



Special
Feature



Special Feature: **CITIC Trust**

“Credibility is something indispensable to the trust industry. Trust is an institutional arrangement, or rather a relationship between people, more than merely a financial instrument. Widespread use of trust in the financial sector bodes well for its transcendence.”

PU Jian, Vice President of CITIC Limited, former Chairman of CITIC Trust, and a leading figure in China's trust industry

Registered capital:

10

RMB billion

Total AUM:

1.7+

RMB trillion

Total assets:

27.9

RMB billion

Net profit:

3.1

RMB billion

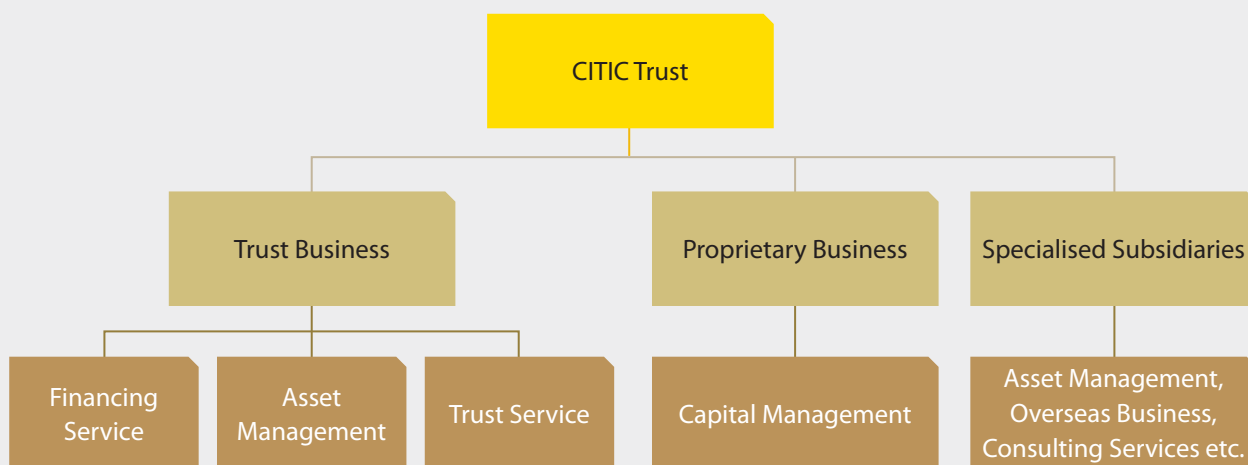
CITIC Trust is a pioneering non-banking financial institution and, for the last ten years, the largest trust company in China by total assets under management (AUM). Founded in 1988 as the first trust company in China, CITIC Trust leads the industry today, distinguished by its unparalleled AUM, superior client network, innovative product range, professional team and rigorous risk management. ROE has been consistently maintained at a high level among CITIC Limited's subsidiaries.

Guided by its mission to create shared value and balance risk and return, CITIC Trust acts as a provider of integrated financial products and services, including financing, asset management and trust. It has the

industry's largest portfolio of trust products, giving clients the opportunity to participate in China's growth story through a wide range of financial instruments. CITIC Trust has developed innovative trust solutions in diverse sectors, including infrastructure, real estate, consumer markets, manufacturing, agribusiness, healthcare, the internet and the financial market.

In the trust industry, the company stands apart for its long track record of consistent stability and unparalleled access to major investment opportunities. Through its comprehensive investment and asset management service, CITIC Trust has distributed nearly RMB200 billion of accumulated profits attributable to beneficiaries for five consecutive years.

Corporate Structure



Unparalleled AUM

Total AUM amounts to more than RMB1.7 trillion, ranking first in the industry for 10 consecutive years.



Superior client network

Over 140,000 trust accounts in total, with average AUM per account of RMB116 million and RMB3 million for institutional and individual customers, respectively.



Innovative product range

Full licenses for all financial businesses in China with a broad scope of investments across currency, equity, bond, and credit markets.



Professional team

A team of nearly 600 professionals from diverse fields, including finance, accounting, law, and industry, producing RMB5.82 million profits per employee in 2016.



Rigorous risk management

Guided by the customer's risk appetite and a comprehensive risk management system, with rigorous project review and robust capital to balance the business growth and quality.



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Our Story

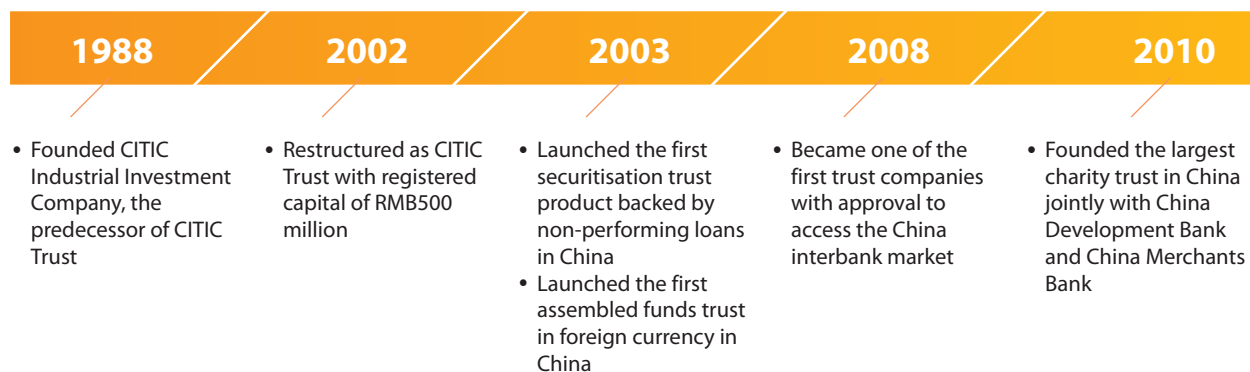
Chinese trusts are like none other. Historically, in international markets trust services were designed to provide trustees with risk isolation, tax optimisation and asset longevity. The most common application of these services has been cross-generational wealth transfer for wealthy families and foundations. In China, however, the industry took a distinctly different development path — one grounded in its economic growth story and built around the particular regulatory context of China's broader financial system. Most Chinese investors aim to maintain and increase the value of their assets by investing in trust products. From the corporate perspective, trust is a pipeline of direct financing through debt and equity instruments for organic growth or M&A.

The establishment of China International Trust and Investment Corporation in 1979, the predecessor of CITIC Limited, marked the beginning of the trust industry in China. By the early 1990s, trust companies in China numbered in the thousands. However, in those early years the market's immaturity and relatively undeveloped regulatory framework resulted in a structural bottleneck that affected the entire industry.



In 2001, a mature regulatory framework for trust law was introduced to establish standards for market access, investment scope and operating guidelines. Given the new and stricter criteria for receiving trust business licences, the small and less professionalised trust companies began to disappear from the market, leaving only the largest and strongest in their wake. In the years since, the fortunes of trust businesses have risen significantly, attracting major investment by high net worth individuals and institutional investors and laying a solid foundation for the industry's sustained and healthy development. Today, the trust industry

Milestone



is a pillar of China's modern financial system. Its AUM has reached over RMB20 trillion, exceeding securities and insurance to become the second largest financial industry. Trusts have matured as a distinct class of investment and wealth management services to become a core engine driving innovation throughout the entire financial sector and the development of the real economy.

What has driven the success of the broader trust industry in past decades has been their unique ability to connect assets with investors across various financial markets, unencumbered by the specific financial constraints of other financial market players, particularly in investment scope and asset allocation. Although they do not enjoy dominance over any one subsector in the broader financial services industry, their ability to create innovative solutions has allowed them to maintain their leadership.

It is in this aspect that CITIC Trust excels. The company has grown from one of the first trust companies in China into one of the largest today, with registered capital of RMB10 billion, total assets of RMB27.9 billion, and AUM of more than RMB1.7 trillion. Not only is the company's heritage rooted in the very

foundation of the industry, it continues to lead its evolution today, as evidenced by its comprehensive family of products. In 2010, the company established the largest charity trust in China in collaboration with China Development Bank and China Merchants Bank. It was among the first Chinese trust companies to receive approval for asset securitisation in 2013, the same year it began to sign land circulation trust products. By 2016, the size of its asset securitisation business exceeded RMB230 billion, ranking it first within the trust industry. And in 2014, CITIC Trust launched the first online consumer trust product with Baidu and, in 2015, the first family office in the trust industry. Most recently, in 2016 the company introduced a new brand — CITIC Family Trust — and launched its first cross-border employee stock ownership trust in China. It was also nominated as the fund manager for Guizhou Province's PPP Fund, with a fund size of RMB10 billion.

Today, the company continues to move beyond its historical roots in financing, investment and wealth management services and has advanced into professional services, including integrated advisory service to meet the investment, taxation and legal needs of clients.

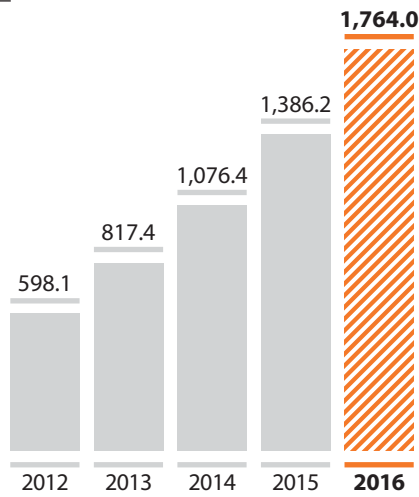




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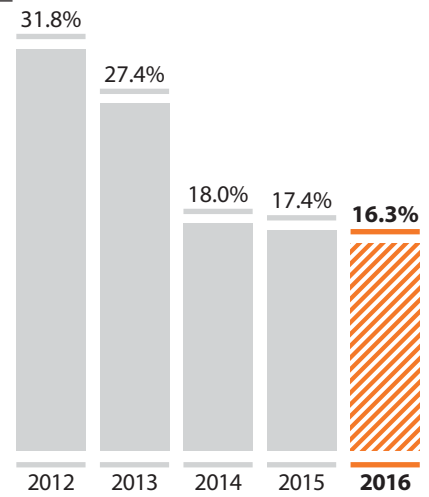
Growing AUM RMB billion

Total AUM



High ROE

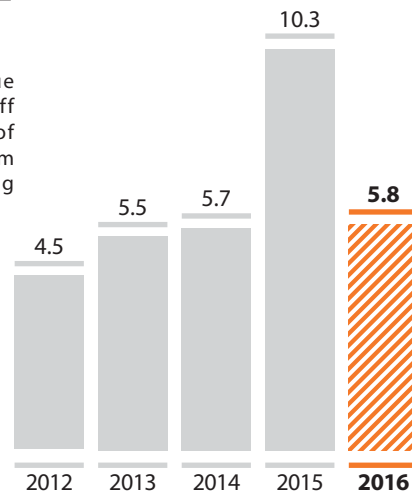
ROE



Steady revenue RMB billion

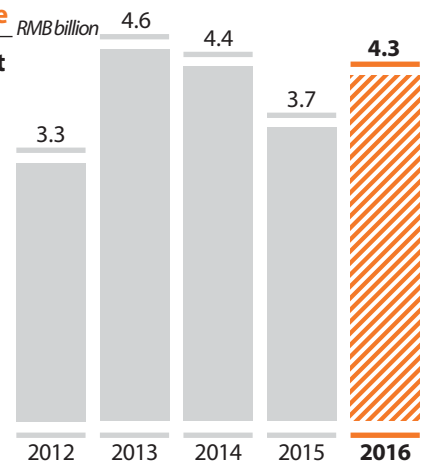
Revenue

Note: 2015 revenue included a one-off investment gain of RMB4.3 billion from the sale of Taikang Insurance's equity



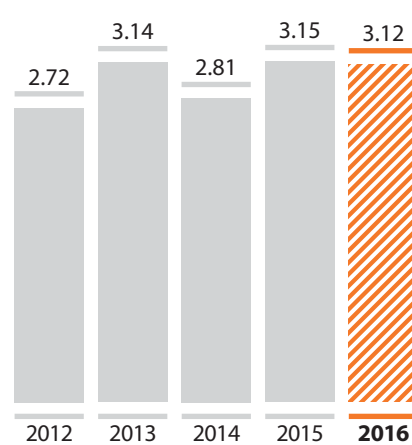
Consistently high trust business revenue RMB billion

Revenue of trust business



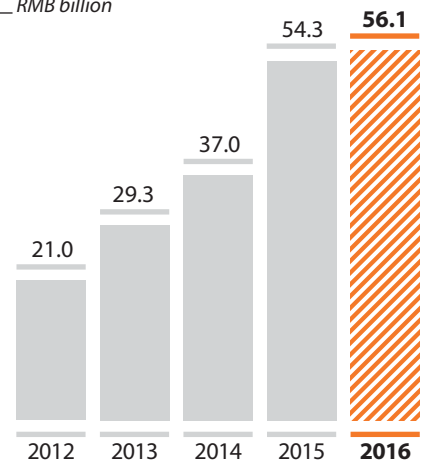
Stable bottom line RMB billion

Net profit

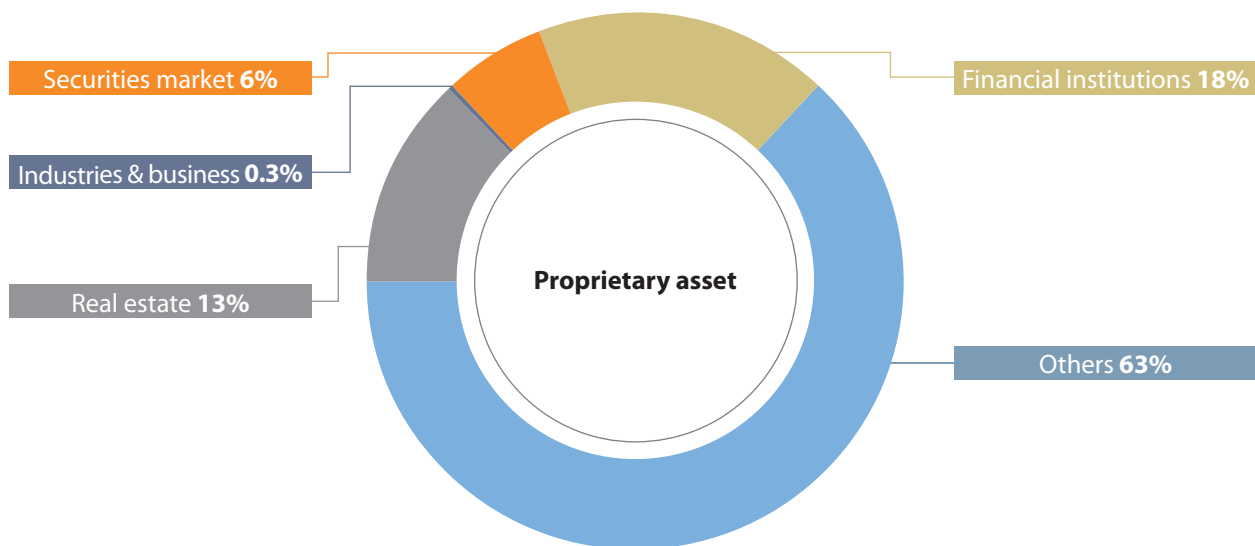
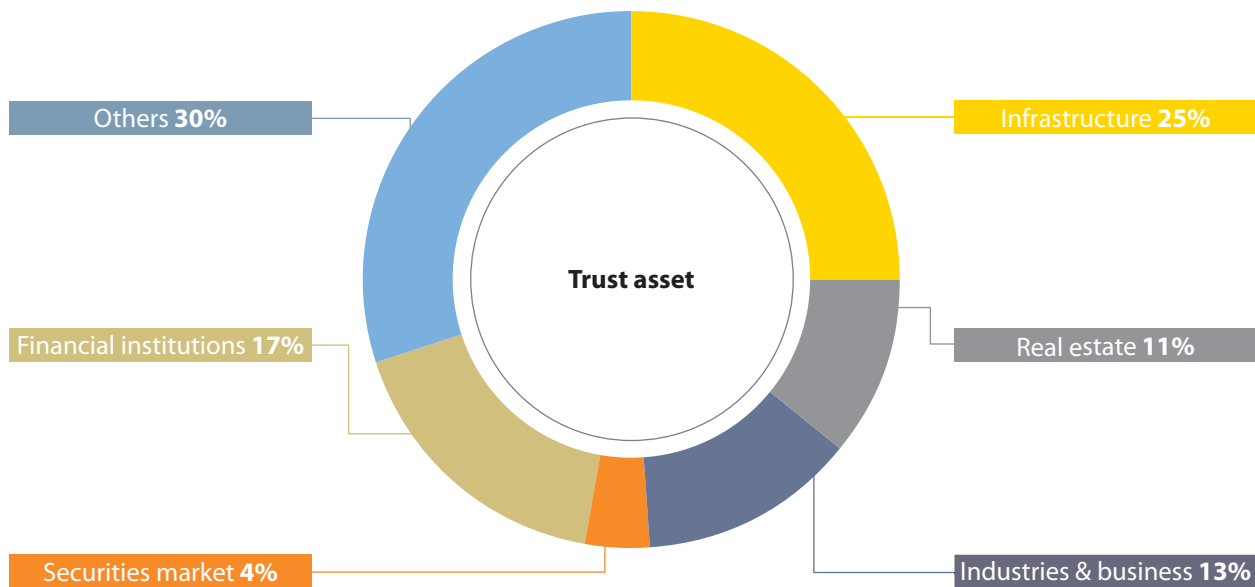


Shared value for customers RMB billion

Trust profit attributable to beneficiaries



2016 asset allocation by industry





Special Feature

Key Service and Products

At the core of its business, CITIC Trust acts as a bridge between the financing and investment needs of clients. In effect, the company acts as an integrated platform to enable more efficient capital and asset allocation for each side of its client base. It offers main services across financing, asset management and trust service.

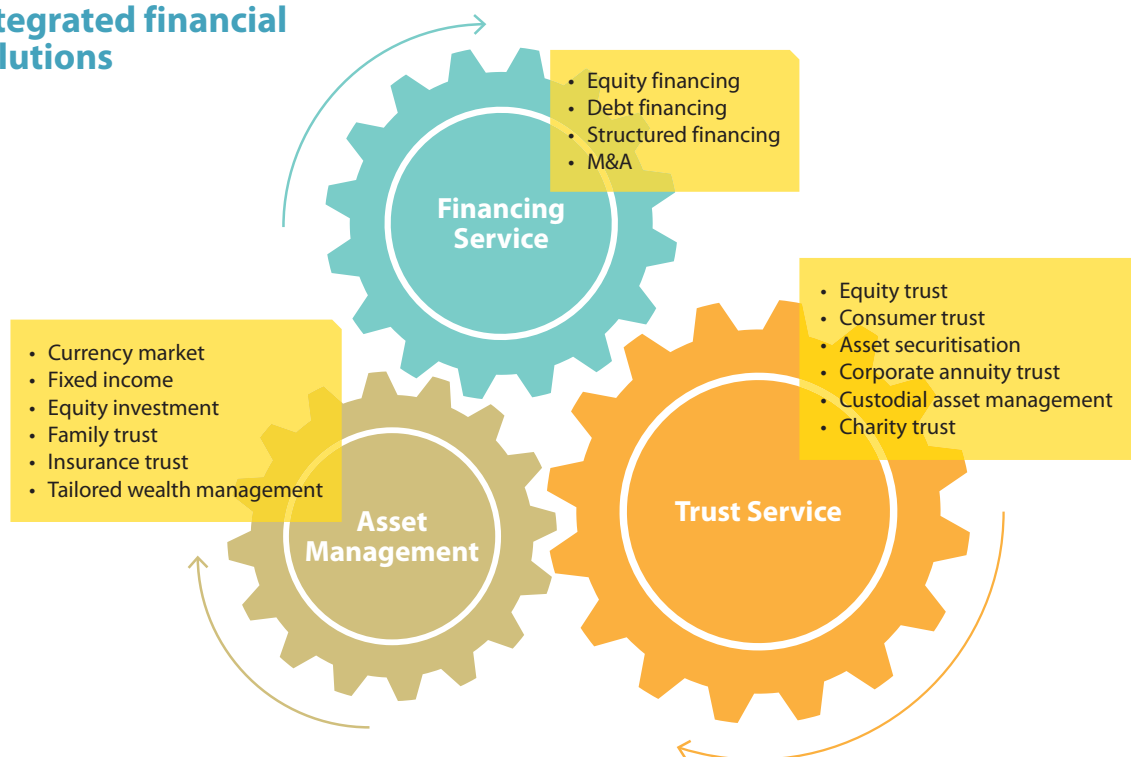
Financing: CITIC Trust delivers flexible financing solutions to clients, such as government, enterprises, financial institutions and other institutional investors, by leveraging various debt and equity financing instruments to efficiently connect them with appropriate investors selected among the company's wide network of high net worth individuals and institutional asset management clients. In this business, several products and services are provided, such as equity financing, debt financing, structured financing and M&A. The PPP business is another example of CITIC Trust's ability to provide an integrated financing service.

Asset management: CITIC Trust provides diversified wealth management services to high net worth

individuals and institutional clients, differentiated by the company's presence across multiple financial markets and industries on its integrated platform. As a result, clients enjoy market-leading investment opportunities and tailored wealth management solutions. A wide range of investment products is distributed across currency markets, fixed income and equity investment, segmented into a number of well-defined categories such as family trust, insurance trust and tailored wealth management.

Trust service: Clients' assets are typically held in trust structures, with CITIC Trust providing a consulting and management service to solve issues such as asset isolation, liquidity and custody. Specific services include equity trust, consumer trust, asset securitisation, corporate annuity trust, custodial account management and charity trust. The experience, knowledge and expertise of the company's professional team in accounting, legal, tax and financial services are unparalleled. This business, with its light capital consumption model, will likely continue driving the company's long-term development and is already providing fee income that has become a major revenue contributor for the company.

Integrated financial solutions





Highlighted services and products pioneered by CITIC Trust

Family Trust

Since 2013, CITIC Trust has provided family trust services to high net worth customers, allowing them to enjoy the cross-generational financial benefits of a privately and independently managed trust. In 2016, the company officially introduced a new brand to deliver these integrated services, CITIC Family Trust.

CITIC provides two kinds of family trust services — a customised service requiring a minimum AUM of RMB30 million and a standard service with minimum AUM of RMB6 million. In addition, products such as Insurance Trust have been set up with CITIC-Prudential, a subsidiary of CITIC Limited, to cater for the unique needs of family trust clients. The team includes financial

advisors, lawyers, accountants and trust specialists, who provide integrated wealth management solutions. As of the end of 2016, over 650 clients with total AUM of approximately RMB6 billion had opened accounts with CITIC Trust, making its family trust service the largest among trust companies in China. Family Trust Services will become a sustainable income contributor over the long term for CITIC Trust.

Public-Private Partnerships (PPP)

In recent years, the Central Government of China has been vigorously promoting the PPP model to raise funds for a growing number of infrastructure projects across the country. CITIC Trust provides a one-stop solution for PPP projects, using the CITIC Limited platform and CITIC Trust's expertise in infrastructure projects.

In 2015, CITIC Trust became the first trust company to launch a PPP project, raising RMB608 million for investing in the Tangshan International Horticultural Exhibition in Tang Shan, Hebei Province. In 2016, CITIC Trust was also the fund manager for Guizhou Province's PPP Fund, with a fund size of RMB10 billion. China International Economic Consultants, with its operations managed by CITIC Trust, was also one of the first PPP consulting companies recommended by China's Ministry of Finance to provide legislative services, project review and database compilation for PPP projects.





Asset Securitisation Products

CITIC Trust was one of the first regulator-approved trust companies in China to develop an asset securitisation business. By 2016, the accumulative size of this business exceeded RMB230 billion, ranking the first within the trust industry. It is also working to expand the scope of applicable underlying corporate assets to include non-bank lending assets, financial leasing assets, rights to beneficial interests of infrastructure, and accounts receivable.

In 2015, CITIC Trust successfully completed the first domestic corporate asset securitisation backed by commercial property rental income as the underlying asset — CITIC-Maoyong — which has since been listed on the Shenzhen Stock Exchange.

Consumer Trust Products

Consumer Trust Products was launched to meet emerging consumer demand in China. Its products give clients greater exposure to CITIC Trust's cross fund for investing in a wide range of industries. The industries covered under this product line include film, tourism, pensions, gold and diamonds, and high-end medical services.

CITIC Trust cooperates with domestic internet giants such as Baidu, Ant Financial, and NetEase to integrate online and offline consumer trust product pilot activities under the emerging Internet + Finance +

Consumer model. In 2015, CITIC Trust also rolled out the first trust product in China's diamond trade — a new, experimental investment model in the rigid diamond investment industry. The offering enabled investors to share in both investment and collection opportunities. In 2016, the company launched an online monetary fund, Le Mai Bao, which quickly reached RMB2.2 billion.

Overseas Businesses

With the increasing internationalisation of the RMB, a growing need has emerged for overseas asset allocation among high net worth customers who wish to diversify their portfolios. CITIC Trust has therefore seized the opportunity to expand its businesses overseas through subsidiary CTI Capital Management as a platform for offshore business. The company is the first in the trust industry approved by China Banking Regulatory Commission to enter overseas markets. In 2015, CTI provided structured financing of HK\$1.4 billion to support the "going out" strategy of Chinese companies. Another product, the Global Opportunities Fund, was the first offshore hedge fund established by a Chinese trust company. Additionally, CRC (Yunnan) Capital Management, a company founded by CITIC Trust's wholly-owned subsidiary CITIC Juxin, provides overseas direct Renminbi investment and overseas lending services. CITIC Trust also bridges domestic investors and the offshore market through several Qualified Domestic Institutional Investor ("QDII") projects.



Risk Management

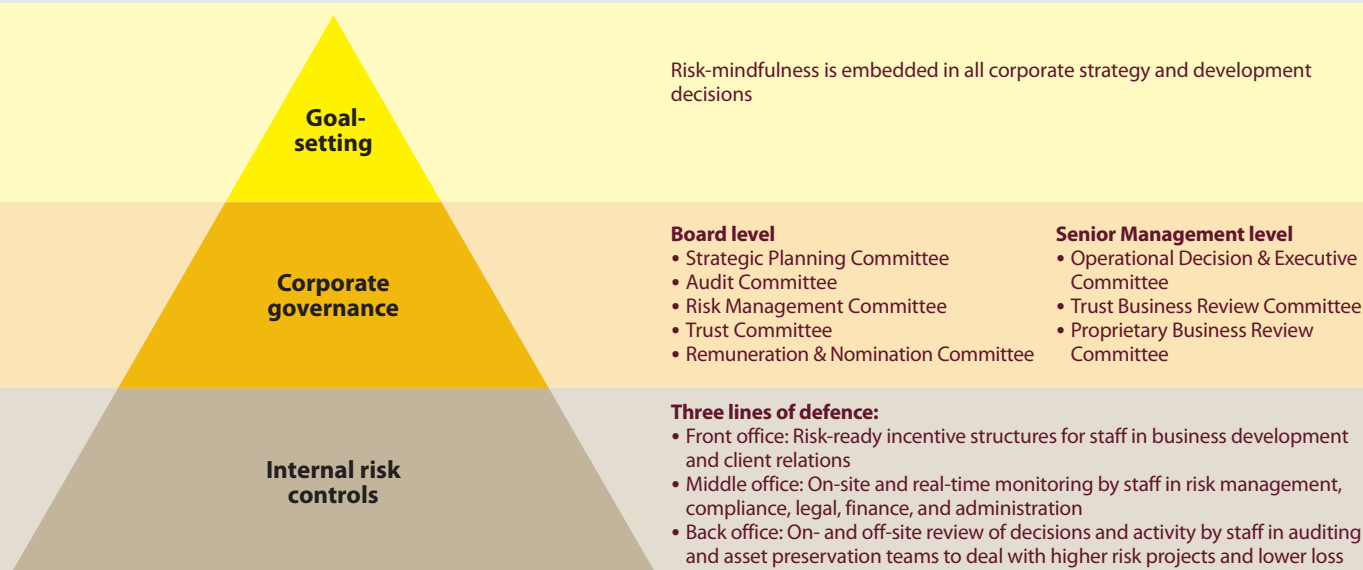
Risk management framework

As a pioneer of financial innovation in China, CITIC Trust has consistently been a first-mover in the financial industry. Nevertheless, based on a client's risk appetite, a moderate risk exposure is maintained with risk managed through a range of integrated resources and tools. The ultimate goal is to maximise value for clients and strike a balance between business growth and quality.

As most trust products are not standardised, CITIC Trust's comprehensive risk system has strong internal controls across each of the front, middle office and back

offices — a system known as the “three lines of defence.” The front office comprises the advisory and customer service teams; the middle office includes compliance personnel across the finance and legal functions; and the back office is composed of audit teams who review historical decisions and activity. As a result, the company is able to maintain a robust system of controls and monitoring at all stages of project development across all functions and service offerings.

CITIC Trust also maintain a comprehensive corporate governance system with a board of directors, board of supervisors and senior management, who collaborate to embed risk-readiness and effective risk governance into all decision-making activities and operational management.



Solid Capital

The Measures for the Administration of Net Capital of Trust Companies came into force in 2010, which improved the regulatory framework for the trust industry. The regulation calls for trust companies to adopt more stringent risk management and focus on the light capital business itself. CITIC Trust's capital

remained strong and stable during the year. As of the end of 2016, CITIC Trust's registered capital was RMB10 billion. Its net capital adequacy ratio remained stable at 172%, while the net capital of the company was RMB13.9 billion, both much higher than the regulatory requirements. This solid capital provides buffers and helps to absorb losses for long-term growth and business innovation.

Item	End of 2016	End of 2015	YoY Change	Regulatory requirement
Net capital (RMB billion)	13.9	12.9	8%	≥RMB0.2 billion
Net capital adequacy ratio	172%	231%	(59pp)	≥100%
Total risk capital (RMB billion)	8.1	5.6	45%	N/A
Net capital/Net asset	69%	72%	(3pp)	≥40%



Innovation: Our Key to Success

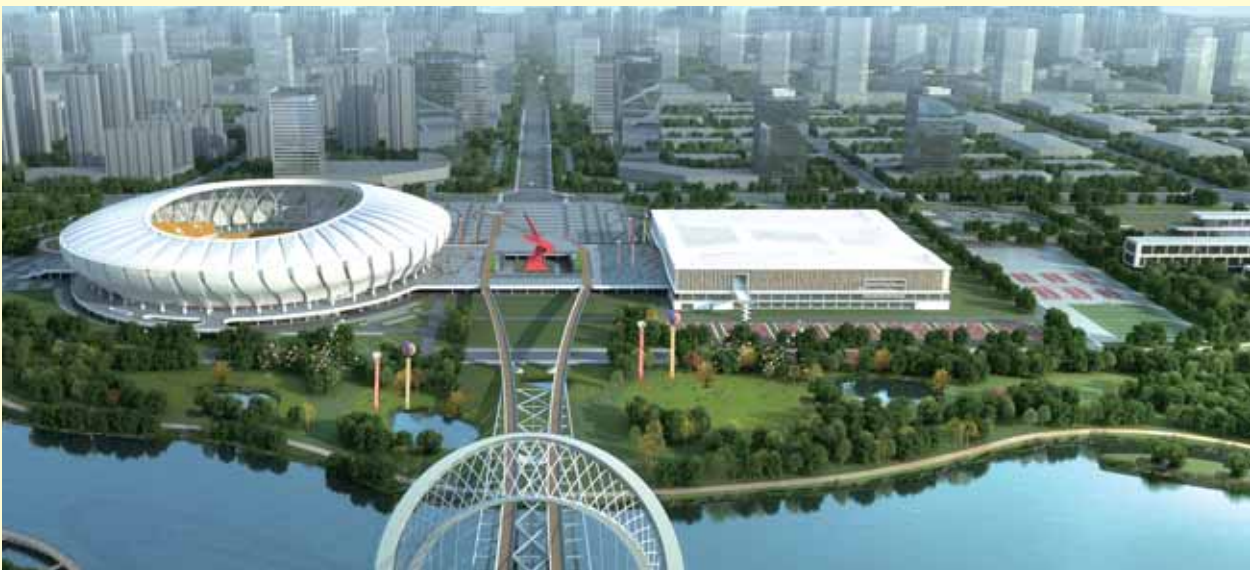
ZHAO Na
Vice President of CITIC Trust

Innovation,
the core of our success

As China's financial system continues to modernise, the trust industry today faces both great opportunity and challenge. The demand for innovative new products and services is growing like never before, and the sector is well positioned to lead financial innovation by integrating the majority of financial instruments. As the top player in this industry, we see innovation as the key to our success. But at the same time, increasing maturation is also driving greater regulation. As a result, delivering true innovation has become more complex and time-sensitive. Facing the challenges of the changing market environment, tightening regulations and growing time-sensitivity for delivering true innovation, we are stepping up the pace of exploring new fields and continuing to lead the industry.

Our PPP business is a good example of how we navigate this area under our trust structure. Starting from 2014, we strike a balance between fairness and efficiency by assembling the funds to invest in PPP projects. In 2015, we were the first mover among trust firms in this market, launching the industry's first PPP project when we invested in the Tangshan International Horticultural Exhibition — a demonstration PPP project of the Ministry of Finance. Since then, we have successfully participated in several other large projects, including the launch of a PPP investment fund with the municipal government of Ningbo, fund management for Guizhou Province's PPP fund, and investment in the Huangshi Olympics Sports Center PPP project in Hubei Province, the first sports-related PPP project in China. Although the market is becoming more competitive, I am proud to say that from Tangshan to Huangshi, our PPP expertise has advanced considerably in terms of partner selection, financing solutions, transaction structure and risk management.

Persistent improvement



Most PPP projects cut across a wide range of areas, requiring specific knowledge and very long investment horizons. These projects are rather complicated in terms of bidding, financing, construction, operation and securitisation. At CITIC Trust, we have the ability to form PPP consortiums with large contractors and professional operators for project bids, which plays up our collective strength in comparison to single entity bidders. It should be noted that through these consortium arrangements, each party enjoys the benefits and shares the risks.

PPP consortium, a win-win for all

We utilise not only assembled funds to invest in PPP projects but also other instruments, such as limited partnerships, contractual type funds, asset-backed securities (ABS) and asset-backed notes (ABN).

A supermarket of financial instruments



Greater flexibility
to invest through equity and debt

We can take advantage of our flexibility by investing with a combination of equity and debt to satisfy different financing needs. For the projects in which we invest, CITIC Trust acts as the shareholder as well as the financier for the project companies. This hybrid financing solution helps us control the core assets and interests of the PPP project, while lowering the risks of refinancing to ensure timely project completion.

Securitisation
as an exit strategy

There is always some uncertainty when developing PPP projects due to their long investment horizons. Thus, the exit strategy is always the key challenge. In order to solve this problem, we use our expertise to securitise the PPP assets and list them in the secondary market. Through this exit mechanism, we can provide a one-stop service that spans financing, investment, management and cashing out.



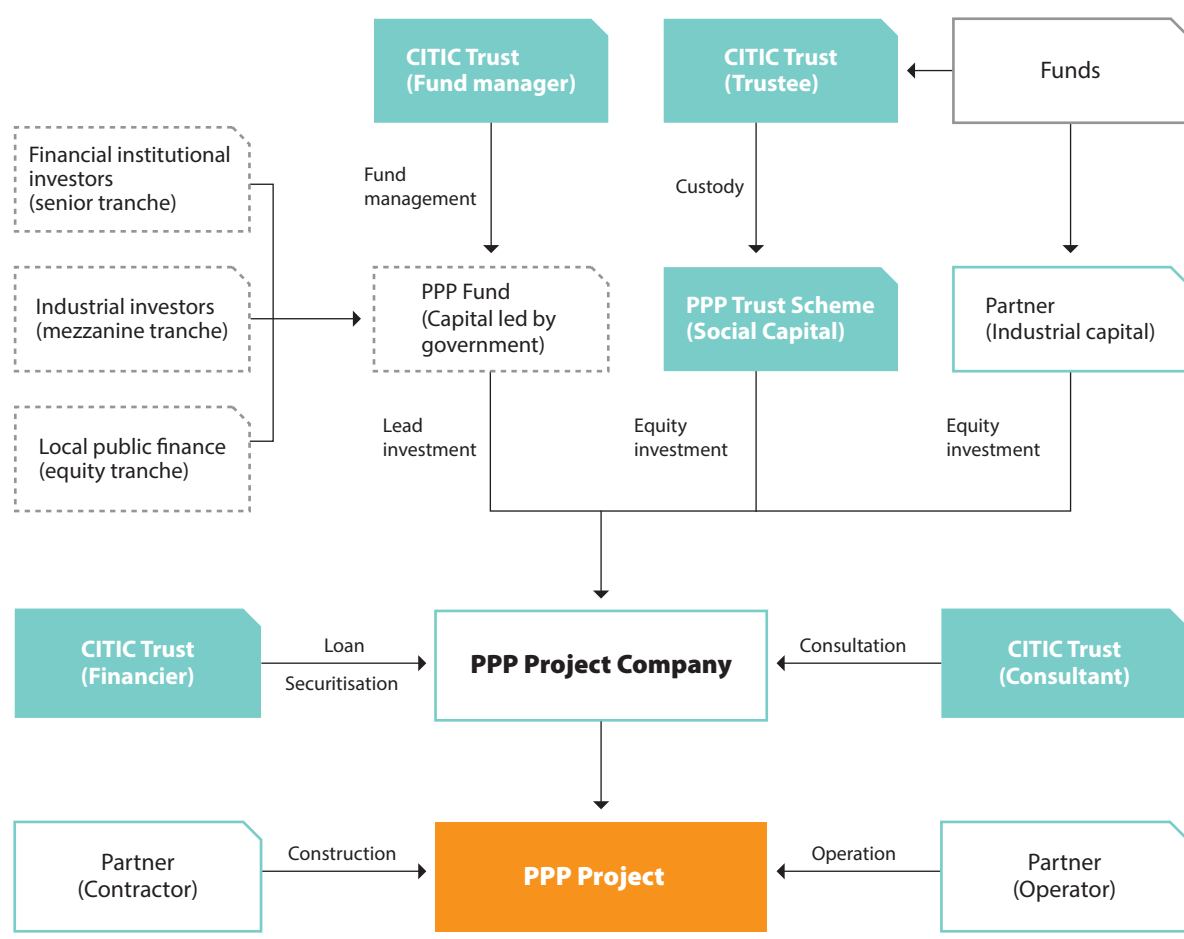
Leveraging our platform
**to build a CITIC PPP
consortium**

CITIC Trust is at the forefront of the PPP market. Under the umbrella of CITIC Limited, we have access to unparalleled industrial and capital resources, not to mention the constant potential for cross-business synergy in finance, manufacturing, engineering contracting and energy. We plan to get even better at this as we build up a CITIC PPP consortium to lead the market even further than today.

**Staying
dynamic**

PPP is just one of the many areas where we lead in innovation and the most recent example of our constant commitment at CITIC Trust to staying dynamic, being agile and striving always to deliver truly integrated financial solutions.

An example of PPP project structure



What is PPP?

PPP (Public-Private Partnership) projects are cooperative ventures between public and private sector actors to deliver infrastructure and public works initiatives. These arrangements are mutually beneficial for all parties as private companies drive the projects and ensure efficient, profitable and professional management, while local governments focus on solving public service challenges. With the emergence of this type of project structure, private capital can flow into attractive infrastructure projects more efficiently, while local governments can gain access to the capital they need to finance their development priorities while relaxing their debt burden. PPP is a national policy priority in China.

Following the first Chinese PPP projects in the 1980s, they have reappeared on a much greater scale in recent years, particularly since 2015, in response to accelerating urbanisation and other factors related to rapid economic development. Participating in PPP projects by leveraging trust funds is an innovative model that has been recognised by the Ministry of Finance.