STRICTLY PRIVATE & CONFIDENTIAL

Key Role of Private Equity Investment in Corporate Development

CITIC Kazyna Investment Fund

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Corporate capital structure

Equity and Debt

- Equity: ownership of the company, assuming the highest risk but control of the company;
- Debt: lending to the company but do not own it; fixed return, with priority when the company is liquidated;
- Hybrid capital: combination of equity and debt characteristics.

Capital raising for corporate development

Debt Financing

Pros

- no dilution of corporate ownership and loss of control;
- typically lower return to the investor.

Cons

- assets secured;
- limit of borrowing power - debt/equity ratio.

Equity Financing

Pros

- increase equity base for further debt financing;
- introducing strategic partner to assist corporate development;
- establish market valuation for further fund raising.

Cons

- dilution of returns;
- potential need of sharing of control.

Why private equity

Definition: equity investment in non-listed companies

- Investors providing common equity or other forms of equity-like capital;
- Generally in non-listed companies, aiming for later public listing for higher valuation;
- Also seen in investing in distressed public securities - PIPE (Private Investment in Public Equity)

  (Government funding not always available).

Type of private equity investors:

- Strategic investors - typically in the same industry or related sectors, aiming to secure supply or technology;
- Private equity funds - establish diversified portfolio to reduce risk, with limited investment holding period;
- Individual investors - typically based on personal relationship.

Importance of private equity

- Providing critical equity resources to company needs to develop into the next stage;
- Assisting management to improve the corporate governance and quality of operations;
- Opening up new horizon in both upstream and downstream; strengthening market position; acquiring competitors;
- Improving image of company leading up to the public market listing, where the company realizes the highest valuation.

Key Elements of Private Equity Investments

Asset classes in private equity

- Common equity - the least secured part of capital structure; usually demand the highest returns;
- Preferred equity - with limited protection and stable dividend income;
- Convertible debt - initially in the form of debt but can be converted into equity at the investor's choice.

Stage of investments

- Angel investment - earliest investors; typically friends and family members;
- Venture capital - in early stage of the company, usually only with technology and initial sales but no profit;
- Growth capital - with proven product and existing sales and profit; in need of capital to expand the scale;
- Pre-IPO private equity - investors that add strategic importance and help valuation for the IPO success;
- Buy-out - take over majority shareholding position and change management; typically assisted by debt.

Exit strategy of private equity investment

- IPO - the company goes on to public securities market to raise additional capital; current investors sell all or part of their investments;
- Reverse Take Over (RTO) - the company acquires an existing listed company and inject its assets into it, in exchange of controlling shareholding; then issue new shares for additional capital, when the investors exit;
- Trade Sale - company issue new shares as well as allow investors to sell old share to strategic buyers, typically in the same or related industries;
- Management Buy Back - the management offers to buy back shares from the investors.

Success Stories in Private Equity

Win-win situation for BOTH the company and investor.

Chinese companies have benefited significantly from private equity investments during the 30-year successful development.

Case: Ctrip—started around 1999 as an online travel agency; raised angel capital and venture capital, from private equity funds such as Carlyle; further grew into leading position in China and listed in Nasdaq in 2003; further raised capital from public markets.

Case: Suntech—solar panel producer, started by Chinese scientist returning from Australia; obtained private equity from both government investment agencies and funds; successfully expanded into European and other markets; most successful IPO on New York Stock Exchange.

Case: Western Mining —engaged in the mining, smelting and trading of alloy and metal minerals; Started re-structure of its shareholding in 2003; Listed on the Shanghai Stock Exchange in 2007; It is currently China's second-largest producer of lead concentrate, fourth-largest producer of zinc concentrate, and seventh-biggest producer of copper concentrate with extraction rights in many metal mines overseas.

Successful stories also abundant in CIS companies.

Case: MTV Russia – a channel that creates and distributes Russian and English language music programming; after private equity investment made by Russia Partners the channel made a significant change in its business approach. This approach helped them to become number one entertainment channel in Russia with over 90 million viewers in more than 550 cities and allowed to raise the capital at international markets.

Case: Foodmaster – Kazakhstan based dairy producer that had Eagle Venture Partner, a private equity fund, as its core investor; further structuring of the company allowed Foodmaster to become an attractive piece for international strategic investor like Lactalis, one of the leading European dairy producer.

Investors

CITIC Kazyna Investment Fund I is sponsored by CITIC Group and Kazyna Capital Management and it is the first fund in series of private equity funds planed to be raised by CITIC Kazyna team.

Kazyna Capital Management (KCM) was established in May 2007, as Kazakhstan's first fund of funds. 100% shareholder of KCM is Sovereign Wealth Fund Samruk-Kazyna.

The main goal of KCM is to increase overall investment and innovation activity, development of non-extractive sector of Kazakhstan, as well as the development of private equity market in Kazakhstan by investing in Kazakhstani and foreign private equity funds.

Since its inception KCM, together with international institutional investors has invested in seven funds total planed capitalization of which is 2.8 billion USD. Total assets under management of KCM is around 430 million USD.

The CITIC Group (Chinese: 中国中信集团公司, Zhōngguó Zhōngxìn Jítuán Gōngsī), formerly the China International Trust and Investment Company, is a state-owned investment company of the People's Republic of China, established in 1979.

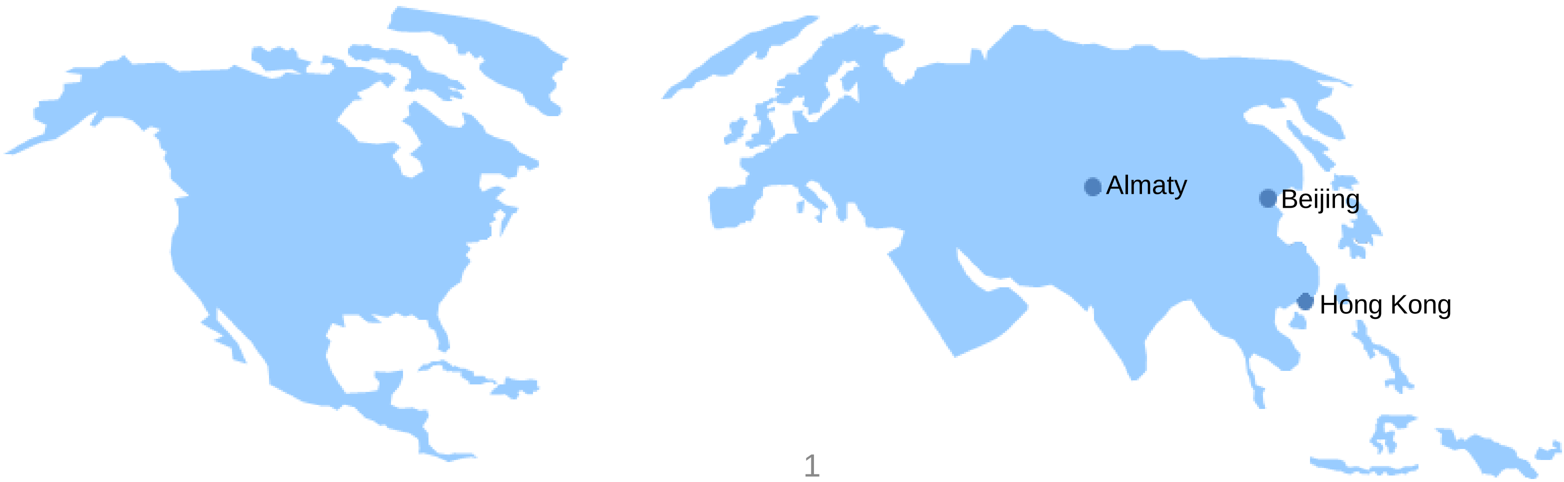
Its initial aim was to attract and utilize foreign capital, introduce advanced technologies, and adopt advanced and scientific international practice in operation and management. It now owns 44 subsidiaries including China CITIC Bank, CITIC Holdings, CITIC Trust Co. and CITIC Merchant Co., Ltd in China, Hong Kong, the United States, Canada, Australia and New Zealand. By the end of 2009,CITIC's total assets stood at around 300 billion USD.

Summary of terms

Total Target Size	200 million USD
Target Investment Size	range between 5 million USD and 30 million USD (maximum 15% of the aggregate commitments in any single portfolio company)
Target Countries	Kazakhstan and China
Target Industries	non-extractive industries with maximum exposure to any one industry sector of 25% for the portion allocated to each of the target countries
Term	10 years with 2 years extension option
Investment period	5 years
Investors	CITIC Group (through CITIC Capital) and Samruk-Kazyna (through Kazyna Capital Management)
Target IRR	20%

CITIC Kazyna Manager Ltd.

- CITIC Kazyna Manger Ltd. – Investment management company that focuses on private equity investments in Kazakhstan and China.
- Financial Targets – target stable absolute returns for investors across a range of specialized funds, first of which is CKIFI.
- Firm AUM – 200 million USD under discretionary management across a range of special opportunities in private equity. Company plans to increase AUM in 5 years to 1 billion USD, by raising two additional 400 million USD private equity funds.
- Structure – investment management company licensed and based in Cayman Islands; advisory teams in Almaty (Almaty CITIC Kazyna Adviser), Hong Kong (CITIC Kazyna Investment Advisor) and Beijing [WOFE].



Investment Strategy and Approach

CKIF pursues the following approach to investment opportunities in the context of current market conditions:

•Invest in good companies with impaired liquidity to take advantage of the crisis to consolidate or grow the market share or provide long-term working capital solution;
•Seek companies whose major business is in China or Kazakhstan (with strong linkage to central Asian countries), where CITIC and Samruk-Kazyna can add value through their respective domestic and international resources

Target Industries: Chemical and Metallurgy, Petrochemical, Oil and Gas Equipment and Services, Construction Materials, Food Processing, Machinery, Transportation & Logistics, Agriculture, Retail and other non-extractive industries

Type of companies:
•IPO or secondary offering candidates;
•Mid-cap companies with scalable business.

Controlling stakes, minority stakes with board representation and positions in decision making bodies of the companies where appropriate:

•Influence, if not, control, where possible;
•Emphasis on structural downside protection.

Leverage on proven investment process and development of reputable brand:

•Unwilling to compromise on due diligence;
•If we could not be comfortable, we do not invest.

Investment horizon: 3-5 years

•Companies shareholders should provide CKIF to exit from the company within three to five years by one of the following ways: buying fund's shares back by existing shareholders, selling shares of the fund to management (MBO), through the Initial Public Offering (IPO), or a joint sale to a strategic investor.

Why CITIC Kazyna Investment Fund

CKIFI can provide funds that are necessary for the development of the company and realization of the future projects

•up to 30 million USD in equity investment;

•attract additional investments (far greater that capacity of the fund) by using its co-investors base.

Strong government backing

•investors of the CKIFI are Sovereign Wealth Funds of China and Kazakhstan;

•support from the heads of both states;

•ability to leverage on existing relationships.

CKIFI can provide intangible resources as advisory, business links, reputation, etc

•business and investment professionals from a diverse base of top-tier international and local firms;

•business links with largest industrial and financial conglomerates both in China and Kazakhstan with interests in a broad range of industries, which allows to have not only expertise, but also more easier access to debt financing;

•investment funds analyze hundreds of projects a year, but invest only in a few. Those companies that have well-established funds as a shareholders are positively recognized by the investment community.

Areas of support

Corporate Strategy

– assist in defining the corporate strategy, objectives and plans for implementation

Corporate Structures

– advise on consolidation issues

Corporate Governance

– run corporate governance “tune-ups”
– review and further develop corporate governance

Financial Strategy

– assess the company’s existing financial structure
– provide advice on the alternatives of raising debt and equity

Legal Structuring

– coordinate all aspects of IPO preparation
– review and advise on financial strategy
– consolidation, audit and tax issues

Manage Debt Raising Activities

– coordinate the financing process,
– advise on the marketing approach to investors

Recruitment

– provide guidance on key personnel and Board hires

External Consultants

– advise on engaging management consultants

Why CITIC Kazyna Investment Fund

Bringing together CITIC Group's industry expertise and Kazyna Capital Management's strong deal origination and execution capabilities and local market knowledge in Kazakhstan.

KAZYNA CAPITAL MANAGEMENT

- Government relations;
- Expertise in Kazakhstan and CIS execution;
- Deal origination;
- Implementation of efficient capital structures;
- Portfolio company supervision and control:
- Strategic advice;
- Regional expertise.
- Investor Relations.

Uniquely placed to invest in and participate in management of Chinese and Kazakhstani non-extractive industries

中国中信集团公司 CITIC Group

- Government relations;
- Expertise in China and global execution;
- Asset fund Management:
- Deliver investment strategy;
- Risk assessment and controls;
- Valuation approach.
- Non-extractive industries investment expertise;
- Relations with potential large co-investors;
- Excellent track record of pioneering new business in China.

Investment Criteria

Attractive features of target companies:

- Existing business, located in Kazakhstan or China (stand alone green field projects are not interesting to the fund);
- Company has clear growth potential;
- Company has transparent business model, cash flows and clear vision on short and mid-term development;
- Shareholders are willing and ready to sell part of their stake to fund;
- Shareholders are accepting and willing to help the fund exiting the company in 3-5 years, through either IPO, MBO or sale to strategic partner;
- Professional management.

Target companies should be ready to:

Preliminary stage:

- on confidential basis provide fund with business plan that have a forecast for 5 years;
- on confidential basis provide fund with financial statements for the last 3 years (preferably audited by big 4 auditing firms);
- ready to host fund's specialist and advisers on their premises during the site visits;

Post acquisition stage:

- accept fund's specialist as a Board member;
- change organizational and operational structure (if necessary);
- provide quarterly operational and financial reports to the fund.

Exit stage:

- IPO or secondary offering in Hong Kong or any other stock exchange;
- Trade sale to strategic investor;
- Current shareholder/manager buy-back.

Investment process

Early input from Investment Committee

Approval to proceed

Preliminary Investment Memorandum

Term Sheet

Investment Committee

Approval for recommendation to General Partner

Deal Generation

- Receipt of proposals from the partners of the fund or from target companies;
- Often funds contact target companies themselves.

Due Diligence

- Financial, business, technical and legal due diligence;
- Funds will ask target company to provide business plan, financial data and visit sites of the company.

Approval process

- Complete due diligence;
- Finalise Investment Memo;
- Discuss investment risks and merits with the Investment Committee.

Closing

- Legal documentation and structuring;
- Negotiate Share Purchase Agreement;
- Regulatory approval, if any.

Portfolio Management

- Quarterly financial and operational performance review;
- Board participation (or other ability to influence.

Approximate duration	8-24 weeks	4-8 weeks	2-6 weeks	2-5 years

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Fanglu Wang

Fanglu Wang is CITIC Capital's Senior Managing Director responsible for two joint ventures – serving as Chairman of Kaixin Investment Management and Chief Investment Officer of CITIC Kazyna Fund I. He has over 18 years of experience in capital markets, corporate finance, financial engineering and risk management. He has led several major capital raising transactions for the China Ministry of Finance and other major corporations. Mr. Wang was the former Head of Product Marketing and Sales for China at HSBC, a Director in Investment Banking and Debt Capital Markets at Merrill Lynch Asia, a Vice President at Citibank Hong Kong and an Executive Director at Sakura Global Capital.

Mr. Wang received an M.A. in Statistics from the University of Chicago, a B.S. in Mathematics and a B.A. in Journalism from Fudan University in Shanghai.