22.04
Profit for the year	123,011	100,278	22.67

As noted from CITIC Limited's interim report for 1H2023, CITIC Limited has changed its presentation currency from HK\$ to RMB for the preparation of its consolidated financial information for 1H2023. Set out below are the unaudited consolidated financial information of CITIC Limited for the six months ended 30 June 2023 (with restated comparative figures) as extracted from CITIC Limited's interim report for 1H2023:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022	Year-on-year change
	<i>RMB million (unaudited)</i>	<i>RMB million (unaudited)</i>	%
Total revenue	333,986	324,847	2.81
— <i>Comprehensive financial services</i>	138,277	131,533	5.13
— <i>Advanced intelligent manufacturing</i>	24,145	24,094	0.21
— <i>Advanced materials</i>	130,603	125,937	3.71
— <i>New consumption</i>	24,870	25,313	(1.75)
— <i>New-type urbanisation</i>	16,077	17,933	(10.35)
— <i>Operation management</i>	14	37	(62.16)
Profit before taxation	69,263	72,896	(4.98)
Profit for the period	57,471	61,097	(5.93)

As at 30 June 2023, the CITIC Limited's total assets and net assets were approximately RMB10,976.3 billion and approximately RMB1,276.2 billion respectively.

We noted from previous financial reports of CITIC Limited that CITIC Limited distributed dividend of HK\$0.606 per CITIC Share for FY2021, HK\$0.651 per CITIC Share for FY2022 and RMB0.18 per CITIC Share (or equivalent to HK\$0.1964844 per CITIC Share) for 1H2023.

Reasons for and benefits of the Acquisition

The Supplemental Circular set out various reasons for and benefit of the Acquisition, details of which are set out in the section headed “Reasons for and benefits of the Share Transfer Agreement and the Transactions contemplated thereunder” of Appendix I to the Supplemental Circular.

According to Appendix I to the Supplemental Circular, due to the international and domestic economic and financial situations, the secondary market in Hong Kong has generally declined compared with the previous period. The Company plans to seize the structural investment opportunities created by the current cyclical changes in the capital market and sector rotation to make a strategic investment in CITIC Limited. We noted that Hang Seng Index (“HSI”) moved in a general decreasing trend in the beginning of the year after it reached the peak in 2023 of 22,700.85 on 27 January 2023 and reached the bottom in 2023 of 16,879.66 on 24 October 2023. In addition, as stated in the section headed “Historical share price performance of CITIC Shares” below, from the beginning of the Review Period (as defined below), the closing price of CITIC Shares followed a general increasing trend and reached the highest of HK\$10.58 per CITIC Share on 8 May 2023. After reaching the highest closing price, the closing price of CITIC Shares followed a general decreasing trend and reached the lowest of HK\$6.60 per CITIC Share on 24 October 2023.

As stated in Appendix I to the Supplemental Circular, the Company believes that CITIC Limited is a high-quality investment target. This is supported by CITIC Limited’s financial and trading position. Please refer to the disclosure of information on CITIC Limited above for details.

As also stated in Appendix I to the Supplemental Circular, the stable dividend distribution of CITIC Limited can bring continuous and reliable cash income to the Company, which helps to stabilize its performance and improve the quality and profitability of its development. For our due diligence purpose, we reviewed the annual report of CITIC Limited for FY2022 and noticed that (i) CITIC Limited had been paying out dividend to its shareholders in the last five financial years with dividend pay-out ratio (based on the dividend per CITIC Shares declared/paid and the basic earnings per CITIC Share) ranging from 24% to 25%; and (ii) the dividend per CITIC Shares increase from approximately HK\$0.41 for the year ended 31 December 2018 to approximately HK\$0.651 for FY2022, representing a compound growth annual rate of approximately 12.25%. Since CITIC Limited will not become subsidiary of the Company upon completion of the Acquisition and its financial statements will not be consolidated into the Group’s financial statements, the Acquisition enables the Group to enjoy potential future dividends from CITIC Limited. According to Wind Financial Terminal, CITIC Limited distributed dividend annually for over 20 years. Therefore, we concur with Director’s view that the stable distribution and payment of dividend can generate and maintain a reliable source of income for the Company.

In addition, pursuant to the Share Transfer Agreement, the Company will have the right to recommend a candidate to the board of directors of CITIC Limited upon completion of the Acquisition. With reference to Appendix I to the Supplemental Circular and as confirmed by the Directors, immediately after completion of the Acquisition, the Company will hold 1,457,422,158 shares of CITIC Limited, representing approximately 5.01% of its issued shares. As stated in Appendix I to the Supplemental Circular, CITIC Limited will not become a subsidiary of the Company and its financial results will not be consolidated into the financial statements of the Group. CITIC Limited will become an associate of the Company upon completion of the Acquisition and the Company will account for its equity interest in CITIC Limited under the item of “interests in associates and joint ventures”.

In light of the above, we are of the view that although the Acquisition is not in the ordinary course of business of the Group, it is in the interest of the Company and the Shareholders as a whole.

Principal terms of the Acquisition

Principal terms of the Acquisition are set out as follows, details of which are set out in the section headed “1. Share Transfer Agreement” of Appendix I to the Supplemental Circular:

Date

15 November 2023

Parties

CITIC Group and CITIC Polaris (collectively, “**Party A**”); and

The Company (“**Party B**”).

The Acquisition

As at the Latest Practicable Date, CITIC Polaris held 9,463,262,637 shares of CITIC Limited, representing approximately 32.53% of the issued shares of CITIC Limited. CITIC Polaris conditionally agreed to transfer and the Company conditionally agreed to purchase the Target Shares, representing approximately 5.01% of the issued shares of CITIC Limited. Upon completion of the Acquisition, the Company will hold approximately 5.01% of the issued shares of CITIC Limited.

Right to recommend director

The parties agree that, upon the Completion, Party A agrees to and supports Party B in recommending one candidate to the board of directors of CITIC Limited, on condition that Party B holds no less than 5% of the total issued shares of CITIC Limited and the director candidate has appropriate character, qualifications, experience, and competence with his/her position to be a director of CITIC Limited:

- a) After the Completion, Party B shall have the right to recommend one director to the board of directors of CITIC Limited. Party A shall or shall procure Party A and its nominated director to vote in favor of the director/candidate recommended by Party B at the shareholders' meeting/board meeting of CITIC Limited (subject to the requirements of director's responsibilities, Listing Rules, and corporate governance of CITIC Limited), and take other necessary measures to ensure that the director candidate recommended by Party B is appointed as a director of CITIC Limited;
- b) When the director as recommended by Party B resigns, is dismissed, or his/her term of office expires, Party B shall have the right to recommend a successor in accordance with the relevant provisions of the CITIC Limited's Articles of Association, and Party A shall fulfill the obligations as mentioned in (a) above; and
- c) This clause is valid for a long term.

Consideration

With reference to Appendix I to the Supplemental Circular, as agreed by the parties to the Share Transfer Agreement, the Company will purchase the Target Shares at HK\$9.35 per Target Share for an aggregate consideration of HK\$13,626,897,177.3 (excluding relevant transactional fees). The Company shall make a lump sum payment on the Completion Date to the receiving account designated by Party A of the total consideration for the Acquisition.

With reference to Appendix I to the Supplemental Circular, the Acquisition Price was determined after arm's length negotiations among the parties to the Share Transfer Agreement after taking into consideration factors, among other things, (1) the historical closing prices of the shares of CITIC Limited, (2) the historical trading volumes of the shares of CITIC Limited and the number of Target Shares in relation to the Acquisition, (3) the restrictions on transfer price imposed by relevant laws and regulations; and (4) this investment is a strategic investment of the Company. Please refer to section headed "Consideration" of Appendix I to the Supplemental Circular for details.

The Group expects to fund the consideration for the Acquisition by the Group's own funds.

The Acquisition Price of HK\$9.35 per CITIC Share represents:

- (i) a premium of approximately 26.01% over the closing price of HK\$7.42 per CITIC Share as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 29.32% over the closing price of HK\$7.23 per CITIC Share as quoted on the Hong Kong Stock Exchange on the trading day immediately preceding the Agreement Date;
- (iii) a premium of approximately 35.70% over the average closing price of HK\$6.89 per CITIC Share as quoted on the Hong Kong Stock Exchange on the last five consecutive trading days immediately preceding the Agreement Date;
- (iv) a premium of approximately 36.70% over the average closing price of approximately HK\$6.84 per CITIC Share as quoted on the Hong Kong Stock Exchange on the last 30 consecutive trading days immediately preceding the Agreement Date;
- (v) a discount of approximately 63.10% to the audited consolidated net asset value attributable to ordinary shareholders of CITIC Limited of approximately HK\$25.34 per CITIC Share as at 31 December 2022; and
- (vi) a discount of approximately 63.22% to the unaudited consolidated net asset value attributable to ordinary shareholders of CITIC Limited of approximately HK\$25.42 per CITIC Share as at 30 June 2023 (based on the unaudited consolidated net asset value attributable to ordinary shareholders of CITIC Limited of approximately RMB23.53 per CITIC Share as at 30 June 2023).

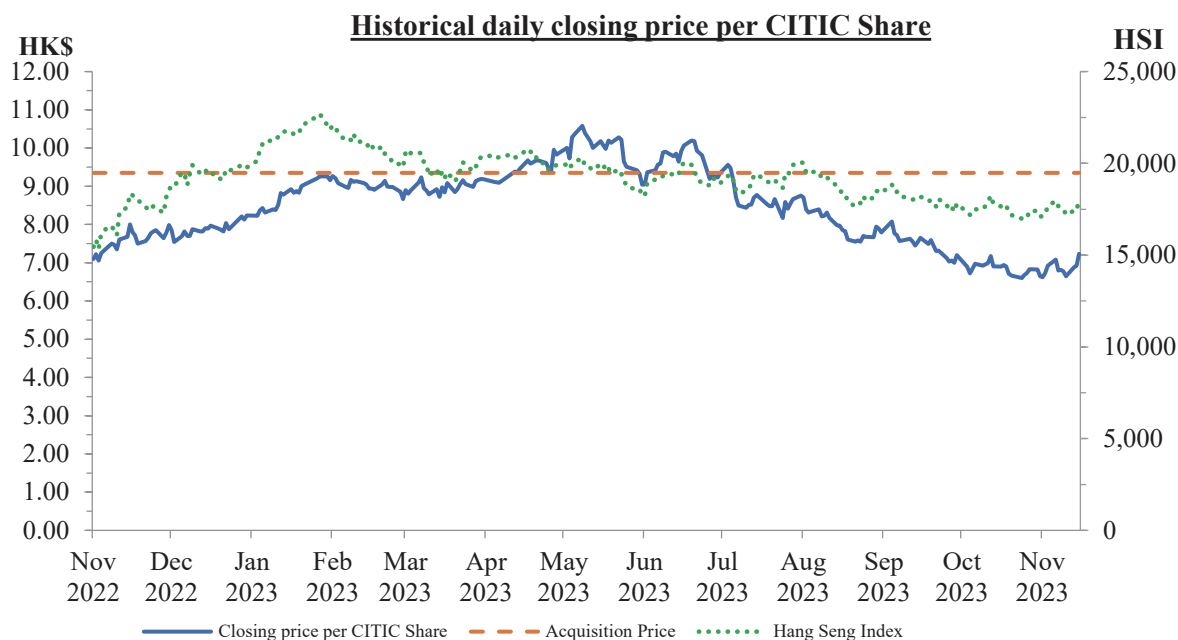
We noted that the Acquisition Price represented substantial premiums over recent closing prices. According to 《金融企業國有資產轉讓管理辦法》(Administrative Measures for the Transfer of State owned Assets of Financial Enterprises*) promulgated by MOF, among other things, if a transferor directly transfer shares of the listed company by agreement, the transfer price shall be determined based on the higher of (i) the weighted average price of each of the daily weighted average price for 30 trading days prior to the date of announcement of the transfer; or (ii) the weighted average price on the trading day prior to the date of announcement of the transfer (if the approval is obtained for not to disclose public transfer information, the date of signing the share transfer agreement shall be instead).

The weighted average price of each of the daily weighted average price for 30 trading days prior to the date of the Share Transfer Agreement was approximately HK\$6.85 per CITIC Share while the weighted average price on the trading day prior to the date of Share Transfer Agreement was approximately HK\$6.93. Based on the aforesaid, the Acquisition Price represented a premium of approximately 34.92% over HK\$6.93 per CITIC Share.

To further assess the fairness and reasonableness of the Acquisition Price, we performed the following analyses:

1. *Historical share price performance of CITIC Shares*

We reviewed the daily closing prices of CITIC Shares as quoted on the Hong Kong Stock Exchange from 1 November 2022 up to and including the Agreement Date (the “**Review Period**”) together with HSI, being a period of approximately one year prior to the Agreement Date which is commonly adopted for analysis. The comparisons of the daily closing prices of CITIC Shares and the Acquisition Price are illustrated as follows:



Source: Wind Financial Terminal

Note: the closing price of CITIC Share was not adjusted for any dividend distribution.

During the Review Period, the highest and lowest closing prices of CITIC Shares as quoted on the Hong Kong Stock Exchange were HK\$10.58 as quoted on 8 May 2023 and HK\$6.60 as quoted on 24 October 2023 respectively. The Acquisition Price of HK\$9.35 per CITIC Share fall within the aforesaid closing price range during the Review Period.

From the beginning of the Review Period, the closing price of CITIC Shares followed a general increasing trend and reached the highest of HK\$10.58 per CITIC Share on 8 May 2023. After reaching the highest closing price, the closing price of CITIC Shares followed a general decreasing trend and reached the lowest of HK\$6.60 per CITIC Share on 24 October 2023. The closing price of CITIC Shares fluctuated between HK\$6.62 per CITIC Share to HK\$7.23 per CITIC Share thereafter and reached HK\$7.23 per CITIC Share as at Agreement Date.

2. *Trading liquidity*

We performed a trading liquidity analysis of the CITIC Shares during the Review Period. The number of trading days per month, the average daily number of CITIC Shares traded per month, and the respective percentages of the CITIC Shares' average daily trading volume as compared to (i) the total number CITIC Shares in issue as at the Agreement Date; and (ii) the total number of CITIC Shares in issue held by shareholders of CITIC Limited other than CITIC Group (the "Other CITIC Shareholders"), are tabulated below:

Month	Number of trading days	Average daily trading volume <i>Number of CITIC Shares</i>	% of the CITIC Shares' average daily trading volume to total number of CITIC Shares in issue as at the Agreement Date <i>(Note 1)</i>	% of the CITIC Shares' average daily trading volume to total number of issued CITIC Shares held by the Other CITIC Shareholders as at the Agreement Date <i>(Note 2)</i>
			<i>Approximate %</i>	<i>Approximate %</i>
2022				
November	22	14,612,859	0.050	0.230
December	20	11,110,457	0.038	0.175
2023				
January	18	9,165,130	0.032	0.144
February	20	6,800,942	0.023	0.107
March	23	9,227,540	0.032	0.145
April	17	9,982,461	0.034	0.157
May	21	11,945,734	0.041	0.188
June	21	9,222,565	0.032	0.145
July	20	9,411,910	0.032	0.148
August	23	8,788,900	0.030	0.138
September	19	10,622,633	0.037	0.167
October	20	11,637,206	0.040	0.183
November (up to and including the Agreement Date)	11	10,423,295	0.036	0.164

Source: the Hong Kong Stock Exchange's website

Notes:

1. Based on 29,090,262,630 CITIC Shares in issue as at the Agreement Date.
2. Based on 29,090,262,630 CITIC Shares in issue and the 22,728,222,755 CITIC Shares held by the CITIC Group as at the Agreement Date.

As illustrated from the table above, the CITIC Shares' average daily trading volume was generally thin during the Review Period.

During the Review Period, the CITIC Shares' average daily trading volume in each month was (i) below 0.1% of the total number of CITIC Shares in issue as at the Agreement Date; and (ii) below 0.5% of the total number of issued CITIC Shares held by the Other CITIC Shareholders as at the Agreement Date.

In light of the above, we consider that the trading liquidity of the CITIC Shares is low and the acquisition of a large number of CITIC Shares in the open market may increase the trading price of CITIC Shares.

Based on the historical trading volume of CITIC Shares, on the assumption that the Company was to acquire the Target Shares in the open market and that the Company was able to acquire every CITIC Shares traded in the open market, we noted that it would take approximately 7 months (i.e. from 20 April 2023 up to and including the Agreement Date) for the Company to acquire the number of Target Shares in the open market. Furthermore, the average trading price of CITIC Shares from 20 April 2023 up to and including the Agreement Date was approximately HK\$8.38 per CITIC Share, the Acquisition Price of HK\$9.35 represented a premium of 11.58% over the average trading price of CITIC Shares during the period from 20 April 2023 up to and including the Agreement Date.

3. *Sum-of-the-parts analysis*

As illustrated in the section headed "Information on CITIC Limited" above, CITIC Limited is one of the largest conglomerate in the PRC with revenue from comprehensive financial services business ("**Comprehensive FS Business**") and advanced material business ("**Advanced Materials Business**") contributed approximately 40.22% and 36.59% of CITIC Limited's revenue for FY2022 respectively (approximately 76.81% in aggregate).

Given that:

- (i) CITIC Limited is a conglomerate which has different business segments according to its annual report;
- (ii) according to an article "Sum Of The Parts (SOTP) Valuation" (the "**Article**") published by Corporate Finance Institute^(Note) (according to the website of Corporate Finance Institute, Corporate Finance Institute is the leading global provider of training and productivity tools for finance and banking professionals. Corporate Finance Institute delivers the skills, certifications continuing professional education credits, and resources to help anyone from beginner to seasoned pro to drive their career in finance and banking), sum-of-the-parts ("**SOTP**") is suitable for (a) companies that report different business segments or divisions or (b) holding companies or conglomerates with many different companies; and

Note: Please refer to www.corporatefinanceinstitute.com/resources/valuation/sum-of-the-parts-sotp-valuation/ for details.

(iii) a company's implied valuation could be reflected by its financial and trading positions,

we attempted to adopt SOTP analysis to assess the fairness and reasonableness of the Consideration.

In the process of SOTP analysis, we adopted trading multiples, including price-to-earnings ratio (“**PER**”) and price-to-book ratio (“**PBR**”), we consider that the adoption of PER and PBR is appropriate for our analyses after considering (i) PER analyses and PBR analyses are widely used in the valuation; (ii) PER reflects the valuation of the Company's earnings by the market; and (iii) PBR reflects the valuation of the company's assets by the market.

Furthermore, we do not consider SOTP analysis, PER analysis or PBR analysis are inapplicable for the acquisition of minority interests in shares due to the fact that (i) a control premium will be included for the acquisition of controlling interests in shares in order to gain ownership control of the target; and (ii) trading/closing prices of shares of a listed company generally reflect the trading among minority shareholders.

As stated in CITIC Limited's annual report for FY2022 and interim report for 1H2023, CITIC Limited and its subsidiaries have presented five reportable operating segments which are comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanisation. We attempted to conduct SOTP analysis on all five segments of CITIC Limited. However, other than Comprehensive FS Business and Advanced Materials Business, the remaining three business segments of CITIC Limited each comprised various business activities which are distinct to one another. Therefore, it is impracticable for us to assess the implied values of the remaining three business segments of CITIC Limited using PER analysis or PBR analysis and thus we did not conduct an exact SOTP analysis on the implied value of CITIC Limited in accordance to the Article.

Given that (i) CITIC Limited's revenue from Comprehensive FS Business and Advanced Materials Business accounted for over 75% of its total revenue for FY2022 and approximately 80% of its total revenue for 1H2023; (ii) each of the remaining three business segments of CITIC Limited are profit-making for FY2022 and recorded net assets as at 30 June 2023 (which indicated that the valuation of the remaining three business segments of CITIC Limited are unlikely to be negative values); and (iii) the potential SOTP value of CITIC Limited (which has five reportable operating segments), based on the aforesaid assumption (i.e. the valuation of the remaining three business segments of CITIC Limited are unlikely to be negative values), would be more likely than not more than the SOTP value of CITIC Limited only based on Comprehensive FS Business and Advanced Materials Business. We consider our analysis on the Comprehensive FS Business and Advanced Materials Business is sufficient for us to assess the fairness and reasonableness of the Consideration. In our view, if the SOTP value of CITIC Limited (based on the Comprehensive FS Business and Advanced Material Business) is higher than the Acquisition Price, it indicated that the Acquisition Price was not overpriced in terms of SOTP value of CITIC Limited (based on the Comprehensive FS Business and Advanced Material Business), not to mention that the remaining three business segments of CITIC Limited are unlikely to be negative values.

3(a) Trading multiples analysis for Comprehensive FS Business

We understood from the Directors that over 50% of the CITIC Limited's revenue from the Comprehensive FS Business was derived from China CITIC Bank Corporation Limited (stock code: 998.HK & 601998.SH) (“**CITIC Bank**”), being a non-wholly owned subsidiary of CITIC Limited. As such, we searched for companies listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange or Shenzhen Stock Exchange which have similar lines of business as CITIC Bank (i.e. operation of corporate banking business and retail banking business primarily in the PRC) and similar operational size (with

audited total operating income ranging from RMB100 billion to RMB1,000 billion for its latest financial year). To the best of our knowledge and as far as we are aware of, we found nine companies which met the said criteria which we considered to be fair and representative for our analysis and they are exhaustive (the “FS Comparable Companies”).

Company name (Stock code)	Principal business	Market capitalisation as at the Agreement Date (RMB billion) (Note 1)	PER (Note 2)	PBR (Note 3)
China Construction Bank Corporation (939 & SH601939)	Principally engaged in corporate banking businesses, personal banking businesses and capital business	1,091.7	3.42	0.35
Agricultural Bank of China Limited (1288 & SH601288)	Principally engaged in corporate finance, personal finance, treasury and asset management	1,239.1	5.12	0.44
Industrial and Commercial Bank of China Limited (1398 & SH601398)	Principally engaged in corporate banking segment, personal banking segment and treasury	1,601.7	4.63	0.44
Postal Savings Bank of China Co., Ltd. (1658 & SH601658)	Principally engaged in personal banking, corporate banking, treasury and other businesses	429.5	5.47	0.47
China Minsheng Banking Corp., Ltd. (1988 & SH600016)	Principally engaged in corporate banking, personal banking, capital business and other businesses	156.3	5.02	0.25
Bank of Communications Co., Ltd. (3328 & SH601328)	Principally engaged in personal finance, corporate finance, capital business and other businesses	381.1	4.50	0.36
China Merchants Bank Co., Ltd. (3968 & SH600036)	Principally engaged in wholesale finance, retail finance and other businesses	762.6	5.74	0.75

Company name (Stock code)	Principal business	Market capitalisation as at the Agreement Date (RMB billion) (Note 1)	PER (Note 2)	PBR (Note 3)
Bank of China Limited (3988 & SH601988)	Principally engaged in commercial banking, investment banking, insurance, direct investments and investment management, fund management and aircraft leasing and other businesses	1,055.5	4.93	0.39
China Everbright Bank Company Limited (6818 & SH601818)	Principally engaged in corporate banking, retail banking, treasury and other businesses	162.7	4.07	0.30
	Maximum:		5.74	0.75
	Minimum:		3.42	0.25
	Average:		4.77	0.41
	Median:		4.93	0.39

Source: the Hong Kong Stock Exchange's website and the cinfo website

Notes:

1. The market capitalization of the FS Comparable Companies were calculated based on their respective total issued A shares and H shares, their respective closing prices as quoted on the Hong Kong Stock Exchange and the Shanghai Stock Exchange or the Shenzhen Stock Exchange as at the Agreement Date.
2. The PERs of the FS Comparable Companies were calculated based on their respective market capitalisation and their respective then latest published audited profit attributable to the ordinary shareholders for the year as at the Agreement Date.
3. The PBRs of the FS Comparable Companies were calculated based on their respective market capitalisation and their respective then latest published net assets as at the Agreement Date.

3(b) Trading multiples analysis for Advanced Materials Business

We understood from the Directors that over 50% of the CITIC Limited's revenue from the Advanced Materials Business was derived from the manufacturing and sale of steel products (including iron ore). As such, we searched for companies listed on the Hong Kong Stock Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange which have similar lines of business as the Advanced Materials Business with similar operational size (with audited total revenue ranging from RMB100 billion to RMB1,000 billion for its latest financial year). To the best of our knowledge and as far as we are aware of, we found seven companies which met the said criteria which we considered to be fair and representative for our analysis and they are exhaustive (the "Steel Comparable Companies").

Company name (Stock code)	Principal business	Market capitalisation as at the Agreement Date	PER (Note 2)	PBR (Note 3)
		(RMB billion) (Note 1)		
Baoshan Iron & Steel Co., Ltd. (SH600019)	Manufacturing and trading of iron and steel products	137.1	11.25	0.63
Shandong Iron and Steel Company Ltd (SH600022)	Smelting, processing and distribution of iron and steels	15.2	27.37	0.50
Maanshan Iron & Steel Company Limited (323 & SH600808)	Production and sales of iron and steel products	18.7	N/A (Note 4)	0.58
HBIS Company Limited (SZ000709)	Smelting, processing and distribution of iron and steel products	22.8	16.38	0.33
Angang Steel Company Limited (347 & SZ000898)	Production and distribution of steel	23.6	151.46	0.42
Hunan Valin Steel Co., Ltd. (SZ000932)	Manufacturing and sale of steel products	39.4	6.17	0.63
Beijing Shougang Co., Ltd. (SZ000959)	Production and sale of steel products and metal soft magnetic materials	29.3	26.08	0.54
	Maximum:		151.46	0.63
	Minimum:		6.17	0.33
	Average:		39.78	0.52
	Median:		21.23	0.54

Source: The Hong Kong Stock Exchange's website and the cninfo website

Notes:

1. The market capitalization of the Steel Comparable Companies were calculated based on their respective total issued A shares and/or H shares (if any), their respective closing prices as quoted on the Hong Kong Stock Exchange (if applicable) and/or the Shanghai Stock Exchange or the Shenzhen Stock Exchange as at the Agreement Date.
2. The PERs of the Steel Comparable Companies were calculated based on their respective market capitalisation and their respective then latest published audited profit attributable to the shareholders for the year as at the Agreement Date.
3. The PBRs of the Steel Comparable Companies were calculated based on their respective market capitalisation and their respective then latest published net assets as at the Agreement Date.
4. The subject company recorded net loss attributable to shareholders for its latest financial year.

3(c) SOTP value

Set out below is our calculation of the SOTP value of CITIC Limited based on the trading multiples of the Comprehensive FS Business and Advanced Materials Business:

	From PER perspective	From PBR perspective
Comprehensive FS Business:		
Profit for FY2022 attributable to ordinary shareholders of CITIC Limited/Net assets as at 30 June 2023 (<i>HK\$ million</i>)	55,803	1,169,052
PER/PBR adopted (<i>Note</i>)	3.42	0.25
Implied value of Comprehensive FS Business (<i>HK\$ million</i>)	190,846	292,263
Advanced Materials Business:		
Profit for FY2022 attributable to ordinary shareholders of CITIC Limited/Net assets as at 30 June 2023 (<i>HK\$ million</i>)	15,127	153,534
PER/PBR adopted (<i>Note</i>)	6.17	0.33
Implied value of Advanced Materials Business (<i>HK\$ million</i>)	93,334	50,666
SOTP value of Comprehensive FS Business and Advanced Materials Business (<i>HK\$ million</i>)	284,180	342,929
Total number of CITIC Shares in issue as at the Agreement Date	29,090,262,630	29,090,262,630
SOTP value per CITIC Share (based on the Comprehensive FS Business and Advanced Materials Business) (<i>HK\$</i>)	9.77	11.79

Note: Based on the applicable minimum PER/PBR as illustrated under the sub-sections headed “Trading multiples analysis for Comprehensive FS Business” and “Trading multiples analysis for Advanced Materials Business” above.

As illustrated above, the SOTP value of CITIC Limited (based on the Comprehensive FS Business and Advanced Material Business) is approximately HK\$9.77 per CITIC Share from PER perspective; and approximately HK\$11.79 per CITIC Share from PBR perspective, both being higher than the Acquisition Price.

4. Dividend yield

As aforementioned, CITIC Limited is one of the largest conglomerates in the PRC and the CITIC Shares are listed on the Hong Kong Stock Exchange. We also noted that CITIC Limited is one of the Hang Seng Index constituents under the industry index of “conglomerate” (“**HSI Conglomerate Constituent(s)**”). To further assess the fairness and reasonableness of the Consideration, we searched for the prevailing list of HSI Conglomerate Constituents and compared their dividend yields with the implied dividend yield of the CITIC Limited based on the Acquisition Price. To the best of our knowledge and as far as we are aware of, we found seven other HSI Conglomerate Constituents which met the said criteria which we considered to be fair and representative for our analysis and they are exhaustive. However, one of the 7 HSI Conglomerate Constituents had not declared and paid any dividend for its latest financial year, such HSI Conglomerate Constituent was excluded for our analysis purpose.

Company name (Stock code)	Principal business	Market capitalisation as at the Agreement Date (HK\$ billion) (Note 1)	Dividend yield (%) (Note 2)
CK Hutchison Holdings Limited (1)	Principally engaged in (i) operation of ports and terminals; (ii) operations of supermarkets, consumer electronics as well as bottled water and beverage products manufacturing and sale; (iii) diversified investments in energy, transportation, water, waste management, waste-to-energy, household infrastructure and infrastructure related businesses; and (iv) offering a wide range of telecommunications and digital services	156.5	7.16

Company name (Stock code)	Principal business	Market capitalisation as at the Agreement Date (HK\$ billion) (Note 1)	Dividend yield (%) (Note 2)
Swire Pacific Limited — A (19)	Principally engaged in (i) property investment, hotel investment and property trading; (ii) the manufacture and distribution of beverage products; (iii) passenger services and cargo services through the operation of airlines;	44.0	5.84
Swire Pacific Limited — B (87)	(iv) retailing and distribution of footwear, apparel and related accessories, packages and sales of sugar, operates bakery chains, and sells passenger cars, commercial vehicles, motorcycles and scooters; and (v) support services for offshore energy industry and operates windfarm installation business	24.0	7.32
Shanghai Industrial Holdings Limited (363)	Principally engaged in (i) investment in toll road projects and water-related businesses; (ii) property development and investment and hotel operation; and (iii) manufacturing and sale of cigarettes, packaging materials and printed products	10.7	9.35
Fosun International Limited (656)	Principally engaged in (i) insurance businesses; (ii) strategic investment, private equity investment, venture capital investment and secondary market investment; (iii) asset management and banking and other financial businesses; (iv) internet finance businesses; (v) researches development, manufacturing, sales and trading of pharmaceutical and medical products, and provision of healthcare services; (vi) wholesales and retailing of gold and jewelry, as well as tourism and entertainment industries; (vii) manufacturing, sales and trading of iron and steel products; (viii) development and sales of property; and (ix) mining and processing of metal ores, explores oil and gas	38.4	0.30 (Note 3)

Company name (Stock code)	Principal business	Market capitalisation as at the Agreement Date (HK\$ billion) (Note 1)	Dividend yield (%) (Note 2)
NWS Holdings Limited (659)	Principally engaged in (i) operation of toll roads; (ii) design, procurement, engineering and construction services; (iii) life insurance products, accidents and health products; (iv) management of convention and exhibition centers and the provision of leasing services; and (v) the operation of routes between inner harbour and the outlying islands	36.0	6.64
	Maximum (excluding outlier):		9.35
	Minimum (excluding outlier):		5.84
	Average (excluding outlier):		7.26
	Median (excluding outlier):		7.16
CITIC Limited			6.96 (Note 4)

Source: the Hong Kong Stock Exchange's website

Notes:

1. The market capitalization of the HSI Conglomerate Constituents were calculated based on their respective total issued shares, their respective closing prices as quoted on the Hong Kong Stock Exchange as at the Agreement Date.
2. The dividend yield of the HSI Conglomerate Constituents were calculated based on their respective annual dividend per share for the latest financial year and their respective closing prices as quoted on the Hong Kong Stock Exchange as at the Agreement Date.
3. The dividend yield of such company is exceptionally low and is considered to be an outlier.
4. The implied dividend yield of CITIC Limited was calculated based on the Acquisition Price and the dividend per CITIC Share for FY2022.

As illustrated in the above table, the dividend yield of the six HSI Conglomerates Constituents (excluding outlier) ranged from approximately 5.84% to 9.35%, with average of approximately 7.26% and median of 7.16%. The implied dividend yield of CITIC Limited based on the Acquisition Price is within the dividend yield range of the six HSI Conglomerates Constituents (excluding outlier) and is lower than the average and median dividend yield of the six HSI Conglomerates Constituents (excluding outlier).

Comparison with other acquisitions

To further assess the fairness and reasonableness of the Acquisition, we attempted to compare the Acquisition with other similar acquisitions. However, we could not identify any recent acquisitions with similar nature of the Acquisition (i.e. targets with similar market capitalization as CITIC Limited or transaction with similar size of transactions as the Acquisition, buyer has rights to nominate/recommend directors(s) with support of vendor). Therefore, we searched for transactions which involves off-market acquisition of minority interest being not more than 10% in companies listed on the Stock Exchange and would not result in the relevant purchaser obtaining controlling stake in such listed companies, during the period from 1 August 2023 up to and including the Agreement Date, being approximately three months immediately before and up to the Agreement Date. We found five transactions which met the aforesaid criteria (the “**Reference Transactions**”) for comparison and they are exhaustive. Without taking into account the comparability of the market capitalization of the underlying target companies and the transaction size of the Reference Transactions, we consider the Reference Transactions are fair and representative. As the business nature and operation size and scale of these target companies are not the same as CITIC Limited, we consider the Reference Transactions can serve as a reference for our analysis.

Target company name (Stock code)	Announcement date of the Reference Transactions	Market capitalization of the target company as at the date of the relevant announcement of the Reference Transactions HK\$ million	Consideration of the Reference Transactions HK\$ million	Premium/ (discount) of consideration per share over/(to) the average closing price per share on last 5 trading days prior to and including the announcement date	Premium/ (discount) of consideration per share over/(to) the average closing price per share on last 10 trading days prior to and including the announcement date	Premium/ (discount) of consideration per share over/(to) the average closing price per share on last 30 trading days prior to and including the announcement date
				Approximate %	Approximate %	Approximate %
Hengdeli Holdings Limited (3389)	23 August 2023	638.6	20.9	Nil	0.83	1.19
China Shengmu Organic Milk Limited (1432)	15 September 2023 (Note 1)	2,262.9	393.2	162.48	168.45	154.93
Ling Yui Holdings Limited (784)	6 October 2023	80.0	3.0	Nil	(2.53)	(8.03)
Green Economy Development Limited (1315)	10 October 2023	50.4	8.7 (Note 2)	35.71 (Note 2)	43.13 (Note 2)	38.90 (Note 2)
Ernest Borel Holdings Limited (1856)	25 October 2023 (Note 3)	684.5	14.0	5.26	5.26	5.26
	Maximum	2,262.9	393.2	162.48	168.45	154.93
	Minimum	50.4	3.0	Nil	(2.53)	(8.03)
	Average	743.3	88.0	40.69	43.03	38.45
	Median	638.6	14.0	5.26	5.26	5.26
Acquisition		210,332.6	13,626.9	29.32	35.70	36.61

Note:

- The announcement was published by Beijing Dabeinong Technology Group Co., Ltd (stock code: SZ002385), which owned 100% equity interests in purchaser as at the date of such announcement.

2. The purchase price was made reference to the average consideration per price according to notice of disclosure of interests.
3. The announcement was published by Citychamp Watch & Jewellery Group Limited (stock code: 256), which owned 100% equity interests in vendor as at the date of such announcement.

As depicted in the above table, the premium represented by the Acquisition Price over the closing price on the last trading day immediately preceding the Agreement Date and the average closing prices of CITIC Shares for the five consecutive trading days, 10 consecutive trading days and 30 consecutive trading days immediately preceding the Agreement Date are all within the ranges of premium/(discount) of the Reference Transactions, below average but above median. However, (i) the size of target companies in terms of market capitalizations and (ii) size of the Reference Transaction in terms of consideration, are completely different from those of the Acquisition.

Conclusion

Despite that Acquisition Price of HK\$9.35 per CITIC Share represents (i) a premium over the closing price of CITIC Shares as at the Agreement Date; and (ii) premiums over the average closing price of CITIC Shares for the last five consecutive trading days and the last 30 consecutive trading days immediately preceding the Agreement Date, we consider that it is not appropriate to conclude the fairness and reasonableness of the Consideration by only referring to the recent closing price per CITIC Share due to (i) the number of CITIC Shares under the Acquisition; and (ii) the rights to recommend a candidate to the board of CITIC Limited pursuant to the Share Transfer Agreement.

Having considered the above factors, in particular:

- (i) the Acquisition Price of HK\$9.35 per CITIC Share falls within the closing price range of the CITIC Shares during the Review Period;
- (ii) the trading liquidity of CITIC Shares was low during the Review Period and the acquisition of a large number of CITIC Shares in the open market may increase the trading price of CITIC Shares;
- (iii) based on the historical trading volume of CITIC Shares, on the assumption that the Company was to acquire the Target Shares in the open market and that the Company was able to acquire every CITIC Shares traded in the open market, it would take approximately seven months (i.e. from 20 April 2023 up to and including the Agreement Date) for the Company to acquire the number of Target Shares in the open market, not to mention the impact from (ii) above;
- (iv) the average trading price of CITIC Shares from 20 April 2023 up to and including the Agreement Date was approximately HK\$8.38 per CITIC Share, the Acquisition Price of HK\$9.35 represented a premium of 11.58% over the aforesaid average trading price of HK\$8.38 per CITIC Share from 20 April 2023 up to and including the Agreement Date. Even if the Company purchases CITIC Shares in the open market with aforesaid average trading price, the Company may not be able to recommend a director as one of board of director of CITIC Limited with the support of CITIC Limited's single largest shareholder. On the other hand, through acquisition of 5.01% shares in CITIC Limited and with the support of the single largest shareholder of CITIC Limited, the Company will have the right to recommend a candidate to the members of the board of directors of CITIC Limited and to participate in the financial and operating decisions of CITIC Limited;

- (v) the Acquisition Price is not over-valued based on the SOTP analysis, not to mention that the valuation of the remaining three business segments of CITIC Limited (which are unlikely to be negative values as each of them had recorded profit attributable to shareholders of CITIC Limited for FY2022 and net assets as at 30 June 2023) are not included in the SOTP analysis results;
- (vi) the implied dividend yield of CITIC Limited based on the Acquisition Price is within the dividend yield range of the six HSI Conglomerates Constituents (excluding outlier) and is lower than the average and median dividend yield of the six HSI Conglomerates Constituents (excluding outlier),

we are of the view that the Acquisition Price is fair and reasonable.

Transitional Period Arrangements

Save for the 2023 interim dividend declared by CITIC Limited, all benefits arising from all dividends on the Target Shares declared, made or paid by CITIC Limited and distributions, share splits or rights issue made by CITIC Limited shall belong to the Company with effect from the date of the Share Transfer Agreement.

Moreover, subject to the agreement above, for all benefits derived from the Target Shares obtained by Party A in the event of any distributions, share splits or rights issue made by CITIC Limited during the period between the date of the Share Transfer Agreement and the Completion Date, the number of Target Shares shall be adjusted correspondingly. A cash bonus will not result in adjustment of Target Shares and in the event that Party A receives a cash bonus from CITIC Limited during the period between the date of the Share Transfer Agreement and the Completion Date, Party A shall compensate a corresponding equal amount of the Target Shares to the Company within ten Working Days upon receipt of the such cash bonus.

As the 2023 interim dividend declared by CITIC Limited was for the period for the six months ended 30 June 2023, being the period before the Agreement Date, we consider it is reasonable for excluding such dividend (to be distributed in November 2023) in the transitional period.

Our conclusion on the terms of the Acquisition

Having reviewed and considered the terms of the Share Transfer Agreement in particular the key terms as listed above (including the Consideration being fair and reasonable; and no abnormal term observed), we are of the view that the terms of the Acquisition are on normal commercial terms and are fair and reasonable.

Possible financial impact of Acquisition

With reference to Appendix I to the Supplemental Circular, immediately after completion of the Acquisition, the Company will hold 1,457,422,158 shares of CITIC Limited, representing approximately 5.01% of its issued shares. CITIC Limited will not become a subsidiary of the Company and its financial results will not be consolidated into the financial statements of the Group. CITIC Limited will become an associate of the Company upon completion of the Acquisition and the Company will account for its equity interest in CITIC Limited under the item of “interests in associates and joint ventures”.

The unaudited pro forma financial information of the Enlarged Group (the “**Pro Forma Information**”) is included in Appendix VI to the Supplemental Circular.

As extracted from the 2023 Interim Report, the unaudited consolidated total assets and total liabilities of the Group were approximately RMB935.0 billion and RMB895.6 billion respectively. According to the Pro Forma Information, the unaudited consolidated total assets and total liabilities of the Enlarged Group would be approximately RMB956.4 billion and RMB895.6 billion respectively as if the Acquisition had been completed on 30 June 2023.

It should be noted that the aforesaid analysis is for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Acquisition.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) although the Acquisition is not in the ordinary course of business of the Group, the Acquisition is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Acquisition are on normal commercial terms and are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Fu Chen
Associate Director

Notes:

- Unless the context requires otherwise, amounts denominated in RMB have been translated to HK\$ at the exchange rate of RMB\$1.00:HK\$1.08 for illustration purpose only.*
- Mr. Fu Chen is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 10 years of experience in investment banking industry.*

** for identification purposes only*

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 is set out in the relevant annual reports and interim report which have been published by the Company on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.chamc.com.cn>). Please also refer to the hyperlinks for the following annual reports and interim report:

- (i) the interim report of the Company for the six months ended 30 June 2023 published on 27 September 2023 (pages 76 to 140):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0927/2023092700914.pdf>

- (ii) the annual report of the Company for the year ended 31 December 2022 published on 26 April 2023 (pages 218 to 430):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042602058.pdf>

- (iii) the annual report of the Company for the year ended 31 December 2021 published on 27 April 2022 (pages 158 to 362):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042701339.pdf>

- (iv) the annual report of the Company for the year ended 31 December 2020 published on 29 September 2021 (pages 145 to 344):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0929/2021092900367.pdf>

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2023, being the Latest Practicable Date for the purpose of this indebtedness statement prior to the printing of this Supplemental Circular, the indebtedness of the Group is as follows:

Borrowings

The Group has arranged borrowings from banks, other financial institutions, and non-financial enterprises to fund its acquisitions of distressed debt assets and other investments. As at 31 October 2023, the Latest Practicable Date for the purpose of this indebtedness statement, the Group's borrowings from banks, other financial institutions and non-financial enterprises amounted to RMB652,278.15 million.

As at 31 October 2023, the Group failed to comply with certain financial or non-financial conditions stipulated in certain lending and borrowing agreements between banks and non-bank financial institutions, and the relevant amount of these borrowings was RMB4,192 million. The Group is in active dialogue with the relevant institutions, these institutions still provide normal borrowings to the Group and have not yet requested early repayments of borrowings.

	As at 31 October 2023 <i>(in millions of RMB)</i>
Unsecured and unguaranteed loans	629,702.18
Guaranteed but unsecured loans	6,168.40
Secured but unguaranteed loans	<u>16,407.57</u>
Total	<u><u>652,278.15</u></u>

Note: The borrowings are classified into three categories: (i) unsecured and unguaranteed loans, (ii) guaranteed but unsecured loans, (iii) secured but unguaranteed loans.

Unsecured and unguaranteed loans refer to loans without any collaterals, pledges or guarantors. Guaranteed but unsecured loans refer to loans guaranteed by a guarantor without any collaterals or pledges, all of which were borrowed by subsidiaries of the Company and guaranteed by the Company, and there was no balance guaranteed by a third-party guarantor. Secured but unguaranteed loans refer to loans secured by collaterals or pledges without any guarantors.

Bonds and notes issued

As at 31 October 2023, the total carrying amount of the Group's outstanding bonds and notes issued amounted to RMB189,475.63 million, all of which were unsecured and unguaranteed:

	As at 31 October 2023 <i>(in millions of RMB)</i>
Due in 1 year	7,202.12
Due in 1–2 years	22,132.73
Due in 2–3 years	34,125.61
Due in 3–4 years	62,510.98
Due in 4–5 years	38,486.50
Due in more than 5 years	<u>25,017.69</u>
Total	<u><u>189,475.63</u></u>

Lease liabilities

As at 31 October 2023, lease liabilities recognised by the Group as a lessee which arose from its signing of non-cancellable operating leases agreements are set out as follows:

	As at 31 October 2023 <i>(in millions of RMB)</i>
Within one year	165.49
Within a period of more than one year but not more than two years	84.63
Within a period of more than two years but not more than five years	139.89
Within a period of more than five years	<u>169.34</u>
Total	<u><u>559.35</u></u>

Capital Commitments

	As at 31 October 2023 <i>(in millions of RMB)</i>
Contracted but not yet paid for — Commitments for the acquisition of long-term assets	<u>1,035.11</u>
Total	<u><u>1,035.11</u></u>

Credit Enhancements

As at 31 October 2023, the Group did not provide any credit enhancements to the borrowings of external transaction counterparties.

Off-balance Sheet Arrangements

As at 31 October 2023, there were no material off-balance sheet arrangements as defined under International Financial Reporting Standards (IFRSs) in the Company and the subsidiaries.

Contingent Liabilities

Due to the nature of our businesses, the Company and subsidiaries are involved in various legal proceedings in the ordinary course of business, including litigations and arbitrations. We make provisions for probable losses arising from these claims when the management can reasonably estimate the outcome of the proceedings, in light of legal advice we have received. We do not make provisions for pending litigations when the outcome cannot be reasonably estimated or when the management believes that the probability of losses is remote or that any resulting liabilities will not have a material adverse effect on our financial position or business performance. As at 31 October 2023, we made no provisions based on court judgments or legal counsels' advice. The management believes that the final results of these lawsuits will not have a material impact on our financial position or business performance.

In addition, as at 31 October 2023, the Group's indebtedness also included placements from financial institutions, financial assets sold under repurchase agreements, and other commitments that arise from the normal course of business of the Company and its financial leasing and international subsidiaries.

Other than disclosed above and apart from intra-group liabilities, as at 31 October 2023, the Group did not have any other material outstanding bonds and notes issued, borrowings, bank overdrafts, mortgages or charges, liabilities under acceptance or other similar indebtedness, finance lease commitments, or any material guarantees or other material contingent liabilities.

Our Directors have confirmed that there have been no material adverse changes in the indebtedness or contingent liabilities of the Group since 31 October 2023.

3. WORKING CAPITAL

The Directors, after prudent and careful consideration, are of the opinion that after taking into account the current available banking facilities, the internal resources of the Group and the cash flows impact of the Acquisition, and in the absence of the unforeseen circumstances, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this Supplemental Circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022 (being the date on which the latest published audited consolidated financial statements of the Group were made up).

5. DEVELOPMENT OUTLOOK

Looking ahead, while inflation in developed economies is expected to ease, tightening policies adopted by central banks to combat inflation and the resulting contraction in demand will continue to hamper the global economy. Due to the possible increase of debt pressure experienced by certain sovereigns and the increasing uncertainty of geopolitics, the recovery of the global economy remains risky and challenging.

Facing an increasingly complex and difficult external environment, the foundation of Chinese economy, characterized by its strong resilience, great potential, and huge market demand, remain steady in the long-term. To implement the guiding principles put forward in the meeting of the Political Bureau of CPC Central Committee, China stayed committed to its fundamental principle of seeking progress while maintaining stability, enhanced efforts in adjusting macroeconomic policies, strengthened policy coordination between government departments, implemented proactive fiscal policies and prudent monetary policies to coordinate and promote the continuous improvement of economic operation. China shall also step up its efforts to improve the effectiveness of its proactive fiscal policies, maintain a high level of expenditure, continue to increase the efficiency of fiscal policies, focus on the key task of modernizing the nation with Chinese characteristics, further improve the precision of policies, and promote high quality economic development. The prudent monetary policies, which are more precise and powerful, will allow China to enhance cross-cyclical adjustment, better leverage the dual functions of aggregate and structural monetary policy tools and support the expansion of domestic demand in a practical manner, to provide stronger support to the real economy.

In terms of the distressed asset management industry, China's financial sector is currently operating in a stable manner with generally controllable risks. However, the imbalance of regional economic development has been further accentuated, with small and medium-sized financial institutions facing regionally concentrated risks. Regulators guided financial institutions to step up their efforts in disposing non-performing assets, coordinate the reform of small and medium-sized banks, insurance and trust institutions, enhance the debt management of local governments, strictly control newly and hidden debt, endeavor to resolve risks before they emerge, and suppress the spread of risks in a timely manner. Regulators are also expected to further provide policy guidance and support to the financial asset management company to create a favorable policy environment for its risk management capacity and efficiency. At the same time, regulators will further heighten the requirements on universality, integrity and timeliness in resolving risks as well as the requirements on building core competitiveness of financial asset management company.

The Company, guided by the principles set out in the 20th National Congress of the CPC, stayed committed to implementing the key principles of the Central Financial Work Conference, act firmly in accordance with the fundamental idea of “strengthening the foundation, seek progress while maintaining stability, and improve quality while increasing efficiency”, center its operations around the 13th Five Year Plan, uphold leading by the CPC, reform, quality and style, truly adopt proactive and preemptive strategies, change its business philosophy in a practical manner, continue to improve its management effectiveness, strive to inspire team efforts, thereby developing the Company into a “trustworthy, professional service, and respectable” enterprise. All members of the Company will firmly hold confidence and will seize the opportunity to fully leverage the advantages of the Group in both industry and finance, and cultivate our competitive advantages in specific segments, so as to establish a unique and differentiated financial asset management company that can enhance the effectiveness in serving the real economy.

1. FINANCIAL INFORMATION OF CITIC LIMITED

Financial information of CITIC Limited for each of the three financial years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 is set out in the relevant annual reports and interim report which have been published by CITIC Limited on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the website of CITIC Limited (www.citic.com). Please also refer to the hyperlinks for the following annual reports and interim report:

- (i) the interim report of CITIC Limited for the six months ended 30 June 2023 published on 18 September 2023 (pages 33 to 133):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0918/2023091800391.pdf>

- (ii) the annual report of CITIC Limited for the year ended 31 December 2022 published on 20 April 2023 (pages 222 to 414):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0420/2023042001003.pdf>

- (iii) the annual report of CITIC Limited for the year ended 31 December 2021 published on 21 April 2022 (pages 193 to 398):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0421/2022042100647.pdf>

- (iv) the annual report of CITIC Limited for the year ended 31 December 2020 published on 21 April 2021 (pages 169 to 374):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0421/2021042100516.pdf>

2. MANAGEMENT DISCUSSION AND ANALYSIS OF CITIC LIMITED

Management discussion and analysis of CITIC Limited is set out in the relevant annual reports and interim report for each of the three financial years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 of CITIC Limited. Please also refer to the hyperlinks for the following annual reports and interim report:

- (i) the interim report of CITIC Limited for the six months ended 30 June 2023 published on 18 September 2023 (pages 10 to 30):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0918/2023091800391.pdf>

- (ii) the annual report of CITIC Limited for the year ended 31 December 2022 published on 20 April 2023 (pages 10 to 93):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0420/2023042001003.pdf>

- (iii) the annual report of CITIC Limited for the year ended 31 December 2021 published on 21 April 2022 (pages 8 to 86):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0421/2022042100647.pdf>

- (iv) the annual report of CITIC Limited for the year ended 31 December 2020 published on 21 April 2021 (pages 8 to 82):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0421/2021042100516.pdf>

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of China Huarong Asset Management Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Huarong Asset Management Co., Ltd. (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 30 June 2023 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages 51 to 56 of the supplemental circular dated 30 November 2023 (the “**Supplemental Circular**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix VI to the Supplemental Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 5.01% equity interest of CITIC Limited (the “**Acquisition**”) on the Group’s financial position as at 30 June 2023 as if the Acquisition had taken place at 30 June 2023. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s condensed consolidated financial information for the six months ended 30 June 2023, on which a review report has been published.

Directors’ responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our independence and quality management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants’ responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Supplemental Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

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

Ernst & Young

Certified Public Accountants

Hong Kong

30 November 2023

CHINA HUARONG ASSET MANAGEMENT CO., LTD.**I. BASIS OF PREPARATION**

The following is a summary of illustrative unaudited pro forma consolidated statement of financial position (the “**Unaudited Pro Forma Financial Information**”), in connection with the proposed acquisition of 5.01% equity interest of CITIC Limited (“**Target Company**”) (together with its subsidiaries referred to as the “**Target Group**”) (the “**Acquisition**”). It has been prepared by the directors of China Huarong Asset Management Co., Ltd. (the “**Company**”) (the “**Directors**”) in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is solely prepared for the purpose of illustrating the effect of the Acquisition on financial position of the Company and its subsidiaries (collectively referred to as the “**Group**”, hereafter collectively referred to as the “**Enlarged Group**” upon completion of the Acquisition) as if the Acquisition had been completed on 30 June 2023.

The Unaudited Pro Forma Financial Information has been prepared based on unaudited consolidated statement of financial position of the Group as at 30 June 2023, which has been extracted from the interim report of the Group for the six months ended 30 June 2023, after making certain pro forma adjustments that are: (i) directly attributable to the Acquisition; and (ii) factually supportable, as further described in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Due to its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition been completed on 30 June 2023. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group’s future financial position. The Unaudited Pro Forma Financial Information should be read in conjunction with historical financial information of the Group as set out in the Company’s published 2023 interim report, and other financial information included elsewhere in the supplemental circular of the Company dated 30 November 2023 (the “**Supplemental Circular**”).

II. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group as at 30 June 2023 Unaudited <i>Note 1</i>	Pro forma adjustments Unaudited <i>Note 2</i>	Pro forma Enlarged Group Unaudited
Assets			
Cash and balances with central bank	114	—	114
Deposits with financial institutions	84,352	(12,564)	71,788
Financial assets at fair value through profit or loss	301,520	—	301,520
Financial assets held under resale agreements	275	—	275
Contract assets	5,563	—	5,563
Finance lease receivables	11,592	—	11,592
Debt instruments at fair value through other comprehensive income	23,054	—	23,054
Equity instruments at fair value through other comprehensive income	2,043	—	2,043
Inventories	23,864	—	23,864
Debt instruments at amortized cost	392,856	—	392,856
Interests in associates and joint ventures	41,258	33,950	75,208
Investment properties	7,176	—	7,176
Property and equipment	5,976	—	5,976
Right-of-use assets	995	—	995
Deferred tax assets	15,385	—	15,385
Goodwill	18	—	18
Other assets	18,927	—	18,927
	<u>934,968</u>	<u>21,386</u>	<u>956,354</u>
Liabilities			
Placements from financial institutions	2,651	—	2,651
Financial assets sold under repurchase agreements	10,830	—	10,830
Borrowings	635,695	—	635,695
Financial liabilities at fair value through profit or loss	432	—	432
Tax payable	487	—	487
Contract liabilities	627	—	627
Lease liabilities	595	—	595
Deferred tax liabilities	1,036	—	1,036
Bonds and notes issued	182,959	—	182,959
Other liabilities	60,334	—	60,334
	<u>895,646</u>	<u>—</u>	<u>895,646</u>

II. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL
POSITION OF THE ENLARGED GROUP (CONTINUED)

	The Group as at 30 June 2023 Unaudited <i>Note 1</i>	Pro forma adjustments Unaudited <i>Note 2</i>	Pro forma Enlarged Group Unaudited
Equity			
Share capital	80,247	—	80,247
Other equity instruments	19,900	—	19,900
Capital reserve	16,398	—	16,398
Surplus reserve	8,564	—	8,564
General reserve	13,003	—	13,003
Other reserves	(2,850)	—	(2,850)
Accumulated losses	(95,961)	21,386	(74,575)
Equity attributable to equity holders of the Company	39,301	21,386	60,687
Perpetual capital instruments	1,752	—	1,752
Non-controlling interests	(1,731)	—	(1,731)
Total equity	39,322	21,386	60,708
Total equity and liabilities	934,968	21,386	956,354

 CHAIRMAN

 EXECUTIVE DIRECTOR

III. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The amounts in the unaudited consolidated statement of financial position of the Group as at 30 June 2023 are extracted from the published interim report of the Company for the six months ended 30 June 2023.
2. Assuming that the Acquisition had been completed on 30 June 2023, the Group would have accounted for 5.01% equity interest in the Target Company as interests in associates for its initial recognition and subsequent measurement of acquired shares in accordance with accounting standards. The details are as follows:

		<i>in millions of RMB</i>
Cash consideration	(i)	12,564
The Group's share of the net fair value of the identifiable assets and liabilities of the Target Group	(ii)	<u>33,950</u>
Excess of the Group's share of the net fair value of the Target Group's identifiable assets and liabilities over the consideration paid	(iii)	<u><u>(21,386)</u></u>

- (i) In accordance with the Share Transfer Agreement, the Company conditionally agreed to purchase 1,457,422,158 shares of the Target Company, with a consideration of approximately HK\$13,627 million (equivalent to approximately RMB12,564 million) for the Acquisition. Upon completion of the Acquisition, the Company will hold approximately 5.01% equity interests of the Target Company. According to the Share Transfer Agreement, the Company has the right to recommend a director to the board of directors of the Target Company. CITIC Group Corporation (“**CITIC Group**”), the actual controller of the Target Company, and CITIC Polaris Limited will agree and accept the recommendation of a director candidate to the Target Company on condition that the Company holds no less than 5% of the total issued shares of the Target Company and the director candidate has the character, qualification, experience and competence commensurate with his/her position. Accordingly, the Company will have the power to participate in the financial and operating decisions of the Target Company and be able to exert significant influence over the Target Company. As such, the Company accounted for its investment in the Target Company as interests in associates for its initial recognition and subsequent measurement of acquired shares in accordance with accounting standards.

The HK\$ denominated amounts are converted from HK\$ to RMB at an exchange rate of HK\$1 to RMB0.9220 which is the central parity rate of the RMB exchange rate announced by the People's Bank of China as at 30 June 2023. This does not indicate that the HK\$ amounts have been, could have been or could be converted to RMB, or vice versa, at that rate.

III. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE ENLARGED GROUP (CONTINUED)

- (ii) The details on the Group's share of the net fair value of the identifiable assets and liabilities of the Target Group are as follows:

		<i>in millions of RMB</i>
Total equity attributable to ordinary shareholders of the Target Group as at 30 June 2023	a	684,613
% Equity interest in the Target Company held by the Company		5.01%
Equity interest in the Target Group owned by the Group		<u>34,299</u>
Goodwill	b	(1,304)
Adjustments for the net fair value of the identifiable assets and liabilities	c	1,274
Deferred tax liabilities adjustments	d	<u>(319)</u>
The Group's share of the net fair value of the identifiable assets and liabilities of the Target Group		<u><u>33,950</u></u>

- (a) The amounts are extracted from the consolidated statement of financial position of the Target Group as at 30 June 2023 as set out in the Supplemental Circular.
- (b) According to relevant provisions of International Financial Reporting Standards, goodwill is an asset representing future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Therefore, it should be deducted when calculating the net fair value of the identifiable assets and liabilities of the Target Group. As at 30 June 2023, the goodwill of the Target Group amounted to RMB26,022 million. Considering the shareholding percentage of the Company in the Target Company, the goodwill amount to be deducted is RMB1,304 million. The goodwill amount of the Target Group as at 30 June 2023 is extracted from the consolidated statement of financial position of the Target Group as at 30 June 2023 as set out in the Supplemental Circular.
- (c) According to relevant provisions of International Financial Reporting Standards, the Company has evaluated the net fair value of identifiable assets and liabilities of the Target Group as at the date of acquisition and calculated the Group's share of the net fair value of identifiable assets and liabilities of the Target Group accordingly. For the purpose of the Unaudited Pro Forma Financial Information, the Company has appointed China United Assets Appraisal Group Co., Ltd., an independent valuer, to conduct a valuation of the net fair value of the identifiable assets and liabilities of the Target Group as at 30 June 2023, which issued a valuation report on 17 November 2023. Accordingly, the Directors determined the net fair value of identifiable assets and liabilities of the Target Group as at 30 June 2023 by reference to this valuation report. The net fair value of identifiable assets and liabilities of the Target Group was RMB25,433 million higher than the carrying amount, mainly due to increased

III. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP (CONTINUED)

valuation of the Target Group's assets such as inventories, investments in associates and joint ventures, plant and buildings and intangible assets upon assessment by China United Assets Appraisal Group Co., Ltd. using the market method, income method or other valuation methods. Considering the shareholding percentage of the Company in the Target Company, the adjustment amount for the net fair value of the identifiable assets and liabilities is RMB1,274 million.

- (d) According to the relevant provisions of International Financial Reporting Standards, when calculating the Group's share of the net fair value of identifiable assets and liabilities of the Target Group, the tax impact of temporary differences relating to the net fair value of identifiable assets and liabilities should be considered and recognised accordingly. The adjustment amount for deferred tax liabilities is computed at 25%, which is the prevailing corporate tax rate in Mainland China, of the net fair value adjustments to identifiable assets and liabilities of the Target Group after considering the shareholding percentage of the Company in the Target Company.
- (iii) In accordance with *IAS 28 Investments in Associates and Joint Ventures*, on acquisition of the investment in an associate, any excess of the Group's share of the net fair value of the Target Group's identifiable assets and liabilities over the cost of investment is included as income in the determination of the Group's share of the Target Group's profit or loss in the period in which the investment is acquired.

Since net fair value of the identifiable assets and liabilities of the Target Group at the acquisition date may be substantially different from the fair value used in the preparation of the Unaudited Pro Forma Financial Information, any excess of the Group's share of the net fair value of the Target Group's identifiable assets and liabilities over the cost of investment at the completion date may be different from the amount presented above.

- 3. No adjustment has been made to the Unaudited Pro Forma Financial Information for acquisition-related costs (including fees to legal advisers, reporting accountants, valuer, and other expenses) and the Directors determined that such costs are insignificant.
- 4. No other adjustments have been made to reflect any operating results or other transactions of the Group or the Target Group entered into subsequent to 30 June 2023.

1. RESPONSIBILITY STATEMENT

This Supplemental 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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Supplemental Circular is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this Supplemental Circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OF THE COMPANY

As at the Latest Practicable Date, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debenture of the Company or any of its associated corporations which were (i) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which any such Directors, Supervisors or chief executive of the Company were taken or deemed to have under such provisions of the SFO); (ii) required to be recorded in the register kept pursuant to Section 352 of the SFO; or (iii) as notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

3. DISCLOSURE OF INTERESTS HELD BY THE SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, to the best of the Directors' knowledge, the following persons (except for the Directors, Supervisors and chief executive of the Company) have their interests or short positions held in the Company's Shares and underlying Shares to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO, or interests or short positions which were recorded in the register kept pursuant to Section 336 of the SFO or notified to the Company and the Hong Kong Stock Exchange:

Name of Shareholders	Class of Shares	Holding Capacity	Number of Shares interested or deemed to be interested (Shares)	Approximate percentage to the same class of share capital of the Company (%) ⁽¹⁾	Approximate percentage to the total share capital of the Company (%) ⁽²⁾
CITIC Group ⁽³⁾	Domestic Shares	Beneficial owner	21,230,929,783 (L)	47.30 (L)	26.46 (L)
MOF ⁽³⁾	Domestic Shares	Beneficial owner	7,493,684,063 (L)	16.70 (L)	9.34 (L)
	H Shares	Beneficial owner	12,376,355,544 (L)	35.00 (L)	15.42 (L)
China Life Insurance (Group) Company ⁽⁴⁾	Domestic Shares	Beneficial owner	1,650,000,000 (L)	3.68 (L)	2.06 (L)
	H Shares	Beneficial owner	1,960,784,313 (L)	5.54 (L)	2.44 (L)
China Life Franklin Asset Management Co., Limited ⁽⁴⁾	H Shares	Investment manager	1,960,784,313 (L)	5.54 (L)	2.44 (L)

Name of Shareholders	Class of Shares	Holding Capacity	Number of Shares interested or deemed to be interested (Shares)	Approximate percentage to the same class of share capital of the Company (%) ⁽¹⁾	Approximate percentage to the total share capital of the Company (%) ⁽²⁾
Warburg Pincus & Co. ⁽⁵⁾⁽⁶⁾	H Shares	Interest of controlled corporation	2,060,000,000 (L)	5.83 (L)	2.57 (L)
Warburg Pincus Financial International Ltd ⁽⁵⁾⁽⁶⁾	H Shares	Beneficial owner	2,060,000,000 (L)	5.83 (L)	2.57 (L)
China Insurance Rongxin Private Fund Co., Ltd.	Domestic Shares	Beneficial owner	14,509,803,921 (L)	32.33 (L)	18.08 (L)
China Cinda Asset Management Co., Ltd.	H Shares	Beneficial owner	3,921,568,627 (L)	11.09 (L)	4.89 (L)
National Council for Social Security Fund	H Shares	Beneficial owner	2,475,271,109 (L)	7.00 (L)	3.08 (L)
Central Huijin Investment Ltd. ⁽⁷⁾	H Shares	Interest of controlled corporation	1,960,784,313 (L)	5.54 (L)	2.44 (L)
ICBC Financial Asset Investment Co., Ltd. ⁽⁷⁾	H Shares	Beneficial owner	1,960,784,313 (L)	5.54 (L)	2.44 (L)

Note: (L) refers to long position

Notes:

- (1) Calculated based on 44,884,417,767 Domestic Shares or 35,362,261,280 H Shares in issue of the Company as at the Latest Practicable Date.
- (2) Calculated based on a total of 80,246,679,047 Shares in issue of the Company as at the Latest Practicable Date.
- (3) Reference is made to the announcements of the Company dated 28 March 2022, 18 November 2022 and 7 March 2023 respectively in relation to the changes of Shareholders' interest, pursuant to which, MOF intended to increase its capital contribution to CITIC Group by 2,407,400,372 Domestic Shares of the Company held by it, representing 3% of the total issued Shares of the Company (the "Changes in Equity Interest"). Pursuant to the Corporate Substantial Shareholder Notice from CITIC Group filed with the Hong Kong Stock Exchange on 10 March 2023, the Changes in Equity Interest were completed on 6 March 2023.
- (4) Based on the Corporate Substantial Shareholder Notice from China Life Franklin Asset Management Co., Limited filed with the Hong Kong Stock Exchange on 15 February 2023 and to the best of the Company's knowledge, China Life Franklin Asset Management Co., Limited, who was appointed as an investment manager to manage the 1,960,784,313 H Shares of the Company held by China Life Insurance (Group) Company.

- (5) According to the Corporate Substantial Shareholder Notices from Warburg Pincus & Co., Warburg Pincus Private Equity XI, L.P., Warburg Pincus XI, L.P., WP Global LLC and WP XI International II Ltd filed with the Hong Kong Stock Exchange, respectively on 24 November 2022, Warburg Pincus Financial International Ltd directly holds 2,060,000,000 H Shares of the Company. As WP Global LLC, Warburg Pincus XI, L.P., Warburg Pincus Private Equity XI, L.P., Warburg Pincus International Capital LLC, WP XI International II Ltd, WP Financial L.P., Warburg Pincus International L.P. and Warburg Pincus Financial International Ltd are all corporations directly or indirectly controlled by Warburg Pincus & Co., therefore, for the purpose of the SFO, Warburg Pincus & Co., WP Global LLC, Warburg Pincus XI, L.P., Warburg Pincus Private Equity XI, L.P., Warburg Pincus International Capital LLC, WP XI International II Ltd, WP Financial L.P. and Warburg Pincus International L.P. are deemed to be interested in the long positions held by Warburg Pincus Financial International Ltd.
- (6) These Shares are under pledge for the purpose of obtaining financing from banks.
- (7) According to the Corporate Substantial Shareholder Notices from Central Huijin Investment Ltd., Industrial and Commercial Bank of China Limited and ICBC Financial Asset Investment Co., Ltd. filed with the Hong Kong Stock Exchange, respectively on 28 November 2022, ICBC Financial Asset Investment Co., Ltd. directly holds 1,960,784,313 H Shares of the Company. As ICBC Financial Asset Investment Co., Ltd. is the corporation directly or indirectly controlled by Central Huijin Investment Ltd. and Industrial and Commercial Bank of China Limited, therefore, for the purpose of the SFO, both Central Huijin Investment Ltd. and Industrial and Commercial Bank of China Limited are deemed to be interested in the long positions held by ICBC Financial Asset Investment Co., Ltd.

Save as disclosed in this Supplemental Circular, the Directors are not aware of any person that is entitled to exercise or control 5% or more voting rights at the general meeting of the Company as at the Latest Practicable Date and has the substantial capacity to direct or affect the management of the Company at the same time.

Save for Mr. Liu Zhengjun and Mr. Xu Wei who hold positions in CITIC Group, as at the Latest Practicable Date, no other Director or Supervisor acted as director or employee of any company having any interests or short position in the Shares or underlying Shares of the Company or otherwise was required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO.

4. SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

As at the Latest Practicable Date, no service contract has been entered into or proposed to be entered into between any member of the Group and the Directors or Supervisors of the Company which may not be terminated within one year without compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors or Supervisors, directly or indirectly, had any interests in any assets which have been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2022 (being the date on which the latest published audited consolidated financial statements of the Group were made up).

As at the Latest Practicable Date, there was no contract or arrangement in which the Directors or Supervisors have material interest and which is significant to the business of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates have an interest, which shall be disclosed pursuant to Rule 8.10 of the Listing Rules in the event that each of them is a controlling shareholder of the Company, in a business which competes or is likely to compete with the Group's business.

7. MATERIAL CONTRACTS

The Company or any of its subsidiaries has entered into the following material contracts within the two years immediately before the date of this Supplemental Circular and up to the Latest Practicable Date, which were not entered into in the ordinary course of business:

- (a) The share subscription agreements that the Company entered into with the investors including CITIC Group, China Cinda Asset Management Co., Ltd., China Life Insurance (Group) Company and ICBC Financial Asset Investment Co., Ltd. on 17 November 2021, respectively, and the share subscription agreement that the Company entered into with China Insurance Rongxin Private Fund Co., Ltd. on 2 December 2021, according to which:
 - (1) CITIC Group subscribed for no more than (including) 18,823,529,411 Domestic Shares at the subscription price of RMB1.02 per Domestic Share;
 - (2) China Insurance Rongxin Private Fund Co., Ltd. subscribed for no more than (including) 14,509,803,921 Domestic Shares at the subscription price of RMB1.02 per Domestic Share;
 - (3) China Cinda Asset Management Co., Ltd. subscribed for no more than (including) 3,921,568,627 Domestic Shares at the subscription price of RMB1.02 per Domestic Share;
 - (4) China Life Insurance (Group) Company subscribed for no more than (including) 1,960,784,313 H Shares at the subscription price of RMB1.02 per H Share;
 - (5) ICBC Financial Asset Investment Co., Ltd. subscribed for no more than (including) 1,960,784,313 Domestic Shares at the subscription price of RMB1.02 per Domestic Share;
- (b) The state-owned equity transaction contract dated 27 January 2022 entered into between the Company and China Reform Capital Co., Ltd. in relation to the transfer of 4,204,743,639 shares (71.99%) in Huarong Securities Co., Ltd. by the Company to China Reform Capital Co., Ltd at a consideration of RMB10,932,980,500.
- (c) The unlisted state-owned equity transaction contract of financial enterprise dated 9 June 2022 entered into between the Company and Hunan Chasing Financial Holding Group Co., Ltd. and Central Huijin Investment Ltd. in relation to the disposal of equity in Huarong Xiangjiang Bank Corporation Limited at a consideration of RMB11,980,668,000.
- (d) The unlisted state-owned equity transaction contract of financial enterprise dated 16 August 2022 entered into between the Company and China Trust Protection Fund Co., Ltd. in relation to the disposal of equity in Huarong International Trust Co., Ltd. at a consideration of RMB6,152.3407.
- (e) the Share Transfer Agreement.

8. MATERIAL LITIGATION

To the best knowledge of the Directors, as of the Latest Practicable Date, none of the members of the Group was involved in any other material litigation or arbitration or claim, neither were the Directors aware of other material litigation or claim that is pending or threatening by or against by any member of the Group.

9. EXPERTS' QUALIFICATION AND CONSENT

The qualification of the experts or professional advisers which have expressed opinions and suggestions in this Supplemental Circular is as follows:

Name	Qualification
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO
Ernst & Young	Certified public accountants

- (a) Each of the expert above has given its consent to the issue of this Supplemental Circular with the inclusion of its letter or the reference to its name in the form and context in which it is set out, and no withdrawal of the consent has been effected to date.
- (b) As at the Latest Practicable Date, each of the expert above does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate other persons to subscribe for the securities of any member of the Group.
- (c) As at the Latest Practicable Date, each of the expert above does not, directly or indirectly, had any interests in any assets which have been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2022 (being the date on which the latest published audited consolidated financial statements of the Group were made up).

10. MISCELLANEOUS

- (a) The registered office and head office of the Company is at No. 8, Financial Street, Xicheng District, Beijing, the PRC.
- (b) The principal place of business in Hong Kong of the Company is at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wan Chai, Hong Kong.
- (c) The H Share Registrar of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (d) The joint company secretaries of the Company are Wang Yongjie (the Secretary of the Board) and Ngai Wai Fung (a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of The Chartered Governance Institute in the United Kingdom, a fellow member of The Hong Kong Chartered Governance Institute, and a member of the Chartered Institute of Arbitrators).

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection on the website of the Company (www.chamc.com.cn) and the website of the Stock Exchange (www.hkexnews.hk) for the period from the date of this Supplemental Circular to the date of the EGM (inclusive):

- (a) the Share Transfer Agreement;
- (b) the letter from the Independent Financial Adviser issued by Gram Capital on 30 November 2023, the full text of which is set out in Appendix III to this Supplemental Circular;
- (c) the independent reporting accountant's assurance report on the compilation of the unaudited pro forma financial information issued by Ernst & Young on 30 November 2023, the full text of which is set out in Appendix VI to this Supplemental Circular; and
- (d) consent of experts mentioned in the paragraph headed "Experts' Qualification and Consent" in this appendix.

SUPPLEMENTAL NOTICE OF EGM



中國華融資產管理股份有限公司
China Huarong Asset Management Co., Ltd.

(A joint stock limited liability company incorporated in the People's Republic of China)
(Stock Code: 2799)

SUPPLEMENTAL NOTICE OF EGM

References are made to the notice of the second extraordinary general meeting of Shareholders for 2023 (the “**First Notice**”) and the circular of the second extraordinary general meeting of Shareholders for 2023 (the “**First Circular**”) dated 28 November 2023 of China Huarong Asset Management Co., Ltd. (the “**Company**”), in which the time and venue of the second extraordinary general meeting of Shareholders for 2023 (the “**EGM**”) of the Company and the resolutions to be submitted at the EGM for Shareholders’ consideration were set out.

SUPPLEMENTAL NOTICE IS HEREBY GIVEN that the EGM will be held as originally scheduled at Conference Room 1221, No. 8 Financial Street, Xicheng District, Beijing, the PRC at 10:00 a.m. on Friday, 15 December 2023 for the purpose of considering and, if thought fit, passing, in addition to the resolutions contained in the First Notice, the following resolution:

SPECIAL RESOLUTION

3. To consider and approve the entering into of the Share Transfer Agreement and the transactions contemplated thereunder

“**THAT**

- (a) the Share Transfer Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) the Directors be and are hereby authorised for and on behalf of the Company and in its name to execute all such documents, instruments and agreements and do all such acts, matters and things as they may in their absolute discretion consider necessary, desirable or expedient for the purposes of or in connection with implementing, completing and giving effect to the Share Transfer Agreement and the transactions contemplated thereunder and to agree to such variations of the terms of the Share Transfer Agreement as they may in their absolute discretion consider necessary or desirable and all such acts and things the Directors have done, all such documents the Directors have executed, and all such steps the Directors have taken be and are hereby approved, confirmed and ratified.”

SUPPLEMENTAL NOTICE OF EGM

Details of the above resolution are set out in the supplemental circular of the EGM (the “**Supplemental Circular**”) dated 30 November 2023 of the Company, and should be read in conjunction with the First Circular. Unless otherwise stated, terms used in this notice shall have the same meanings as defined in the First Circular and the Supplemental Circular.

By order of the Board
China Huarong Asset Management Co., Ltd.
Liu Zhengjun
Chairman

Beijing, the PRC
30 November 2023

As at the date of this notice, the Board comprises Mr. LIU Zhengjun and Mr. LI Zimin as executive Directors; Ms. ZHAO Jiangping, Mr. ZHENG Jiangping, Mr. XU Wei and Mr. TANG Hongtao as non-executive Directors; Mr. TSE Hau Yin, Mr. SHAO Jingchun, Mr. ZHU Ning and Ms. CHEN Yuanling as independent non-executive Directors.

Notes:

1. The register of members of the Company will be closed from Tuesday, 12 December 2023 to Friday, 15 December 2023 (both days inclusive), during which period no transfer of Shares will be registered. H Shareholders and Domestic Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 11 December 2023 will be entitled to attend and vote at the EGM. For H Shareholders who wish to attend and vote at the EGM, all share transfer forms accompanied by the relevant share certificates must be lodged with the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 11 December 2023.
2. The supplemental proxy form (the “**Supplemental Proxy Form**”) concerning the resolution set forth in this supplemental notice is enclosed in the Supplemental Circular. The first proxy form enclosed in the First Circular (the “**First Proxy Form**”) that has been returned to the H Share registrar of the Company will remain valid and applicable to the permissible extent applicable if correctly completed. The Supplemental Proxy Form will not affect the validity of any proxy form duly completed and delivered by you in respect of the resolution set out in the First Notice. If you have validly appointed a proxy to attend and act for you at the EGM but do not duly complete and deliver the Supplemental Proxy Form, your proxy will be entitled to vote at the discretion on the supplemental resolution set out in this supplemental notice. If you do not duly complete and deliver the First Proxy Form but have duly completed and delivered the Supplemental Proxy Form and validly appointed a proxy to attend and act for you at the EGM, your proxy will be entitled to vote at the discretion on the resolutions set out in the First Notice.
3. A Shareholder entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a Shareholder but must attend the EGM in person to represent the relevant Shareholder.
4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his/her attorney duly authorised in writing. If the Shareholder is a corporation, that instrument must be executed either under its common seal or under the hand of its authorised representative, director(s) or duly authorised attorney. If that instrument is signed by an attorney of the Shareholder, the power of attorney authorising that attorney to sign or other authorisation document must be notarised.

SUPPLEMENTAL NOTICE OF EGM

5. In order to be valid, the form of proxy, notarised power of attorney or other authorisation document (if any) must be delivered to the office of the Board of the Company at No. 8 Financial Street, Xicheng District, Beijing, the PRC, for holders of Domestic Shares, and to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for holders of H Shares, not less than 24 hours before the time appointed for convening the EGM (i.e. before 10:00 a.m. on Thursday, 14 December 2023) or any adjournment(s) thereof (as the case may be). Completion and return of a proxy form will not preclude a Shareholder from attending and voting in person at the EGM or any adjournment(s) thereof.
6. Pursuant to the Articles of Association, any vote of Shareholders at a general meeting shall be taken by poll. Accordingly, the resolution set out in this supplemental notice of EGM will be voted on by poll. Voting at the EGM will be conducted by way of on-site voting.
7. The EGM is expected to last for half a day. Shareholders (in person or by proxy) attending the EGM are responsible for their own transportation and accommodation expenses. Shareholders or their proxies attending the EGM shall produce their identity documents.
8. In the case of joint Shareholders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Shareholder(s), and for this purpose, seniority will be determined by the order in which the names stand on the register of members in respect of the relevant joint holding.
9. According to the Articles of Association, where the number of equity interests of the Company pledged by a Shareholder reaches or exceeds 50% of the equity interests held by such Shareholder in the Company, no voting right in respect of the pledged equity interests shall be exercised at the general meeting of Shareholders. Upon the registration of pledge of equity interests, such Shareholder shall provide the Company with the relevant information of the pledged equity interests in a timely manner.