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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
ACQUISITION OF 100% EQUITY INTEREST IN QINGDAO SPECIAL STEEL

On 24 October 2017, Xingcheng Special Steel, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with CITIC Group through the public tender process on the CBEX, pursuant to which Xingcheng Special Steel (as the sole bidder) agreed to acquire 100% equity interest held by CITIC Group in Qingdao Special Steel at a consideration of RMB127,236,600 (equivalent to approximately HK\$149,758,831). Xingcheng Special Steel will lend RMB3 billion to Qingdao Special Steel to pay back its borrowings from CITIC Group and its subsidiary, and the Company intends to collect RMB2.93 billion from such loan and re-inject into Qingdao Special Steel as registered capital.

CITIC Group holds 58.13% equity interest in the Company and therefore is a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined under the Rule 14A.76 of the Listing Rules) in respect of the transaction contemplated under the Equity Transfer Agreement 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.

The Board is pleased to announce that, on 24 October 2017, Xingcheng Special Steel, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with CITIC Group through the public tender process on the China Beijing Equity Exchange ("CBEX"), pursuant to which Xingcheng Special Steel (as the sole bidder) agreed to acquire 100% equity interest held by CITIC Group in Qingdao Special Steel at a consideration of RMB127,236,600 (equivalent to approximately HK\$149,758,831). Upon completion of the Transaction, Qingdao Special Steel will become an indirectly wholly-owned subsidiary of the Company.

EQUITY TRANSFER AGREEMENT

Date:

24 October 2017

Parties:

- (1) CITIC Group (as the vendor)
- (2) Xingcheng Special Steel (as the purchaser)

Subject Matter: 100% equity interest in the Target Company

Consideration: RMB127,236,600 (equivalent to approximately HK\$149,758,831).

Arrangements for Payment: Within three business days after the Equity Transfer Agreement becomes effective, Xingcheng Special Steel will pay the consideration in one lump sum to the bank account(s) designated by CBEX after deducting RMB38 million deposit which has already been paid. CBEX will then pay the total consideration to the bank account(s) of the vendor within three business days after it receives the payment from Xingcheng Special Steel.

Arrangements for Debts and Registered Capital: Within two business days after the Equity Transfer Agreement becomes effective, Xingcheng Special Steel will lend RMB3 billion to Qingdao Special Steel to pay back its borrowings from CITIC Group and its subsidiary. Within 30 business days after completion, Xingcheng Special Steel will complete the injection of unpaid capital of Qingdao Special Steel.

Completion: Completion of the Transaction will take place when the approving authority approves the Equity Transfer Agreement and transaction thereunder and the registration authority completes the registration procedures for such equity alteration and issues the new business license of the Target Company.

Conditions Precedent: The completion of the Transaction is subject to all of the following conditions precedent having been fulfilled:

- (1) CITIC Group having completed the public tender process with CBEX in respect of the transaction under the Equity Transfer Agreement in accordance with the relevant laws, regulations and policies; and
- (2) Xingcheng Special Steel having completed the relevant approval or authorization procedures as required by law and the articles of association in respect of its acquisition of the subject matter owned by CITIC Group in accordance with the Equity Transfer Agreement.

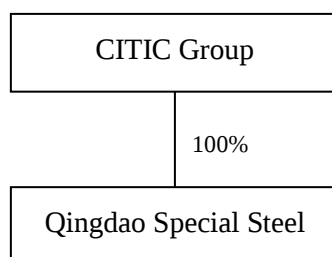
BASIS OF THE CONSIDERATION

The consideration for 100% equity interest in Qingdao Special Steel, being RMB127,236,600, was determined with reference to the following factors: (1) the net asset valuation of Qingdao Special Steel, being RMB127,236,600 (equivalent to approximately HK\$149,758,831), as at the Valuation Reference Date as determined by the independent appraiser; (2) the reserve price determined by CITIC Group, being RMB127,236,600 (equivalent to approximately HK\$149,758,831); (3) the market competition situation; and (4) the arrangements for debts and registered capital.

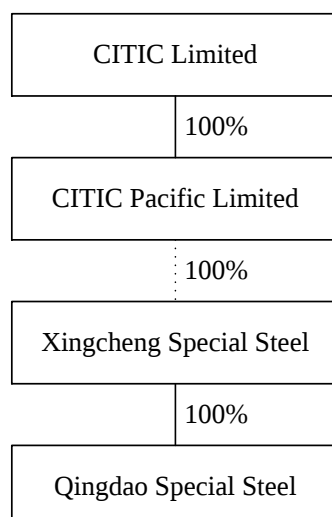
The Company intends to collect RMB2.93 billion from its loan to Qingdao Special Steel and re-inject into Qingdao Special Steel as registered capital.

SHAREHOLDING STRUCTURE OF THE TARGET COMPANY IMMEDIATELY BEFORE AND AFTER THE COMPLETION OF THE TRANSACTION

The shareholding structure of the Target Company immediately before the completion of the Transaction is set out below:



The simplified shareholding structure of the Target Company immediately after the completion of the Transaction is set out below:



FINANCIAL INFORMATION

In April 2017, Qingdao Iron and Steel Import and Export Co., Limited (“**Qingdao Steel Import and Export**”, which procures overseas raw material for Qingdao Special Steel) and Qingdao Iron and Steel Real Estate Development Limited (“**Qingdao Steel Real Estate**”, which was set up to develop residential units for the employees of Qingdao Special Steel), were injected into Qingdao Special Steel (collectively, the “**Target Group**”).

No consolidated accounts have been prepared for the Target Group. Set out below are the audited financial information of each member of the Target Group for the years ended 31 December 2015 and 2016:

RMB	Net profit/(loss) before taxation and extraordinary items		Net profit/(loss) after taxation and extraordinary items	
	Financial year ended 31 December	Financial year ended 31 December	Financial year ended 31 December	Financial year ended 31 December
	2016	2015	2016	2015
Qingdao Special Steel	(722,334,206.94)	(239,692,361.62)	(3,609,894,530.00)	(281,249,855.00)
Qingdao Steel Import and Export	11,831,392.01	11,992,300.53	8,343,791.81	9,322,838.81
Qingdao Steel Real Estate	-	-	-	-
RMB	Net Assets Value			
	As at 31 December 2016		As at 30 June 2017 (unaudited)	
Qingdao Special Steel	(266,553,209.00)		(860,978,961.46)	
Qingdao Steel Import and Export	302,110,541.11		(2,095,551.64)	
Qingdao Steel Real Estate	50,000,000.00		49,299,211.77	

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

The Directors believe the Group will derive the following benefits by entering into the Equity Transfer Agreement:

- (1) Qingdao Special Steel is located in Shandong, which is an important market for automotive steel in China. The Transaction will expand the Group’s footprint into Northern China and play an important role in further increasing CITIC Pacific Special Steel’s market share and influence in the special steel sector; and

- (2) Qingdao Special Steel adjoins Qingdao Dongjiakou Port and therefore is in a very favorable position with good logistics for development in the steel industry. Through introducing the brands, technologies and processes of the Group in the field of special steel, Qingdao Special Steel can quickly elevate the quality and grade of its products and bring its production line into full play. Additionally, the plants will be able to achieve synergies in production, procurement, marketing and sales through shared resources.

The Directors (including the independent non-executive Directors) believe that the terms of the Equity Transfer Agreement and the transaction contemplated thereunder are fair and reasonable and on normal commercial terms, and in the interests of the Company and the shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CITIC Group holds 58.13% equity interest in the Company and therefore is a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Rule 14A.76 of the Listing Rules) in respect of the transaction contemplated under the Equity Transfer Agreement 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.

As Mr Chang Zhenming, Mr Wang Jiong, Ms Li Qingping, Mr Pu Jian, Mr Liu Yeqiao, Mr Song Kangle, Ms Yan Shuqin and Mr Liu Zhuyu hold positions in CITIC Group, in order to avoid a conflict of interest, they have abstained from voting on the resolution approving the Equity Transfer Agreement and the transaction contemplated thereunder. Save as disclosed above, none of the Directors have any material interest under such agreement and the transaction contemplated thereunder or should abstain from voting in respect of the relevant proposal at the Board meeting.

INFORMATION ABOUT THE PARTIES INVOLVED

The Company

CITIC Limited is China's largest conglomerate with total assets over US\$900 billion. 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 in capturing opportunities arising in China. 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. 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.

Xingcheng Special Steel

Xingcheng Special Steel is an indirect wholly-owned subsidiary of the Company and a limited liability company established in the PRC. Its main businesses include the production and sales of special steel products.

Target Group

Qingdao Special Steel is located at Dongjiakou, Qingdao to accommodate Qingdao Steel Plant after its removal from its original site. Qingdao Special Steel became operational in the end of 2015 and has a capacity to manufacture 3 million tonnes of quality steel per annum. In January 2017, Qingdao government entered into an equity transfer agreement with CITIC Group to transfer 100% equity interest of Qingdao Special Steel to CITIC Group without consideration, and the transaction was completed on 15 May 2017. As at the date of this announcement, Qingdao Special Steel is a wholly-owned subsidiary of CITIC Group. Upon such equity transfer, CITIC Group entered into an entrustment agreement with CITIC Pacific Limited and CITIC Pacific Special Steel Co., Ltd., wholly-owned subsidiaries of the Company, to entrust CITIC Pacific Limited and CITIC Pacific Special Steel Co., Ltd. with the operation and management of Qingdao Special Steel.

DEFINITIONS

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

“Board”	the board of directors of the Company
“CITIC Group”	CITIC Group Corporation (中國中信集團有限公司)
“Company” or “CITIC Limited”	CITIC Limited (中國中信股份有限公司)
“Equity Transfer Agreement”	the equity transfer agreement entered into by Xingcheng Special Steel and CITIC Group on 24 October 2017
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Target Company” or “Qingdao Special Steel”	Qingdao Special Iron and Steel Co., Ltd., a limited liability company established in the PRC

“Target Group”	Qingdao Iron and Steel Import and Export Co., Limited, Qingdao Iron and Steel Real Estate Development Limited and Qingdao Special Steel
“Transaction”	the proposed transaction contemplated under the Equity Transfer Agreement
“Valuation Reference Date”	31 May 2017, being the valuation reference date for the appraiser to determine the net assets value of the Target Company
“Xingcheng Special Steel”	Jiangyin Xingcheng Special Steel Works Co., Ltd., a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company

For the purpose of this announcement, unless the context otherwise requires, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of HK\$1.00 to RMB0.84961. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

By Order of the Board
CITIC Limited
Chang Zhenming
Chairman

Hong Kong, 24 October 2017

As at the date of this announcement, the executive directors of the Company are Mr Chang Zhenming (Chairman), Mr Wang Jiong, Ms Li Qingping and Mr Pu Jian; the non-executive directors of the Company are Mr Liu Yeqiao, Mr Song Kangle, Ms Yan Shuqin, Mr Liu Zhuyu, Mr Liu Zhongyuan and Mr Yang Xiaoping; and the independent non-executive directors of the Company are Mr Francis Siu Wai Keung, Dr Xu Jinwu, Mr Anthony Francis Neoh, Ms Lee Boo Jin, Mr Noriharu Fujita and Mr Paul Chow Man Yiu.