



## **PRESS RELEASE**

16 April 2014

### **CITIC Pacific to Acquire 100 Percent of CITIC Limited**

- Provides CITIC Pacific shareholders with direct exposure to China's largest, most prestigious and pioneering multi-industry conglomerate
- Expands the breadth and scale of CITIC Pacific's businesses; improves its profitability and enlarges its capital base
- 28.5% CITIC Pacific shareholder value accretion with EPS from continuing operations increasing from HK\$1.51 to HK\$1.94 post-acquisition

CITIC Pacific (the "Company") today signed a share transfer agreement with CITIC Group to acquire 100% of CITIC Limited, the main operating entity of CITIC Group, for RMB227 billion (HK\$287 billion). The acquisition is subject to independent shareholder approval at an Extraordinary General Meeting and approval from relevant regulatory bodies.

#### **Consideration and Funding**

The acquisition price was negotiated by the parties at arm's length and takes into account the current and future business and operational prospects of CITIC Pacific and CITIC Limited, and a valuation by an independent valuer (still pending approval by the Ministry of Finance of the PRC). The Board of CITIC Pacific believes that the price represents fair and reasonable value.

CITIC Pacific will fund the acquisition primarily through the issuance of new shares to CITIC Group and to institutional investors:

#### **Shares to CITIC Group**

- The proposed value of new shares to be issued to CITIC Group amounts to RMB177 billion (HK\$223 billion) which equates to 16,579 million shares.
- The new shares shall be priced at HK\$13.48 per share, a premium of 25.86% to the average closing price of CITIC Pacific's shares for the last 60 days up to and including the pricing date (24 March, 2014), being the last trading day before the Company announced that it was in discussions with CITIC Group regarding this acquisition.

- Such proposed value and number of new shares may increase, but subject to maintaining the public free float between 15% – 25%.

### **Shares to institutional investors**

- New shares to be issued to institutional investors, together with shares to be issued to CITIC Group, shall not exceed 21,254 million shares.
- The proposed value of new shares to be issued to institutional investors is RMB50 billion (HK\$63 billion).
- The new shares shall be priced at not less than the higher of HK\$13.48 per share and 80% of the closing price of CITIC Pacific shares on the last trading day prior to the relevant placing agreement.
- The number of shares to be issued to institutional investors is subject to adjustment and will depend on a number of considerations.

**Chang Zhenming, Chairman of CITIC Pacific**, said: “I am delighted to announce this exciting investment opportunity for our shareholders. For the first time ever, CITIC Pacific investors will have access to China’s largest, most prestigious and pioneering conglomerate. CITIC has always been right at the heart of the process of reform and development in China and this landmark transaction marks the next stage of the Group’s transformation. CITIC has a track record of outperforming China’s growth and aligning its businesses to benefit from China’s development. The enlarged entity will be even better positioned to capitalise on the next phase of China’s development and we are excited by what the future holds.”

“This is a transformational transaction for CITIC Pacific and we will become much bigger, with better earnings visibility and enhanced shareholder return. We will also become more diverse to protect that profitability and return. Hong Kong has been the home of our business for nearly three decades and its infrastructure, best practice in corporate governance, access to international capital markets and strong talent pool has served CITIC Pacific well. I am confident this is an exciting opportunity for all CITIC Pacific shareholders and also for CITIC Limited’s businesses. They will benefit from sitting within the robust framework CITIC Pacific has worked hard to create,” Chang Zhenming added.

### **Reasons for and Benefits of the Acquisition**

#### **Expands CITIC Pacific’s breadth and scale and improves its overall competitiveness**

- Acquires a business that has demonstrated sustained, strong financial performance
- Provides CITIC Pacific with a diverse set of businesses, including financial services, resources and energy, manufacturing, real estate and infrastructure, engineering contracting and others, many of them are with leading positions in their field
- Expands CITIC Pacific’s net assets by over 4 times
- Enables CITIC Pacific to be better positioned to capture growth opportunities in China due to greater size, scale and breadth

### **Enhances CITIC Pacific's earnings profile and increases shareholder value**

- Provides CITIC Pacific with greater stability in its operational and financial performances
- Increases CITIC Pacific's net profit: unaudited pro forma net profit attributable to ordinary shareholders would have been HK\$48,430 million, if the transaction had been completed by 31 December, 2013 (CITIC Pacific alone: HK\$7,588 million)
- Enhances CITIC Pacific's shareholder value: if the transaction had been completed by 31 December, 2013, the unaudited pro forma earnings per share from continuing operations of the enlarged entity would have been HK\$1.94, representing a 28.5% increase, while return on equity would have risen to 13% from 9%

### **Strengthens CITIC Pacific's capital base and enhances its financing capabilities and flexibility**

- CITIC Pacific's credit rating (currently Ba2 and BB) is expected to improve (currently CITIC Group's rating is Baa2 and BBB+)
- Enhances CITIC Pacific's debt financing capabilities enabling the Company to continue funding capital intensive projects
- Increases CITIC Pacific's total market capitalisation and raises the Company's position amongst Hang Seng Index companies; provides shareholders with increased liquidity

### **Creates further synergies**

- Provides CITIC Pacific with further synergies through shared business networks, customer base, government relationships and other resources
- CITIC Pacific and CITIC Limited's complementary businesses, such as real estate and resources and energy, will benefit from being part of the same group

### **Shared corporate culture encourages effective integration**

- Expects effective integration due to history of shared management and cross-business collaboration, shared corporate values and vision

### **Independent and Fair Process for CITIC Pacific's Shareholders**

CITIC Pacific will form an independent board committee, comprising the Company's Independent Non-Executive Directors, to make a recommendation to CITIC Pacific's independent shareholders in relation to this acquisition. An independent financial adviser will also be appointed to advise the independent board committee.

As soon as practicable, and no later than 14 May, 2014, CITIC Pacific will despatch a circular to shareholders containing further details of the acquisition, the recommendation to shareholders from the independent board committee, and the recommendation from the independent financial adviser. CITIC Pacific will hold an EGM on 03 June, 2014 where shareholders will be asked to vote to approve the acquisition and the proposed issue of new shares to CITIC Group and to institutional investors to fund the acquisition.

*For further information, please refer to the full announcement filed on the Hong Kong Stock Exchange and transaction deal site at <http://www.citicopportunity.com>.*

**About CITIC Pacific:**

CITIC Pacific Limited (267.HK), listed in Hong Kong, is a constituent of the Hang Seng Index, and is 57.5% owned by CITIC Group. It is a diversified company with its main businesses in special steel, iron ore and property development in mainland China. Its businesses embrace world-class technology and strive for international best practices. CITIC Pacific is strongly committed to long-term business success and lasting shareholder value.

**About CITIC Limited:**

CITIC Group is the largest multi-industry conglomerate in China, with businesses covering financial services, resources and energy, manufacturing, real estate and infrastructure, engineering contracting and a number of other sectors. CITIC Group ranked 172 in the Fortune Global 500 in 2013. CITIC Limited, substantially all of the assets of CITIC Group, comprises many companies and businesses that are leaders in their fields.

**Media enquiries:**

Brunswick Group Ltd ([citicpacific@brunswickgroup.com](mailto:citicpacific@brunswickgroup.com))

Mr Tim PAYNE  
Tel: 852-3512 5066  
Mobile: 852-6104 6266  
[tpayne@brunswickgroup.com](mailto:tpayne@brunswickgroup.com)

Mr Joseph LO  
Tel: 852-3512 5033  
Mobile: 852-9850 5033  
[jlo@brunswickgroup.com](mailto:jlo@brunswickgroup.com)

Ms Joanna DONNE  
Tel: 852-3512 5070  
Mobile: 852-9221 3930  
[jdonne@brunswickgroup.com](mailto:jdonne@brunswickgroup.com)

Ms Crystal CHAN  
Tel: 852-3512 5032  
Mobile: 852-9669 3632  
[cchan@brunswickgroup.com](mailto:cchan@brunswickgroup.com)

Ms Qian LI  
Tel: 852-3512 5000  
Mobile: 852-6117 6386  
[qli@brunswickgroup.com](mailto:qli@brunswickgroup.com)

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