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CITIC Limited
中國中信股份有限公司

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

CONNECTED TRANSACTION

**SUBSCRIPTION FOR NEW SHARES OF CITIC TITANIUM BY CITIC UNITED,
AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF CITIC LIMITED**

On 23 March 2020, CITIC United entered into the Capital Injection Agreement with CITIC Titanium upon completion of the Public Solicitation, pursuant to which CITIC United agreed to subscribe for 84,000,000 new shares to be issued by CITIC Titanium at a consideration of RMB286,020,000, i.e., RMB3.405 per share of CITIC Titanium. In addition, CITIC Titanium has also entered into agreements with each of the Independent Third-Party Investors pursuant to which CITIC Titanium would be issuing 84,000,000 new shares to the Independent Third-Party Investors.

As at the date of this announcement, CITIC Star Thrive, a 60%-indirectly-owned subsidiary of CITIC Limited, held 76.37% equity interests in CITIC Titanium. Upon completion of the New Share Issues, the equity interests in CITIC Titanium controlled by CITIC Limited via its subsidiaries would become 67.65%, and CITIC Titanium would remain an indirect non-wholly-owned subsidiary of CITIC Limited.

As at the date of this announcement, CITIC Group, the controlling shareholder of CITIC Limited, indirectly owns a further 40% equity interests in CITIC Star Thrive other than through its interest in CITIC Limited. Therefore, CITIC Titanium is a connected subsidiary of CITIC Limited pursuant to Rule 14A.16 of the Listing Rules. CITIC United is an indirect wholly-owned subsidiary of CITIC Limited. As such, the Capital Injection constitutes a connected transaction of CITIC Limited under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio applied in accordance with Rule 14A.76 of the Listing Rules in respect of the Capital Injection is more than 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements.

On 30 December 2019, CITIC Titanium, an indirect non-wholly-owned subsidiary of CITIC Limited, announced a public solicitation at DPRE for up to eight qualified investors (including one existing shareholder of CITIC Titanium or its affiliate and seven external investors) and proposed to issue not less than 84,000,000 but not more than 168,000,000 new shares, at a listed price of RMB3.405 per share of CITIC Titanium (being the average price per share of the Appraised Value), representing approximately 19.81% to 33.07% of the enlarged share capital of CITIC Titanium.

On 23 March 2020, CITIC United entered into the Capital Injection Agreement with CITIC Titanium upon completion of the Public Solicitation, pursuant to which, CITIC United agreed to subscribe for 84,000,000 new shares to be issued by CITIC Titanium at a consideration of RMB286,020,000, i.e., RMB3.405 per share of CITIC Titanium. In addition, CITIC Titanium has also entered into agreements with each of the Independent Third-Party Investors pursuant to which CITIC Titanium would be issuing 84,000,000 new shares to the Independent Third-Party Investors with the same price per share.

As at the date of this announcement, CITIC Star Thrive, a 60% indirectly-owned subsidiary of CITIC Limited, held 76.37% equity interests in CITIC Titanium. Upon completion of the New Share Issues, the equity interests in CITIC Titanium controlled by CITIC Limited via its subsidiaries would become 67.65%, and CITIC Titanium would remain an indirect non-wholly-owned subsidiary of CITIC Limited.

PRINCIPAL TERMS OF THE CAPITAL INJECTION AGREEMENT

Date:

23 March 2020

Parties:

- (1) CITIC Titanium (as the issuer); and
- (2) CITIC United (as the subscriber).

Subject matter: 84,000,000 new shares to be issued by CITIC Titanium to CITIC United.

Consideration: The total subscription price of the Capital Injection shall be RMB286,020,000, i.e., RMB3.405 per new share of CITIC Titanium.

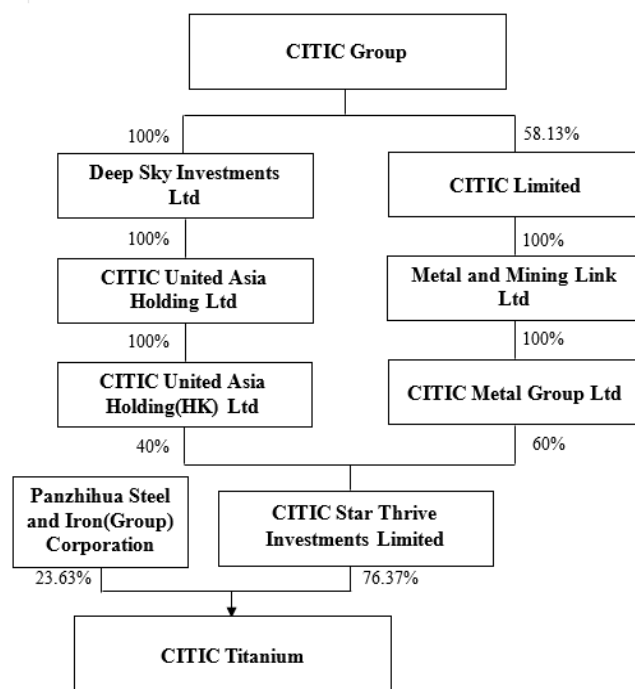
In accordance with the exchange rules of DPRE, such consideration was determined after competitive negotiations on an arm's length basis among CITIC Titanium and CITIC United with reference to the average price per share of the Appraised Value and the Independent Third-Party Investors' subscription price.

Payment of the Consideration: A deposit in the amount of RMB57,204,000 has been paid by CITIC United in accordance with the exchange rules of DPRE, the outstanding capital injection amount in the amount of RMB228,816,000 shall be paid by CITIC United into the designated account of DPRE within three business days of the effective date of the Capital Injection Agreement.

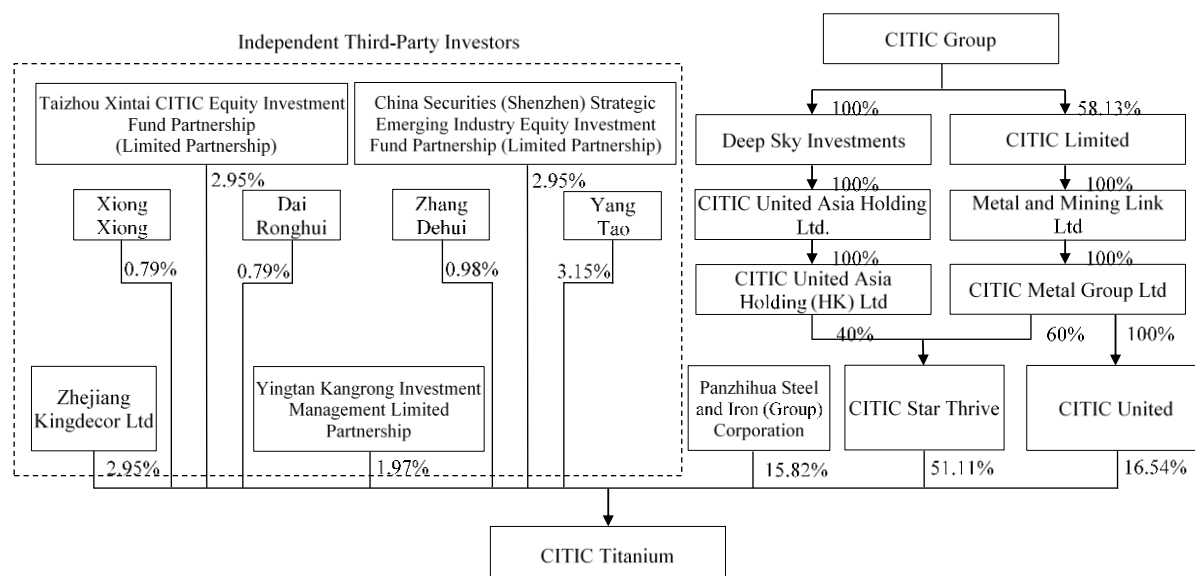
Transitional Period: Any undistributed profits of CITIC Titanium accrued between 1 January 2019 and 31 December 2019 shall be shared by the existing shareholders of CITIC Titanium before the completion of the New Share Issues on a pro-rata basis according to the percentage of their respective shareholding in CITIC Titanium before the completion of the New Share Issues; and any undistributed profits of CITIC Titanium accrued between 1 January 2020 and the completion of the registration procedures in relation to New Share Issues shall be shared by all shareholders of CITIC Titanium on a pro-rata basis according to the percentage of their respective shareholding in CITIC Titanium upon completion of the New Share Issues.

CHANGES TO THE SHAREHOLDING STRUCTURE OF CITIC TITANIUM

The simplified shareholding structure of CITIC Titanium as at the date of this announcement is set out below:



The simplified shareholding structure of CITIC Titanium upon the completion of the New Share Issues is set out below:



FINANCIAL INFORMATION

Set out below is the audited financial information of CITIC Titanium for the years ended 31 December 2017 and 2018:

	For the years ended 31 December	
	2017	2018
	(RMB '0,000)	(RMB '0,000)
Net profit before taxation and extraordinary items	9,361.29	17,348.52
Net profit after taxation and extraordinary items	7,648.05	14,656.46

The audited net assets value of CITIC Titanium as at 31 December 2018 was approximately RMB942 million and the unaudited net assets value of CITIC Titanium as at 30 June 2019 was approximately RMB1,057 million.

PRINCIPAL ASSUMPTIONS OF THE VALUATION

Given that the Appraised Value was conducted by income approach, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules.

The Appraised Value was prepared based on the following principal assumptions:

1. General Assumptions

- (1) The appraiser assumes that all assets pending valuation are under the process of trading and simulates a market according to the trading conditions of assets pending valuation for their valuation. This trading assumption is one of the most basic assumptions for conducting asset valuation.
- (2) The appraiser assumes that parties to assets trading or proposed assets trading are of equal status. Both parties have the opportunity and time to obtain sufficient market information so that they are able to make rational judgement on function, usage and trading price of assets. This open market assumption is based on public trading of assets on the market.
- (3) The appraiser selects valuation method, parameter and basis based on whether the valued assets will continue to be used under their current usage as well as method, scale, frequency and environment of use, or be used on the basis of changes thereto.

2. Specific Assumptions

- (1) There will be no substantial changes to existing State policies including macro economy, financial and industrial policies.
- (2) In future operation, there will be no substantial changes to economic and social environments as well as applicable taxes and tax rates of the region where the valued enterprise is located.

- (3) In future operation, the management of the valued enterprise will work diligently, and continue to operate the enterprise by the operation & management mode as at the Valuation Reference Date.
- (4) The valuation is based on the existing operation capacity as at the Valuation Reference Date, taking into consideration any expansion of operation capacity due to changes to management or operating strategy or additional investment in the future, as well as any subsequent change to production and operation.
- (5) In future operation, capital expenditure of the enterprise being valued during each period will not change or fluctuate to a significant extent, and it will maintain its trend in recent years. Given the frequent or substantial changes to the monetary funds and banking deposits of the enterprise during operation, for the valuation of financial expenditure hereunder, the appraiser does not take into consideration any uncertain gains and losses including any interest generated from deposits and foreign exchange gains & losses.
- (6) The valuation is conducted by income approach. When forecasting any future working capital of the enterprise, the appraiser does not take into consideration any impact of its funding (financing) capacity on its future working capital. Instead, the appraiser makes forecast under the assumption that the enterprise has the funding (financing) capacity that is sufficient for its normal operation and has no impact on its needs for working capital.
- (7) It is assumed that all underlying and financial materials provided by CITIC Titanium are authentic, accurate and complete.
- (8) Since the non-operating income & expenditure of the enterprise varies a lot between years, for the valuation, the appraiser does not take into consideration any impact by the non-operating income & expenditure on the cash flow of the enterprise.
- (9) It is assumed that after the valuation benchmark date, both the cash inflow and outflow of the valued enterprise are of an average level.
- (10) For the valuation, the appraiser does not take into consideration any impact of any mortgage or guarantee that may be created in the future or any additional payment of price under any special trading method on valuation results.
- (11) For the valuation, the appraiser assumes that after the expiration of the tax preferential policies for new and high-tech enterprises, the valued enterprise will be entitled to a renewal and continue to enjoy tax preferential policies on corporate income tax.
- (12) For the valuation, the appraiser assumes that the valued enterprise's chloride titanium dioxide project with a production capacity of 60,000 tons which is scheduled to commence construction in September 2019 will be constructed smoothly, completed and accepted as scheduled, and will launch the production line and achieve its designed production capacity according to the forecasted progress of achieving the designed production capacity.
- (13) For the valuation, indicators, such as the construction cost and estimated earnings of the valued enterprise's chloride titanium dioxide project with a production capacity of 60,000 tons which is scheduled to commence construction in September 2019, used by the appraiser to make forecast are based on the feasibility study report of the production line.

- (14) The values of all parameters measured in the valuation do not take into account the impact of inflation.

REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION

The capital raised through the Capital Injection Agreement will benefit CITIC Titanium in its business development including expansion of production facilities.

The Directors (including the independent non-executive Directors) consider that the Capital Injection and the terms and conditions of the Capital Injection Agreement are fair and reasonable and on normal commercial terms, and they are in the interests of CITIC Limited and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CITIC Group, the controlling shareholder of CITIC Limited, indirectly owns a further 40% equity interests in CITIC Star Thrive other than through its interest in CITIC Limited. Therefore, CITIC Titanium is a connected subsidiary of CITIC Limited pursuant to Rule 14A.16 of the Listing Rules. CITIC United is an indirect wholly-owned subsidiary of CITIC Limited. As such, the Capital Injection constitutes a connected transaction of CITIC Limited under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio applied in accordance with Rule 14A.76 of the Listing Rules in respect of the Capital Injection is more than 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements.

Mr Chang Zhenming, Mr Wang Jiong, Ms Li Qingping, Mr Song Kangle, Ms Yan Shuqin, Mr Liu Zhuyu and Mr Peng Yanxiang hold positions in CITIC Group, in order to avoid the perception of a conflict of interest, each of them had abstained from voting on the Board resolution approving the Capital Injection. Save as disclosed above, none of the Directors have any material interest under the Capital Injection or should abstain from voting in respect of the relevant proposal at the Board meeting.

INFORMATION ABOUT THE PARTIES INVOLVED IN THE NEW SHARE ISSUES

CITIC Titanium

CITIC Titanium is a national high-tech enterprise producing chlorinated titanium dioxide, with a current production capacity of 60,000 tonnes per annum.

CITIC United

CITIC United, an indirect wholly-owned subsidiary of CITIC Limited, is a limited liability company incorporated under the laws of the People's Republic of China, with its primary business activities including management consulting, investment consulting, business consulting, information technology consulting and information technology services.

Independent Third-Party Investors

The consortium of Taizhou Xintai CITIC Equity Investment Fund Partnership (Limited Partnership) (泰州鑫泰中信股權投資基金合夥企業 (有限合夥)) and China Securities (Shenzhen) Strategic Emerging Industry Equity Investment Fund Partnership (Limited Partnership) (中信建投 (深圳) 戰略新興產業股權投資基金合夥企業 (有限合夥)) is a financial investor, in which,

Taizhou Xintai CITIC Equity Investment Fund Partnership (Limited Partnership) is a limited partnership incorporated in the People's Republic of China, with China Capital Management Co., Ltd. (中信建投資本管理有限公司) as its executive partner and interested in 7.73% of its equity interest and Taizhou Xintai Group Co., Ltd. (泰州鑫泰集團有限公司) as its single largest limited partner and interested in 69.43% of its equity interest. China Capital Management Co., Ltd. is a wholly-owned subsidiary of CSC Financial Co., Ltd. (中信建投證券股份有限公司), the A shares of which are listed on the Shanghai Stock Exchange (stock code 601066) and the H shares of which are listed on the Stock Exchange (stock code 06066). As at the date of this announcement, CITIC Limited indirectly held 4.60% of the total ordinary shares in issue of CSC Financial Co., Ltd.. Taizhou Xintai Group Co., Ltd. is wholly owned by the State Assets Supervision and Administration Committee of Taizhou City of Zhejiang Province (泰州市國有資產監督管理委員會). The primary businesses of this investor include investment management and consulting service.

China Securities (Shenzhen) Strategic Emerging Industry Equity Investment Fund Partnership (Limited Partnership) is a limited partnership incorporated in the People's Republic of China, with Shenzhen Runxin Xinguanxiang Equity Investment Fund Management Co., Ltd. (深圳市潤信新觀象股權投資基金管理有限公司) as its executive partner and interested in 0.79% of its equity interest and Shenzhen Guiding Fund Investment Co., Ltd. (深圳市引導基金投資有限公司), a government guide fund, as its single largest limited partner and interested in 25% of its equity interest. Shenzhen Guiding Fund Investment Co., Ltd. is wholly owned by the Finance Committee of Shenzhen City of Guangdong Province (深圳市財政委員會). In addition, China Capital Management Co., Ltd. held 10.5% of the equity interest in this investor. The primary businesses of this investor include investment management and equity investment.

Zhejiang Kingdecor Ltd. (浙江夏王紙業有限公司) ("**Kingdecor**") is an industry investor and a limited liability company incorporated in the People's Republic of China, with its primary business activities including manufacturing and sales of the decorative base paper. Kingdecor is jointly held by Xianhe Co., Ltd. (仙鶴股份有限公司) and Schattdecor AG and each of them held 50% equity interests in Kingdecor. Xianhe Co., Ltd. is a joint-stock company incorporated in the People's Republic of China with limited liability, the shares of which are listed on the Shanghai Stock Exchange (stock code 603733). Schattdecor AG is a company incorporated in Germany with limited liability.

Yingtan Kangrong Investment Management Limited Partnership (鷹潭康融投資管理有限合夥企業) is a financial investor and a limited partnership incorporated in the People's Republic of China, with Mr Ji Peiluan (紀佩鑾) as its executive and single largest partner and interested in 70% of its equity interest. The primary businesses of this investor include project investment and management. Its ultimate beneficial owner is Mr Ji Peiluan.

Each of Mr Yang Tao (楊濤), Mr Zhang Dehui (張德慧), Ms Dai Ronghui (戴蓉暉) and Mr Xiong Xiong (熊雄) is an individual industry investor and a shareholder of CITIC Titanium's distributors, respectively.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each Independent Third-Party Investor, together with their respective ultimate beneficial owner(s), where applicable, are third parties independent of CITIC Limited and its connected persons to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries.

CITIC Limited

CITIC Limited is one of China's largest conglomerates. Among its diverse global businesses, CITIC Limited focuses primarily on financial services, resources and energy, manufacturing, engineering contracting and real estate. CITIC Limited enjoys leading market positions in sectors well matched to China's economy. CITIC's rich history, diverse platform and strong corporate culture across all businesses ensure that CITIC Limited is unrivalled for capturing opportunities arising in China and overseas. CITIC Limited is listed on the Stock Exchange, where it is a constituent of the Hang Seng Index.

CITIC Group

CITIC Group is a Chinese state-owned enterprise under the Ministry of Finance of the People's Republic of China. Its main asset is a 58.13% interest in CITIC Limited. Since its establishment in 1979, CITIC Group has been a pioneer of China's economic reform. It makes investments in areas with long-term potential as well as those aligned with national priorities.

CONFIRMATIONS

Ernst & Young, acting as CITIC Limited's reporting accountants for purposes of Rule 14.62(2) of the Listing Rules, has examined the calculations of the discounted future estimated cash flows on which the valuation of CITIC Titanium was based.

China Securities (International) Corporate Finance Company Limited ("CSIC"), acting as CITIC Limited's financial adviser for purposes of Rule 14.62(3) of the Listing Rules, has confirmed that they are satisfied that the valuation of CITIC Titanium has been made by the Directors after due and careful enquiry.

A report from Ernst & Young dated 23 March 2020 in compliance with Rule 14.62(2) of the Listing Rules and a letter from the CSIC dated 23 March 2020 in compliance with Rule 14.62(3) of the Listing Rules have been submitted to the Stock Exchange, the texts of which are included in Appendix I and Appendix II to this announcement, respectively.

INFORMATION ON THE EXPERTS

The following is the qualification of the experts who have given their opinion and advice included in this announcement:

Name	Qualification
Ernst & Young	Certified Public Accountants
China Securities (International) Corporate Finance Company Limited	Licensed corporation under the Securities and Futures Ordinance for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

As at the date of this announcement, each of the experts listed above does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person to subscribe for securities in any member of the Group.

Each of the experts listed above has given and has not withdrawn its consent to the publication of this announcement with inclusion of its report and/or all references to its name in the form and context in which it appears.

DEFINITIONS

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

“Appraised Value”	RMB1,157,663,100 (approximately HK\$1,298,279,783), being the appraised value of the net assets of CITIC Titanium as at the Valuation Reference Date under the Valuation Report as filed with the Ministry of Finance of the People’s Republic of China
“Board”	the board of directors of CITIC Limited
“Capital Injection”	the subscription by CITIC United of 84,000,000 new shares to be issued by CITIC Titanium at a consideration of RMB286,020,000, i.e., RMB3.405 per share of CITIC Titanium
“Capital Injection Agreement”	a capital injection agreement dated 23 March 2020 entered into between CITIC Titanium and CITIC United according to the exchange rules of DPRE, pursuant to which CITIC United agreed to subscribe for 84,000,000 new shares which are to be issued by CITIC Titanium
“CITIC Group”	CITIC Group Corporation (中國中信集團有限公司), a wholly state-owned enterprise incorporated in the People’s Republic of China in 1979, and the controlling shareholder of CITIC Limited
“CITIC Star Thrive”	CITIC Star Thrive Investments Limited, a non-wholly-owned subsidiary of CITIC Limited incorporated in Hong Kong, in which CITIC Limited and CITIC Group each holds 60% and 40% equity interests, respectively
“CITIC Titanium”	CITIC Titanium Industry Co., Ltd, a company established under the laws of the People’s Republic of China and an indirect non wholly-owned subsidiary of CITIC Limited, in which CITIC Star Thrive holds 76.37% equity interests as at the date of this announcement
“CITIC United”	CITIC United Asia (Beijing) Management and Consultation Co., Ltd. (中信裕聯（北京）企業管理諮詢有限公司), a company established under the laws of the People’s Republic of China and an indirect wholly-owned subsidiary of CITIC Limited

“CITIC Limited”	CITIC Limited (中國中信股份有限公司), a company incorporated in Hong Kong and listed on the main board of the Stock Exchange (Stock Code: 00267)
“Director(s)”	director(s) of CITIC Limited
“DPRE”	Dalian Property Rights Exchange
“Independent Third-Party Investors”	seven independent third-party investors solicited and finally confirmed through the Public Solicitation, namely (1) the consortium of Taizhou Xintai CITIC Equity Investment Fund Partnership (Limited Partnership) and China Securities (Shenzhen) Strategic Emerging Industry Equity Investment Fund Partnership (Limited Partnership), (2) Zhejiang Kingdecor Ltd, (3) Yingtan Kangrong Investment Management Limited Partnership, (4) Mr Yang Tao, (5) Mr Zhang Dehui, (6) Ms Dai Ronghui and (7) Mr Xiong Xiong, each of which made its own investment decision independently
“Group”	CITIC Limited and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Share Issues”	the issue of 84,000,000 new shares to the Independent Third-Party Investors by CITIC Titanium at a price of RMB3.405 per share together with the Capital Injection
“Public Solicitation”	the public solicitation made by CITIC Titanium at DPRE for the subscription by up to eight qualified investors of not less than 84,000,000 but not more than 168,000,000 new shares to be issued by CITIC Titanium
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation Reference Date”	31 December 2018
“Valuation Report”	the valuation report issued by an independent appraiser, China United Assets Appraisal Group Co., Ltd., in relation to the net assets of CITIC Titanium as at the Valuation Reference Date

In this announcement, amounts denominated in RMB have been converted into HK\$ at the rate of RMB0.89169: HK\$1 for purposes of illustration. No representation is made that any amounts in RMB or HK\$ can be or could have been converted at the above rate or any other rate or at all.

By Order of the Board
CITIC Limited
Chang Zhenming
Chairman

Hong Kong, 23 March 2020

As at the date of this announcement, the executive directors of CITIC Limited are Mr Chang Zhenming (Chairman), Mr Wang Jiong and Ms Li Qingping; the non-executive directors of CITIC Limited are Mr Song Kangle, Ms Yan Shuqin, Mr Liu Zhuyu, Mr Peng Yanxiang, Mr Liu Zhongyuan and Mr Yang Xiaoping; and the independent non-executive directors of CITIC Limited are Mr Francis Siu Wai Keung, Dr Xu Jinwu, Mr Anthony Francis Neoh, Mr Shohei Harada and Mr Gregory Lynn Curl.

APPENDIX I REPORT FROM ERNST & YOUNG IN RELATION TO THE DISCOUNTED CASH FLOW FORECAST



Ernst & Young
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23 March 2020

The Directors

CITIC Limited

32nd Floor, CITIC Tower, 1 Tim Mei Avenue

Central, Hong Kong

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “Forecast”) on which the valuation dated 30 October 2019 prepared by China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司) in respect of 100% equity interests of CITIC Titanium Co., Ltd. (“CITIC Titanium”) as at 31 December 2018 is based. The valuation is set out in the announcement of CITIC Limited (the “Company”) dated 23 March 2020 (the “Announcement”) in connection with the share capital increase of CITIC Titanium, an indirect subsidiary of the Company. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Directors’ responsibilities

The directors of the Company are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “Assumptions”), the completeness, reasonableness and validity of which are the sole responsibility of the directors of the Company. The Assumptions are set out on section “Principal Assumptions of the Valuation” of the Announcement.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“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 Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the directors of the Company have properly compiled the Forecast in accordance with the Assumptions adopted by the directors of the Company. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the directors of the Company. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of CITIC Titanium. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the directors of the Company.

Certified Public Accountants

Hong Kong

**APPENDIX II LETTER FROM CHINA SECURITIES (INTERNATIONAL)
CORPORATE FINANCE COMPANY LIMITED IN RELATION TO THE PROFIT
FORECAST**



23 March 2020

The Board of Directors
CITIC Limited
32nd Floor, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Dear Sirs,

We refer to the valuation prepared by China United Assets Appraisal Group Co., Ltd. (the “**Valuer**”) in relation to the net assets of CITIC Titanium (the “**Valuation**”), which is set out in the announcement of CITIC Limited (the “**Company**”) dated 23 March 2020 in connection with the subscription for new shares of CITIC Titanium by CITIC United Asia (Beijing) Management and Consultation Co., Ltd., an indirect wholly-owned subsidiary of the Company (the “**Announcement**”). Capitalized terms used in this letter have the same meanings as those defined in the Announcement, unless the context otherwise requires.

The Valuation has been arrived at using the income approach and is regarded as a profit forecast (the “**Forecast**”) under Rule 14.61 of the Listing Rules. The Directors are responsible for preparation of the Forecast after due and careful enquiry in accordance with the bases and assumptions as set out in the Valuation Report. We, as financial advisers to the Company, have reviewed the Forecast upon which the Valuation has been made, for which you as the Directors are solely responsible, and have discussed with the management of the Company and the Valuer the bases and assumptions upon which the Forecast has been prepared. We have also considered the report from Ernst & Young dated 23 March 2020 addressed to yourselves as set out in Appendix I to the Announcement regarding the calculations of the Forecast. We noted that in the opinion of Ernst & Young that the Forecast, so far as the arithmetical accuracy of calculations of the Forecast is concerned, have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors. We have also noted that the Forecast does not involve the adoption of accounting policies.

The Forecasts have been prepared using a set of assumptions that include hypothetical assumptions about future events and other assumptions that may or may not necessarily be

expected to occur and, as such, the Forecasts may not be appropriate for purposes other than for deriving the Valuation Report. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to differ from the Forecasts since such anticipated events frequently may or may not occur as expected and the variation may be material.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions adopted by the Valuer and the Company for which the Valuer and the Company are solely responsible, we are of the opinion that the Forecast, for which you as the Directors are solely responsible, have been made by you after due and careful enquiry.

The work undertaken by us in giving the above opinion has been undertaken for the purpose of reporting solely to you under Rule 14.62(3) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully

For and on behalf of

China Securities (International) Corporate Finance Company Limited

Christine Au

Managing Director